



**ANNUAL
REPORT
2018**



Canal de Isabel II in 2018

2018



14 January

We announced that more than **34 foreign and national delegations** have been interested in Canal de Isabel II's **management of the integrated water cycle** and the different procedures and technologies available to us. The Majadahonda Control Centre and the Arroyo Culebro Cuenca Media Alta WWTP were some of the most visited facilities.



28 January

After exhausting the 20,000 initial spots, Canal and the company Musealia expand the quota reserved for educational centres and **10,000 school children visit the Auschwitz exhibition free of charge.**



2 February

We present the new park that Canal will build on the grounds of the third deposit Chamberí golf facilities. The project **will recover 48,000 m²** for new landscaped areas and sports and leisure spaces.



7 February

Canal and our Works Council are **rewarded for our commitment to workers' rights** thanks to the implementation of the first collective agreement, which entered in force in 2017. It provides a **stable framework** for equalising the working conditions of the more than 2,500 professionals on our team. Canal has included **the promotion of talent and the commitment of its workers** as one of the basic lines of the Strategic Plan.



28 February

Together with the Autonomous Community of Madrid we implemented **the emergency plan for our 15 dams and weirs** with the goal of having the population of flood-prone areas understand the real risk and how to act in an emergency situation. We allocated a **budget of 7 million euros** for this.



22 March *World Water Day*

Canal employees meet to commemorate this day, established by the UN over 25 years ago. **To reduce consumption, recycle oil and pollutants** and committing to reuse are the keys proposed by the company's employees.



31 March

We announce that we will multiply our **fleet of electric vehicles** by 13 and, in turn, **reduce their carbon footprint by 30%.**



1 October

We closed the hydrological year with **historical record water reserves**, but from Canal we insist on continuing a responsible and efficient use of the resource.



26 September

The **Auschwitz exhibition** exceeds 450,000 visitors and extends its stay in Madrid for the last time until **February**. New objects from the Anne Frank house, never shown outside Amsterdam, will be incorporated into the exhibition in the coming days.



1 August

We announce we are developing a pilot project for standardising **remote reading** of water metres. The experience is being developed in collaboration with the leading mobile telephony operators and meter manufacturers.



26 June

Our Board of Directors has appointed **Pedro Manuel Rollán**, Vice-President and Spokesperson for the Regional Government of Madrid, Chairman of the public entity.



23-24 June

We celebrate the 160th anniversary since water was received in the city of Madrid from the Lozoya River and we organise **guided visits to Pontón de Oliva** in order to share part of its history.



6 June

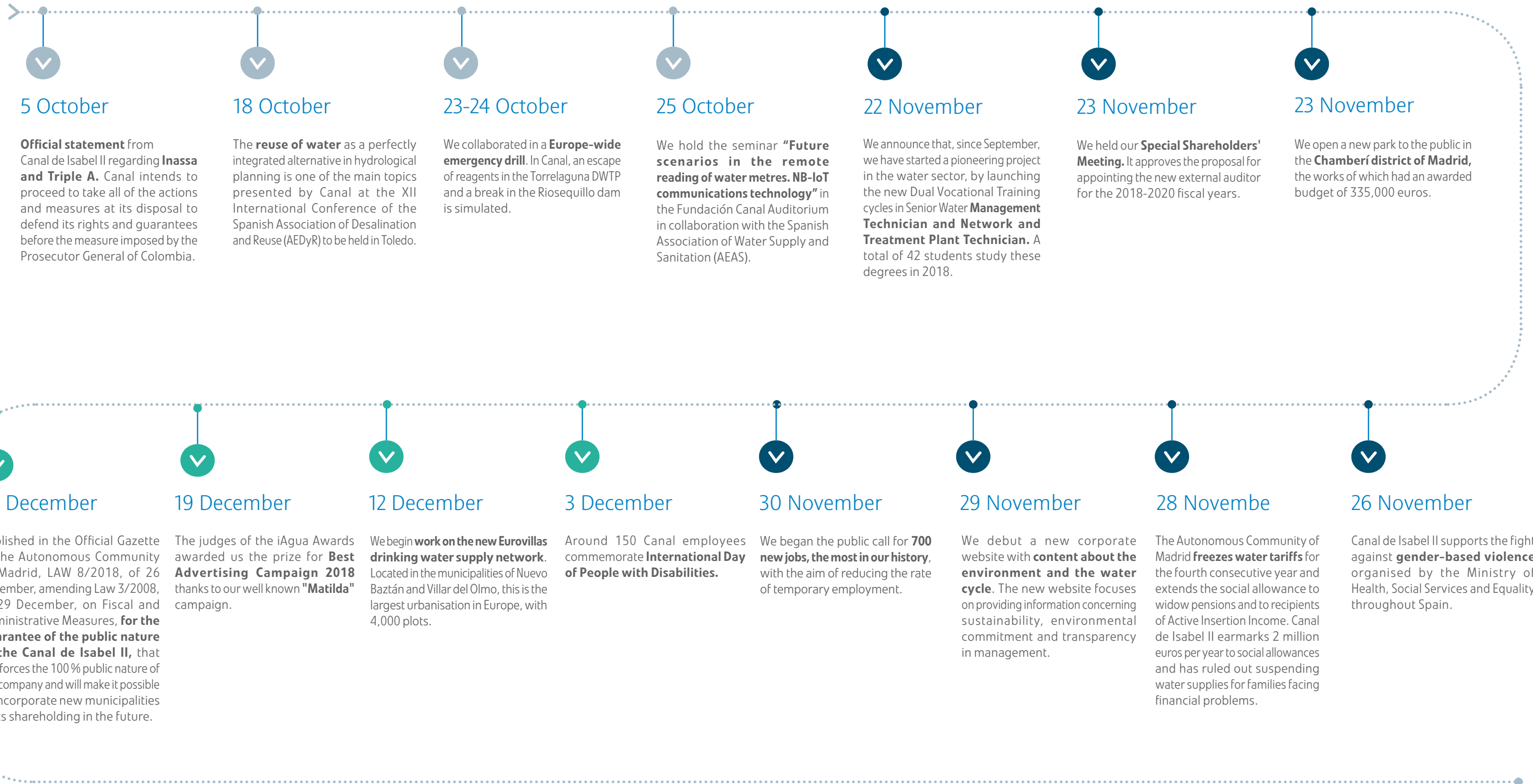
The Auschwitz exhibition extends its stay in Arte Canal until **October 2018** and surpasses **250,000 visitors**. Thanks to the collaboration of Canal de Isabel II, 30,000 students from all around Spain will be able to visit the exhibition free of charge until it closes in February 2019.



21 May

A fortuitous break in the East Artery causes the **highest incidence recorded in the history of Canal**. Nearly one million users suffer from a lack of supply, but thanks to the systems and work of our employees, the supply is gradually resumed in a few hours.

Canal de Isabel II in 2018



5 October

Official statement from Canal de Isabel II regarding **Inassa and Triple A**. Canal intends to proceed to take all of the actions and measures at its disposal to defend its rights and guarantees before the measure imposed by the Prosecutor General of Colombia.

18 October

The **reuse of water** as a perfectly integrated alternative in hydrological planning is one of the main topics presented by Canal at the XII International Conference of the Spanish Association of Desalination and Reuse (AEDyR) to be held in Toledo.

23-24 October

We collaborated in a **Europe-wide emergency drill**. In Canal, an escape of reagents in the Torrelaguna DWTP and a break in the Riosequillo dam is simulated.

25 October

We hold the seminar **"Future scenarios in the remote reading of water metres. NB-IoT communications technology"** in the Fundación Canal Auditorium in collaboration with the Spanish Association of Water Supply and Sanitation (AEAS).

22 November

We announce that, since September, we have started a pioneering project in the water sector, by launching the new Dual Vocational Training cycles in Senior Water **Management Technician and Network and Treatment Plant Technician**. A total of 42 students study these degrees in 2018.

23 November

We held our **Special Shareholders' Meeting**. It approves the proposal for appointing the new external auditor for the 2018-2020 fiscal years.

23 November

We open a new park to the public in the **Chamberí district of Madrid**, the works of which had an awarded budget of 335,000 euros.

28 December

Published in the Official Gazette of the Autonomous Community of Madrid, LAW 8/2018, of 26 December, amending Law 3/2008, of 29 December, on Fiscal and Administrative Measures, **for the guarantee of the public nature of the Canal de Isabel II**, that reinforces the 100% public nature of the company and will make it possible to incorporate new municipalities to its shareholding in the future.

19 December

The judges of the iAgua Awards awarded us the prize for **Best Advertising Campaign 2018** thanks to our well known **"Matilda"** campaign.

12 December

We begin **work on the new Eurovillas drinking water supply network**. Located in the municipalities of Nuevo Baztán and Villar del Olmo, this is the largest urbanisation in Europe, with 4,000 plots.

3 December

Around 150 Canal employees commemorate **International Day of People with Disabilities**.

30 November

We began the public call for **700 new jobs, the most in our history**, with the aim of reducing the rate of temporary employment.

29 November

We debut a new corporate website with **content about the environment and the water cycle**. The new website focuses on providing information concerning sustainability, environmental commitment and transparency in management.

28 November

The Autonomous Community of Madrid **freezes water tariffs** for the fourth consecutive year and extends the social allowance to widow pensions and to recipients of Active Insertion Income. Canal de Isabel II earmarks 2 million euros per year to social allowances and has ruled out suspending water supplies for families facing financial problems.

26 November

Canal de Isabel II supports the fight against **gender-based violence** organised by the Ministry of Health, Social Services and Equality throughout Spain.

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102-14 Message from the Chairman of the Board



Throughout its 168-year history, Canal has established itself as a benchmark for sustainability and efficiency in water management in the region of Madrid. In 2018 we have continued moving forward and working to maintain the excellent integrated water cycle management carried out by Canal de Isabel II, its hallmark.

In 2018, we launched our **Strategic Plan 2018-2030, a plan that is exciting**, challenging and that will mark the future of Canal, whose future performance is to guarantee a quality service to all the people of Madrid.

With the efforts of all those who work in Canal, we have achieved very successful financial results as in years past, contributing to reducing the debt by 53 % from the beginning of the legislative term in 2015, and ensuring the future sustainability of our company.

In 2018, the approval of Law 8/2018 stands out. It's a law with which we reinforce the public nature of our company, guaranteeing that in the future it will continue to be the people of Madrid's company and that it will allow all the municipalities in our region to join our company model that have not yet done so.

Furthermore, from the Board of Directors, we have continued to strengthen the company's organisation, financial areas, control and accounting, as well as corporate legal areas of subsidiaries, and the internal audit in order to ensure maximum control, transparency and efficiency of the Canal de Isabel II Group.

We continue, with all the legal assurances, in the process of divesting from companies outside the Autonomous Community of Madrid, a process that, over the next few years, will allow us to create a new management model that will fundamentally focus our activity in our region.

All this in keeping with the Strategic Plan 2018-2030, which marks how Canal will be in the future. It is a plan with which we return to the heart of this great public company, as established by our government programme, by incorporating the best business practices and reinforcing the values that govern our actions: commitment, proximity, transparency, excellence and sustainability. For this reason, we will be prepared to respond effectively and efficiently to the new needs demanded by a modern and globalised society, thus fulfilling our mission.

And, always, bearing in mind our social commitment to the people who need it most. Because in 2018 and until 2019, we will fulfil our commitment to keep the water tariff frozen and, moreover, to expand our social tariff to new groups, which has involved a 27 % increase in the case of allowances for families with economic difficulties in 2018.

We send our regards.

Pedro Manuel Rollán Ojeda
Chairperson of the Board of Directors of Canal de Isabel II
Vice-president, Councillor for the Presidency, Spokesperson of the
Government of the Autonomous Community of Madrid.

102-14

Message from the Executive Vice-chairman



In March 2018 we began the implementation of our **Strategic Plan 2018-2030**. A lot of work has been done throughout the year, thanks to the dedication of the more than 2,800 Canal employees, having made important progress.

Our plan consists of 10 strategic lines, with their corresponding monitoring indicators, which turn into 35 strategic plans and 10-star plans.

The first three lines correspond to our historic mission, which is the water supply; namely: **quantity, quality and continuity of the service**.

Regarding the efficient and responsible use of water in the Autonomous Community of Madrid in the medium and long term, many actions aimed at improving both efficiency and resource preservation have been carried out. Our star plan, in this case, is to reduce our total water consumption to levels that our supply system can guarantee as the population grows; **in 2018, this consumption was 200 litres per inhabitant per day**, 12 less than in 2017, when our objective for the first year of the plan was to reduce the daily provision by 4 litres. Contributing to these positive results were a favourable climate in 2018, the reduction of uncontrolled water and the awareness campaigns promoted by Canal de Isabel II.

In terms of **water quality**, our main objective is the **Network Plan**, the objective of which is the most ambitious network renovation that Canal has ever set; we are talking about replacing about 3,000 km of pipes. In the first five years, we intend to replace the equivalent of an entire city's (i.e. Zaragoza) network. **In 2018 we have undertaken 155 kilometres, which means improving upon the yearly goal we had set by 1 percent**.

Regarding **service continuity**, one of the more time-consuming lines, we seek to guarantee a resilience plan in every municipality, so that everyone has a double supply source. We want to make new designs in the next five years, reviewing the infrastructures in order to achieve said double supply source. In 2018 we have started to make progress and **have reached almost 80 % of the supplies to our customers with two or more supply alternatives**.

Reverse logistics of water in everything related to the treatment of wastewater and the search for **environmental quality** is another one of our major objectives. We seek compliance with the strictest purification requirements, and therefore, all treatment plants owned by Canal have an investment plan that is designed, approved and reported to the Tagus Hydrographic Confederation in order to meet the new discharge requirements. **In 2018, 23 % of our discharges of purified water to surface water were done with tertiary treatment**, as a contribution to improving the quality of our rivers. We are also committed to extracting and taking advantage of phosphorous from wastewater, **struvite**, an essential raw material for agriculture. In 2018 we have produced more than **330 tonnes of this valuable resource**.

Regarding our **carbon footprint**, in 2018 we managed to **reduce it by 43 %** compared to the base year (2017), having decided that all the electric power we purchase must come be of a renewable origin. With this, **we prevented the emission of more than 72,000 tonnes of CO²** in 2018.

As for our own **electrical production capacity**, we are at a self-production rate of 68 %, thanks to the incorporation in 2018 of the Sur WWTP cogeneration plants for thermal sludge drying. With it, **our installed electrical power generation with renewable or high efficiency sources has exceeded 107 megawatts in 2018**.

Cooperation with municipalities in Madrid is key for Canal. They are, in many cases, our shareholders and our main customers. For this purpose, in 2018, the single window model has been designed, we have begun to progress in the collaboration with Sierra Norte municipalities and we have prepared everything necessary so that municipalities with an investment gap in sewerage may enter the **SANEA Plan** system beginning in 2019.

Regarding Line 6, aimed at **customer and user satisfaction**, we have achieved a mark of **8.23 out of 10**. This line also highlights in 2018 the launch of an emblematic project that will lead us to the **great change towards the permanent telereading of the metres**: this will allow us to know more about our customers, entering a new commercial system, with recommendations for savings in consumption, leak detection and even with the creation of new billing models, among other possibilities. It is a huge technological project that is the result of **Canal's own research with the sector's best companies**. We are already in a piloting phase, which is providing excellent results, and we are already collecting data and analysing how to demonstrate the value of this huge volume of data that will be generated in the future ("Big Data").

Regarding our progress in line 7, **transparency, good governance and social commitment**, in 2018 we have been working on, and we have already made a first proposal for our new **Water Observatory**. We have analysed this forum for discussion in collaboration with the Federation of Municipalities of Madrid (FMM), given that we have always thought that this was a good initiative to be led by this federation, so that it serves as a body for advice, recommendation and good guidance for what users, scientists and technicians can advise for that permanent enrichment that a strategic plan should have.

In terms of **transparency**, in 2018 we have been audited and we fulfil 100 % of audits regulated by the Transparency Law. With regards to good practices, Canal holds the second position, a few points behind entities such as the Spanish Meteorological Agency (the leader in Spain) and ahead of companies such as ADIF, Renfe or AENA.

Moreover, in 2018, in the Council we have continued to move forward with the approval of new good governance, compliance and crime prevention policies, which are part of our code of conduct that was approved in 2016.

On **social commitment**, apart from our cultural and civic contributions, our commitment to extend the social tariff stands out. In 2018, **we reached more than 237,000 people**. In addition, we have managed to integrate

more people with disabilities in our workforce, reaching 2 %, and we have opened some of our facilities to citizens, such as the new Ríos Rosas Park, at our Headquarters.

Canal employees, our best asset is our people. In recent years, we have had a serious temporary employment problem, which, thanks to the approval in 2018 of 700 new positions, we hope to correct throughout 2019. Furthermore, it is important for us to understand the **work environment**, in order to establish the most appropriate policies that allow us to drive our employees to work in a pleasant, safe, comfortable place, and in which we bear in mind all those elements that enable us to be the best company to work for in the Autonomous Community of Madrid. In 2018, we conducted a first survey, the results of which will help us to improve in the future.

For us, training is a very important commitment. With the launch in 2018 of the Centre for Advanced Studies in Water, we managed to establish the first **Dual Vocational Training programme in the water sector**, with more than 40 students. It is an exciting training programme within Canal that we consider a clear commitment to quality employment and continuous training.

In the 21st century, innovation isn't optional. We must adapt our day to day to a society that is open to new trends and technologies available to us. To do so, we created **our line specifically focused on R&D+I**, and in 2018 we were able to propose 20 viable innovative projects. Our investment has exceeded 0.40 % of our business turnover, which leads us to the goal of 2 % towards 2022.

In this area, the most important plan we have is the **digital transformation of Canal, what we call the Canal 4.0 Project**, the first major project of which has already been launched, which will be one of the first wastewater treatment plants with 4.0 technology: the El Culebro WWTP. We have also launched two centres of excellence for water; one centre to measure different sustainable urban drainage techniques in the Mecó WWTP; the other is a mother plant to experiment with different residual water treatments in the Torrejón WWTP.

And all this being an **efficient and profitable company**. Thus, in 2018, **we reduced our net financial debt**, one of the lowest in our sector in Spain, by almost 40 % compared to 2017, while contributing 29.13 million euros in dividends to our municipalities, 4.94 euros per inhabitant.

In short: **WE'RE MOVING FORWARD.** And we're doing it from the commitment of the more than 2,800 people who work at Canal who -as public servants- are focused on fulfilling our mission as a company and our obligation to provide the best service to all citizens. The company that I currently have the honour to lead is a benchmark in the management of the integrated water cycle worldwide; a company with a **joint, profitable and successful model**, that we are improving every day.

I encourage you to learn about, through this document, the detail of our current achievements, as well as the objectives and exciting plans that we have defined for the years ahead.

Rafael Prieto Martín

Executive Vice-chairperson of Canal de Isabel II



1 OUR COMPANY



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

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

The experience accumulated by Canal de Isabel II in more than a century and a half of management allows us to contribute added value through other activities related to the water sector in geographical areas other than the Autonomous Region of Madrid. Thus, since the 1960s, Canal began to build a group of investee companies that, along with our company, constitute the modern-day Canal de Isabel II Business Group.

In 2018, the Canal Group supplied 7.32 million people (6.83 million in Spain and 0.49 million in Latin America), employing 7,301 workers and generating more than 4,594 indirect jobs. Furthermore, the Group's companies managed a total of 568 million cubic metres of water (530 million cubic metres in Spain and 38 million cubic metres in Latin America) and 38,954 kilometres of supply, sanitation and regenerated water networks.

At the close of the 2018 fiscal year, the Canal de Isabel II Group had close to 1.7 million supply contracts (77 % of which are domestic) in almost two hundred municipalities, with a supply coverage of 96 %.

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 The main figures of the Canal Group at the end of the 2018 fiscal year are detailed in chapter 5 of this report, "[The Canal Group](#)".



102-7 1.1. Main figures in the Autonomous Region of Madrid 2018



Technical information at the close of 2018

SUPPLY	
Number of reservoirs owned by Canal	13
Capacity of the Canal reservoirs (hm ³)	943.51
Water diverted for consumption in reservoirs and wells (hm ³)	479.87
Number of catchment wells in operation	78
Kilometres of network (adduction + distribution)	17,601
Number of drinking water treatment plants (2018)	14
Treatment capacity (hm ³ /day)	4.55
Number of major regulating reservoirs	34
Storage capacity of major deposits (hm ³)	3.3
Number of small deposits	292
Number of major lifting stations	22

REUSE	
Number of existing reuse plants	30
Kilometres of regenerated water network	615
Regenerated water deposits in service	63
Volume of regenerated water produced for reuse (hm ³ per year)	12.10
Municipalities that have reuse agreements or contracts with Canal	23
Golf courses that have reuse agreements or contracts with Canal	11
Companies and bodies with reuse services	12
Volume of regenerated water discharged (hm ³ per year)	112.62

CUSTOMERS AND POPULATION SERVED IN THE AUTONOMOUS REGION OF MADRID	
Number of contracts (millions)	1.48
Population supplied (millions of inhabitants)	6.36
Supply coverage (% inhabitants)	96.65
Municipalities supplied by Canal de Isabel II	173
Population served in sewerage management (millions of inhabitants)	5.60
Sewerage management coverage (% inhabitants)	85.17
Municipalities managed in sewerage	134
Population served in wastewater treatment (millions of inhabitants)	6.57
Coverage in wastewater purification (% inhabitants)	99.87
Municipalities managed in wastewater treatment	179

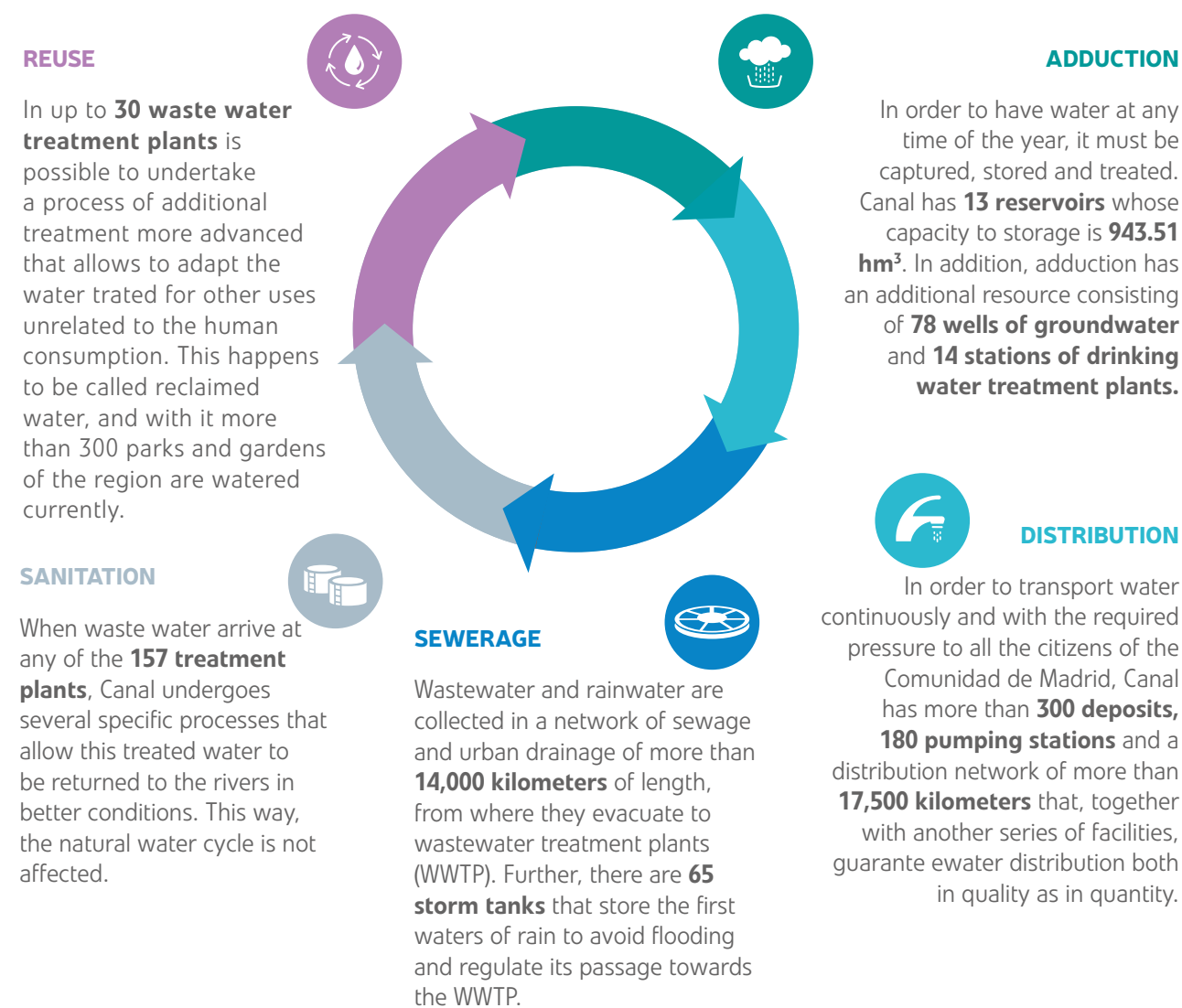
SANITATION	
Kilometres of managed municipal sewerage networks	14,206
Kilometres of large collector and outfall networks	877
Number of buffering basins and storm tanks managed	65
Capacity of storm tanks managed (hm ³)	1.48
Number of wastewater pumping stations managed	133
Number of wastewater treatment plants managed	157
Nominal treatment capacity (millions of equivalent inhabitants)	17.14
Water treated in WWTPs in 2018 (hm ³)	489.62



102-2 1.2. Our business: the integrated water cycle

The mission of Canal de Isabel II is to take care of our Community by managing everyone's water with transparency, efficiency and sustainability.

The cycle consists of two main phases: supply and sanitation, which correspond to the actions necessary to bring drinking water to consumers, and the collection and treatment of wastewater. A third phase can be added to this cycle, namely the reuse of the wastewater after adequate treatment to guarantee its sanitary characteristics, enabling its use for garden irrigation, street cleaning, watering sports areas and even for industrial use. Canal de Isabel II currently manages all the phases and stages mentioned above.



All the information about the integrated water cycle is available on [our website](#).

303-1 Supply: adduction (collection and treatment)

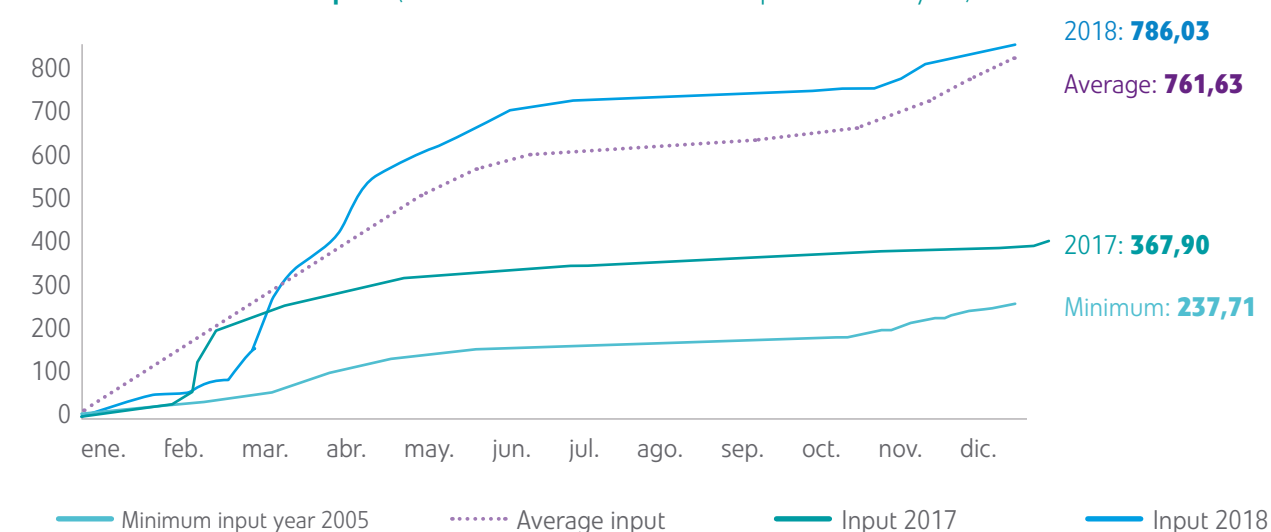
303-2

The supply system for the Autonomous Region of Madrid managed by Canal de Isabel II is mainly based on surface water catchment, using the 13 reservoirs managed by Canal to take advantage of inputs from the Lozoya, Jarama-Sorbe, Guadalix, Manzanares, Guadarrama-Aulencia and Alberche rivers, from where 90 % of the water supplied to the network comes.

cubic metres per year (as can be seen in the graph), although it has reached as high as 1,756 million cubic metres (in 1941) and as low as 237.7 million cubic metres (in 2005). 2018 was characterised as average, with an input of 786.03 million cubic metres being recorded. This figure is 3.2 % more than the historical average.

The water that these rivers provide varies greatly from one year to another. The average input is 761.6 million

Cumulative natural inputs (millions of cubic hectometres per calendar year)

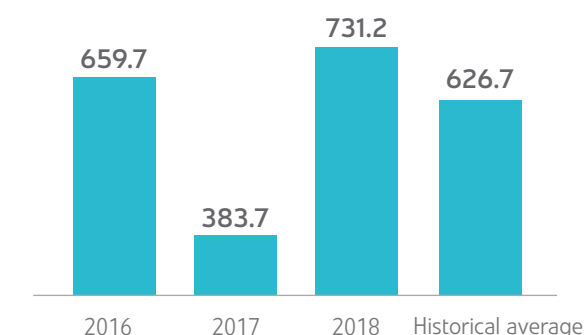


You will find more details about our reservoirs and catchments in [the link](#).

Rainfall recorded in Canal reservoirs (litres per m³ yearly)

Rainfall in dams in 2018, especially in spring, was 17 % higher than the historical average, therefore the inputs have been much higher than in 2017.

The 13 reservoirs managed by Canal have a total storage capacity of 943.51 million m³, of which 64.26 % are located in the Lozoya River basin. The main reservoir of this region is the El Atazar reservoir, with a capacity of more than 425 million cubic metres.

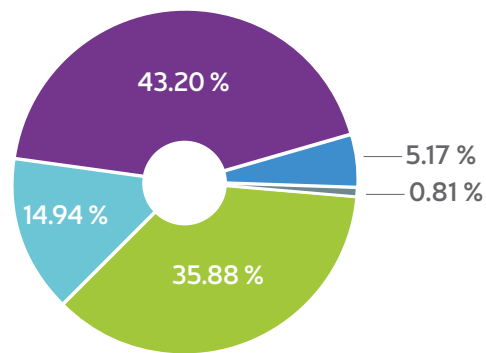


The abstraction of groundwater, as a support to surface water supply, is a key element in the management of the supply system during periods of drought or water scarcity and can contribute up to 90 million cubic metres per year of exploitation. To guarantee this volume we have 78 wells in operation.

Moreover, Canal also has the possibility of transferring water from the reservoirs of San Juan, Picadas and Los Morales on the Alberche River, and the Guadarrama

and Sorbe Rivers through the weirs of Las Nieves and Pozo de los Ramos. We can also supply from the San Juan reservoir to the Rozas de Puerto Real DWTP and to the Pelayos de la Presa DWTP. Finally, it is also possible to collect water from the Tagus River in order to supply it to the networks once treated in the DWTP of the same name.

► **Origin of water diverted for consumption in 2018** (479.34 hm³ yearly)



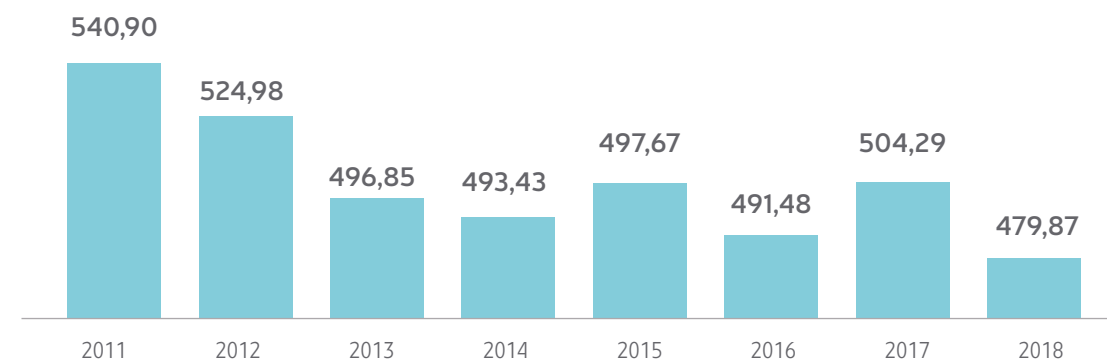
- Rest of Canal's reservoirs
- Picandas and San Juan reservoirs
- Other superficial catchments
- El Atazar reservoir
- Valmayor reservoir

The total volume of water derived for consumption totalled 479.34 million cubic metres in 2018, 4.95 % more than the 2017 volume and 3.40 % lower than the average over the previous five years (2013-2017).

From all the catchment possibilities described above, Canal obtains the resources that are subsequently sent to the treatment plants, through a network of large canals and raw water pipes that, at the end of 2018, had a total length of 256.34 kilometres.

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

► **Volume of water diverted for consumption** (hm³ yearly)



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 For more information about our treatment plants, visit [this link](#).

Supply: drinking water distribution

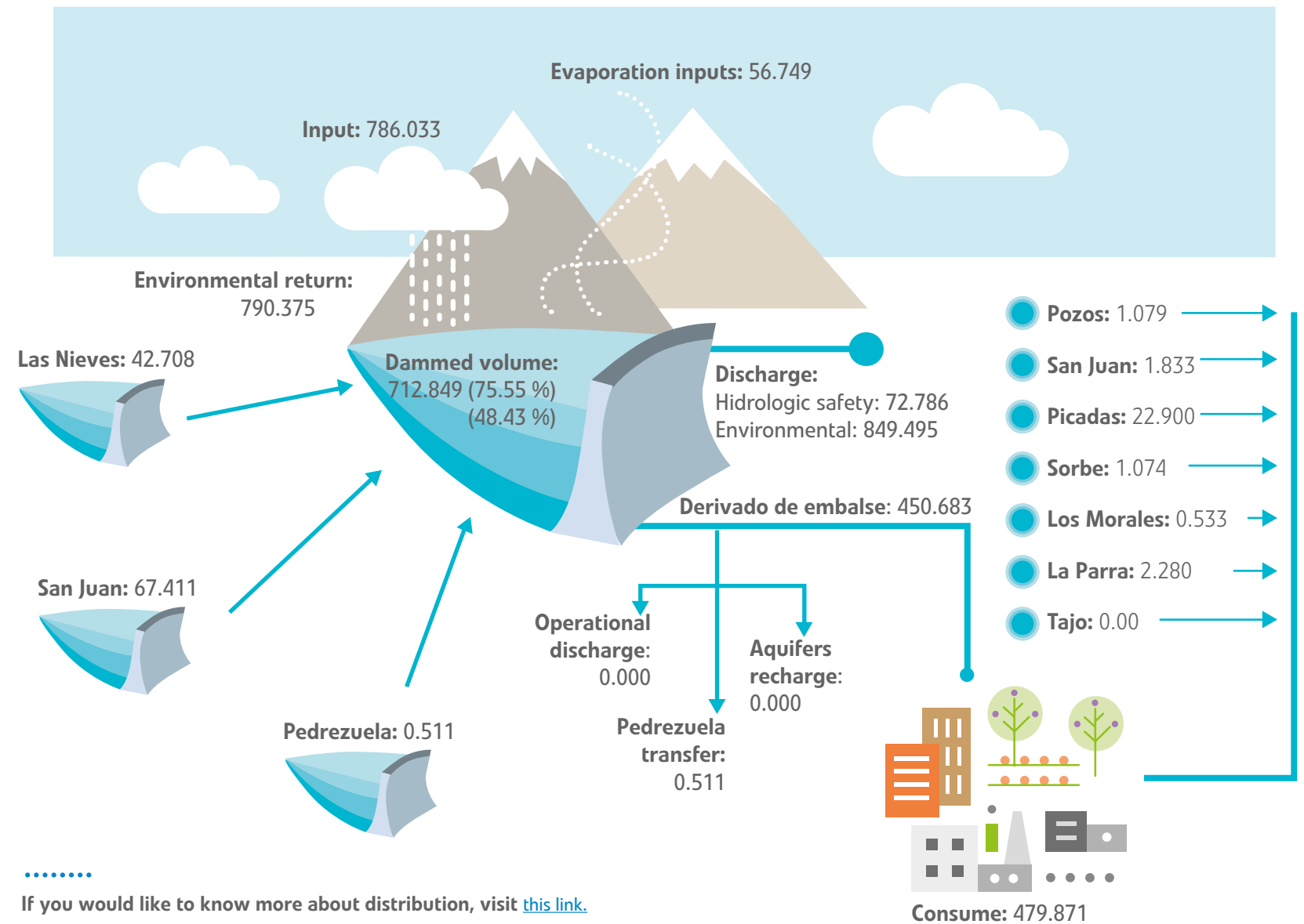
In the journey of the water from the DWTPs to the user's tap, Canal de Isabel II has a series of installations that ensure the maintenance of the service: the large pipelines, the regulating tanks, the pumping stations and the distribution network guarantee a continuous service, with the required pressure and quality. The networks managed by Canal in 2018 reached a length of 17,601 kilometres (of which 3,115 km were for adduction).

The regulating tanks are enclosures designed to store the water that supplies the population. The company

manages 34 of these large regulatory reservoirs, with a total capacity of 3.3 million cubic metres, in addition to a further 299 smaller regulating tanks.

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

► **Diagram of the water supply in the Autonomous Region of Madrid in 2018** (in millions of cubic metres)



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 If you would like to know more about distribution, visit [this link](#).


Sanitation: urban sewerage and drainage

The purpose of sewerage and urban drainage networks is to collect sewage and rainwater in the municipalities and convey it to treatment plants. As of 31 December 2018, Canal maintained these networks in 134 municipalities, collecting the wastewater of 5.6 million inhabitants.

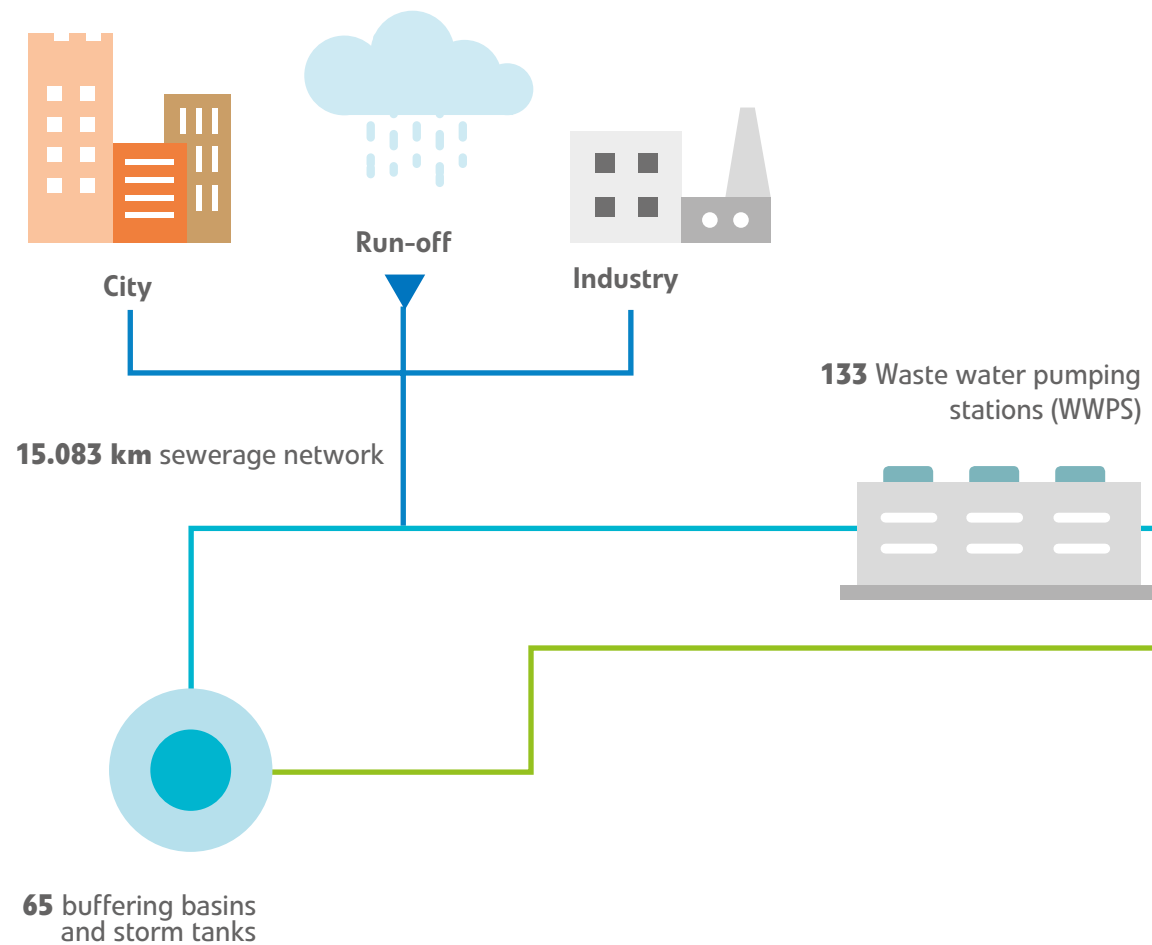
The total length of the municipal networks managed amounts to 14,206 kilometres of pipelines. At the same time, Canal manages 877 kilometres of supramunicipal pipelines and outlets, collecting and transporting wastewater from the municipalities to the corresponding WWTPs.

Other major facilities managed by Canal include the 133 Wastewater Pumping Stations (WWPS's), whose mission is to pump wastewater when it cannot be transported to the

WWTPs by gravity. Another 65-storm tank and buffering basin facilities are also managed, with a combined capacity of 1.48 million cubic metres. Their purpose is to prevent flooding, as well as retaining the first rainwater that is the most polluting, minimising its effect on the riverbeds.

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 **More details on sewerage management and purification are available at [this link](#).**

► Diagram of sanitation in the Autonomous Region of Madrid in 2018



306-5

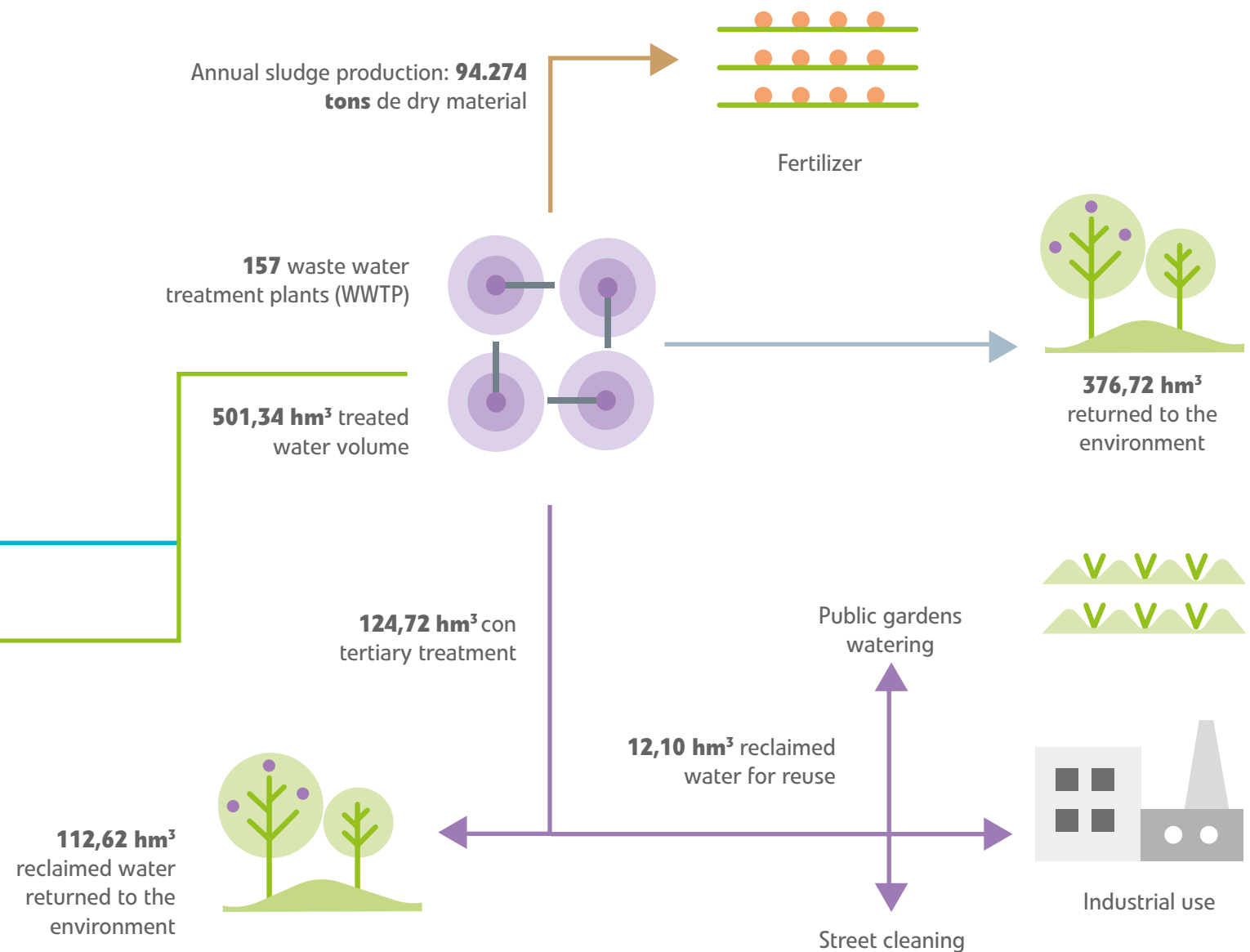
Sanitation: purification of waste water

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

Canal de Isabel II is in charge of performing this task in 179 municipalities. To this end, we have excellent infrastructures that allow us to provide an extremely technical continuous, high-quality and efficient service. In 2018, Canal's 157 Wastewater Treatment Plants (WWTPs), with a nominal

treatment capacity of 17.14 million equivalent inhabitants, treated a total of 489.4 million cubic metres of wastewater (113 of them with a tertiary treatment in order to contribute to improving river quality) and managed to eliminate 96.35 % of suspended solids, 97.41 % of BOD5, 92.96 % of COD, 92.37 % of phosphorus and more than 666.36 % of nitrogen contained in wastewater.

In addition to the treated water discharged to surface water, the Canal WWTPs treated another 12.10 million cubic metres for its reuse in 2018.



302-3

Regeneration and distribution of treated waste water for reuse

Canal de Isabel II believes wastewater recycling constitutes an essential component of the comprehensive management of water resources, in line with environmental sustainability, and contributes to the net increase in these resources. Accordingly, in recent years, the Canal has increased its activities relating to the distribution of recycled water for facilities that do not require drinking water, particularly for hosing streets, irrigating public parks, golf courses, and even for industrial uses.

By the end of 2018, Canal had 30 regenerated water production facilities (tertiary treatment) with capacity

to produce 318,806 cubic metres per day and 615 kilometres of reuse networks that had provided a total of 12.10 million cubic metres of water to the 23 municipalities that had this service. This number will increase in the coming years thanks to the signing of new regenerated water supply agreements.

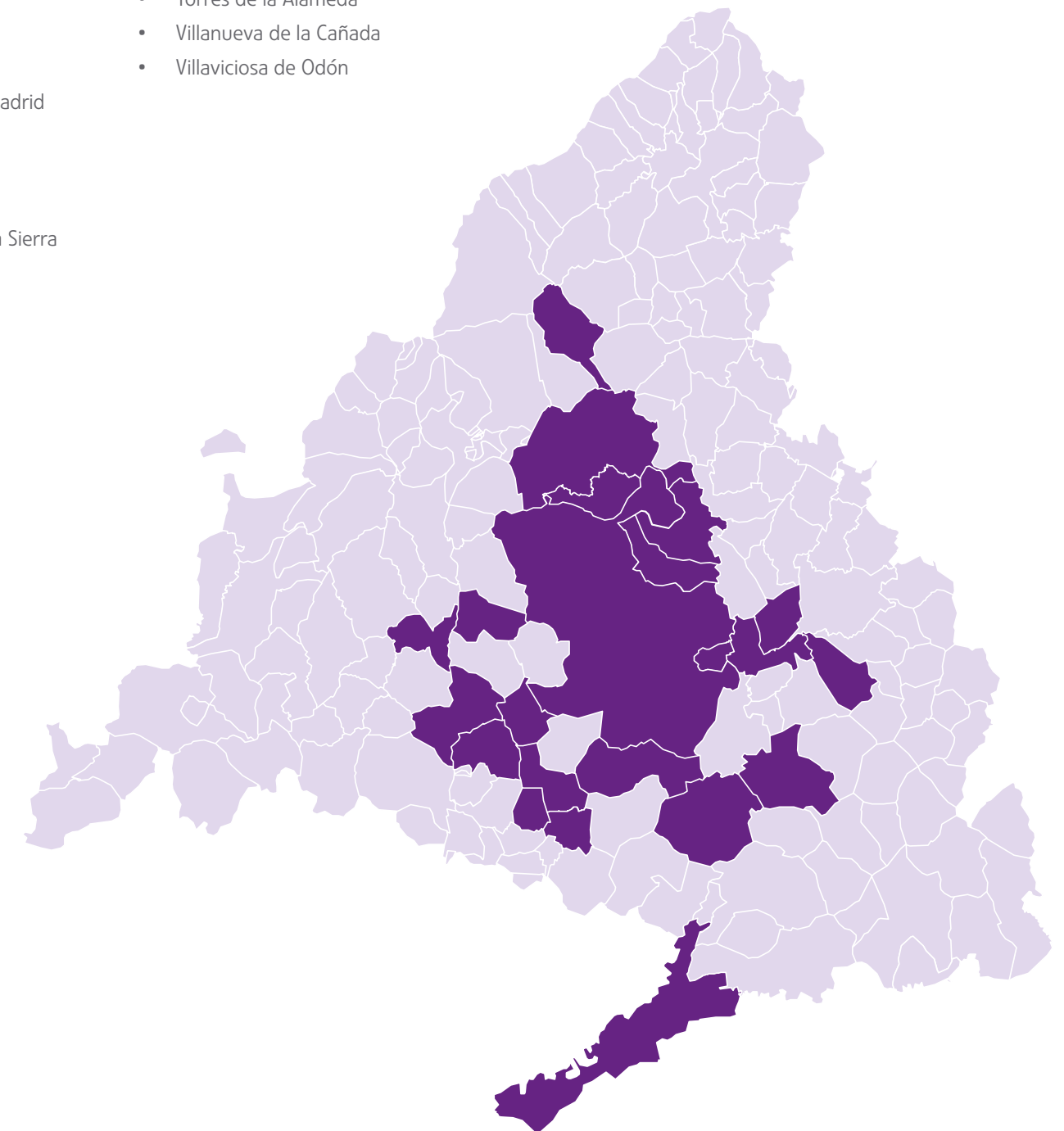
To better understand the value of reuse, with the regenerated water produced by Canal, 1,692.5 hectares are currently being irrigated in 308 green areas of the region and 11 golf courses with a total surface area of 789 hectares.

.....
 Find out more about wastewater reuse in [the following link](#).

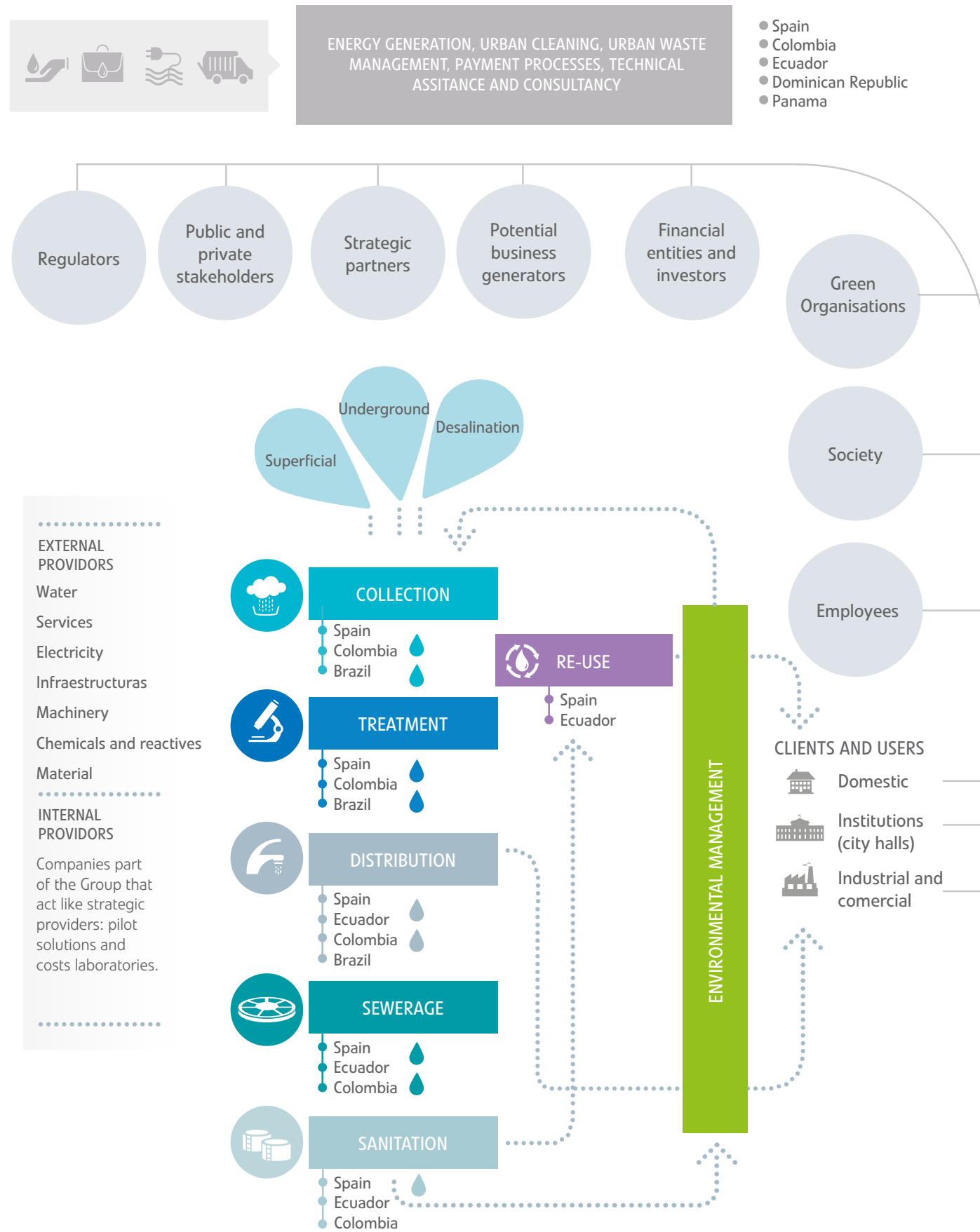


► Situation of regenerated water supply in the municipalities of the Autonomous Region of Madrid (2018)

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



► Cadena de valor del grupo empresarial Canal de Isabel II





1.3. Organisation of our company

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

Shareholders

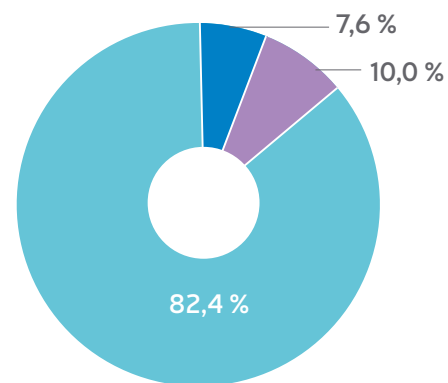
The social capital of the Canal de Isabel II corporation is represented by 1,074,032,000 ordinary shares, with a nominal value of one euro each.

The establishment of the Company was authorised by agreement of the Governing Council of the Autonomous Region of Madrid on 14 June 2012 (published in the Region of Madrid Official Gazette of 21 June 2012). The delivery of shares to the 111 municipalities holding shares in the company was formalised

in December 2012, in compliance with what was agreed with said municipalities. With the approval in 2018 of Law 8/2018 in the future, new municipalities may be incorporated into the shareholding of Canal.

By the end of 2018, the 111 municipalities that owned Canal de Isabel II had a total of 5,901,224 inhabitants, or 89.71 % of the population of the Autonomous Region of Madrid (92.43 %, excluding Alcalá de Henares).

► Shareholding structure of Canal as of 31 December 2018



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

¹Law 8/2018, of 26 December, amending Law 3/2008, of 29 December, on Fiscal and Administrative Measures, for the guarantee of the public nature of the Canal de Isabel II.

405-1 Governing bodies

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

The Directors are subject, regarding incompatibilities, to Law 5/2006 of 10 April on the regulation of conflicts of interest of Government members and senior officials of the General State Administration, and to Law 14/1995 of 21 April on the incompatibilities of senior officials of the Autonomous Region of Madrid, thus ensuring greater transparency and preventing the occurrence of potential conflicts of interest.

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

In addition, pursuant to Royal Legislative Decree 1/2010 of 2 July 2010, which approves the revised text of the Spanish Law on Corporations and the Company's Articles of Association, the Board of Directors' committee system contained in Articles 529(13) and 529(14) of the Spanish Companies Act respectively, is also applicable to Canal de Isabel II S. A. in its capacity as an issuer of securities other than shares admitted to trading on official secondary markets.

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

► Audit commission members



- Independent director **3**

► Appointments and remuneration committee



- Independent director **3**
- Dominical director **1**

► Board of directors by type



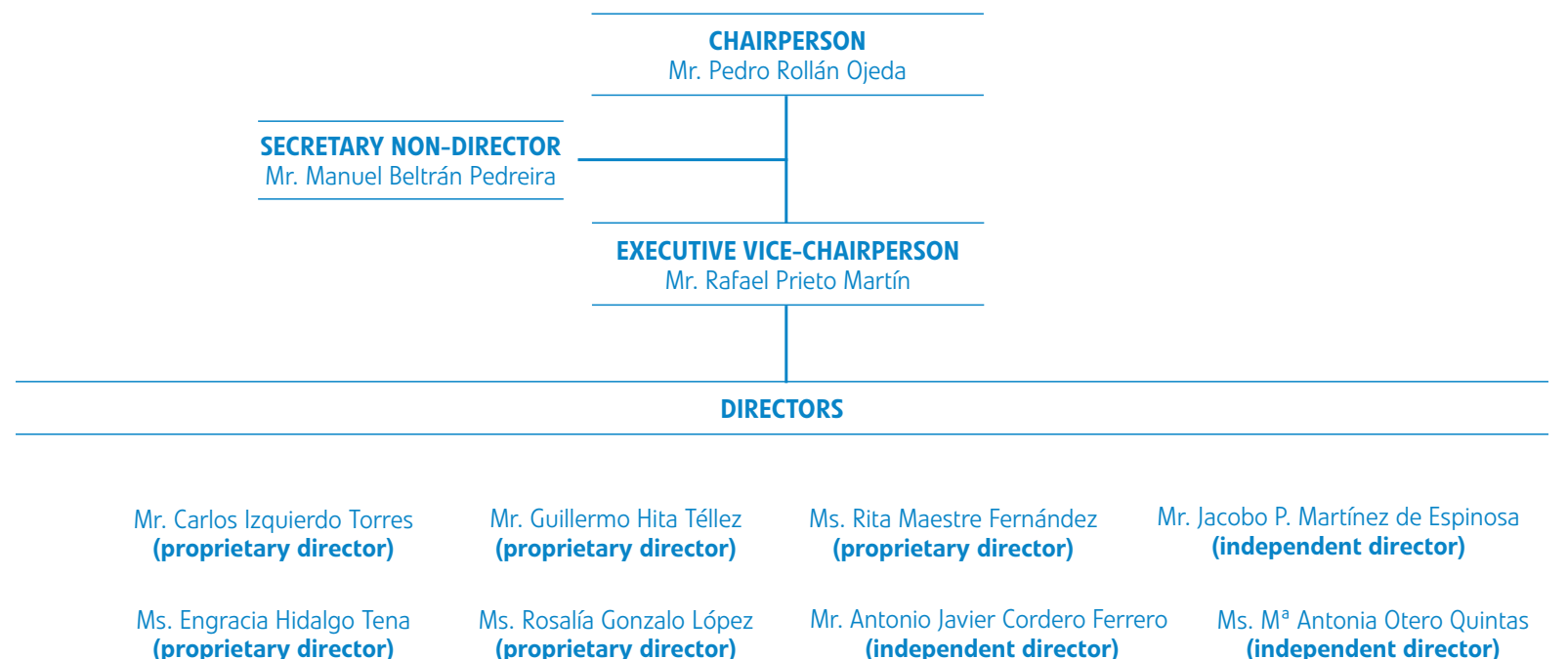
- External dominical directors (Comunidad de Madrid) **4**
- Independent external directors **3**
- External dominical directors (municipalities) **2**
- Executives directors **1**

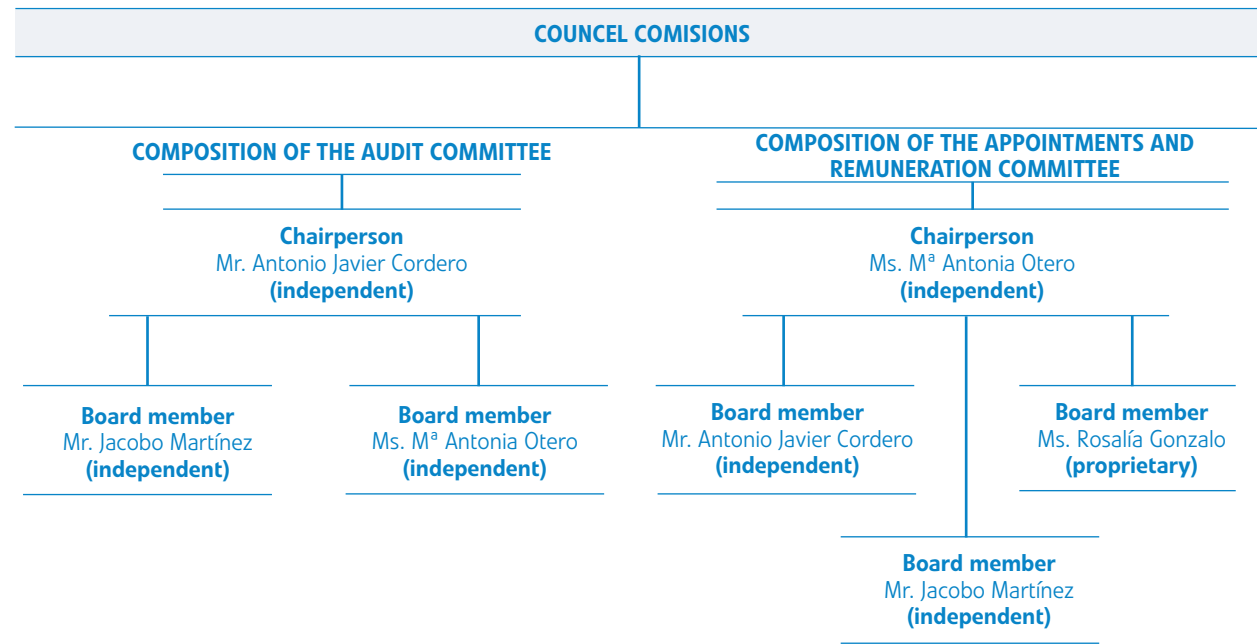
► Board of director members by gender



- Men **6**
- Women **4**

► Composition of the Board of Directors at the end of 2018





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

The Shareholders' Meeting, among other powers legally attributed to it, is responsible for approving the company's management, approving the accounts for the previous fiscal year and deciding on the allocation of profits. Since the creation of Canal de Isabel II in 2012, and until 2018 (including the complementary dividend paid in 2018), a total of 1.01339 billion euros have been paid out: 835.03 went to the Autonomous Region of Madrid, 101.34 to the City Council of Madrid, and 77.02 to Canal's other shareholder municipalities. This represents a contribution of 30.22 euros per inhabitant in the 111 municipalities that are shareholders.

Among the main agreements adopted in the two general meetings held in 2018, the following stand out:

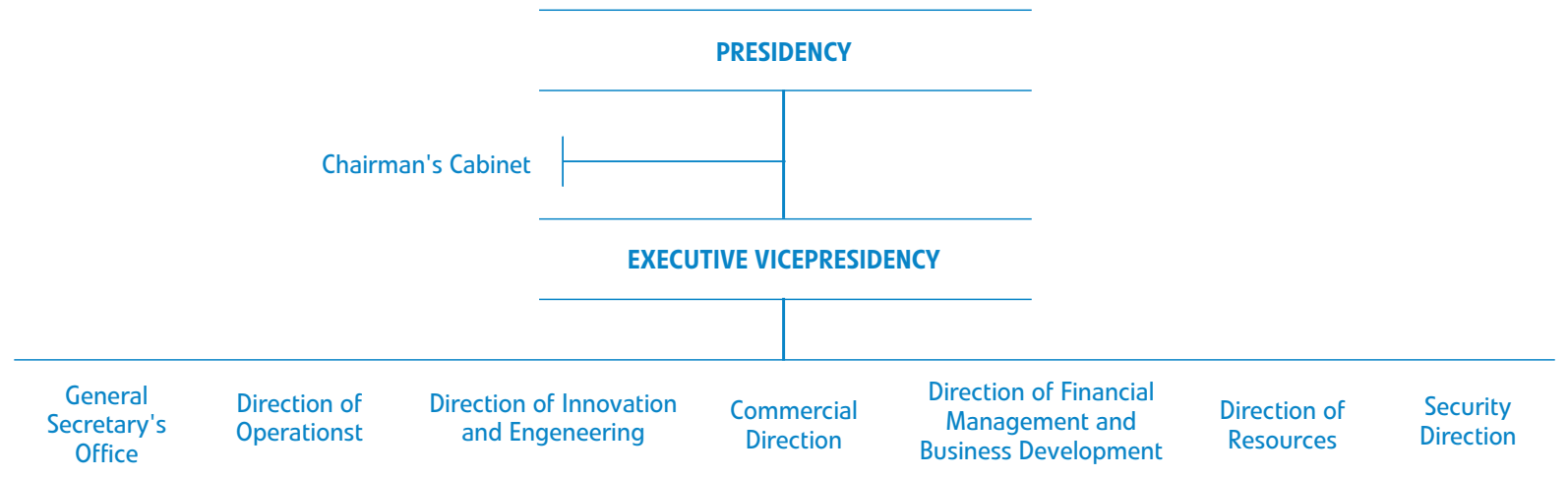
- The approval of the Annual Accounts and Management Report, corresponding to the 2017 fiscal year, both of the individual Canal company and the consolidated ones of the company and its Group.
- The approval of the Company directors' management during 2017.

- The approval of the distribution of profits for the 2017 fiscal year.
- The appointment of a new member of the Board of Directors (Environment, Local Administration and Spatial Planning Advisor of the Autonomous Region of Madrid).
- The appointment of an External Auditor for the Company and its Group's accounts for the 2018, 2019, 2020 fiscal years (AUREN AUDITORES).
- The creation of a Corporate Web site and application for registration in the Commercial Registry.
- The modification of the Company's By-laws: The modification of Article 9 of the Company's By-laws.
- The report to the Board regarding the status of the Canal Group in Latin America and eventual consequences.
- The approval of the directors' remuneration.

.....
 You can find more information about Canal de Isabel II Board members [here](#).

102-31 **Organisation and Executive Management**

102-32 Our organisation has a structure composed of different divisions, subdivisions and departments. At the end of 2018, the management structure in effect was as follows:



The Company has a Management Committee, which is chaired by the Executive Vice-chairman and made up of the directors of Canal de Isabel II, which meets on a regular basis to resolve the major issues affecting the company in any field (analysis of economic, operational, commercial or environmental information), as well as to deal with any other substantial matters proposed by its members.

On an annual basis, the Management Committee sets management objectives, which are monitored on a monthly basis by means of management indicators in the environmental, economic and social fields.

Until 2018 these indicators were grouped into seven areas of analysis: resource management, environmental efficiency, solvency and profitability, pace of investment, efficiency in internal processes, public image and electricity consumption/production. From 2019 onwards the indicators will be grouped along each of the lines of the Canal de Isabel II Strategic Plan 2018-2030.

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

.....
 You can find more information about our organisation and Canal de Isabel II's Management Committee members [here](#).

Other Committees and Commissions

As noted earlier, the Audit Committee is made up of three directors, all independent. The Appointments and Remuneration Committee also has three directors, two independent and one proprietary.

In addition to the aforementioned committees, Canal periodically holds different committees made up of

executive management members. These committees cover various topics, including the Supply Management Committee, the Energy Committee, the Committee on Information Systems, the Strategic Plan Monitoring Committee, among others.

102-21 102-31 102-32 **Organisation for controlling the progress of the Strategic Plan 2018-2030**
103-2 103-3

The Canal Strategic Plan 2018-2030 is a living and inevitably flexible tool, which seeks to fulfil objectives of continuous improvement and, therefore, has systems for monitoring and controlling results, as well as a continuous process of strategic review, which involves our entire organisation.

The implementation of the Strategic Plan should be understood as the implementation of cross-cutting projects involving professionals from different company departments, so that, to the formal and hierarchical structure of Canal, an ad hoc cross-sectional structure in charge of the implementation of the plans and actions of each strategic line overlaps.

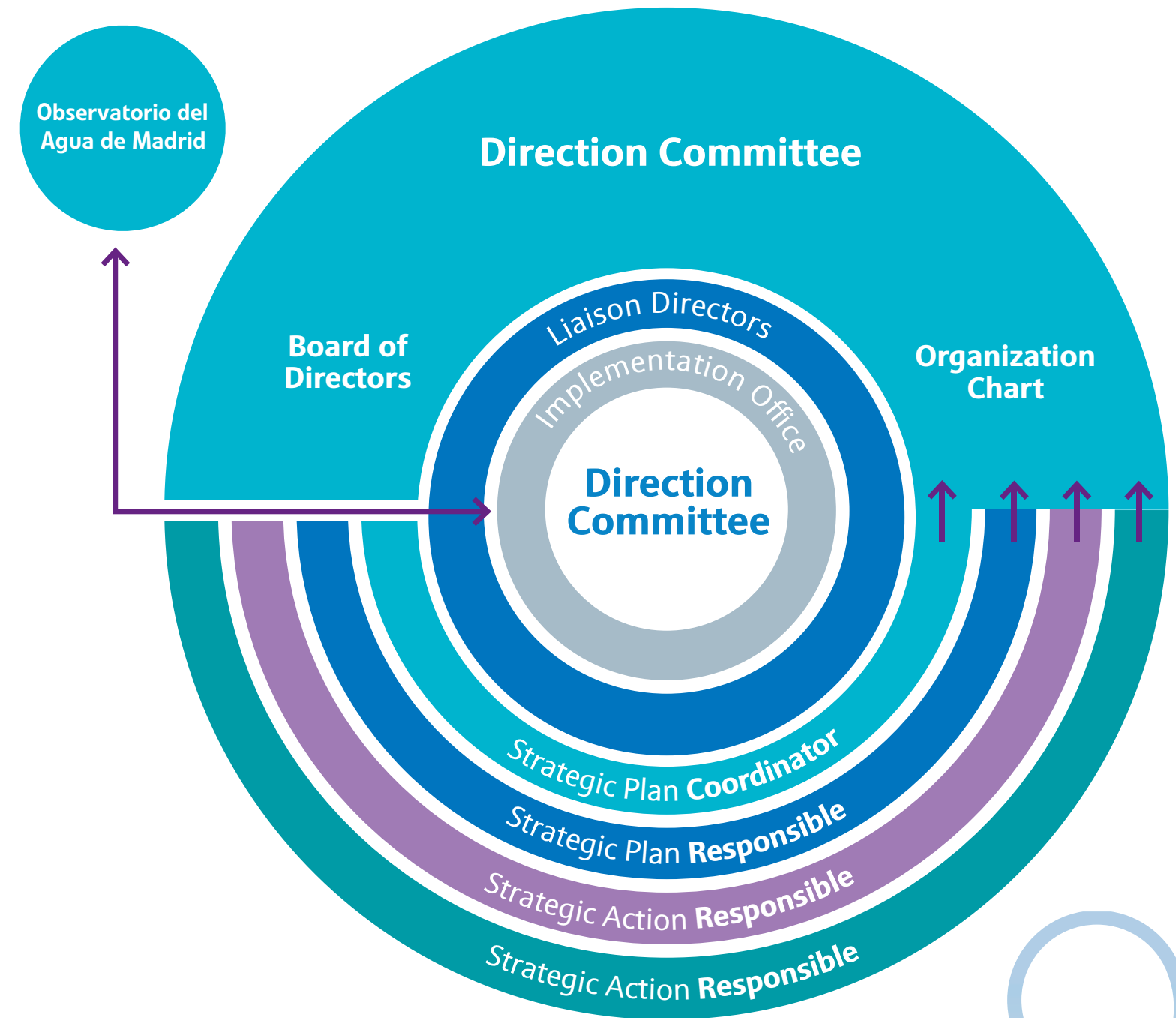
Each of the 10 strategic lines is directed by a member of the Management Committee and coordinated by a Line Coordinator, who in turn directs those responsible for the plans and the specific actions associated with their line.

Furthermore, in 2018 an internal working group was set up, the **Strategy Implementation and Monitoring Office**, with the mission of promoting, coordinating and facilitating the implementation of plans and actions, and monitoring the scorecard to support the strategic review and decision-making process.

Moreover, continuing with the participatory nature of the Plan (the opinion of different associations and social organizations, internal and external experts, employees and managers, as well as up to 11 groups of clients in work tables were consulted), and still maintaining a work plan that favours the contrast with society, the creation of a **Water Observatory** as an advisory body that serves as a meeting point between Canal and the different social and professional groups, before the end of 2019 has been arranged.



► Management structure of the Canal de Isabel II Strategic Plan 2018-2030



2 OUR CONTEXT AND FUTURE CHALLENGES



2.1. 21st century water management

The urban water sector withstands a lot of exposure to the societal opinions on the adequacy or not of their services, investments, rates or actions. Society is increasingly more critical and demanding with the decisions made by companies in our sector.

Simultaneously, society as a whole is undergoing a deep transformation as a result of new technologies being introduced (Smartphones, Internet of Things, big data analysis, industry 4.0, among others) that are not only changing the means of production but also interpersonal relationships. Companies in our sector must face this new stage, modifying their way of doing things in part.

The growing demand for water, coupled with a reduction in renewable water resources (the consequences of climate change and global warming, among other reasons) are causing a major change in the paradigm of water management, making water scarcity a global problem on the local and global levels.

The new paradigm views water as a basic resource for human life, which must be managed as a scarce commodity of increasing value. For this reason, it is necessary to reconcile the different dimensions of water and find a balance between them all:

- **Water is a public necessity good.** Adequate access for consumers in affordable, fair and equitable terms

should be ensured, so that the resource is shared, avoiding concentrations of power. Tariffs must be structured in such a way that users with less purchasing power can have access to the service, sharing the costs fairly.

- **Water is a scarce economic good.** The long-term replacement and maintenance of assets must be ensured. To this end, the cash flows obtained in water management must guarantee the conservation of the value of these assets; water management must guarantee operational efficiency and prices must be a sign of the real costs incurred in providing water to consumers and must also act as a tool for discouraging consumption.

- **Water as a key element in the environment.** It is necessary to discourage the depletion of water, a critical natural resource, promoting responsible consumption to ensure that its ecological functions are preserved and that the alteration of natural waterways is kept to a bare minimum.



- **Population growth.** The world's population is expected to reach 8.4 billion by 2032, although this growth will take place especially in developing countries.
- **Urban growth and urbanisation.** In 2009, for the first time in history, the urban population surpassed the rural population. This trend is expected to continue in the coming decades. Utility companies will probably be the ones that will experience the greatest impact of this trend on their business models.
- **Water scarcity.** This population increase and the associated increase in demand, coupled with the **adverse effects of climate change**, will lead to water scarcity.
- **Transparency and proximity.** Nowadays, companies are not designed as mere "water factories", but they

are expected to have responsible behaviours and attitudes that are close to the needs of the society they serve.

- **Digital transformation.** The reduction of technology costs will facilitate businesses' access to them. The technological transformation of the company will make its relationship with companies change.
- **Increased technological competitiveness.** However, there will be competitive pressure for the use of this technology, which will make it possible to obtain higher returns for the companies that most apply it. Digitalisation is no longer an option; it is a necessity.

► Paradigms of urban water management

	1950-1979	1980-2009	2010-2029
Main objectives	Achieve water in quantities sufficient for the development of society and industry	Control and management of resources (demand management)	Climate change adjustment
Priority needs	Human health and basic needs of municipal services	Environmental health: purification of waste water	Social responsibility and customer focus
Tariff philosophy	Cover the service cost	Trigger behavioural changes (seasonal tariffs, by blocs)	Integrated water cycle tariffs and development of social tariffs
Investor approach	Develop basic infrastructure	Efficiency in management and use of resources	Resilience and circular economy
Technological Approach	Hydraulic work industry 2.0	Computerisation, automation and remote control industry 3.0	Artificial intelligence big data analysis industry 4.0

The management of water supply and sanitation services are closely linked to the development of the city in which they are provided. Historically, with Madrid being the capital of Spain, the supply service has always been considered a strategic issue.

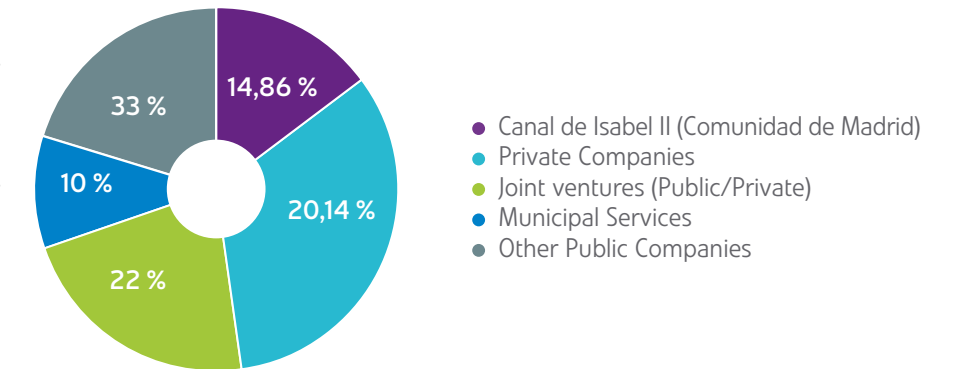
With one of the highest regional development rates (European Regional Competitiveness Index) in Europe, the Autonomous Region of Madrid is the most competitive region in Spain, offering not only an attractive and sustainable environment for businesses and residents who live there, but also for the tourists who visit. Therefore, it is impossible to understand the provision of an essential service, such as water supply and sanitation, that is not at the same level of competitiveness of the region in which it operates.

21st century Canal de Isabel II accounts for approximately 14 % of the urban water management sector in Spain and is currently the **largest company in our country that manages this unique and integral system**. The population supplied by Canal accounts for almost 40 % of the population served by public companies in Spain.

Thanks to our **supra-municipal model** for managing the integrated water cycle for all the municipalities in the Autonomous Region of Madrid, we can not only provide essential public services such as water supply or sanitation, but also do so with the highest quality standards.

This comprehensive management does not only allow us to cover our service costs. Thanks to it, we may generate the necessary resources to maintain operational, economic and financial sustainability of the company. All this with a tariff 20 % below the Spanish average and more than 50 % below the average of major European cities.

► **Percentage of population served by type of company in Spain** (source: AEAS 2018)



102-15 2.2. Strategic context: our future challenges

Throughout its 168-year history, Canal de Isabel II has grown by contributing to solving the challenges facing the society of Madrid and adapting to its growing water supply needs.

The present is characterised by growing social awareness around protecting the environment, by striving for excellence in service quality, as well as by the demand for greater transparency and efficiency in the management of public companies. All this presents us with new and more important challenges that Canal will have to face proactively and with a sense of anticipation.



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PE18-30

1. Ensure the supply guarantee



The Autonomous Region of Madrid is framed in a geographical situation historically characterised by the scarcity and limitations of its water resources.

Canal de Isabel II, from its founding until now, has developed action plans capable of guaranteeing the supply at times of population growth and drought.

Water, in addition to being an essential asset, in adequate quantity and quality is a fundamental element for the wellbeing of citizens and the economic development of the region. In the face of the hydric stress challenges that may occur as a result of climate change, we must anticipate that, even with different rainfall patterns from those in previous years and a moderate increase in population, the present guarantee level may be maintained or improved.

Within the timeframe of the Strategic Plan, the Autonomous Region of Madrid could reach a population of 8 to 8.5 million inhabitants, and even more pressure from the seasonal population: we must be able to respond to their demands.

2. Guarantee the quality of drinking water



Madrid's water is known for being a benchmark for quality in Spain. However, we are faced with the challenge of satisfying ever-increasing demands due to demographic pressure and society's growing awareness, together with current and future increase in regulations regarding legal compliance.

It's true that we are starting with exceptionally good water at the source; in any case, it must be subjected to advanced treatments and controls in order to maintain and improve its quality.

Our supplied water quality control begins at the source, as we have to face increasing pressure and deterioration of our supply sources. It is also imperative to preserve its quality within our distribution networks. In order to ensure the quality of water up until the point of consumption, we must continue to modernise our networks by introducing new technologies and move towards monitoring and response systems.

3. Strengthen service continuity



The current globalised world is in a process of continuous change in which new transnational risks and threats arise, which, together with the traditional ones, poses more threats and makes societies more vulnerable. Water cycle facilities are indispensable for citizens and, sometimes, alternative solutions are unavailable, so the disruption of them could significantly impact these essential services.

Canal de Isabel II, as the company responsible for managing the water cycle in the Autonomous Region of Madrid, has a large number of facilities that must always be operational, or have viable alternative solutions should service be interrupted.

Canal is committed to establishing the strategic and operational measures designed to achieve the maximum possible level of comprehensive security (physical and logical) for the facilities, the computer systems and the people, both Canal workers and users and collaborators.

Likewise, it is necessary to have viable alternatives to the regular supply of water, through more intense network meshing, as well as improving the configuration and operation of the supply system to ensure supply continuity when faced with contingencies at the municipal level.

4. Boost environmental quality and energy efficiency



The environment is in Canal de Isabel II's DNA. As managers of a necessary natural resource for life - water - and being responsible for its purification, for the treatment of wastewater, and for the proper discharge of wastewater to waterways from almost 6.5 million people, we could not have it any other way.

The population is increasingly more aware of and demanding with the good environmental performance of companies, and that we be an example in our relationship with the environment and sustainability. Our image as a clean company that produces high-quality water must be complemented with exemplary waste management and concern for our surroundings.

Therefore, society is calling for intensified environmental responsibility, which requires us to go beyond mere legal compliance. Moreover, the progressive deterioration of climate conditions will require us in the future to adapt to a more complex management of the resource, given the lower availability of water and the foreseeable increase in severe weather events. Furthermore, we must also address our contribution to mitigating the effects of climate change.

Through innovation and the use of cutting-edge technologies, Canal has the possibility to make significant progress in our commitment with the circular economy, placing special emphasis on energy efficiency, the generation of electricity by means of renewable sources and the use of waste for its exploitation. In short, it is a clear commitment to sustainable development.



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PE18-30

5. Develop cooperation with municipalities in Madrid



The Canal's management model with city councils, in terms of municipally owned services (water distribution and sewerage), is based on long-term agreements, in which we are entrusted with the operation of the aforementioned infrastructure.

Taking over these activities, with the perspective of a supramunicipal vision, generates economies of scale and synergies in the operation that pose important advantages for the municipalities and, above all, for their citizens.

The model developed in the Autonomous Region of Madrid is unique, given that it makes an integral service of the highest level, with the same cost for all, available to all the people of Madrid.

More than a century and a half ago, the supply networks were the origin of Canal, and are currently managed with excellent rates. However, municipal sewerage networks, which have largely been incorporated into the company's management, need to undergo significant improvement works. Accordingly, specific plans are already underway that will entail a major additional effort to, on the one hand, prevent incidents and inconvenience to users and, on the other, contribute to better environmental management.

As a corollary of the relationship with the municipalities, there are many residential estates in the Autonomous Region of Madrid under poor management in terms of the water cycle, which, in order to ensure adequate service and environmental protection, requires solutions.

6. Strengthen the commitment to and proximity with users



Canal de Isabel II has always been characterised by its commitment to its users. We must be able to align ourselves with their needs and meet their expectations proactively ("client experience").

Today's society calls for us, more and more, to listen to them and define coordinated strategies with the goal of improving their satisfaction, promoting open lines of communication and efficient and simple processes, all via close and direct treatment, and putting these at the centre of our activity.

Furthermore, the socioeconomic situation we live in and the difficulties that some families are facing make it necessary to study new invoicing and collection formulas that facilitate the payment of water consumption.

Additionally, today's environment makes the ways in which people connect and interact with companies change quickly. We live in a growing global and digital environment, so we must evolve towards systems that allow us to address the digital transformation and, in this way, address the needs of our customers and users.

7. Foster transparency, good governance and commitment to society



Canal de Isabel II has traditionally been a company that residents of Madrid have always felt proud of and considered they own.

Given the fact that it is a public company and that it provides an essential public service, we have an obligation to be excellent and rigorous in terms of corporate governance and our ethical behaviour. Furthermore, our duty is to the citizens, so we must be fully transparent in the management and in the area of corporate social responsibility and be able to develop open and participatory activities for all groups with whom we interact.

It is necessary, therefore, to promote all measures that make it possible to manage in a way that is aligned with the best practices of good corporate governance and internal control, engage in an exercise in full transparency and strengthen external communication in order to reinforce the traditional trust citizens have in our company.

In the Autonomous Region of Madrid Canal always has been, and continues to be, a benchmark in social and cultural matters. Canal's activities in the area of corporate social responsibility have been widely accepted by the people of Madrid and are, in some cases, an example to be followed at the corporate level in Spain. We have to promote and professionalise these activities even more, opening ourselves up to society so that residents of Madrid may continue to be proud of what they consider their great water company.

8. Encourage the talent, commitment and health of our professionals



Excellence in our management is the challenge of Canal de Isabel II. For this, it is essential for us to have the best professionals and ensure their full commitment to the service we provide. In this area, we aspire to be the best company in our sector in which to pursue a professional career.

It is necessary to establish procedures to identify, select and retain talent. These mechanisms should lead us to ensure that in each position we have the best and that, as a whole, the workers of Canal de Isabel II form a template constantly adapted to the changing circumstances of the service.

Furthermore, we need to encourage the effort and commitment of our employees, for which we must optimise performance assessments and management by objectives. Concerning the commitment, it will be equally important to reinforce their sense of belonging.

In recent years, the Spanish public sector has been affected by numerous restrictive regulations that have limited our management capacity in terms of human resources. We hope that this legal framework improves in the coming years and allows us to begin implementing all of the actions of this strategic line.

Two fundamental axes must be present for the defined Strategic Plan to be successful: reducing temporary work to the levels necessary to face specific situations, and the regularly analysing of our processes when deciding between the direct or indirect management of the same (make or buy).



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9. Spearhead innovation and development



Society's accelerated evolution and transformation over recent years has generated new challenges in all sectors and for all companies providing services to the public. Technological development creates new opportunities for advancement and progress. At the same time, however, facing the global prospect of accelerated growth, it is increasingly necessary to ensure the sustainability of social, economic and environmental development.

As with other sectors, the urban water service industry develops in step with the rhythm of society as a whole, although it involves providing an essential public service, it does so under highly specific conditions. Within this global context of responsibility and commitment to sustainability, environmental requirements become greater every day. The same is true regarding social needs and expectations. Canal de Isabel II must therefore face these new challenges with a proactive attitude, based above all on R&D&I.

Among the challenges facing us is that of becoming a benchmark for innovative companies, by means of efficient and sustainable management of both service provision and R&D&I itself. This objective will be achieved by aiming from the outset towards a strategic approach to innovation that encompasses all the company's branches of activity. From planning, project management and knowledge management to the development of company talent and collective intelligence, and the administration of the company itself.

10. To ensure sustainability and efficiency in management



The economic and social sustainability of public organisations is becoming increasingly more important to our growth and welfare model.

Canal de Isabel II, as a leading and one-hundred percent public company, is obligated to guarantee its economic sustainability, acting as a tool for recovery, economic growth and job creation. We must be an efficient company in all our actions and provide citizens with social and environmental returns.

In this line, the internal processes need to be reviewed and updated, and its efficiency must be improved, in order to carry out our activities with agility and efficiency, while optimising general and administrative costs.

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

It is also crucial to establish a reference policy and limits on the level of indebtedness, as one of the important decision-making factors in order to ensure the economic-financial balance in the future and to ensure, simultaneously, that the company is able to fulfil all its commitments.



3 OUR MISSION AND COMMITMENTS

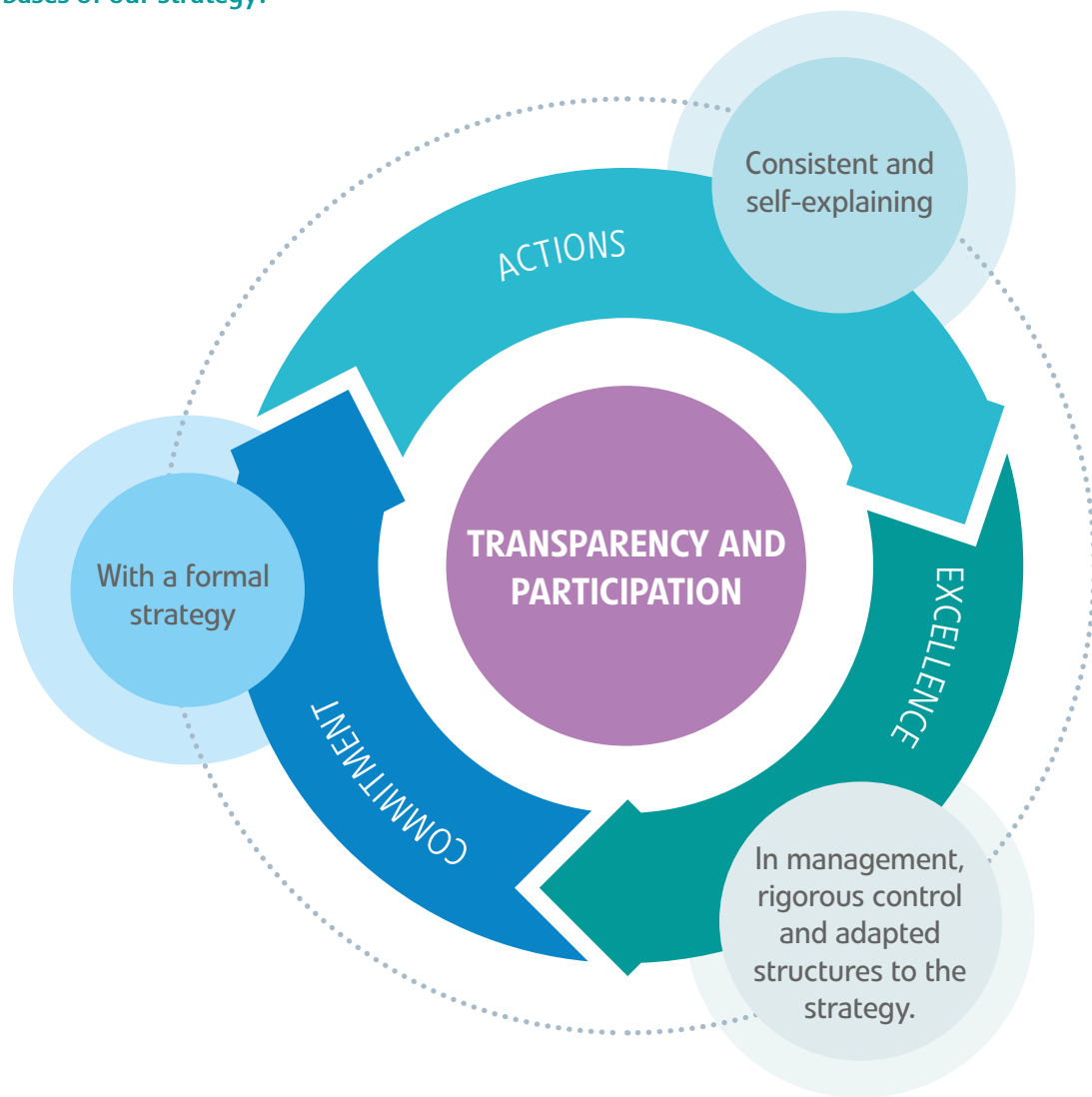


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In 2016 and 2017, Canal de Isabel II underwent a process of strategic reflection that concluded in March 2018 with the start of our Strategic Plan 2018-2030.

The **main goal** of Canal de Isabel II's **process of strategic reflection** was to define **where we wanted to position ourselves in the future**, what our long-term objectives will be and propose the necessary strategies to achieve them, facing the modernisation and sustainability challenges of the company, maintaining and driving technological levels and excellence in service. The process was completed **through the participation and collaboration of all the interest groups with which we interact**.

► What are the bases of our strategy?



TRANSPARENCIA Y PARTICIPACIÓN COMO PALANCAS DE UN DESEMPEÑO EXCELENTE

3.1. The baselines for our mission

The baselines of the strategic reflection for defining our mission and strategic objectives were as follows:

- 1

Strengthen our public nature

Canal is and will continue to be a public company: we ensure that Canal de Isabel II will continue being **100 % publicly owned**, and we will identify a framework for action.

- 2

Complete municipal integration

We will seek the best possible alternative in order to achieve complete **municipal integration** in Canal. We will seek to incorporate the company into all of the Autonomous Region of Madrid's municipalities so that they become shareholders, consolidating the best and most efficient integral water, public and supramunicipal management models.

- 3

Be the leading spanish company and benchmark in the integrated water cycle

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



3.2. Canal's mission, values and commitments

We take care of our Community by managing everybody's water transparently, efficiently and sustainably.

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



Commitment

We are involved in the lives of the inhabitants of our Community with the provision of services which are essential for the development of individuals, the economy and the society of Madrid.



Proximity

We want to be a friendly, "hands-on" company with all who surround us and with whom we interact.



Transparency

We manage a publicly owned natural resource and we are a public company that, therefore, has the responsibility to be an example of transparency in all its actions.



Excellence

Since we manage public resources, we must be especially demanding with our performance to optimise this management, through the effectiveness and efficiency of all our actions.



Sustainability

We are managers of a natural resource and have the mission to protect the quality of our region's water bodies. Conservation of the environment and the sustainable management of all our activities are part of our DNA as a company.

The ten commitments that make up the entire body of our mission are:

1. To be a **benchmark public company** and **to be the driving force** behind the Autonomous Region of Madrid.

2. To work towards managing **the whole integrated water cycle** in Madrid.

3. To lead the way in the **challenges facing the sector** and the **advances in legislation**.

4. To maintain, innovate and plan our **infrastructures and services**, adapting to the future needs of society.

5. To minimise the **environmental impact** of all our processes, favouring the circular economy, the efficient use of **resources and energy**, and pushing towards **renewable generation**.

6. To increase the **satisfaction of our customers and users**, ensuring a level of excellence in the **quantity, quality and continuity** of the service (**C³**).

7. To ensure **affordable, progressive and socially responsible rates**, encouraging savings in consumption, and guarantee access to an essential good for all.

8. To strengthen the **digital transformation** for a more "hands-on" management.

9. To practise **rigorous and transparent financial management**, ensuring the appropriate economic balance, financial autonomy and sustainability of the company.

10. To support **our professionals** by attracting, retaining and encouraging **talent**.



102-13 102-21 102-40 3.3. Our stakeholders
102-42 102-43

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

- Regulatory bodies: the European Union, the Ministry of Agriculture and Fisheries, Food and Environment, the Tagus Hydrographic Confederation and the Ministry of Health, Social Services and Equality.
- The Government, the Assembly of the Autonomous Region of Madrid and the parliamentary groups represented in it (PP, PSOE, Podemos and Ciudadanos political parties).
- Public shareholders: the Region of Madrid and the 111 town councils that form part of our shareholding.
- Customers and users: the town and city councils of the municipalities we serve, as well as domestic, commercial and industrial customers and users; large customers such as residential estates or homeowners' associations.
- Business partners: our company's employees, suppliers and contractors.
- Other companies in our sector with which we work, as well as the industry associations in which we actively participate (AEAS, AGA, EUREAU and IWA).

- Society in general, with special interest in certain sectors and agents, including:

- The school community (teachers and students) with whom we interact through the activities of Canal Educa.
- The entities that address the expectations of our society (NGOs, foundations and associations).
- The media and opinion makers.
- The scientific community and institutions focused on innovation.
- Business analysts and experts in our industry.
- Persons in charge of managing our environment and persons responsible for its protection and improvement.

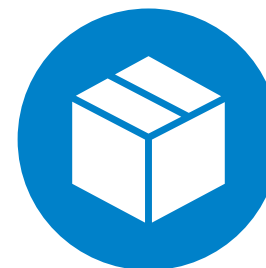


The frequency with which we interact with the different stakeholders is as follows:



CUSTOMERS AND USERS

In addition to the bimonthly delivery of the water bill, we have a very fluid contact through our numerous commercial offices and telephone campaigns. Moreover, we have a customer satisfaction survey in which we contact them to find out their opinion about our services.



SUPPLIERS

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



WITH THE REST OF OUR STAKEHOLDERS

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



EMPLOYEES

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



SHAREHOLDERS

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

To open up said participation in 2018, we have continued carrying out focus groups and numerous interviews in order to understand their opinion and the expectations they have regarding the company.




3.4. Communication channels with our stakeholders

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

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

COMMUNICATION CHANNEL	INTERNAL COMMUNICATION	EXTERNAL COMMUNICATION
<p>Personal or in-person</p> 	<ul style="list-style-type: none"> • Meetings. • Training and awareness-raising. • Leisure and sport activities for employees and their families. 	<ul style="list-style-type: none"> • Corporate headquarters. • Commercial customer service offices. • Customer service. • Customer Ombudsman. • Organised tours of facilities. • Educational campaigns (Canal Educa). • Recreational and sports areas. • Participation and sponsorship of conventions, forums and other encounters. • Fundación Canal activities. • General Shareholders Meeting. • Shareholder Office.
<p>Telephone, fax, email</p> 	<ul style="list-style-type: none"> • Telephone, fax, ordinary post. • Suggestion box. 	<ul style="list-style-type: none"> • Customer service hotline. • Supplier service hotline. • Contact telephone for educational initiatives. • Customer Ombudsman. • Messages on the invoice.

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

COMMUNICATION CHANNEL	INTERNAL COMMUNICATION	EXTERNAL COMMUNICATION
<p>Internet</p> 	<ul style="list-style-type: none"> • Corporate Intranet • R&D&i blog 	<ul style="list-style-type: none"> • Online customer service. • Corporate website. • Transparency portal. • Shareholder portal. • Canal Educa website. • Canal Voluntarios website. • Fundación Canal website. • Arte Canal exhibition website. • YouTube profile. • Instagram profile. • LinkedIn profile. • Facebook profile. • Fundación Canal social networks. • Canal de Isabel II App for Android and iOS. • Strategic Plan 2018-2030 Microsite.
<p>Publications and technical reports</p> 	<ul style="list-style-type: none"> • Internal reports and memos • In-house magazine for employees 	<ul style="list-style-type: none"> • Sending of personalised information to customers. • Canal de Isabel II Annual Report. • Corporate publications. • Fundación Canal publications. • Canal R&D&i workbooks. • Sending of monthly magazine to town halls.
<p>Media: TV, press, radio, etc.</p> 		<ul style="list-style-type: none"> • Press releases. • Media announcements. • Online press room. • Awareness raising campaigns targeting the population.

4 CANAL'S STRATEGIC LINES: OUR PERFORMANCE IN 2018 AND FUTURE OBJECTIVES



102-13

In 1851, Queen Isabel II created Canal in order to guarantee enough water for the development of the city and the health of its inhabitants, making it possible to clear any doubts that Madrid could continue being the capital of the Kingdom. Canal has made a significant contribution to laying the foundations for 20th century Madrid.

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

This big change will be articulated in **10 strategic lines** the objectives of which are detailed below.

1. Ensure the supply guarantee



To maintain the present supply guarantee level in the foreseeable climate change scenarios and with a sustained increase in population that's equivalent to the average of the past 15 years.

2. Guarantee the quality of drinking water



To guarantee the quality of drinking water from its source, conserving the sources of supply, to the end point.

3. Strengthen service continuity



To ensure service continuity when faced with possible failures that may affect the networks, the quality of water supplied or the information systems of Canal.

4. Boost environmental quality and energy efficiency



To encourage the circular economy and sustainable development, tackling the challenges associated with climate change via the corresponding adaptation and mitigation plans.

5. Develop cooperation with municipalities in Madrid



To promote the comprehensive management of Canal in all of the municipalities, consolidating the most efficient supramunicipal management model.

6. Strengthen the commitment to and proximity with users



To maximise the "customer experience" in every contact with our users, improving efficiency in the business and operational processes.

7. Foster transparency, good governance and commitment to society



To guarantee transparency, good governance and commitment to society as a public company that provides a basic essential service.

8. Foster the talent, commitment and health of our workers



To support our professionals by attracting, retaining and encouraging talent and knowledge, in order to be the best company in our sector in which to pursue a professional career.

9. Spearhead innovation and development



To innovate in our activities in order to be a leader in the water sector and develop technologies and services demanded by customers in the future.

10. Ensure sustainability and efficiency in management



To carry out strict and transparent financial management, ensuring an adequate economic and social balance.

102-34 ▶ Main indicator results of the 10 strategic lines in 2018



	2017 Value	2018 Value	2018 Objective	2018 Compliance (%)	2019 Objective	2023 Objective
SL1 Number of people who were able to be supplied with the implemented saving measures	0	27,423	36,000	76 %	100,542	348,303
SL2 Total compliance in the distribution network (% km of network)	99.88 %	99.82 %	99.82 %	100 %	99.84 %	99.90 %
SL3 Percentage of contracts with supply alternatives in order to re-establish the service in less than 12 hours	-	79.20 %	80 %	97 %	80 %	92 %
SL4 Carbon Footprint (estimated tonnes of CO ₂ equivalent emitted for the company's operation)	240,443	137,237	Define footprint	100 %	217,990	252,098
SL5 City Councils satisfaction rate (scale of 0 to 10)	Not rated	Define rate	Define rate	100 %	7.10	7.25
SL6 Customer satisfaction rate (scale of 0 to 10)	8.20	8.23	8.30	100 %	8.28	8.48
SL7 Corporate transparency rate (scale of 0 to 10)	Not rated	6.36	Define rate	100 %	7	8.50

	2017 Value	2018 Value	2018 Objective	2018 Compliance (%)	2019 Objective	2023 Objective
SL8 Working environment index	Not rated	Definite	Define rate	100 %	-	incr. 5 %
SL9 Percentage of net turnover spent on innovation	0.40 %	0.44 %	0.72 %	61.11 %	0.64 %	2 %
SL10 Net Financial Debt / EBITDA	2.05	1.36	2.2	100 %	1.46	1.85

PLAN ESTRATÉGICO 2018-2030



	Captación	Distribución	Depuración	Alcantarillado	Reutilización
1 PLAN - 25 25% reduction in the volume of drinking water consumed.	•	•			•
2 PLAN RED Replacement of obsolete networks to improve water quality.		•			
3 PLAN 365 DÍAS DE CONTINUIDAD DEL SERVICIO Service recovery under normal conditions within a maximum period of 12 hours.	•	•	•	•	•
4 PLAN DE GENERACIÓN LIMPIA - 0 KILOVATIOS 100 % self-supply from renewable or high efficiency sources.	•	•	•	•	•
5 PLAN SANEA 100% of sewer system networks in line with master plans.		•		•	
6 PLAN SMART -REGION Smart metering throughout the Madrid Region.		•			•
7 OBSERVATORIO DEL AGUA 100% operational in 2019.	•	•	•	•	•
8 CENTRO DE ESTUDIOS AVANZADOS DEL AGUA Dual training and Master's Degree in Water Management.	•	•	•	•	•
9 PLAN INNOVA 100 100 viable research or innovation projects by 2022.	•	•	•	•	•
10 CONGELACIÓN DE TARIFA 2019 0% increase in domestic, industrial and business tariffs until 2019.	•	•	•	•	

102-34 ▶ Indicator results of the "star plans" of the 10 strategic lines in 2018

		2017 Value	2018 Value	2018 Objective	2018 Compliance (%)	2019 Objective	Objective upon closure of the Plan (2010)
SP-SL 1	PLAN -25 %: total consumption per capita (water diverted for consumption in litres per inhabitant and day).	212	200	208	100 %	196	184
SP-SL 2	NETWORK PLAN: percentage of pipes according to internal Canal standards with respect to the supply network total.	81 %	82.02 %	82 %	100 %	83 %	93 %
SP-SL 3	365 DAYS OF CONTINUOUS SERVICE PLAN: percentage of contracts with supply alternatives in order to reestablish the service in less than 12 hours.	-	79.20 %	80 %	97 %	80 %	92 %
SP-SL 4	CLEAN GENERATION - 0.0 KWH PLAN: percentage of electricity consumption with the company's own production.	50 %	68 %	60 %	100 %	91.9 %	106.97 %
SP-SL 5	SANEA PLAN: increase the sewage system coverage in the Autonomous Region of Madrid.	74.90 %	74.90 %	74.90 %	100 %	76 %	84.9 %
SP-SL 6	SMART-REGION PLAN: percentage of smart metres installed	0 %	0.11 %	0.10 %	100 %	0.20 %	40.4 %
SP-SL 7	WATER OBSERVATORY: percentage of project's progress in order to create the observatory	0 %	60 %	50 %	100 %	100 %	100 %
SP-SL 8	CENTRE FOR ADVANCED STUDIES IN WATER: number of students enrolled	0	42	40	100 %	40	120
SP-SL 9	INNOVA 100 PLAN: number of innovative projects developed (accumulated).	15	20	20	100 %	40	120
SP-SL 10	TARIFF FREEZE 2019: increase in percentage of the water tariff with respect to the previous year.	0 %	0 %	0 %	100 %	Plan already accomplished A new star plan will be defined in 2019.	

4.1. Guaranteeing supply: water for all, every day



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

201-2

Guaranteeing every resident of Madrid's access to a quality resource

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

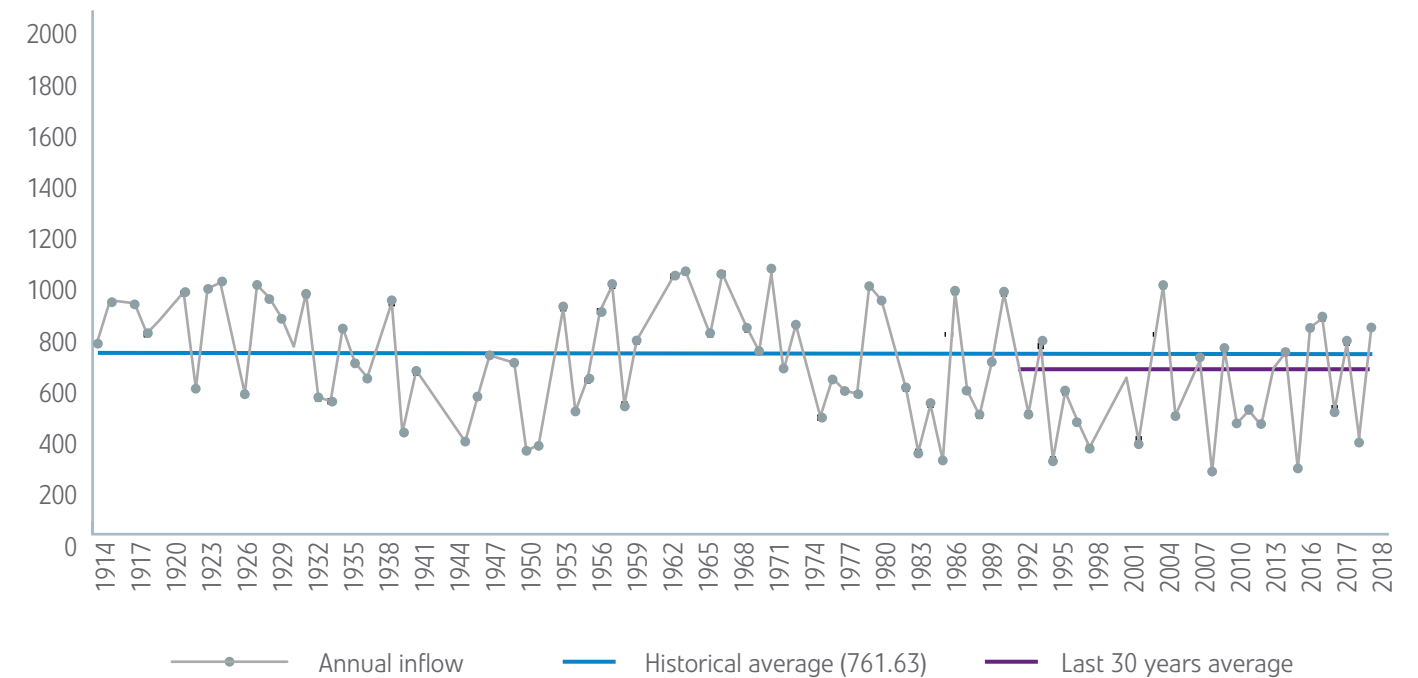
In the case of the Autonomous Region of Madrid, we are already suffering from some of these risks. This is shown, for example, by the reduction of almost 20 % (17.8 %) in the average contributions of water to our reservoirs in the last thirty years compared to the historical average since 1914.

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

Despite shrinking inputs, in the last twelve years Canal has been able to cope with a large increase in population with the same reservoir capacity. Our supplied population has increased from 5.74 million inhabitants in 2002 to 6.36 million in 2018, which entails an increase of 10.77 % in fifteen years.

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

► Natural contributions of rivers to Canal reservoirs, 1914-2018 (millions of cubic metres per day)



Resources in addition to reservoirs

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

Among said resources is our capacity to transfer water from the reservoirs of Picadas and San Juan, and to a lesser extent Los Morales, in the Alberche River basin, where we have the corresponding concession.

Canal also has the possibility of obtaining groundwater through its 78 wells, a strategic reserve for drought situations.

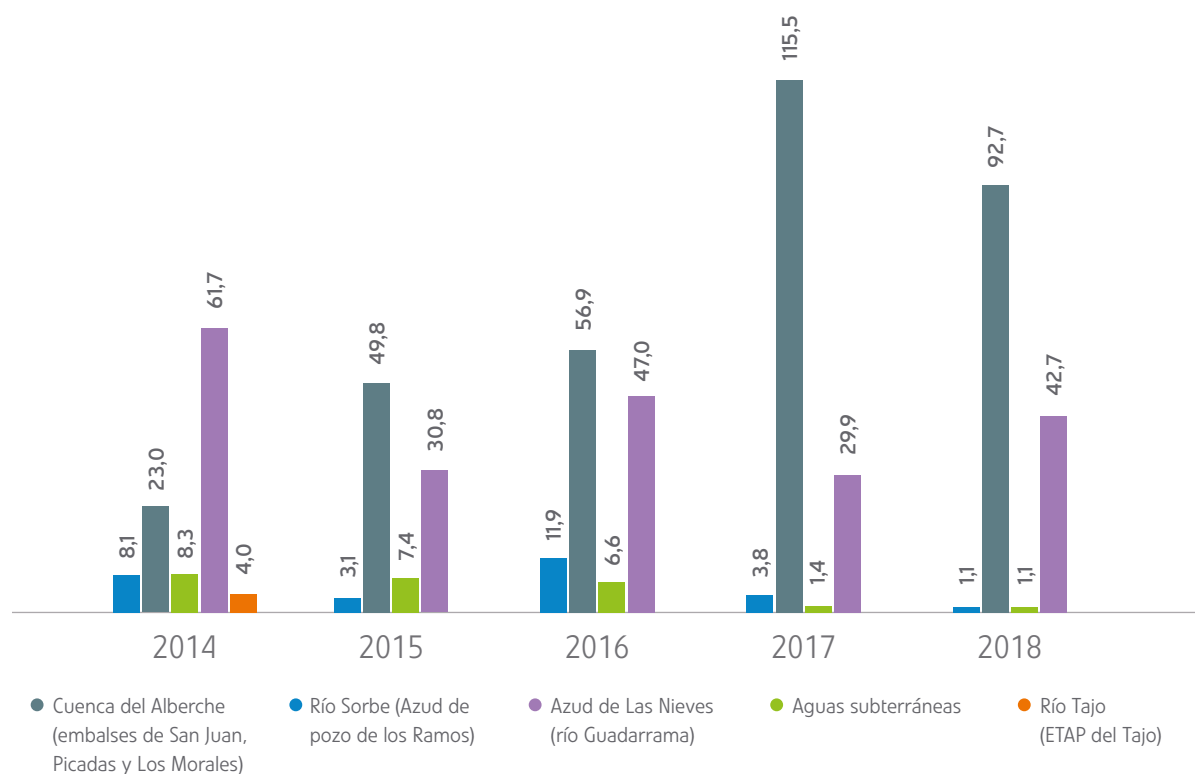
The use of the Guadarrama River has been enhanced in recent years, transferring water to the Valmayor Reservoir by means of the Las Nieves weir. We also have the possibility of obtaining water from the Sorbe River using the El Pozo de los Ramos dam, which connects to the Jarama Canal.

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

All these actions allow us to improve communication between the supply systems of the Autonomous Region of Madrid, improving the flexibility of the system's operation and our ability to guarantee water availability for users. In very dry years, as was the case in 2012, these provide to our system almost 40 % (38.77 %) of the resources needed to supply the Autonomous Community. Their input in 2018, 137.74 million cubic metres, accounted for 28.66 % of the total.

Guaranteeing supply

► **Use of resources in addition to inputs to Canal reservoirs for the 2014-2018 period** (millions of cubic metres annually)



New infrastructures to obtain additional resources

However, having this volume of supply has meant that we have had to reinforce the capacity of strategic infrastructures in our system. Highlights of recent years include the doubling of the Valmayor water treatment plant, which came into service in 2012, the expansion and improvement of the Majadahonda water treatment plant processes and, especially, the construction of the Second Distribution Ring, better known as the "M-50 water ring".

the Second Ring of distribution to improve its supply stands out in supply and treatment; the flow from the Nuevo Baztán pumping station to the Olmeda de las Fuentes line, providing this municipality with a supply alternative; the equipment and electrification of the G-22 well; the actions in the entrance, control and dosage buildings deposit number 13 of Getafe and the ones completed in the sludge line and reagent facilities of the station the Navacerrada DWTP.

In 2018, the connection of the distribution network of the municipality of Algete with the conduction of

301-2 301-3 303-3 Reuse Plan

Regenerating wastewater for its subsequent reuse is one of our greatest challenges for the future. Thanks to regeneration, we will be able to obtain a large volume of water for certain uses that are not related to the supply of water for human consumption, but which today are an important part of the demand:

irrigation of public parks and gardens, golf courses, street cleaning and even some industrial uses. By making greater use of reclaimed water, we are able to reduce the pressure on the resources stored in our reservoirs, which means a more rational and sustainable management of the resource.

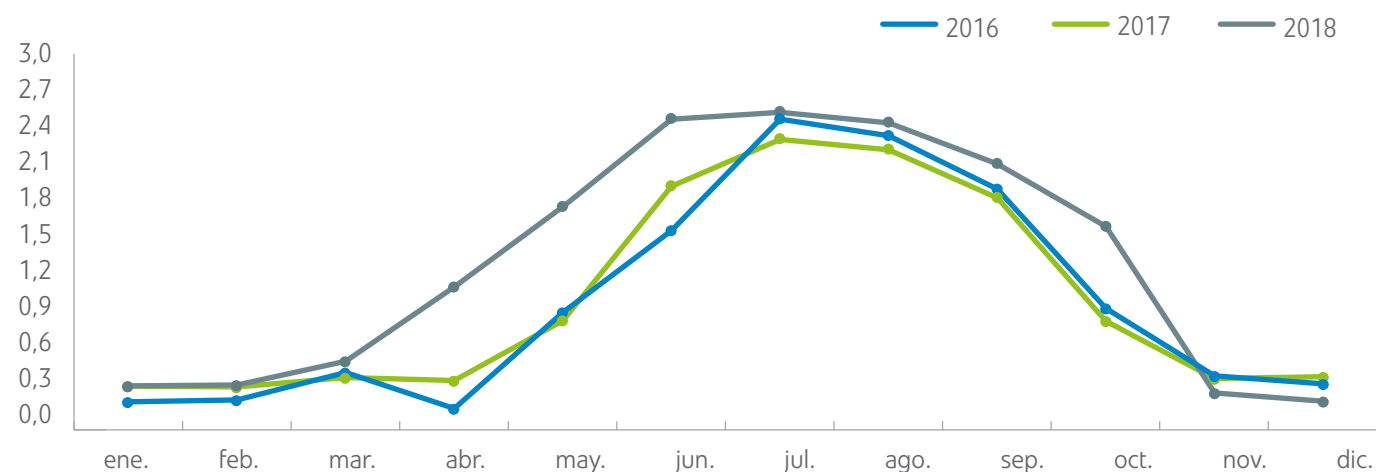
By the end of 2018, Canal had 30 regeneration plants in service, 615 kilometres of reuse networks and 63 regenerated water deposits. With these infrastructures, 23 municipalities and 11 golf courses were served with regenerated water, with a total surface area of 789 hectares, as well as industry (International Paper) and 11 other entities. Thanks to agreements signed with municipalities, 308 parks in the region are irrigated with regenerated water (a total of 1,693 hectares).

In 2018, we regenerated a total of 12.01 million cubic metres of water for subsequent reuse, 24.41% less than in 2017 due to climatic circumstances given that the abundant rain in spring made it unnecessary to irrigate many green areas and, furthermore, the International Paper plant in Fuenlabrada was under renovations and therefore not consuming regenerated water for a large part of the year.

► **Distribution by uses of regenerated water supplied for reuse in 2018**



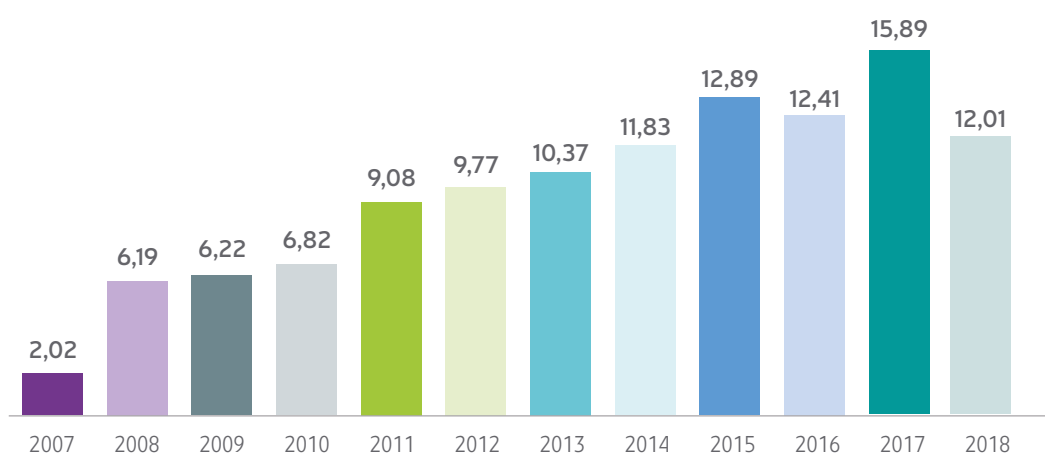
► **Monthly consumption of regenerated water** (millions of cubic metres)



Guaranteeing supply

We are also making important advances and investments in wastewater reuse. In 2018 we developed the necessary infrastructure in order to supply water to irrigate the green areas of the municipalities of Villalbilla, Mejorada del Campo and Velilla de San Antonio.

► Annual production of regenerated water for reuse (millions of cubic metres)



The fight against fraud

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

Efficiency as a priority

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

Throughout 2018, as a result of the work carried out, fraud involving more than 4.37 million cubic metres of water has been detected and almost 343,461 euros have been collected through proper management. Furthermore, 719 fraudulent connection convictions have been handed down and 291 contracts have been negotiated and signed to regulate fraudulent situations.

The policy of renewing and improving the distribution network, which in the last three years has meant an average renewal of 120 kilometres per year (155 in 2018), aims to minimise water losses due to leakage and breakage and to reduce damage to third parties due to

flooding. The effort that Canal has historically made resulted in a significant improvement in our breakage rates over the past 13 years, with a 61.90 % reduction in pipe breaks. All this despite the growth of the network and the addition in 2012 of networks from new municipalities with poor conservation.

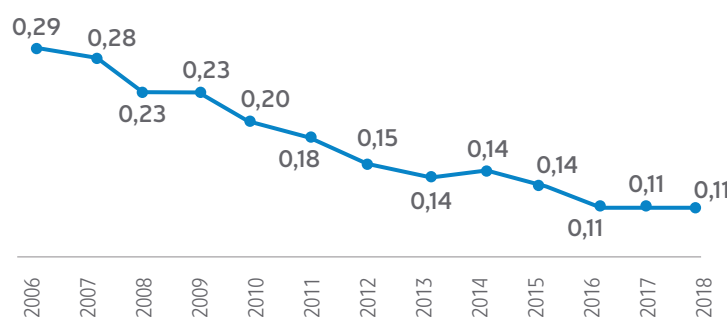
The results of all the efficiency efforts made by Canal are reflected in the available data on the efficiency of Canal's network. Thus, actual losses in adduction and distribution have been reduced by 68.25 % in the past 9 hydrological years.

Canal's actual losses are significantly lower than those published by the National Statistics Institute (INE) in 2018, which in 2016 placed the

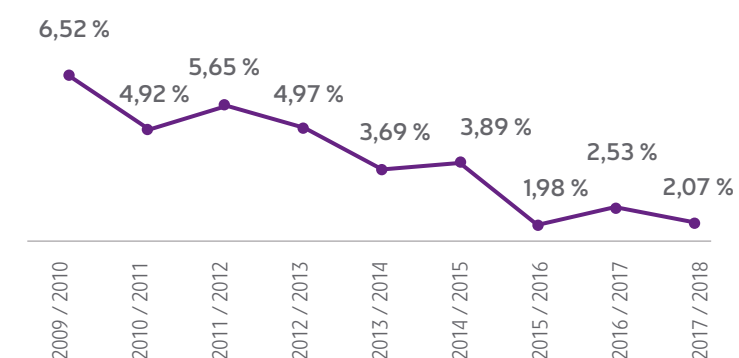
average in Spain at 16.34 % of the water supplied to the networks. The Autonomous Region of Madrid was the region with the lowest losses (2.76 %), 83 % below average.

The self-consumption of water needed to provide the service to Madrid residents throughout the 2017/2018 hydrological year was 3.60 million cubic metres, 0.74 % of the water diverted for consumption by Canal.

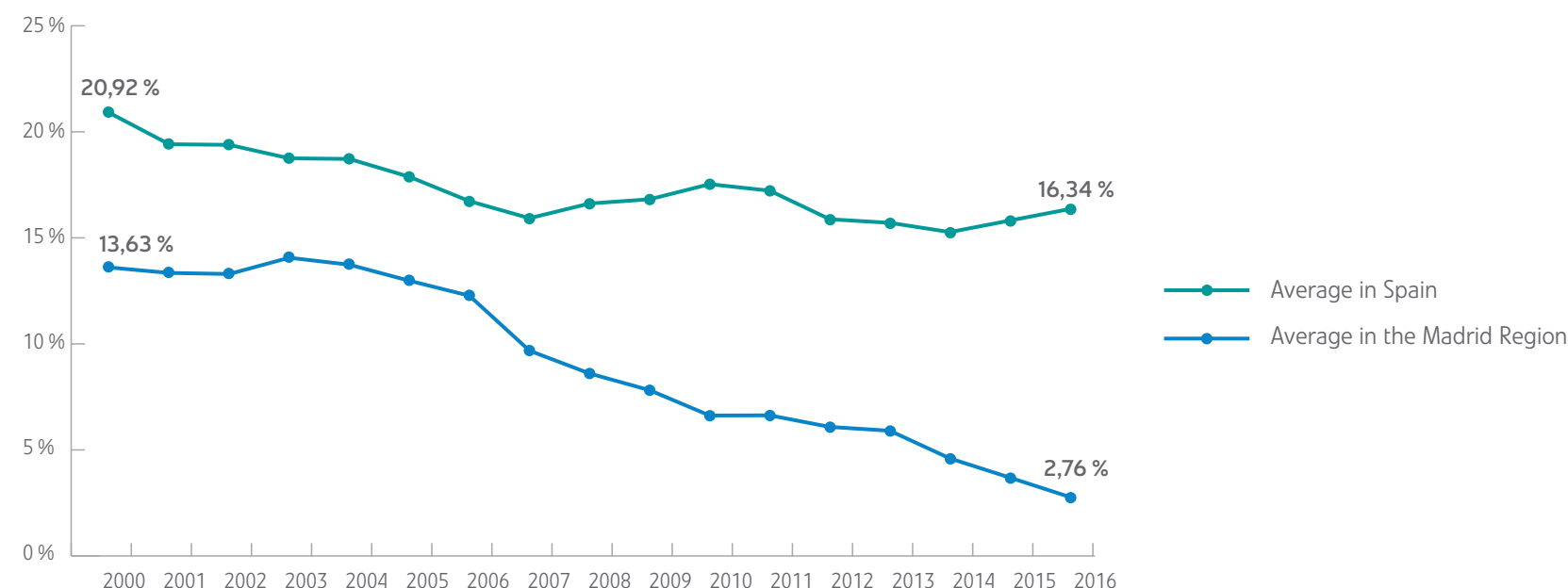
► Network breakage rate (number of breaks per km of network per year)



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



► Actual losses in drinking water distribution networks 2000-2014 published by the National Statistics Institute in 2018 (in % of water supplied to networks)



Guaranteeing supply

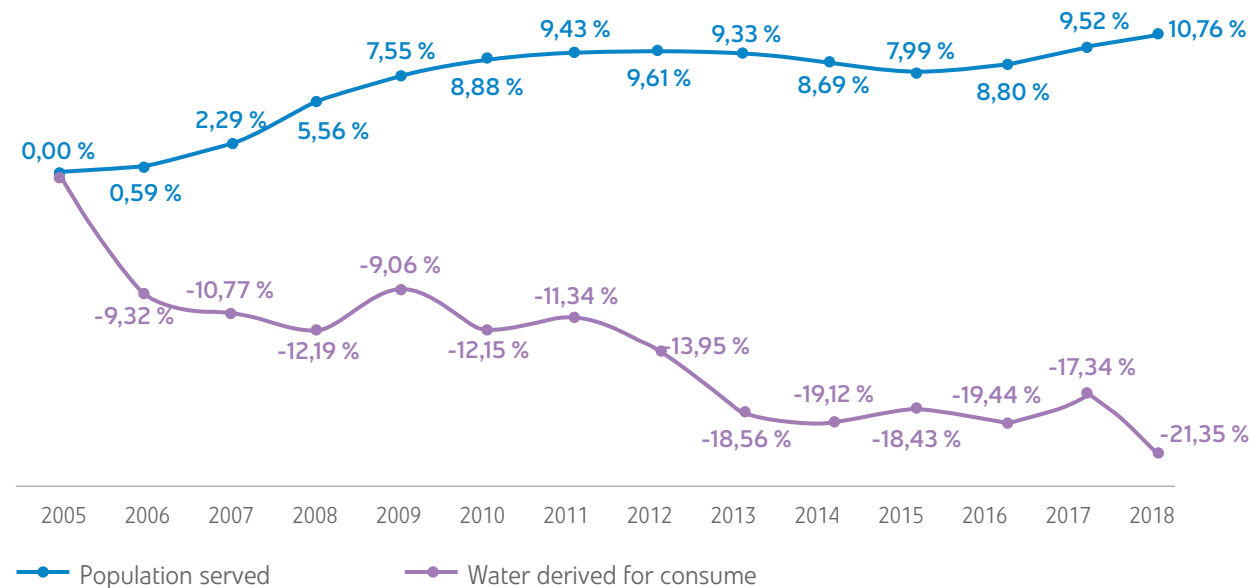
Getting everyone involved in efficient and responsible water use

Taking care of water and giving it the importance it deserves is everyone's job. For this, all citizens must take constant care of this scarce commodity. Our company has more than three decades of experience in developing communication campaigns for saving water and protecting the environment. These campaigns are recognised by communication professionals and the target audience.

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

In 2018, our communication campaign "**Matilda. Join the Water Challenge**" was recognised as **the best advertising campaign in our sector for water**, media leader in the water sector in Spain and Latin America (web, social networks, email) as printed, aimed at a wide range of administrations, companies, associations, foundations and universities profiles in our sector.

► Change in resource use vs. population supplied (in % compared to 2005, the driest year on record)



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 You may find more information at these links:
<https://www.canaldeisabelsegunda.es/en/cuidamos-el-agua>

www.iagua.es/noticias/redaccion-iagua/matilda-canal-isabel-ii-elegida-mejor-campana-publicidad-2018

Raising awareness among future generations: Canal Educa

The Canal Educa programme, currently managed by Fundación Canal and which celebrated 25 years in 2016, has as its main objective to promote responsible water consumption and transmit environmental sustainability values.

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

Our challenge is to get our message across to more people each year. For this reason, year after year, Canal Educa adapts its programme of activities and expands its educational offer. Our most recent additions are languages and digital technology: we offer a large part of our educational programme in English; if a centre is committed to technology, Canal Educa has a complete web portal where you can access a virtual classroom with online activities, which permits online participation to the activities of the program to educational centres outside the Autonomous Region of Madrid.

Furthermore, if the centre is committed to the sustainability of the planet, the Ecoaudit of water can be carried out, in which students, teachers and non-teaching staff work together to improve the use of water in the educational area.

In the 2017-2018 school year, our educational programme had a total of 41,877 in-person participants.

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

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 You can find more information about our educational programmes in [the following link](#).



Guaranteeing supply

103-3 Monitoring the main advances in the Supply Guarantee Strategic Line

Strategic objective: to maintain the present supply guarantee level in the foreseeable climate change scenarios and with a sustained increase in population that's equivalent to the average of the past 15 years.

In 2018 the increase in efficiency of our networks, combined with the use of regenerated water and incessant work raising our citizens' awareness about rational water use, were key factors in being able to improve our supply guarantee.

Although the reduction of uncontrolled water this year was less than expected, **it was possible to reduce the**

consumption equal to 27,423 people. In other words, without having to put more stress on nature to find new sources of supply, Canal de Isabel II has obtained resources to supply these additional people, beyond the 71,354 new inhabitants served by the Canal System.

Plan -25

Reducing the volume of water diverted for per capita consumption.

Regarding the **Star Plan** of this Line (**Plan -25**), consisting of reducing the volume of water diverted for per capita consumption by 25 % by the year 2030, in 2018 it was possible to reduce the total demand for drinking water per person more than expected. Despite the population supplied having increased, the total consumption of drinking water supplied by Canal de Isabel II S.A. was the lowest recorded in more than 20 years, reaching **200 litres/inhabitant/day**. While part of this decrease must be attributed to the meteorological factor, the decrease of leaks, the improvements in the metre park, the effect of the progressive tariffs and the awareness of citizens were all instrumental in making this significant reduction happen.

With regard to the automation of operations during 2018, the first milestones were reached the telemanagement of facilities from the Control Centre, enabling the remote control of wells, drinking water and wastewater pumping stations, as well as chlorinators.

The progress in the standardised automation and remote management capacity of our facilities has made it possible for almost 22 percent of them to be remote. Furthermore, in 2018 we standardised overall the maintenance of equipment subject to regulatory inspection, as a first step to extend this measure to all facilities.


We also made significant progress in studying the effects of climate change on the contribution system in our Community. We already have several models adapted to our geographical region, which present different scenarios for the future. In 2018 we surpassed our target objective and we maintain growth for 2019-2023.

In order to **extend and encourage the consumption of regenerated water** in 2018 Canal has maintained the active tertiary treatments as long as possible. In this way, when necessary, they produce regenerated water for reuse. When this is not the case, the purified water

is discharged into rivers with an even better quality than what current legislation for the benefit of natural watercourses requires. Tertiary treatments exploded to 70 % of its maximum theoretical capacity, 97 % of the stated objective for 2018. Thus, a volume close to 125 million cubic metres was treated, which entails approximately 25% of the water that was treated in the Autonomous Region of Madrid.

As for the **reduction of uncontrolled water** in 2018 the result was lower than anticipated, largely because it is measured as a percentage of the water diverted, and a significant decrease of this was recorded in 2018. However, uncontrolled water was reduced by 2 million

cubic metres, and a historical record has been reached in the real losses value, calculated at 3.26 %, which represents an excellent value of 2.47 cubic metres per kilometre of network and day. Hence those more than 27,000 people who may be supplied with this increased efficiency. It should be clarified that we have values lower than the European average, so continuing to reduce this percentage poses an ambitious challenge.

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 For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).

► The indicators of Line 1, its Star Plan and the rest of its plans in 2018 are the following:

		2017 Value	2018 Value	2018 Objective	2018 Compliance(%)	2019 Objective	Objective upon closure of the Plan (2010)
SL1	Strategic Line 1 indicator: number of people who were able to be supplied with the implemented saving measures	99,867	27,423	36.000	77 %	100,542	348,303
Star Plan 1	PLAN -25: total consumption per capita (water diverted for consumption in litres per inhabitant and day)	212	200	208	100 %	196	184
SP1.1	Degree of automation of the exploitation	12,8 %	21.90 %	20 %	100 %	40 %	98 %
SP1.2	Percentage of tertiary use	ND	70.32 %	72.50 %	91 %	95.40 %	96.08 %
SP1.3	Percentage of non-registered water	14.28 %	14.20 %	13.50 %	95 %	13.50 %	10.40 %

4.2. Guaranteeing quality: the best water



The quality of the water that Canal de Isabel II serves Madrid's residents is one of the hallmarks of the Autonomous Region of Madrid. Madrid's water is considered throughout Spain as being of the highest quality. Thus, for example, bottled water consumption in the region (17.04 litres per inhabitant per year) is 71.76 % lower than the Spanish average (60.34 litres per inhabitant from July 2017 to June 2018).

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

416-1 Guaranteeing the quality of water

Consequently, with the aim of guaranteeing water safety, Canal de Isabel II has established a monitoring programme from the point of origin of the supply to its delivery to the consumer.

Analyses corresponding to the water supply monitoring and quality control programme are carried out in four laboratories integrated in the Sub directorate of Water Quality and in another twelve integrated in the Treatment Area. The determinations are made at these labs that are required by legislation on the sanitary

criteria for the quality of water for human consumption. Canal also manages the quality control of purified effluents in WWTPs and the quality of regenerated water for irrigation of green areas.

In 2018, Canal de Isabel II carried out almost 2.24 million analytical water quality checks and analysed more than 15.03 million samples to ensure the quality of service. This means running more than 6,100 checks per day and 29 analyses per minute.

Controlling water at the source

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

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

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

Monitoring distributed water

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

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

The manual sampling system is complemented by a network of 40 Automated Surveillance Stations (EVAs), installed at the outlets of DWTPs, large tanks and the most important supply nodes. All of them are equipped with sensors that allow a series of chemical

parameters to be measured continuously and the results to be sent in real time to the Main Control Centre through the Canal's communication network.

The parameters that we measure in the EVAs are chosen specifically for their importance with respect to the diagnosis of water quality. Their number is being increased through a multi-year programme. The analytical determinations in all the EVAs include chlorine, ammonium, nitrites, pH and conductivity, among others.

Monitoring wastewater and regenerated water

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

Canal de Isabel II has a purified water laboratory for this purpose. Located in Majadahonda, it covers a surface area of more than 2,200 square metres and is equipped with a physical-chemical laboratory, a microbiology laboratory, an organic contaminants analysis laboratory and a metal and solid samples laboratory, an incubation room and a data and microscopy room, among other facilities. Furthermore, we have another three laboratories for analysing waste water in some of our WWTPs.

Our surveillance program allows us to maintain a permanent alert system through a network of Automatic Surveillance Stations (EVAs), 95 for treated water and 60 for reclaimed water, which we also use for strict control of treated water from its entry into the WWTP until it is returned to the rivers, and for the control of water from the reuse networks.

Guaranteeing quality

Compliance with current regulations on water for consumption

In 2011, Canal was certified by the National Accreditation Body (ENAC) according to the UNE-EN ISO/IEC 17025 standard for the performance of physico-chemical and microbiological analyses, from the Central, Poveda (in Arganda) and Griñón laboratories. This certification has been extended by the inclusion of new test methods and now includes in its scope fresh and drinking water and regenerated water.

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

Our most recent incorporation was in 2017, with the entry into service of the new Collado Villalba laboratory for analysing drinking water, in order to strengthen the control of drinking water in the northeast of the Autonomous Region of Madrid.

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

In 2018, the degree of compliance of the distributed water, in percentage of samples that meet the norm on total samples analysed for the self-control protocol, was 96.35 %.

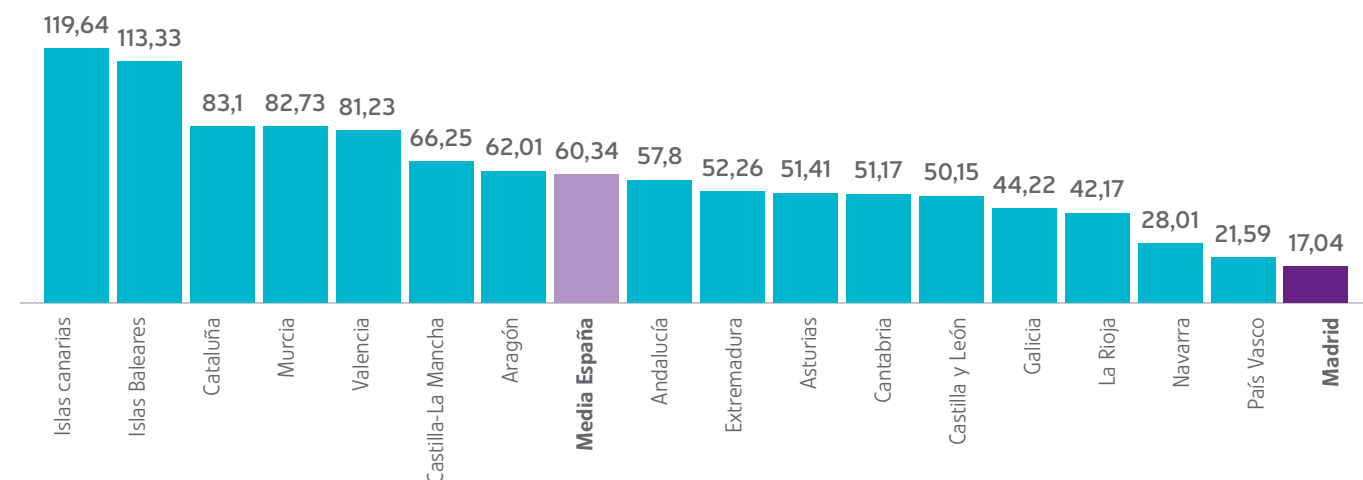
Collaboration with other entities

Canal de Isabel II actively participates with outside companies related with the quality control of water. In recent years, it is worth noting the collaboration with:

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

Some of the best water in Spain

► Non-carbonated bottled water consumption by Autonomous Community (in litres per inhabitant and year from July 2017 to June 2018)



Source: Database of consumption in homes from the Ministry of Agriculture, Fisheries and Food (2019)

In 2018, Canal analysed a total of 721 samples and carried out 14,860 analysis for some of these bodies.

In 2018 Canal actively took part in the activities and working groups of the International Normalisation Committee ISO/TC 282, on the reuse of water, with 14 interventions, as well as the International Normalisation Committee ISO/TCC 224 on activities relating to drinking water and wastewater services, service quality criteria and implementing indicators, completing 27 interventions.

Canal is a part of the Spanish Executive Quality Commission (AEC) and the AEC's Centre of Registration and Certification of People (CERPER) and is also present in the Government Team of the AEC Quality Community leading the Quality Management Committee in which 67 companies participate.

Guaranteeing quality

103-3 **Monitoring the main advances in the drinking water quality Strategic Line**

Strategic objective: to guarantee the quality of drinking water from its source, conserving the sources of supply, to the point of consumption.

Our strategy in this line is to further improve the treatment of surface and underground resources, continue to maintain and improve the quality standards in the distribution network and advance the monitoring systems of said quality. It is an ambitious goal, given that the quality levels we are at are very high. However, our commitment to Excellence drives us keep improving, even when results are positive beforehand.

In 2018 began our improvement plans, although we have not managed to improve the water quality compared to 2017, since we were in the first year. Nevertheless, we've made significant progress in contract tenders that will allow us to start implementing important improvement measures starting in 2019, which means our ambitious objectives for 2023 remain.

Regarding the **improvement of water quality** at source we obtained results above the stated objective, which has allowed us to keep our initial improvement proposal and extend it to 2023. We have focused our efforts, together with the SL-4, on excellence in purification, taking care of river ecosystems and guaranteeing the quality of discharges coming from purification treatments. We have also worked to maintain the inventory of municipal weirs in order to know the overflow points of sanitation systems and to inventory the direct discharges to surface water for its regulation. Furthermore, we have improved collection systems operations in order to obtain the highest quality water possible, we have increased our awareness and collaborated in cleaning reservoirs.

Regarding the **quality in DWTP and header tank output** in 2018, we should highlight the implementation of two investments in unconventional treatments, responding to knowledge acquisition through prior research: the installation of advanced oxidation treatments with hydrogen peroxide and oxidation optimisation of water recovered from the Valmayor DWTP and the start of advanced oxidation facilities at Santillana DWTP.

Activities targeting knowledge acquisition in the treatment have also been developed; both at the planning level, highlighting the quantitative evaluation of microbiological risks, and at the application level, such as, for example, intermediate ozonation at the Santillana DWTP.

For **improving the network operating processes** in 2018 we have worked on creating a control and action network on the level of chlorine in the same in order to reduce non-compliance due to excess nitrites. Thanks to our work, as a result we've had 148 quality incidents per thousand kilometres of network, when the stated target was a maximum of 150.



In 2018, 55 official sampling stations (EOM) have been installed in order to increase water quality control in the network. In turn, 16 automatic network monitoring stations have been installed, which will allow us to have continuous analytical control in the network's most sensitive points. Furthermore, we have completed the 3D modelling by 10 deposits, in order to study the homogeneity of retention time in the same. We have also completed the study on the efficacy and stability of monochloramine as a disinfectant in the northern Madrid, which has made it possible to reduce nitrification problems in this area.

Lastly, **regarding preventive network maintenance improvements**, according to Canal's internal standard, directly associated with the NETWORK Plan, the SL-2 Star Plan, we have managed to surpass the 2018 objectives, reaching 82.02 % of kilometres of pipes in compliance with the internal standard. Moreover, we made progress in preparing the necessary documentation to contract the

renovations of the network starting in 2020, which includes replacing 1,500 km of substandard pipelines in the next 4 years. The contract drawn up will have the largest tender amount ever processed in Canal's history, and it is expected to be tendered and awarded in 2019.

In addition to the NETWORK PLAN, Strategic Plan 2.4 includes the continuous improvement of preventive maintenance on the current network. In 2018, we discovered new supply network cleaning systems by means of introducing pressurised air or traction mechanisms. In addition, we have made progress in the pressure pipe cleaning contract that will also include the analysis of the extracted biophile and its evolution, in order to plan optimally.

► **The indicators of Line 2, its Star Plan and the rest of its plans in 2018 are the following:**

		2017 Value	2018 Value	2018 Objective	2018 Compliance (%)	2019 Objective	Objective upon closure of the Plan (2010)
SL2	Total compliance in the distribution network (% km of network)	99.89 %	99.78 %	99,82 %	100 %	99.84 %	99.90 %
Star Plan 2 and SP2.4	NETWORK PLAN: percentage of pipes according to internal Canal standards with respect to the supply network total	81 %	82.02 %	82 %	100 %	83 %	93 %
SP2.1	Number of incidents of raw water detected in the Sanitary Plan	22	18	18	100 %	18	14
SP2.2	Quality incidence in outflow from DWPT/ Header tank	2.20 %	2 %	2.10 %	100 %	1.80 %	1.45 %
SP2.3	Quality incidence received per thousands of kilometres of network	133	152	148	97.4 %	150	130

.....
For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#)

4.3. Service continuity: a reliable service



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

Guaranteeing the security and safety of facilities and people

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

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

410-1 Operational security

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

By the end of 2018, there were almost 450 people working in the area of security at Canal de Isabel II, monitoring our 1,061 different installations throughout the territory of the Autonomous Region of Madrid. As of 31 December 2018, we had 107 established fixed surveillance posts and 21 external security and safety patrols in place, increasing surveillance coverage should the need arise. All security personnel, as established by current regulations, have received training on citizens' fundamental rights.

Also, in 2018, the existing coverage of **electronic security** systems was extended to include closed-circuit television surveillance (an additional 10.21 %), intrusion detection systems and card access control to multiple facilities (4.98 % more). Our closed-circuit television (CCTV) systems already manage 637 cameras; many of them perform automated supervision without human intervention, increasing operator efficiency and responsiveness.

Self-protection of buildings and facilities

In 2018, many actions have been taken in this direction. These include preventive maintenance of the self-protection systems in 52 buildings or the preparation and/or renewal of 7 Self-Protection Plans

The implementation of the Self-Protection Plans is organised on two solid bases: training and involvement. To this end, the personnel who will be part of the teams are chosen on a voluntary basis, and then all the staff is trained. In 2018, one Real Fire course was given, and 25 evacuation drills were held.

In terms of self-protection of buildings, in 2018 one fire outbreak stands out in which no organisation personnel were affected.



Service continuity

418-1 Protection of data related to customers and suppliers

In this respect, in 2018 it is worth highlighting the entry into force of the full application of the European Data Protection Regulation, Regulation EU 2016/679 (GDPR) in May and in December the entry into force of Organic Law 3/2018, of 5 December, Protection of Personal Data and Guarantee of Digital Rights. Canal has been working over the past few years to adjust its policies to both standards.

As a result of these standards entering into force, Canal published an informative leaflet that was sent to all our customers together with their water consumption bill, both on paper and electronically. Additionally, more information was published in the virtual office and on the Canal website: a banner on data protection and a digital brochure.

Moreover, to adapt it to the GDPR, our contracts with customers were modified. Including Clause 15 in the general terms and conditions of the supply contract that considers the new legislation.

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

- Sociocultural activities and public relations
- Customers
- Building access control
- Employees
- Recording of calls
- Requests for suggestions and complaints
- Suppliers
- Occupational health, risk prevention and medical service
- Recruitment of personnel
- Video surveillance

Canal has implemented an improvement system in processes related to personal data protection with the aim of guaranteeing the privacy of customers and the protection of their personal data pursuant to the provisions established in applicable regulations, therefore this aspect has been included as part of the quality system.



Security of information systems and business continuity

In matters of information security at Canal, we seek to achieve a greater degree of maturity in the cybersecurity management, in line with international standards and commonly accepted information security best practices.

In terms of the assets that make up the Operational Technology (OT), we work to increase levels of cybersecurity by taking into account the nature of this technology and its specific requirements, strengthen

prevention and detection systems against cyber-attacks through better use of Threat Intelligence, and establish operational protocols for responding to cyber-attacks.

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



Service continuity

103-3 **Monitoring the main advances in the service continuity Strategic Line**

Strategic objective: to ensure service continuity when faced with possible failures that may affect the networks, the quality of water supplied or the information systems of Canal.

Our strategy in this line consists of ensuring service continuity with specific plans in order to ensure the continuity of the supply, infrastructure, personnel and the information systems that manage the water cycle. For this purpose, 4 large strategic plans have been defined for the 2018-2030 period.

In this strategic line, and thanks to the plans we will implement, we have set the objective of 100 % of integral supply management contracts **having a supply alternative to re-establish service in less than 12 hours** by 2030. As a result of this methodology, we already have the level of resilience of the Canal de Isabel II strategic supply network from the drinking water treatment plants (DWTP), to the entry points to the supply network sectors, which will allow us to identify the operation strategies and infrastructures needed to guarantee service continuity in less than 12 hours in case of incidents.

Furthermore, from the Infrastructure Conservation areas, the operations for restoring the supply against contingencies in 12 sectors of the supply network have been tested as a result of planned operations and real incidents.

Regarding the **physical security of infrastructure**, during 2018 all of Canal's critical and essential facilities were identified and categorised, and the essential facilities' security systems are being adjusted.

Given the wide dispersal throughout the Autonomous Region of Madrid of Canal facilities, the ability to quickly dispatch security patrols as soon as an incident is known is fundamental. In 2018, the access time of our patrols decreased 51 %. Moreover, we have tested a system to continuously monitor the spectroscopic water footprint, which basically makes it possible to detect changes in the usual characteristics of water and, therefore, can alert

us of possible contamination. Taking what we learned in 2018, we will deploy this system in the 40 automatic water monitoring stations. These are the detection and warning elements of the future early warning network against contamination incidents in the networks.

Regarding the **physical safety of people**, in 2018 we conducted on-site surveys, in a set of centres and units representative of Canal, that allowed us to measure the safety culture among employees, which will serve as a reference to determine if the awareness actions, which we have already started, effectively contribute to improving our safety culture. Furthermore, to increase awareness and knowledge about new cybersecurity threats, more awareness messages have been sent to employees about the use of information technologies, and security training activities are being carried out based on a comprehensive vision.

Thirdly, regarding **information security** in 2018, we launched a permanent cybersecurity monitoring service (SOC), which allows Canal to both prevent possible cyber-incidents and to respond to them more quickly by detecting them early. Likewise, we defined a response protocol against possible cyber-incidents, which allows us to act in a coordinated and effective manner to contain and restore normalcy in case of a cyberattack.

Given that security is structured in layers, new security measures have been added, both in additional workplace protection with next generation technology and in user accounts protection. A remote access was also implemented for remote access, which is a second authentication factor (2AF).

Canal de Isabel II has participated in the cyber-exercises developed by the Spanish National Cybersecurity Institute (INCIBE), which have allowed us to practise both crisis

management because of cyber-incident, and to technically handle a simulated incident of computer security, which has allowed us to better understand our capabilities and identify opportunities for improvement.

Finally, regarding **service resilience**, in 2018 the business impact analysis was updated and extended to all Canal processes, identifying critical and important pro-

cesses and their impact on company operations.

An integrated continuity test of the computer systems was also performed from Canal's back-up data processing centre.

► **Line 3's indicators, given their relationship with sensitive security aspects, are confidential. Therefore, in this report only the main indicator is reported**

		2017 Value	2018 Value	2018 Objective	2018 Compliance(%)	2019 Objective	Objective upon closure of the Plan (2010)
SL3	Contracts with supply alternatives in order to reestablish the service in less than 12 hours (% of the total)	-	79.20 %	80 %	99 %	80 %	92 %



4.4. Environmental quality and energy efficiency: we take care of your environment



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

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

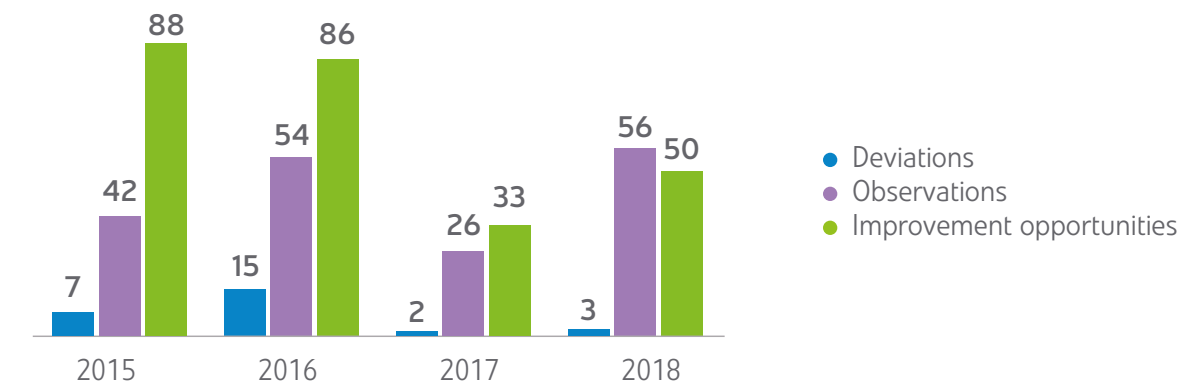
102-11 103-2 Environmental management at Canal de Isabel II

Management systems

Canal de Isabel II develops all its activities taking into account its Quality and Environment Policy, as well as the Occupational Safety and Health (OSH) Policy. In order to guarantee its compliance, we have implemented and certified management systems in accordance with the ISO 9001:2008 and ISO 14001:2004 standards, and a Management System for Health and Safety at Work in accordance with the BS OHSAS 18001:2007 standard. In May 2018,

the first monitoring Quality and Environmental certification audits were conducted with favourable results for the development and permanent improvement of the Management System. At the same time, the second monitoring audit for the Occupational Health and Safety certification was conducted, with the same result.

► Result of the audits carried out on management systems each year



The Committee on Quality, Environment and Health and Safety at Work, as the specific body that directs and promotes management systems, is responsible for coordinating and taking decisions on these aspects (Quality, Environment and Health and Safety). All of the company's management participates.

The document base of the Management System, on 31 December 2018, consisted of 570 documents including the Quality and Environment Manual and the Safety and Health at Work Manual and Prevention Plan, general procedures, technical instructions and

standard operating procedures. In 2018, changes have been made to 69 system documents.

In the area of quality systems, over past few years, Canal has begun to make progress in defining the process architecture using the LEAN Six Sigma methodology, seeking to improve processes such as managing complaints or the processes of our Colmenar Viejo bottling plant, among others.

Prevention at the source of adverse environmental impacts

Canal de Isabel II incorporates the principle of prevention into its operating philosophy ("the best way to correct an environmental impact is to prevent it

from occurring"), with an approach based on analysing the life cycle of our processes and activities.



Environmental quality and energy efficiency

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

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

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

All the projects drafted at Canal de Isabel II are evaluated in accordance with the provisions of Law 2/2002 on Environmental Assessment of the Autonomous Region of Madrid and other applicable legislation (notably, Law 21/2013, of 9 December, on environmental

assessment). In addition to the aspects of the natural and physical environment, these assessments analyse the social and economic aspects and, if necessary, any significant impacts on local communities.

In 2018, a total of 8 projects from the Sanitation and Treatment, Supply and Building areas were submitted for environmental impact assessment, and no declaration of environmental impact from the administrations was produced during the year.

413-1

Prevention and communication about environmental aspects of our operations

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

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

In the case of the execution of projects subject to the administrative environmental impact

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

Moreover, within the framework of management systems, there are documented internal procedures related to environmental communications from stakeholders.



Environmental quality and energy efficiency

201-1 Expenditure and investment in environmental management and activities

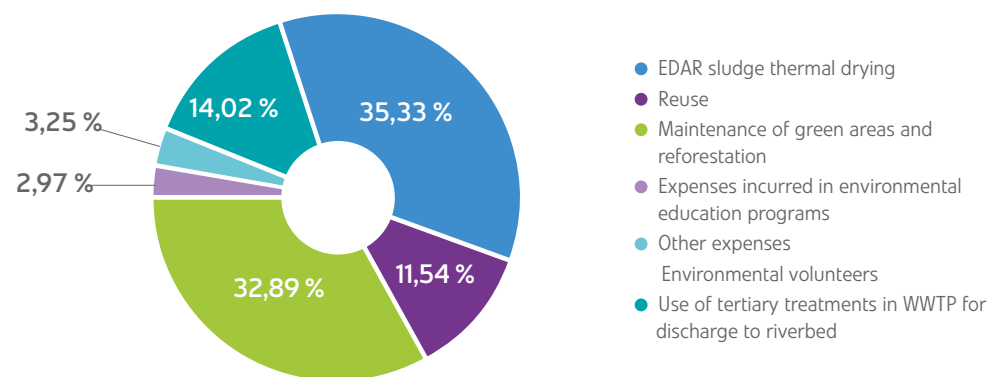
Apart from the environmental expenses linked to the fulfilment of our legal obligations (waste management, sludge management, etc.) or associated with the processes necessary for the management of the integrated water cycle (waste management, sludge management, etc.), Canal dedicates other economic resources to voluntary aspects of environmental management. These resources amounted to 8.84 million euros (excluding associated revenues) in 2018 and represent 3.89 % of the total expenditure associated with environmental management (a total of 227.37 million euros in 2018).

The main items of voluntary expenditure include the maintenance of green areas and reforestation (26.55 %)

and the maintenance of landscaped areas and WWTP thermal drying of sewage sludge (48.05 %).

Given the intrinsically environmental nature of many of our processes (we manage a natural resource and deal with wastewater treatment), many of our investments have an environmental protection objective. Thus, in 2018, the investments made by Canal de Isabel II with a final environmental objective amounted to 18.45 million euros. In the 2016-2018 period, environmental investments made by the company amounted to 75.49 million euros.

► **Distribution of voluntary environmental expenditure for the 2016-2018 period**



Our environmental performance

Canal manages all its facilities in accordance with sustainable criteria, seeks to rationalise the consumption of materials and energy, avoids discharges and

emissions into the atmosphere and manages its waste appropriately, periodically controlling the noise and odours produced by its activities.

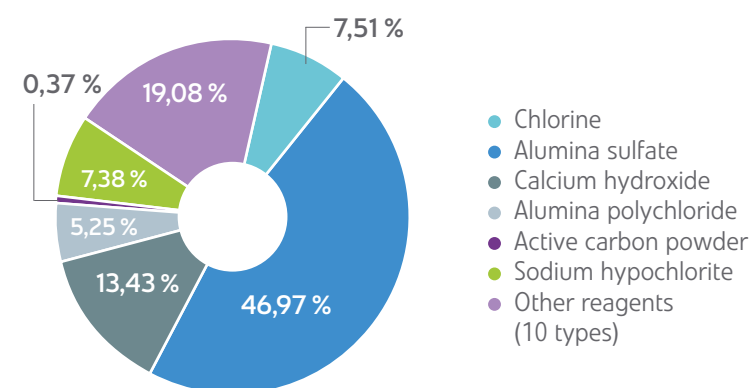
301-1 301-2 Use of reagents

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

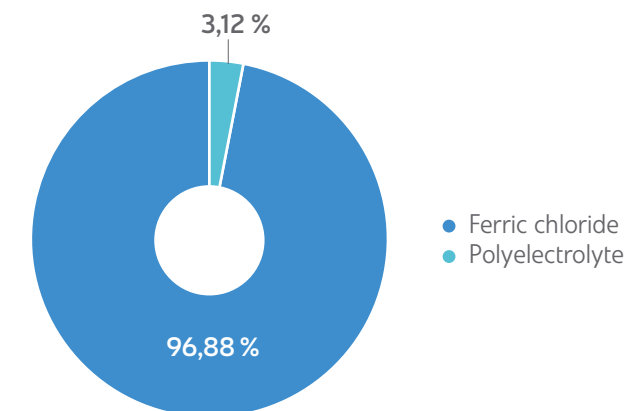
water treatment; in addition, 33,502 tonnes have been consumed in wastewater treatment.

In 2018, total reagent consumption was 59,885 tonnes. Of these, 26,353 tonnes were destined for drinking

► **Type of reagents consumed in DWTPs in 2018**



► **Type of reagents consumed in WWTPs in 2018**



301-1 Paper consumption

In administrative and, commercial management activities and invoice delivery, the main material consumption recorded is paper Canal keeps reducing paper consumption as a quality and environmental objective, establishing for years a set of policies for printing and document management, as well as continuous monitoring by those responsible, which have resulted in 6.93 % fewer paper consumed since 2016.

Of the 27.51 tonnes of paper used internally in the company in 2018, 55.68 % was recycled paper. The company has the

firm objective of reducing paper consumption in internal administrative tasks and and we have managed to reduce its paper consumption by 17.79 % from 2017.

Furthermore, the printed documents that are sent to our clients, most of them water consume invoices, were made through an FSC (Forest Stewardship Council) certified service provider, which guarantees the use of produced paper by means of responsible forest management. In 2018 120.24 tonnes of paper were used for these deliveries to our clients.

Environmental quality and energy efficiency

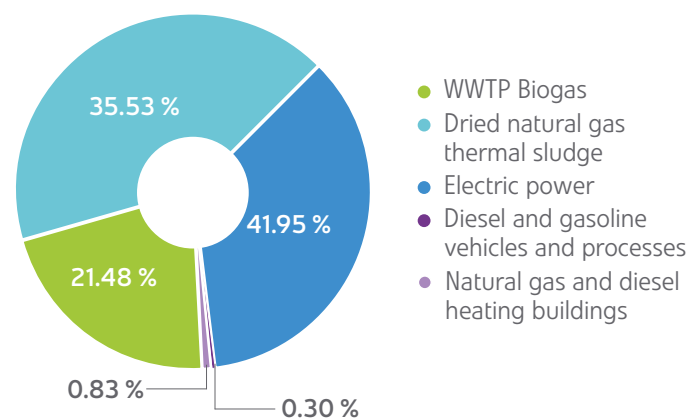
302-1 Energy consumption

Canal de Isabel II has to consume vast amounts of energy for all its processes. This energy comes from various sources, but it is mainly electric. Therefore, as we are aware of the importance of such consumption, in recent years initiatives have been developed for the generation of electric energy through synergistic processes with water management. Thus, by the end of 2018, we were the company with the greatest

installed power in electricity generation in the Autonomous Region of Madrid, with a total of 107.1 megawatts.

In 2018, the direct consumption of energy from different sources for the functioning of facilities and Canal's operations was 3,008,160 gigajoules, corresponding to 41.95 % of electricity consumption.

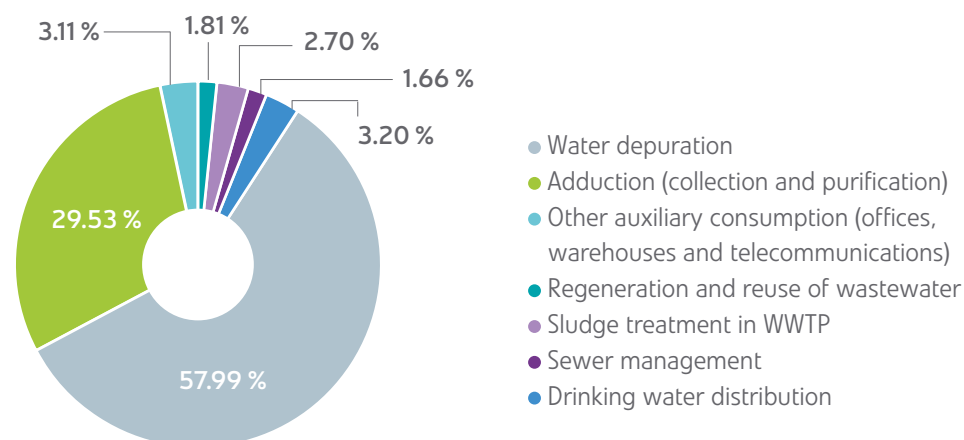
Percentage distribution of energy consumption in 2018



302-4

Data from 2018 indicate that electricity consumption was 49 % lower than 2017. This is mainly due to a reduced use of the Alberche river lifts (Picadas and San Juan), which has been 28.20 % lower than 2017 due to the fact that the hydrological year has not been dry.

Percentage of electric power consumption by integrated water cycle activity in 2018

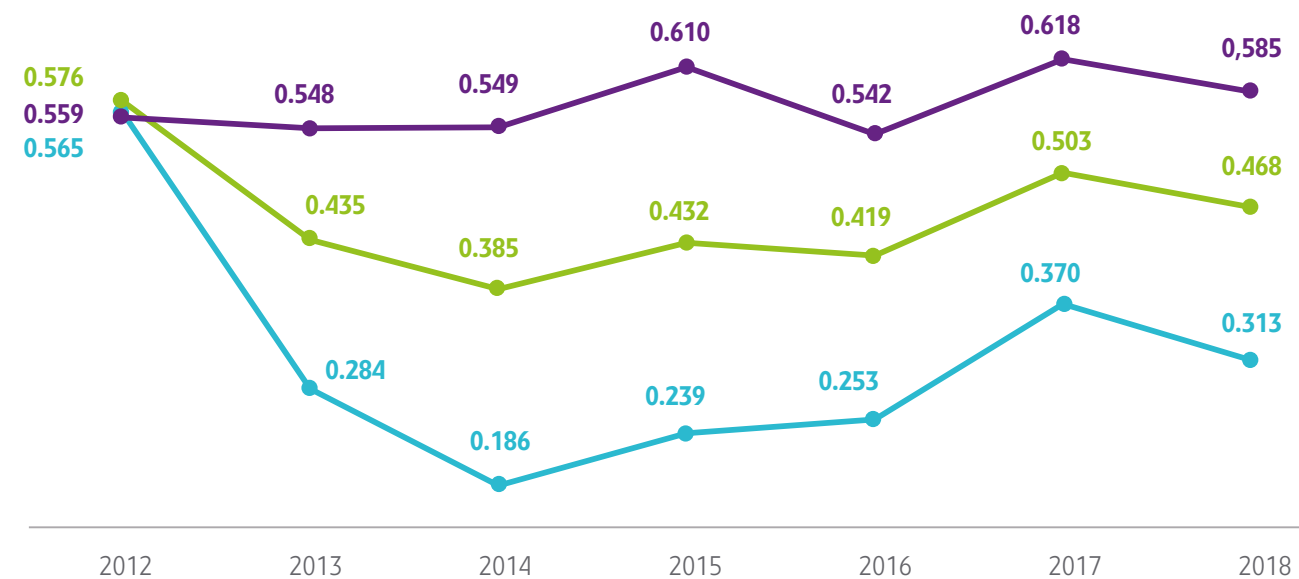


302-3

In terms of specific consumption, data vary greatly depending on the rainfall characteristics of the year. Thus, when river flows are very low, it is necessary to use well fields and to make greater use of elevators, with which

energy consumption almost doubles. The specific consumption recorded in recent years is as follows:

Specific consumption recorded in recent years (kWh/ m³)



- Specific supply consume (kWh per m³ derived for consume)
- Specific sanitation and reclamation consume (kWh per m³ treated or reclaimed)
- Specific total company consume (kWh per m³ managed)

303-1

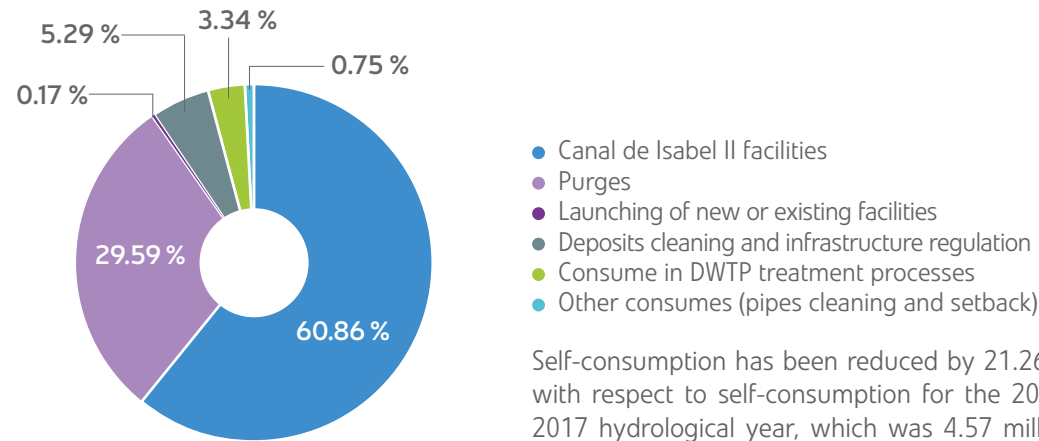
Water consumption

Apart from the water that we distribute as part of the supply processes, the water consumption registered for the realisation of our processes (i.e. self-consumption) has amounted to **3.60** cubic hectometres of water in the

2017-2018 hydrological year. This figure corresponds to **0.74 %** of the water diverted for consumption in the same period.

Environmental quality and energy efficiency

► Canal's internal water consumption sources in 2018



- Canal de Isabel II facilities
- Purges
- Launching of new or existing facilities
- Deposits cleaning and infrastructure regulation
- Consume in DWTP treatment processes
- Other consumes (pipes cleaning and setback)

Self-consumption has been reduced by 21.26 % with respect to self-consumption for the 2016-2017 hydrological year, which was 4.57 million cubic metres of water.

305-7 Atmospheric emissions

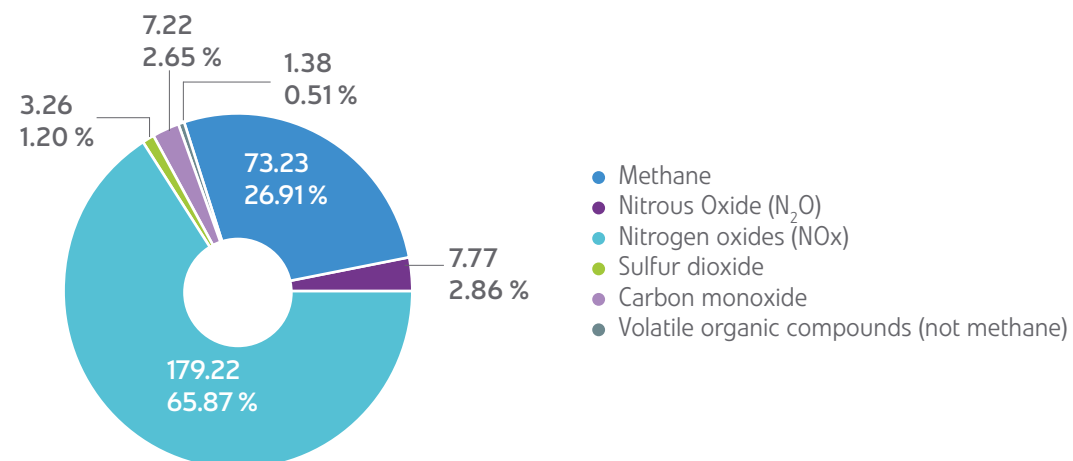
The emissions of greenhouse gases, acidifying substances and tropospheric ozone precursors into the atmosphere that can be attributed to Canal's operations come from:

- Exhaust gas emissions from our 687 vehicles and machines, which in 2018 have covered a total of 9.52 million kilometres, as well as diesel used in some processes.

In 2018, for the first time our electricity consumption did not involve indirect emissions, because all of the electricity was purchased with a guaranteed renewable origin certificate.

- Emissions associated with the composting processes of sludge from our WWTPs.
- Direct emissions from existing combustion plants in Canal's facilities, particularly those from the UTL in Loeches and the thermal sludge drying plant of WWTP Sur.

► Distribution of Canal air emissions (except CO₂) in 2018 (tonnes/ percentage of total)



- Methane
- Nitrous Oxide (N₂O)
- Nitrogen oxides (NOx)
- Sulfur dioxide
- Carbon monoxide
- Volatile organic compounds (not methane)

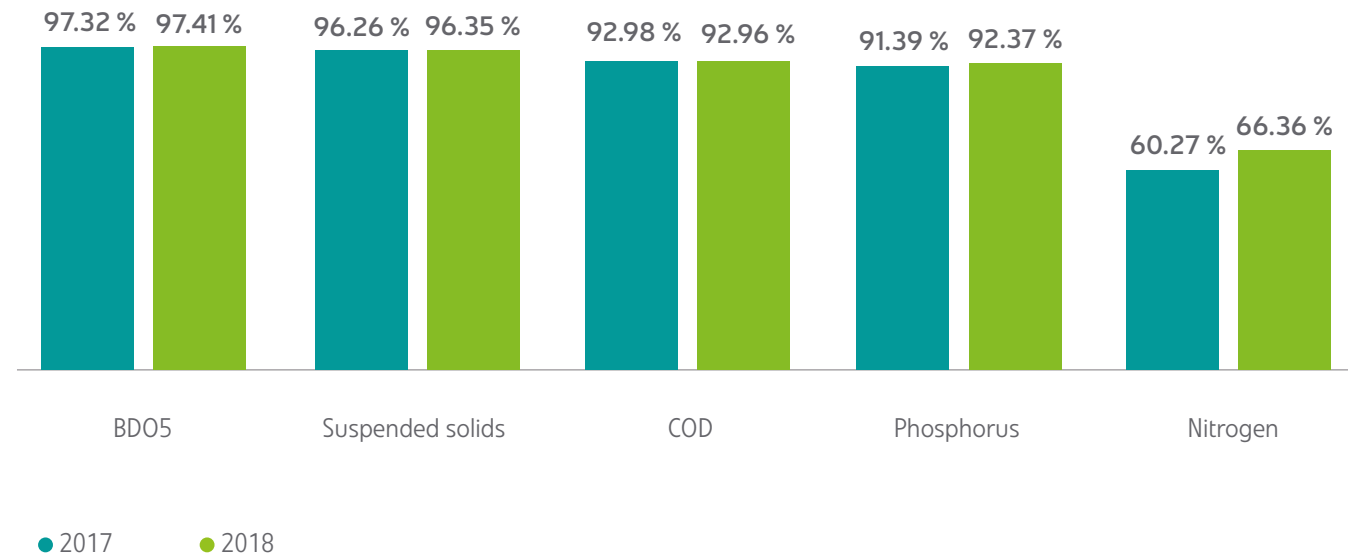
306-1 Wastewater treatment

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

the effluents treated in the plants managed by Canal maintains the high standard that characterises the system. Additionally, the plants treated another 12.10 million cubic metres for its subsequent reuse.

In 2018, these plants have treated 489.24 million cubic metres of wastewater, equivalent to 101.95 % of the water diverted for consumption. The quality of

► Purification efficiency (percentage of pollutant load removed)

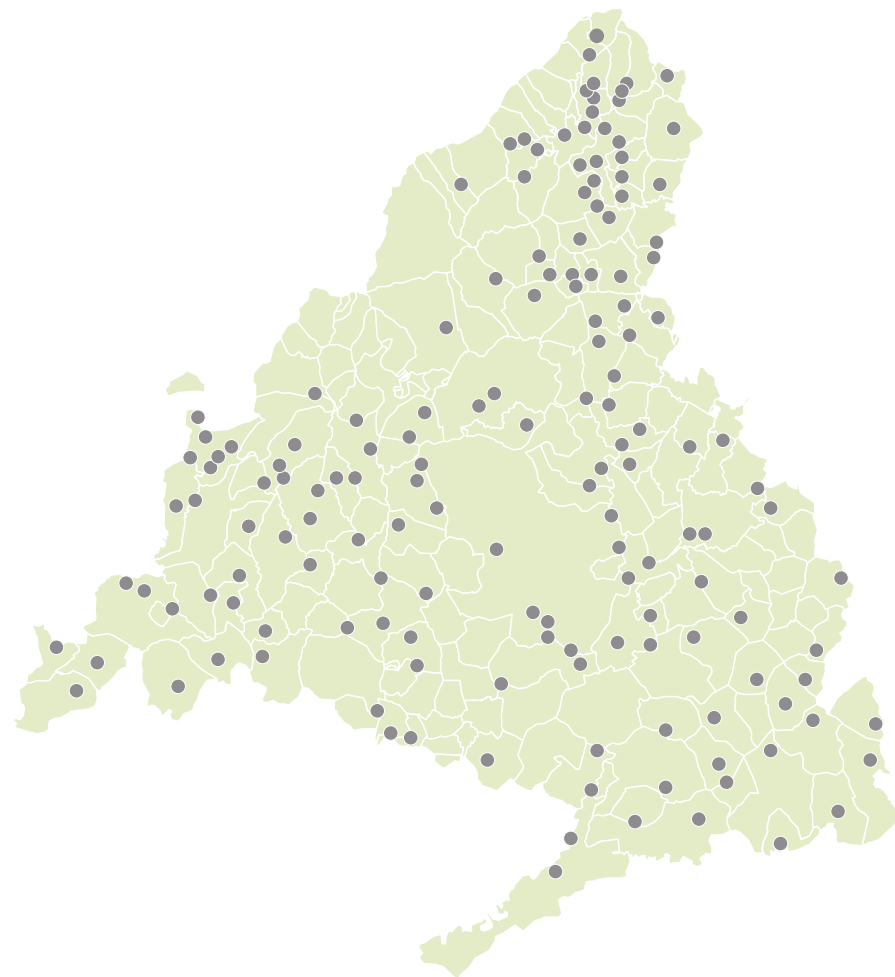


The wastewater treatment plants are located in the basins of different rivers across the Autonomous Region: Alberche, Aulencia, Cofio, Guadalix, Guadarrama, Guatén, Henares, Jarama, Lozoya, Manzanares, Perales, Tagus and Tajuña. However, not all of them carry out each of the possible purification processes, but rather they are adapted according to factors such as the size or number of inhabitants for which they are designed, economic imperatives, seasonal variations in river flows, wastewater

origin or possible industrial discharges. The types of processes followed in the purification even determine the physical appearance of the facilities. In 2018, 23.01 % of the water treated and discharged to rivers were done with tertiary treatment (112.62 million cubic metres), which contributes to notably improving the quality of the wastewater discharged to rivers.

Environmental quality and energy efficiency

► Location of Canal WWTPs in the Region of Madrid



Canal's WWTPs have a design capacity of 17.14 million equivalent inhabitants and can treat a daily flow of up to 2.97 million cubic metres.

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

Since 2015, Canal has been developing its Plan for complying with WWTP discharge authorisations,

aiming to ensure compliance with at least 80% of the samples taken for self-monitoring in drinking water treatment plants, as well as carrying out comprehensive monitoring of the entire WWTP in order to reduce non-compliance to a minimum. The main actions envisaged are as follows:

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

In this respect, in 2018, the connection between the sanitation systems of the Algete I and Algete II Treatment Plants to make the operation more flexible and guarantee the regenerated water needs for green areas of the municipality stand out; the improvement of technology in the Alcalá Oeste WWTP to comply with the National Purified Water Quality Plan; and the expansion in the treatment capacity of the Chaparral WWTP to treat the discharges generated by the successive urban developments in the municipalities of Cercedilla, Los Molinos and Guadarrama.

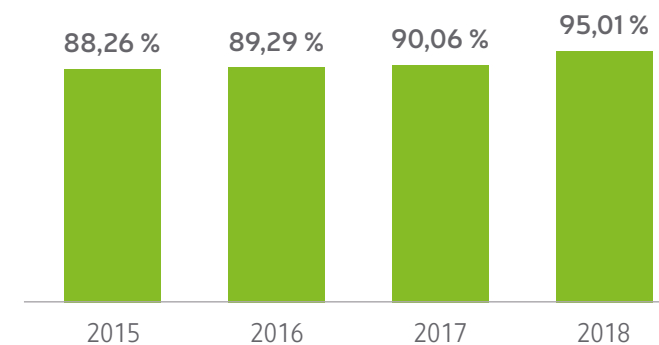
As a result of this commitment, the compliance percentage of our treatment plants improves year after year. Between 2015 and 2018, the number of

samples complying with these standards improved by 3% compared to the total number of samples taken at the WWTP.

306-3

In the normal functioning of the facilities, Canal's activities do not discharge any chemical substances. Thus, throughout 2018, there was no notable incident in this regard.

► WWTP compliance (percentage of sample in compliance out of total sample)



301-2

301-3

306-4

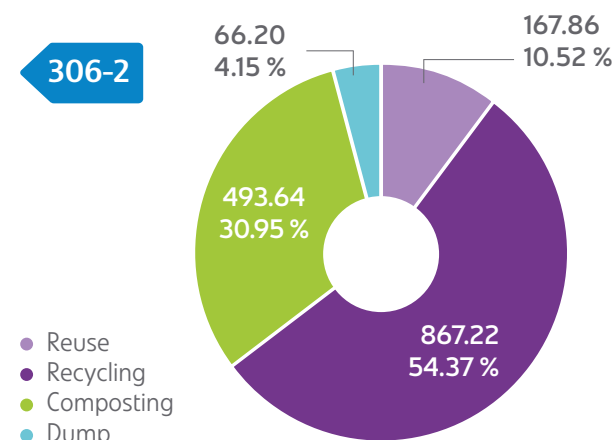
Waste management

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

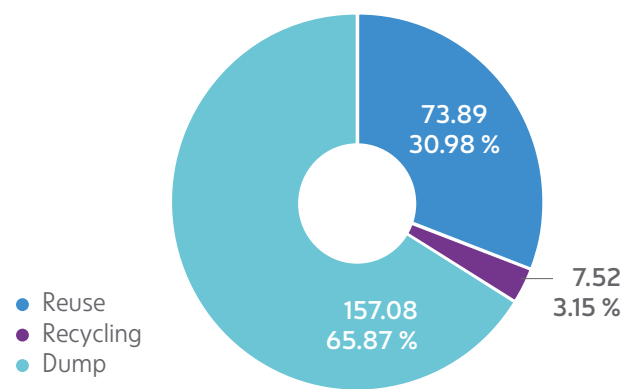
In recent years, Canal has been working actively on the proper management of non-hazardous waste with the aim of increasing the amount destined for reuse or recovery.

Environmental quality and energy efficiency

► Final destination of non-hazardous waste produced in 2018, except pre-treatment WWTP and WWPS waste (tonnes/percentage of total)



► Final destination of hazardous waste produced in 2018 (tonnes/percentage of the total)



In 2018, a total of 35,629 tonnes of non-hazardous waste were generated and managed, including 34,034 tonnes of pre-treatment waste from the WWTPs and WWPS's (95.52 % of them). Also noteworthy are construction and demolition waste (377 tonnes) and waste from pruning parks and gardens (494 tonnes) used in the Loeches WWTP sludge composting and thermal drying plant with co-generation as a structuring material for composting. 79 tonnes of paper and cardboard were also managed.

With regard to hazardous waste, 238.48 tonnes were generated in 2018. These include 91.49 tonnes of laboratory waste (38.36 % of the total) and 73.89 tonnes of motor oils and lubricants (30.98 % of the total).

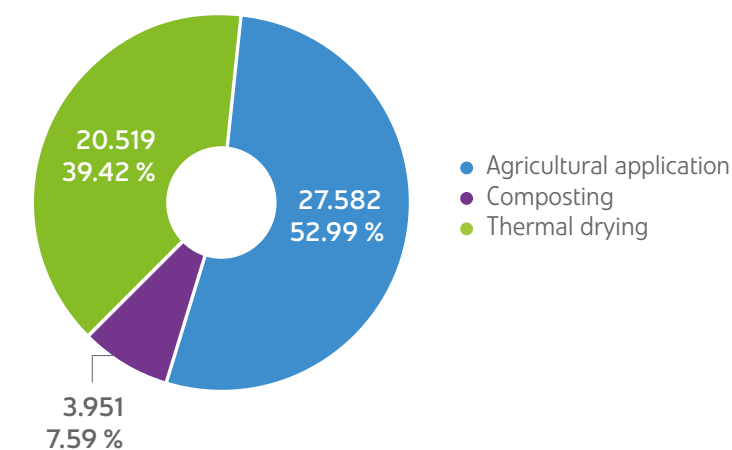
In addition to the hazardous and non-hazardous waste associated with our processes, of note in terms of volume are the sludge generated in the production of drinking water from the DWTPs (a total of 24,553 tonnes in 2018, and the sludge generated in the treatment of wastewater at the WWTPs, 218,773 tonnes in 2018. In this respect, it is worth noting that in 2018 since October, Canal has begun to treat sludge from WWTPs in the municipality of Madrid, which, the City Council was previously in charge of. This involved a 16.09 % increase in the sludge to be treated, compared to 2017.

306-2

The final destination of dehydrated sludge from WWTPs is, for the most part, agricultural use. In 2018, no sludge was sent to energy recovery in cement plants or landfills. In 2018, a total of 20,516 tonnes of dewatered sludge were processed in the Loeches Sludge Treatment Unit and that which is located in the WWTP Sur (since October).

In the case of the WWTP sludge in 2018, the destination was its agricultural use 100 % of the time.

► Final destination of WWTP sludge in 2018 (tonnes of dry matter and percentage)



Management of noise and odours

Canal manages all its facilities in accordance with sustainable criteria, periodically controlling the noise and odours produced by its activities.

Since 2004, Canal has had a programme to control noise levels generated by our facilities that may disturb the population or in areas of special sensitivity. In 2018, the number of controlled installations was 268, with a degree of compliance of over 99.55 %,

El Chaparral being the only installation that exceeded the limits according to the criteria established in the company's internal regulations, which is more restrictive than current legislation on noise.

In 2018 there were no formal complaints, only two complaints, in Pelayos de la Presa WWTP and in the Robledo de Chavela WWTP, and both were resolved.

307-1

Compliance with environmental legislation

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

In 2018, only 35 sanctions proceedings were opened by the Tagus Hydrographic Confederation, the vast majority of which are linked to involuntary discharges of wastewater from our 157 WWTPs. These proceedings

are at different stages of processing; most of them have been appealed through administrative channels or even through the filing of the corresponding contentious-administrative proceedings. The cumulative amount of the penalties associated with these cases amounted to 252.04 thousand euros the end of 2018, 48.36 % less than in 2017.

Environmental quality and energy efficiency

201-2 Energy efficiency and climate change

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

Canal de Isabel II cannot be unaware of this concern about the future sustainability of our supply model

and, for this reason, we are working both in the area of mitigation and adaptation to be prepared to face the adverse effects that climate change may cause.

305-1 305-2

Our greenhouse gas emissions (GGEs)

305-3 305-5

In 2018, according to estimates, greenhouse gas (GHG) emissions amounted to 137,237 tonnes of CO₂ equivalent. This represents a 42.02 % reduction in our total GHG emissions compared to 2017 and is mainly due to all of the energy purchased in the electrical network had guaranteed renewable origins and therefore there were zero tonnes emitted.

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

- Direct emissions, originating from Canal processes and/or facilities (scope 1), accounted for 58.60 % of the total in 2018. These include our main combustion activities: the cogeneration in the Loeches UTL, the cogeneration in the sludge drying WWTP Sur, the composting processes of sludge or those associated with emissions from the company's vehicles.
- There were no indirect emissions, associated with Canal's electricity consumption (scope 2), given that all of the electricity we consume comes from renewable sources.

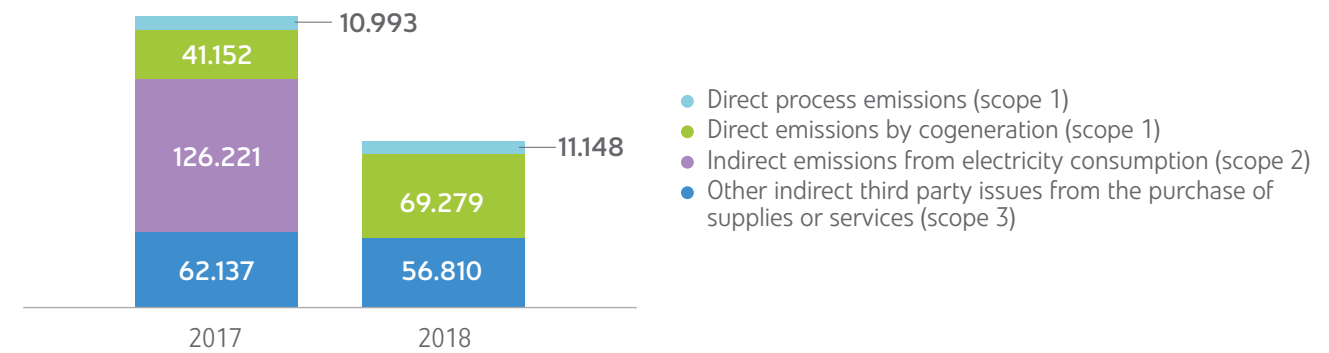
- Indirect emissions, associated with supplies and services provided by third parties (scope 3), such as waste transport, reagent consumption and paper consumption. They accounted for 41.40 % of our emissions in 2018 and include emissions associated with commuting by Canal employees from their homes to the company's workplaces.

305-4

In terms of specific emissions in 2018, 0.140 kilograms of CO₂ equivalent were recorded for each cubic metre managed². This represents a 43.82 % decrease in specific emissions compared to the previous year.

The only Canal facility subject to regulations on greenhouse gas emission rights is the Wastewater Sludge Treatment Unit of the WWTP with cogeneration of Loeches, which in 2018 compensated its emissions by providing the emission rights National Registry 44,994 tonnes of CO₂ equivalent.

Greenhouse gas emissions in 2017 and 2018



Until 2018 electricity consumption was one of the main sources of emissions of this type of gas by Canal. In dry years, which require higher electricity consumption to ensure adequate supply, emissions may almost double (as they did in 2012). For this reason, Canal focuses its efforts to reduce emissions on the generation of clean energy and the search for energy efficiency.

All of the energy purchased in the electrical network in 2018 had guaranteed renewable origins, which, combined with our own generation makes our emissions associated with electrical consumption (scope 2) zero tonnes.

302-5 Generation of clean energy

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

At the end of 2018, Canal and its Business Group managed the following electricity production facilities:

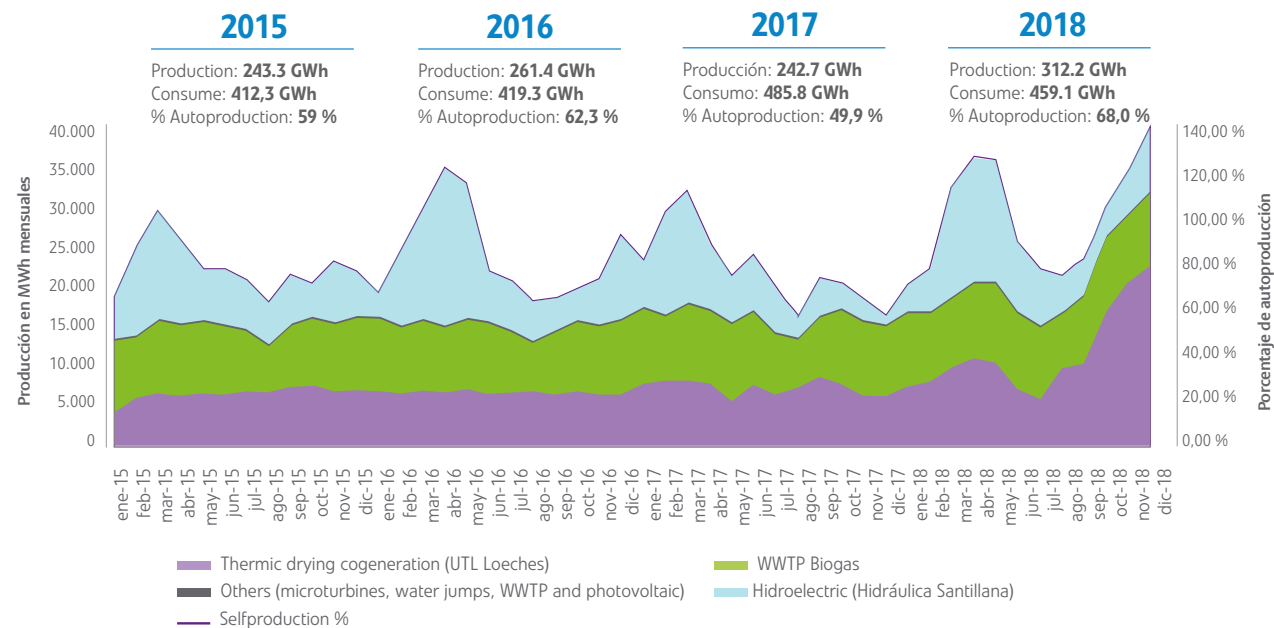
- 9 hydroelectric power plants, with a total installed capacity of 35.52 megawatts, managed by **Hidráulica Santillana**, a Canal Group company.
- 13 WWTPs equipped with motor-generators using the biogas produced in purification processes, with a total installed power of 25.43 megawatts.
- 2 cogeneration plants (Loeches UTL and WWTP Sur), associated with the thermal drying process of WWTP sludge, with an installed power of 44.70 megawatts.
- 3 small wastewater falls in the Sur and La Gavia WWTPs that take advantage of the difference in level at the dumping point with an installed power of 0.26 megawatts.

- 9 microturbines installed in different points of the supply network with a total installed power of 0.83 megawatts.
- 2 WWTPs with photovoltaic solar panels, with a total installed power of 0.33 megawatts.

As a result, Canal de Isabel II is currently the company with the largest installed capacity for the production of electricity in the Autonomous Region of Madrid, with a total of 107.07 megawatts.

The installed power in renewable only technologies was equivalent in 2018 to 25.04 % of the power contracted for the management of the integrated water cycle in the region (including Canal and Aguas de Alcalá UTE).

Environmental quality and energy efficiency



Thanks to the energy generated in processes associated with both supply and sanitation, Canal has a high degree of electrical self-supply. In 2018 the electricity generated, 312.22 million kilowatts per hour, is equal to 68.0 % of its total consumption. Of this amount, 42.15 % was used for self-consumption in our facilities and 57.85% was transferred to the grid.

The generation of electric energy by Canal has managed to avoid the emission of 83,368 tonnes of CO₂ in 2018, which represents 60.75 % of our total emissions of these gases.



Actions to reduce emissions

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

Raising awareness to reduce water consumption and rationalise water use

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

The water saving achieved in 2018, 4.84 % less than in 2017, avoided the emission of more than 3,419 tonnes of CO₂ equivalent.

Reforestation Actions

In the 2018 fiscal year Canal planted 29,953 plants, trees and shrubs. The development of new plantations is a means for carbon sequestration, a useful short-term response to global warming caused by the accumulation of carbon dioxide in the atmosphere.

Promoting the use of public transport

Canal finances 80 % of the amount of the Transport Pass in the Autonomous Region of Madrid for all employees who request it, thus promoting the use of public transport in the workforce.

Sustainable mobility

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

Since 2011, we have had hybrid and electric vehicles in our fleet. In 2018 there were 17 hybrids and 48 electric vehicles (equivalent to 10.35 % of the light vehicle fleet). These two types of vehicles have covered a total of 392,500 kilometres, avoiding the emission of 40.83 tonnes of CO₂ equivalent in 2018.

Knowing that the biogas from our WWTPs can power vehicles, we are testing the installation of gas stations that recharge vehicles from different technologies in several treatment plants. For example, since the end of April 2018, the La Gavia treatment plant has a pilot facility with a production capacity of 0.3 Nm³/h, that is, two weekly refuelling for a passenger car. The process of eliminating CO₂ is based on its dissolution in primary decanting water. Over the next few years we will continue working to implement these technologies.

Furthermore, in 2018 we have started to replace our diesel vehicles with gasoline, reducing the number of diesel vehicles by half, and we have begun work on multiplying our electric vehicle fleet by up to 13.

Search for energy efficiency

Since 2010, various plans have been developed for energy improvement in Canal. They seek efficiency in energy management from an integral point of view (operational, technological, economic and environmental), promoting coordination between the different areas of the company. Highlights in 2018 include energy efficiency audits of 14 installations that make up 33 % of the network's total consumption. Also, in 2018, we completed the works on the microturbine installed in the Plaza de Castilla de Madrid facilities and the new Valmayor hydroelectric power plant.

Environmental quality and energy efficiency

Managing biodiversity

304-1 304-2 Presence in protected spaces

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

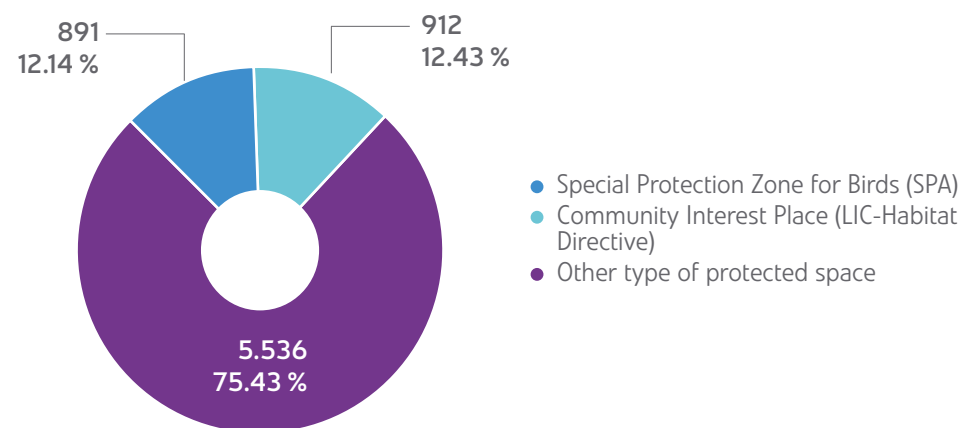
Thus, for example, in the Catalogue of Reservoirs and Wetlands of the Autonomous Region of Madrid, drawn up in accordance with Law 7/1990, among

the reservoirs selected according to their values and characteristics, 9 are included in the Canal-managed supply system.

The surface area occupied by Canal-managed facilities and infrastructure on land subject to some form of legal protection amounted to 6,427 hectares in 2018. It represents 57.64 % of the total area occupied by Canal facilities, 12.43 % of which were Special Protection Areas for Birds (ZEPA), 75.43 % were Sites of Community Importance (SIC) under the European Union's Habitats Directive, and 12.14 % were other protected areas.

.....
For the Regional Catalogue of Reservoirs and Wetlands of the Autonomous Region of Madrid visit [this link](#).

► Distribution of the area occupied by Canal facilities in protected areas in 2018 (hectares/percentage of total)



304-4 Protected species present

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

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

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



304-3 Plant heritage conservation

Canal de Isabel II annually carries out a series of conservation and improvement works on the green areas in order to achieve an optimum level of maintenance of the extensive plant heritage, both of the areas included in its facilities and of the areas open to the public for use and enjoyment, such as the Tercer Depósito Leisure and Sports Centre, the Plaza de Castilla Park, the Riosequillo Recreational Area, the Valmayor yacht club, the Cervera de Buitrago marina, and other areas of great richness and diversity located in enclaves of high ecological value. From 2018, we also have the new Ríos Rosas Park, located in our central offices.

Spontaneous vegetation was cleared for fire prevention in a total of 374 hectares in 2018. Furthermore, throughout the year, the necessary phytosanitary treatments were undertaken to prevent plant pests and diseases by applying of chemical products with low environmental impact. Additionally, we promoted the elimination of invertebrates that could be harmful by installing "nest boxes" or "nests" of insectivorous birds.

In addition, throughout 2018 reforestation work was done, planting a total of 29,953 units of plants, trees and shrubs.



Ecological flows

With the approval of Royal Decree 270/2014 of 11 April 2004 on the Hydrological Plan for the Spanish part of the Tagus River basin area, the environmental flows of the following bodies of water were set in the new plan for 2015: Jarama River downstream of the El Vado dam, Lozoya River from the reservoir of El Atazar to the Jarama River and Manzanares River from the reservoir of Santillana to the reservoir of El Pardo. For the rest

of the river sections, an environmental demand is established as a guideline.

During 2018, the environmental discharges into the rivers carried out by Canal de Isabel II for the conservation of the river sections involved a total volume of 69.97 million cubic metres.

Environmental quality and energy efficiency

103-3 Monitoring the main advances in the environmental quality and energy efficiency Strategic Line (2018-2030)

Strategic objective: to encourage the circular economy and sustainable development, tackling the challenges associated with climate change via the corresponding adaptation and mitigation plans.

Our strategy in this line is to further improve the purification of wastewater, adapt our management to the effects of climate change, promote the circular economy and electricity generation from renewable and high efficiency sources.

1

Throughout 2018 we worked on revising the calculations of **Canal's carbon footprint**. The one used until now, and that was done historically, considered criteria that were different from those established by the Spanish Office for Climate Change. This study will allow us to continue taking measures to better understand and reduce our carbon footprint. During 2018 we also analysed our capacity to develop forestry projects that serve as a carbon sink.

Thanks to this new procedure for calculating the carbon footprint, in the future it will be easier to

participate in emissions compensation programmes or purchase emissions allowances that follow this methodology or officially certify our carbon footprint in the Ministry.

It should be noted that the sharp decrease in carbon emissions in 2018 compared to 2017 is due to the fact that the electric power supplied by Acciona (sole power supplier) had 100% of the renewable guarantee cases, which meant significantly reducing the carbon footprint.

2

Regarding the **electrical consumption coverage** our objective for 2030 is to reach a power generation that is equal to 100 % of Canal's consumption. This year we increased our self-production, surpassing the stated objectives, reaching 68 % growing more

than 35 % from 2017. The implementation of Sur sludge drying involves an important boost in achieving the objective. It is also worth noting the installation of biogas microturbines that also contributed to the increased coverage.

3

In the **Purification Excellence Plan** the elevated complexity of the purification processes affected by a multitude of variables requires a multiparameter control of the processes. What we want is to use innovation and state-of-the-art technology to improve the operation of WWTPs and reduce the associated risks.

The operation modelling of WWTPs is an innovation that many companies in the sector do not have

today and will allow us to move forward in decision-making with the consequent reduced spillage risk.

In 2018 improvements have been made in the spillways of 7 WWTPs, the expansions of the Alcalá Oeste and Las Matas WWTP and the automation of the nitrogen removal process in 5 WWTPs have been completed.

3

Despite the efforts made, this year the company's degree of excellence in purification decreased slightly. This was due to the changing and increasingly demanding discharge authorisations for WWTPs and that compliance is subject to the completion of large-scale expansion works. This involves a slower degree of compliance, estimated to be 100 % in 2030.

Climate change is a serious threat that looms over the normal evolution of the integrated water cycle. In order to adapt to the new circumstances, first we must understand what specific impacts it has on our strategic resources. In this respect, we need to study how the water reservoirs and the recharge of our aquifers will evolve.

4

One of the fundamental objectives of our **Climate Change Adaptation Plan** is to combat and mitigate climate change by reducing consumption and promoting energy saving, which will directly affect greenhouse gas emissions, and implementing energy efficiency measures.

In 2018, although in absolute terms Canal de Isabel II's electricity consumption decreased by 5.7 %, from 487 GWh in 2017 to 459 GWh in 2019, we did not manage to reduce specific consumption this year, virtually maintaining the result of the 2017 rate.

During the year that is ending, we have equipped the contracts that will allow a better monitoring and diagnosis of the source of consumptions that are recorded in our facilities. Contract 154/2016 for energy audits and 39/2017 to provide the most important consumption points of network analysers will lay the foundations for the battery of measures to be adopted in order to achieve the objectives set. Furthermore, it was undertaken as pilot action, implemented based on industry 4.0, a platform for smart electricity management in a WWTP. This will allow us to define the future digitisation to be implemented in all our processes for an efficient and sustainable energy management.

5

Regarding **boosting the circular economy** our goal for 2018 was to value at least 40 % of our sludge and we have reached 38.5 %, slightly below the established target, although well above the end of 2017, which was 32 %.

In 2018, different actions were carried out to achieve this indicator, among which an increased volume of sanitized sludge with the Sur thermal drying operation and management where, since October, the sludge generated in the municipality of Madrid is dried and sanitized.

There have also been studies on recycling and/or reuse of waste generated in treatment plants' pre-treatment that currently go to landfill, in particular in the reuse of

desanding waste, seeking to clean sands for a possible subsequent use in pipe or construction beds. This system will be tested in the Arroyo de la Vega WWTP.

Furthermore, work is ongoing in a circular economy with regenerated water, moving towards agriculture, a new use unexplored until now in the Autonomous Region of Madrid, focused on crops of high economic value in rain-fed areas not reached by water. Through a R&D+I project, different water qualities, crops and fertilisers will be tested.

Environmental quality and energy efficiency

6

Regarding the **development of clean energy** in 2018 we began work on the **Solar Plan**, one that groups all of the efforts in renewable generation and energy efficiency that incorporates the Strategic Plan 2018-2030. To this end, the best alternatives have been analysed in order to take advantage of renewable energy synergies and the integrated water cycle. We will pay special attention to self-consumption and the introduction of floating solar technology. This technology will allow us to take advantage of the surfaces of our reservoirs in order to generate electricity.

The uniqueness of solar energy within the integrated water cycle, particularly in floating installations in

reservoirs meant for human consumption, represents a separate chapter in the use of conventional technologies. In 2019 we will delve deeper into the feasibility analysis of this technology and will identify the best locations for self-consumption.

The result of the indicator has surpassed the desired objective. Furthermore, we have incorporated the Sur drying facilities, which will significantly increase in the installed power. Therefore, we modified the objectives of the 2019-2023 period to be even more demanding.

► The indicators of Line 4, its Star Plan and the rest of its plans in 2018 are as follows:

		Value 2017	Value 2018	Objective in 2018	Compliance 2018 (%)	Objective in 2019	Objective in 2023
SL4	Carbon emissions (tCO ₂ e)	240.443	137.237	137.052	99.87 %	217.990	258.098
Star Plan 4	Electricity consumption coverage (%)	50 %	68 %	60 %	100 %	91.9 %	106.9 %
SP4.1	Degree of excellence in purification (%)	96.18 %	95.54 %	96 %	99.5 %	96.82 %	98.09 %
SP4.2	Corrected specific consumption (without Alberche, Tagus pumping stations, wells, or sludge drying) kWh/m ³	0.379	0.380	0.367	96.6 %	0.362	0.345
SP4.3	Valorisation of WWTP sludge (%)	32.55 %	38.46 %	40 %	96.25 %	51.0 %	92.0 %
SP4.4	Clean energy installed power (MW)	81.56	107.07	107.07	100 %	107.27	121.14



For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).

4.5. Municipal cooperation: building our region



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

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

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

under our management, present great needs and require specific plans and an additional effort to reach the right conditions and, thus, prevent incidents that affect citizens and the environment.

Our relations with the municipalities of the Autonomous Region of Madrid

The **relationship with the municipalities** is a matter of **special importance for Canal de Isabel II**, as it facilitates the provision of an efficient and quality service to all citizens. For this reason, throughout 2018, Canal de Isabel II held dozens of meetings with the different municipalities in the Autonomous Region of Madrid.

To provide different types of services, Canal establishes management agreements and other types of agreements with municipalities and large customers.

All agreements and commitments are negotiated and signed individually with each municipality.

Through these agreements, Canal supplied water in 2018 to a total population of 6,357,983 inhabitants in 173 of the 179 municipalities of the Autonomous Region of Madrid. This population equals 96.65 % of the population registered in the region on 1 January 2018.

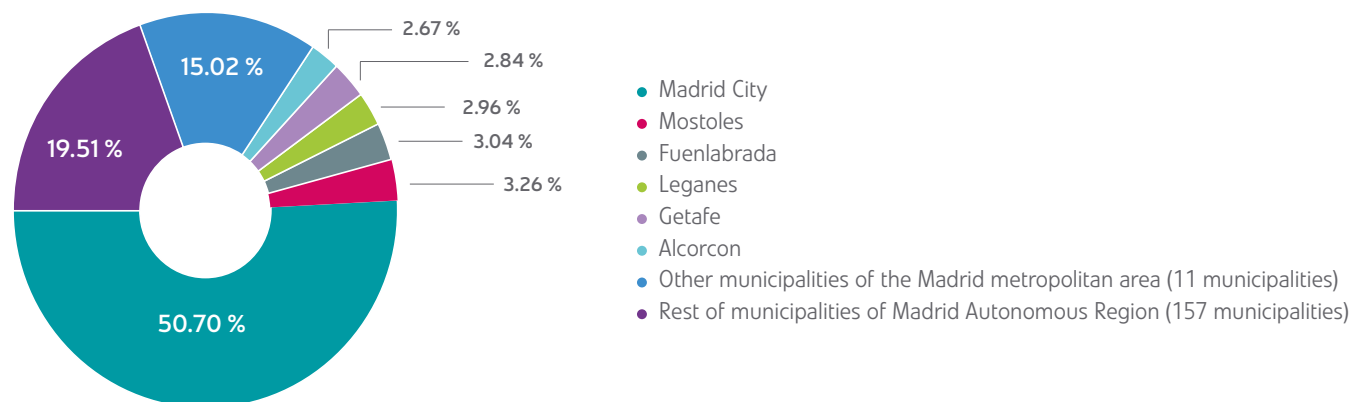
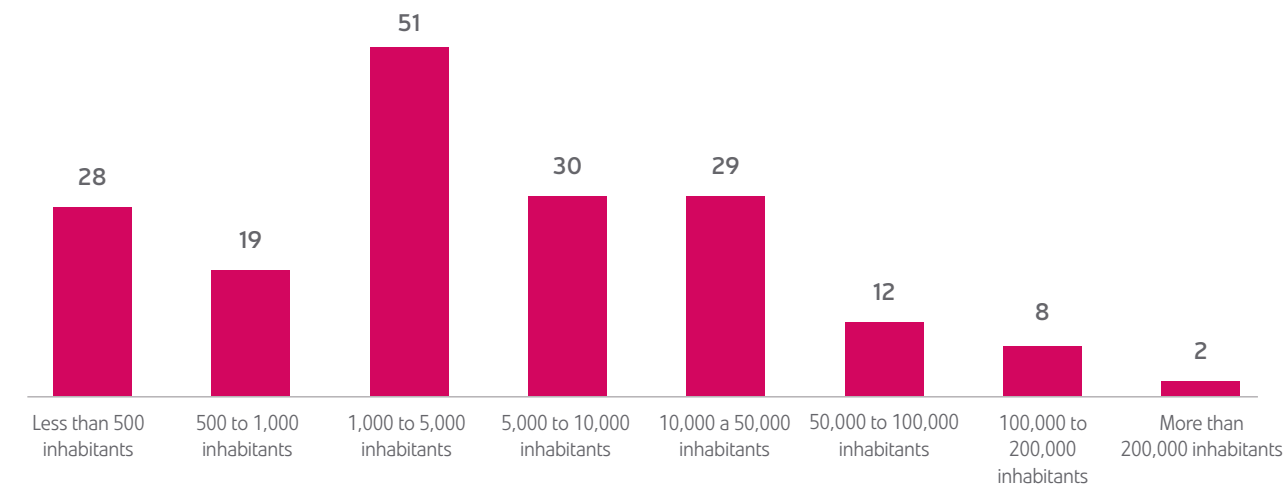
Municipal cooperation

With regard to sanitation services, at the end of 2018 Canal managed the sewerage system for 134 towns in the Autonomous Region of Madrid, with a total population of 5,602,372 inhabitants, which means that it has provided this service to 85.17 % of the region's population. In water purification, Canal has served 6,569,461 inhabitants in 179 municipalities, practically 100 % of the region's population.

In addition, by late 2018 the Canal system supplied water to seven bordering municipalities belonging to Castilla-La Mancha (Valdesotos, Valdepeñas de la Sierra, Tortuero, Uceda, Pió, Pozo de Guadalajara and Ontígola). The population supplied in the bordering municipalities in 2018 is 12,102 people. In the case of Ontígola (Toledo), Canal has also provided wastewater treatment services to its 4,279 inhabitants.

Services provided by Canal de Isabel II in the Autonomous Region of Madrid	Some Supply service	Sewerage system	Purification
Number of municipalities served	173	134	179
Population served	6,357,83	5,602,372	6,569,461
Coverage in the Autonomous Region of Madrid	96.65 %	85.17 %	99.87 %

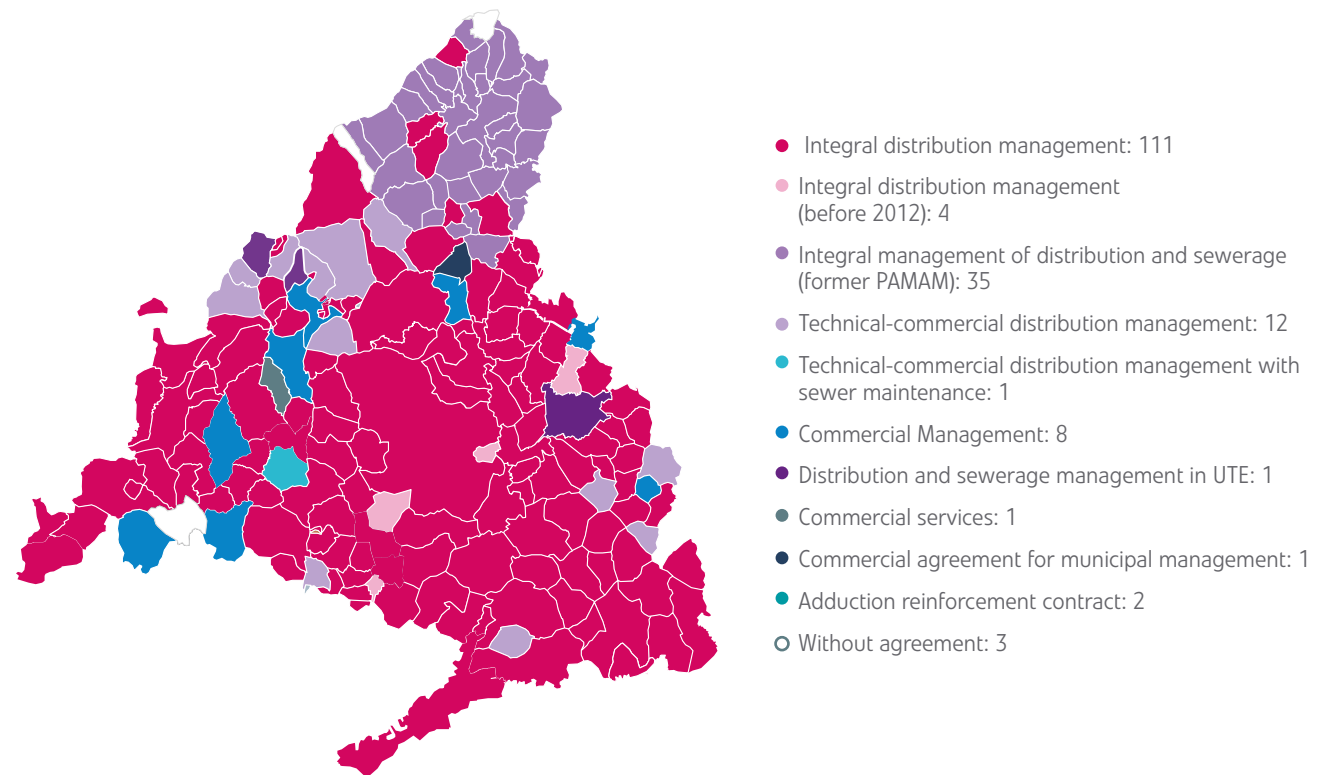
► Distribution by number of inhabitants of the 179 municipalities in which a service is provided in the Autonomous Community Madrid in 2018 and breakdown by percentage of total population supplied



The most common type of agreement signed by Canal with the municipalities of the Community is the Integral Supply Management Agreement. Through this agreement, Canal performs the maintenance, operation and renovation of the distribution network, with the assignment of networks to the general supply system of the Autonomous Region of Madrid. There are also other types of agreements such as the Commercial Management agreements, in which Canal performs

this management (contracting, metering, invoicing and collection management), as well as the adaptation and maintenance of connections. Through technical-commercial supply agreements, Canal maintains and operates the municipal distribution network; this includes the renovation of the distribution networks, to which an additional distribution fee, paid by the end-customers, is applied.

► Map of the types of agreements with Canal de Isabel II in the municipalities of the Autonomous Region of Madrid in 2018



Apart from the management agreements, Canal also signs other agreements with the town halls covering specific issues. In 2018, 21 new agreements were

signed with 19 municipalities in the Autonomous Region of Madrid:

Municipal cooperation

Ensuring sewer management and urban drainage

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

Sewerage and urban drainage

The objective of urban drainage networks is to collect wastewater, domestic, industrial and runoff water for subsequent transport to treatment plants. Canal is responsible for maintaining municipal networks in the 134 municipalities with which it has signed agreements. By the end of 2018, these networks reached 14,206 kilometres. This maintenance consists of inspecting and cleaning all the network elements, as well as carrying out emergency works and cartographic updating. In the same year, Canal managed 877 kilometres of supramunicipal sewers and outlets.

As previously mentioned, Canal has 133 wastewater pumping stations (WWPSs), which raise the water to allow its transport to the WWTPs, and 65 storm tanks and laminators, which aim to prevent flooding and discharges into the riverbeds. Thanks to these facilities, up to 1.48 million cubic metres of the first rainwater, which are the most polluting, are retained.

The maintenance work carried out by Canal consists of monitoring the networks, inspecting (4,046



kilometres of network in 2018) and cleaning the pipelines, cleaning the scuppers (more than 575,000 in 2018), cleaning the occasional spills, resolving each warning and incident in the network, and carrying out any required conservation and improvement works. In addition to this work, a cartographic update is performed, and the network diagnostic studies are prepared; also, technical compliance files for requests for connections or network modifications are processed.

In 2018, we continued delivering sewerage plans to different municipalities. By the end of the year, more than 100 municipalities out of 134 in which we provide said service already had a Plan. These actions will lead to an improvement in the network, a significant reduction in discharges and, in turn, an improvement in the receiving waterways, while reducing the risk of flooding in the municipalities under management.

Regarding the renovation of sewerage networks, in 2018 a total of 28.06 kilometres were renovated, 7.25 of them using technologies without opening a trench.

In addition, in the field of urban drainage, work continued on the installation and management of radar rain gauges, the installation of the Advanced System for Urban Drainage Management and the characterisation of the 15 largest storm tanks, as well as the installation of sensors to obtain data in said installations.

Finally, we should highlight that the communication campaign, which began in 2016, has continued raising awareness among the population about the dumping of elements such as wipes or vegetable oils, which are not part of wastewater and cause serious clogging and problems in WWTPs. Said campaign ("Matilda") was recognised as the best communication campaign by iAgua, the specialised magazine in our sector.

Monitoring the main advances in the cooperation with municipalities in the Autonomous Region of Madrid Strategic Line

Strategic objective: to promote the comprehensive management of Canal in all of the municipalities, consolidating the most efficient supramunicipal management model.

Our strategy in this line consists of improving our relations with all of the region's city councils, incorporating others under our management, achieving excellence in all of the municipalities' sewerage systems and promoting relations and collaboration with Sierra Norte of the Autonomous Region of Madrid, where our most important facilities are located.

On the other hand, there are still many residential estates in the Autonomous Region of Madrid that are not managed by Canal de Isabel II, with serious shortcomings in their distribution and sewerage system networks, to which we will offer management and renovation plans.

In 2018, regarding the **outreach to city councils and residential estates**, we have calculated our starting point in terms of municipalities with a single window, we have returned to the process of defining objectives, now from a more conscious point of view of our current situation. During 2018 the steps taken with city councils have been recorded in various communication channels through the application of Municipal Affairs Monitoring. In 2023 we expect to reach 100 % of the activity as a single window.

Furthermore, during 2018 we developed the panel survey and initiated the personalised surveys directed to the City Councils with which it will be possible to evaluate and monitor the Local Authorities' degree of satisfaction with

Canal de Isabel II in the years ahead. On the other hand, we were able to define the requirements and design a municipal web prototype that will facilitate the access to information with the City Councils, all that geared towards a single-window management with them.

Regarding the **Sewerage system excellence plan**, including the actions aimed at developing sewerage throughout the Autonomous Region of Madrid, such as the design and implementation of the **Sanea Plan**, in 2018 we set out to sign sewerage system maintenance agreements with five municipalities. We were unable to achieve this milestone, but we did sign sewerage system renovation agreements with eight municipalities.

The Board of Directors of Canal de Isabel II S.A. and Ente Canal de Isabel II have approved the initiative to enter into new cooperation agreements with City Councils for the renovation of the sewerage network by applying a supplementary quota, in order to implement on the horizon 2030, renovation works of the sewerage network, whose investment may be collected over a period of thirty years, with Canal facilitating the long-term financing of said works. These agreements are known as the SANEA Convention.

Municipal cooperation

In 2018 the SANEA Plan made the following advances:


- The regulatory bases and the legal-legislative framework of the SANEA Plan were determined.
- The model of the SANEA Agreement prepared and approved by the Canal (SA and Ente) Board of Directors.
- The City Councils were sent the regulatory bases and the proposal for signing the SANEA Convention.
- In the first phase, agreements have been signed with 8 municipalities for the renovation of the sewerage network. Now that the model agreement is developed, these agreements can become part of the SANEA Plan through its incorporation into Sanea Agreements.
- It was planned to sign the SANEA Agreements in 2022 with the 93 municipalities that may currently subscribe to this PLAN.

With the **Sierra Norte Plan**, we seek to support municipalities with actions such as designing and drafting reservoir management plans or exploiting synergies in infrastructures and services between our company and the municipalities. We began implementing three main lines of action in 2018:

- **Technological development:** a pilot test of the WiMAX broadband network in El Atazar was completed, with very positive results. These results have led us to continue the same steps with other interested stakeholders.
 - **Social development:** we collaborated restoring recreational areas to be managed by city councils. Some cases that stand out are those of the Riosequillo and La Marina recreational areas in the municipalities of Buitrago del Lozoya and Cervera de Buitrago.
 - **Environmental development:** we collaborated in cleaning the reservoir banks to preserve the environmental status and health of Sierra Norte reservoirs. The first one planned is that of the El Atazar reservoir.
- All these actions and others that may be undertaken in the years ahead are born as lines of cooperation or synergies with the Autonomous Region of Madrid Revitalisation Plan in order to incorporate Canal de Isabel II measures encouraging the growth of less populated municipalities and preventing depopulation.

► The indicators of Line 5, its Star Plan and the rest of its plans in 2018 are as follows:

		2017 Value	2018 Value	2018 Objective	2018 Compliance(%)	2019 Objective	Objective upon closure of the Plan (2010)
SL5	City Councils satisfaction rate (scale of 1 to 10)	N/A	Define rate	Definite	100 %	7.10	7.29
Star Plan 5	Percentage of sewerage system services coverage in the Autonomous Region of Madrid	74,90 %	74.90 %	74.90 %	100 %	76 %	84.9 %
SP5.1	Percentage of activity through a single window	N/A	Define	Definite	100 %	33 %	100 %
SP5.2	Percentage of municipalities party to the SANEA Plan	N/A	0	10	0 %	12	72
SP5.2	Percentage of municipalities party to the Sierra Norte Plan	10 %	17 %	10 %	100 %	33 %	100 %

.....
 For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).



4.6. Commitment to users: by your side, for whatever you need



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

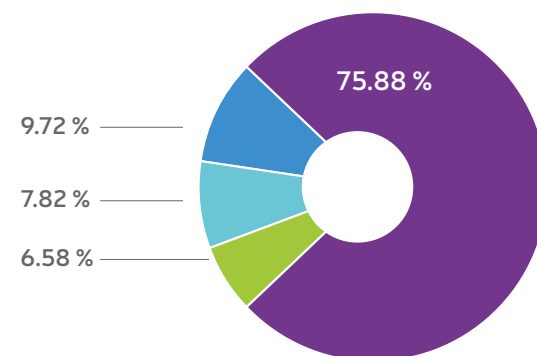
Customers in the Autonomous Region of Madrid: contracts and population served

In 2018, Canal de Isabel II reached 1,484,555 active contracts with customers, a 1.20 % increase compared to 2017.

Through these contracts, Canal supplied water in 2018 to a total population of 6.38 inhabitants in 173 of the 179 municipalities in the Autonomous Region, which, according to the National Statistics Institute (INE) is equivalent to 96.65 % of the population registered in the region on 1 January 2018.

With regard to sanitation services, at the end of 2018 Canal managed the sewerage system for 134 towns in the Autonomous Region, amounting to 5.6 million inhabitants, which represents 85.17 % of the region's total population. In water purification, it has served 6.57 inhabitants in 179 municipalities, practically 100 % of the region's population (99.87 %).

► Types of contracts with customers in 2018



- Domestic single family
- Domestic plurivivienda
- Commerce - industry
- Rest of use

Tariffs, allowances and invoicing to customers

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

- **Progressive and subsidised:** adapting to the particular situations and needs of citizens.
- **Seasonal:** encouraging rational use in periods of scarcity and high consumption.
- **Committed to the environment:** consolidating a reusable water tariff, which is an essential component of integrated water resource management in line with environmental sustainability.

In order to ensure better communication and a better understanding of the tariffs by customers, every year Canal carries out a campaign with explanatory documents that are made available to the public in commercial offices and on the website (www.canaldeisabelsegunda.es/en/). Specifically, a tariff document that includes information on the general tariff for domestic use, as well as the one applied to commercial and industrial use, is published for distribution in commercial offices.

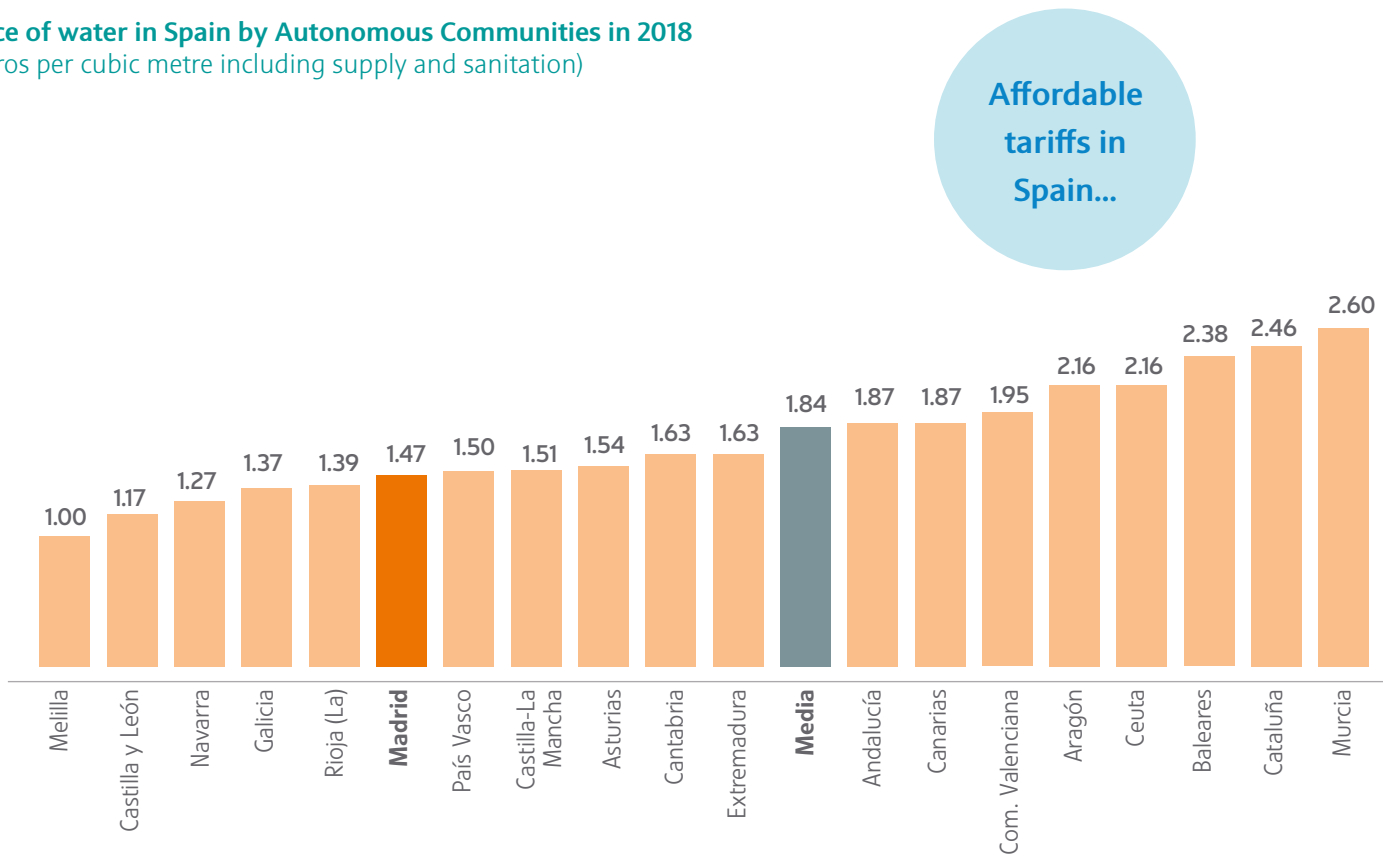
In recent years, Canal's tariff policy has been characterised by its moderation; tariffs were frozen for the fourth time, since 2015, in 2018 for 2019. The cumulative increase of the Consumer Price Index (CPI) in the period of 2015-2018 was 5.6 %.

TARIFFS THAT IMPROVE SERVICE EVERY DAY

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

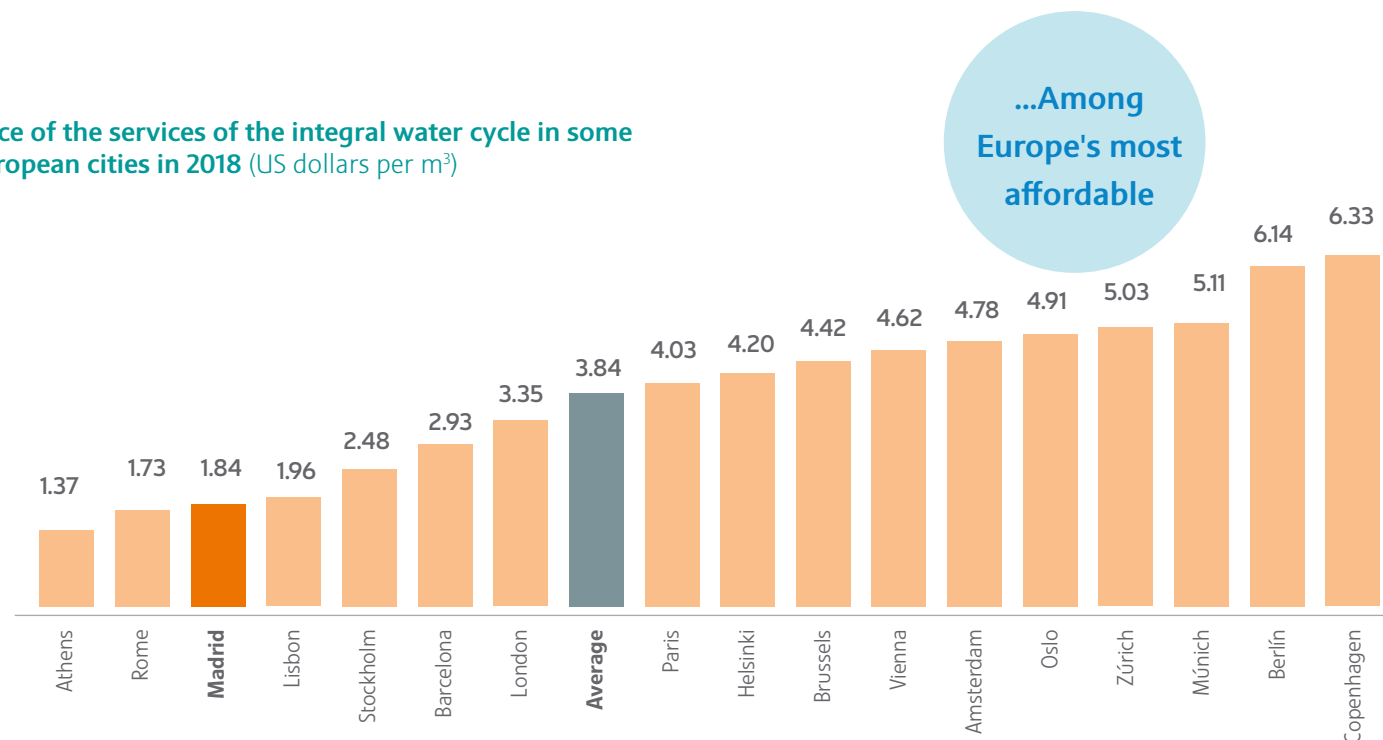
Commitment to users

► Price of water in Spain by Autonomous Communities in 2018
(euros per cubic metre including supply and sanitation)



Source: AEAS (2018) for a customer with 13 mm metre and consumption of 25 m³ per bimester.

► Price of the services of the integral water cycle in some European cities in 2018 (US dollars per m³)



Fuente: Global Water Intelligence (2018).

Tariff allowances

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

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

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

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

- Report from the social worker of the City Council (in the case of Madrid capital, the District Board).
- Since 2016, certificate issued by the Council that vouches for the customer's status as beneficiary of the Guaranteed Minimum Income in the Autonomous Region of Madrid.
- Since January 2017, accreditation of the status of beneficiary of a non-contributory pension, as provided for in Royal Legislative Decree 8/2015, of 30 October.
- For supervised flats or community housing managed by public or private non-profit institutions, registered in the Regional Ministry of Social Policies and Family of the Autonomous Region of Madrid.

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

On 27 November 2018, the Board of Directors of Canal de Isabel II approved of extending the social tariff in 2019 to the recipients of the Active Insertion Income regulated by Royal Decree 1369/2006, of 24 November, by which the program of

active insertion income for unemployed people with special economic needs and difficulty in finding employment is regulated. Furthermore, it approved the creation of a new allowance for recipients of widows' pensions with annual incomes of less than 14,000 euros, which includes a discount of 50 % of the fixed part of the tariff or service fee.

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

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

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

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

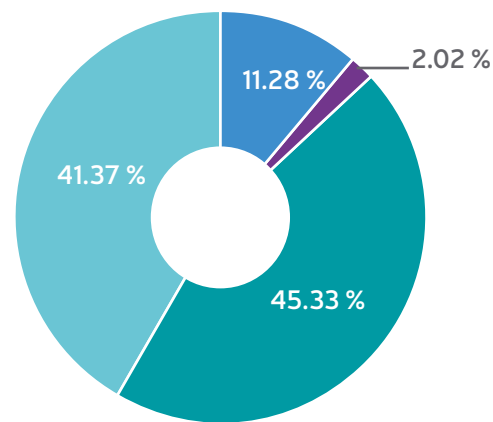
Commitment to users

In 2018 a total of 12,171 families benefitted from the social exemption, which entails a 27.10 % increase compared to 2017 and an 85.90 % increase compared to 2016. 37,445 families benefitted from the large family or household tariff.

Canal has promoted alternative means to minimise the supply cut-off due to non-payment. Cut-offs were thus reduced in 2018 by 81.24 % compared to 2014 (3.46 % compared to 2017). In no instance was water cut-off to families in economic difficulties.



► Social tariff beneficiary contracts for the concept of social exemption in 2018*



- non-contributory pension
- Minimum insertion income
- Certificate of social exemption (social worker)
- Sheltered apartments

*Does not include 1,188 subsidised homes due to quality problems in the District of Canillejas and 202 from Cañada Real in the municipality of Madrid.

Actions to guarantee correct billing to the customer

Canal de Isabel II always seeks to guarantee the highest accuracy of the bills issued to its customers, based on their actual consumption. For this reason, it has carried out the following actions in 2018:

- **Metre reading:** Canal made more than 8.83 million readings on 1.55 million metres. The percentage of estimated bills issued when obtaining the metre reading is possible was only 2.98 %.
- **Audit and analysis of consumption:** Canal has a quality control system for reading and invoicing in order to guarantee the correct billing of actual consumption. The consumption audit, as part of the system mentioned above, is a tool to help in

reviewing consumption that presents a significant variation. When significant variations are detected, customers are alerted in order to avoid any possible internal leaks in their property.

- **Maintenance and verification of metering equipment:** as an essential support for billing, actions are carried out to improve the accuracy of metering equipment, mainly focused on the maintenance and constant renewal of metres.

In order to ensure its correct operation, we have a Volume Metre Verification Laboratory that meets all the requirements to ensure that its verifications and certificates have the required quality and recognition

by national and international authorities. It is accredited by ENAC as a test laboratory for metre verification and, since 2011, for flow metre verification.

The metres are checked at the following levels:

- Control of new metres.
- Customer complaints.
- Conducting of studies to learn more about the operation of metres: verification of metres in use, evaluation of new technologies,

influence of installation conditions, verification of devices that measure water diverted to the network, among others.

A total of 7,882 metres were analysed in the metrology laboratory in 2018, notably including the 2,065 new metres used to renovate the metre equipment in use (26 % of the total).

102-44 103-2 102-43 **Customer and user support**

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

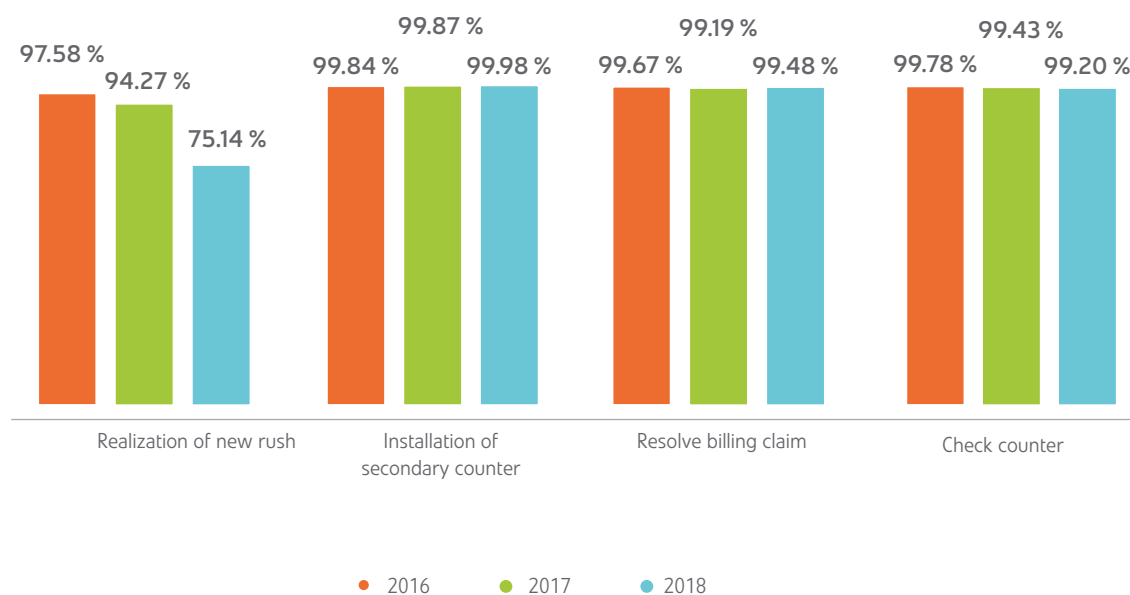


Commitment	Compensation
Commissioning supply on a secondary metre (in a series of metres) within three working days from the date of contracting.	The customer will be compensated with €10 for each day of delay, up to the total cost of the installation and materials.
Installing a new connection that implies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

Commitment to users

Our degree of compliance with the service charter has been improving over the last few years and is close to 100 % in all cases. Specifically, in 2018, our compliance was 93.45 %, improving over the previous year.

► Compliance with the service charter



Customer communication channels

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

The company has four main communication channels available to its customers and users. These channels are:

- **Telephone assistance.** The channel that is most used by customers, who can choose to be attended by specialised agents or use automatic solutions to handle their inquiries or claims. In 2018, Canal handled more than 954,000 customer calls.
- **Customer service centres.** We have a network of 11 customer service centres strategically distributed throughout the Community, where users can resolve any issue related to commercial management. These centres continue to be a basic channel that generates

confidence in certain customer groups. In 2018, these centres served 100,404 people.

- **Website, virtual office and the new Canal app for mobiles and tablets.** Within the framework of new information technologies, and for greater convenience and simplicity in self-service management, Canal has an online office that is available 24 hours a day. In 2018, this platform received 4.24 million visits.
- **Written assistance** Canal offers its customers a special written assistance service (via letter or fax), where any issue can be handled without waiting or traveling.

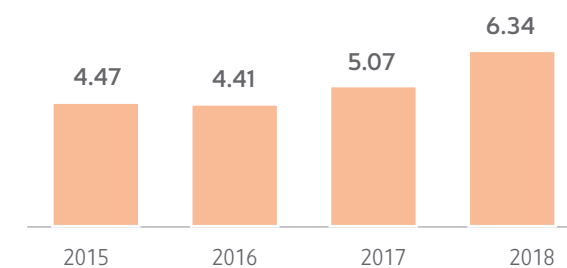
Suggestions and claims handling

Canal de Isabel II has a complete system for receiving and handling suggestions, complaints and claims regarding billing from our customers.



When complaints are received, there is a procedure that records all of them, assigning an incident number that the customer can use to track it. A total of 7,433 complaints were received in 2018, that is, 5.06 complaints per 1,000 Canal customers. As can be seen in the chart, this value has increased with respect to the previous year.

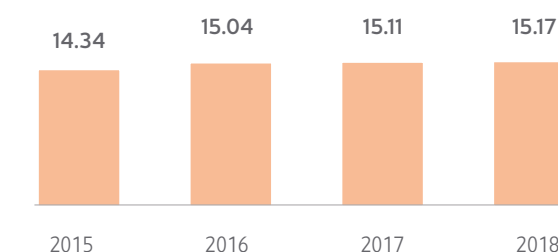
► Complaints per year per 1,000 customers



Customer non-conformities with bills are defined as billing complaints. For the resolution of many of these complaints, it is necessary to go to the affected property, either to inspect the supply conditions, detecting possible causes and solutions to the problem, or to check the operation of the metre.

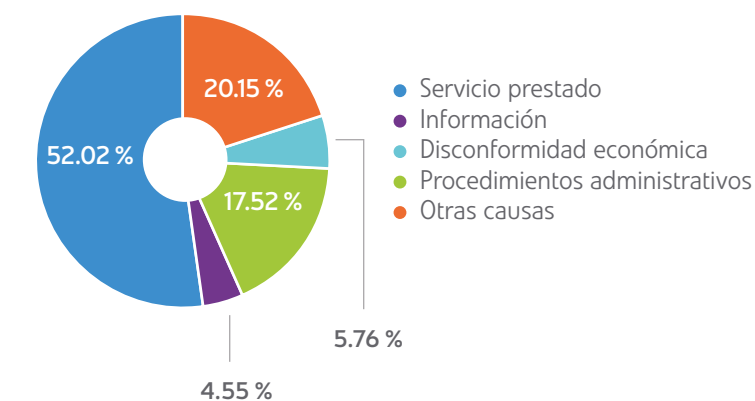
The number of complaints received grew slightly compared to 2017, totalling 22,522. This amounts to 15.17 complaints per 1,000 customers, and only 0.26 % of bills issued over the year (more than 8.8 million). 75.25 % of the complaints were resolved favourably for the customer.

► Claims received per year per 1,000 customers



The causes of these complaints were distributed as follows:

► Reasons for the complaints received in 2018



Commitment to users

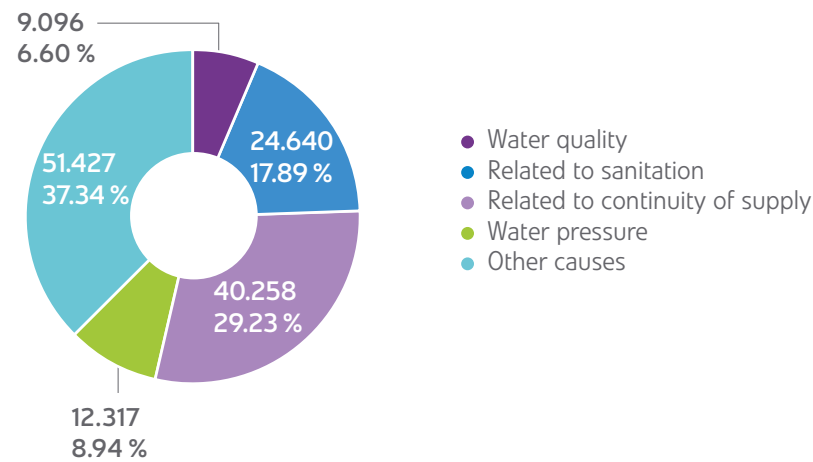
Billing and general complaints have a maximum processing time of 30 days, with 85.36 % and 84.50 % compliance, respectively, in 2018.

In addition to the complaints received in the commercial circuit, Canal has a service for dealing with incidents related to the provision of the different services. In 2018, a total of 137,738 reports related to different incidents (quality, sewerage, continuity of supply, pressure and other causes) were received. The number of

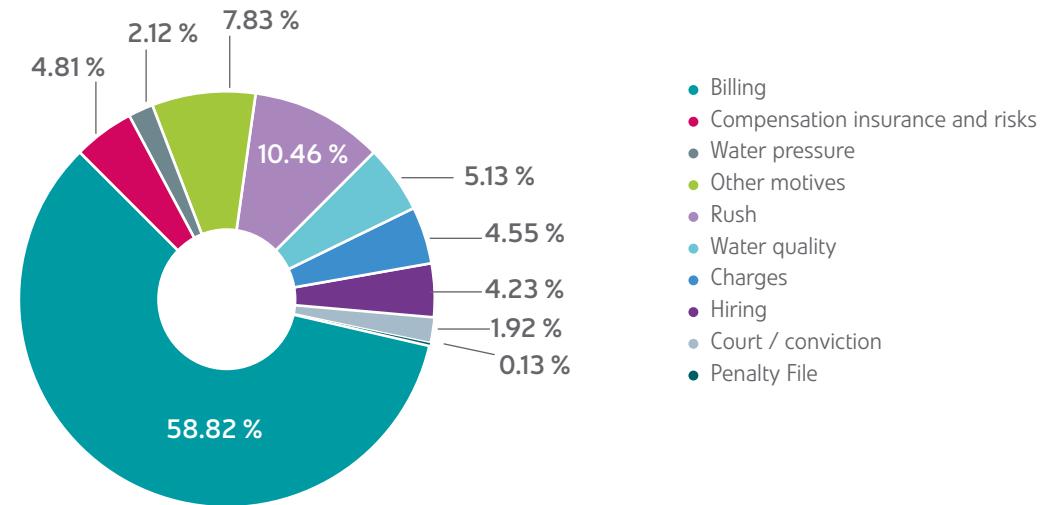
incidents grew 7.90 % compared to 2017 and 5.29 % compared to 2016.

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

► Distribution of incident notices by type (number of incidents in 2018 and percentage of the total)



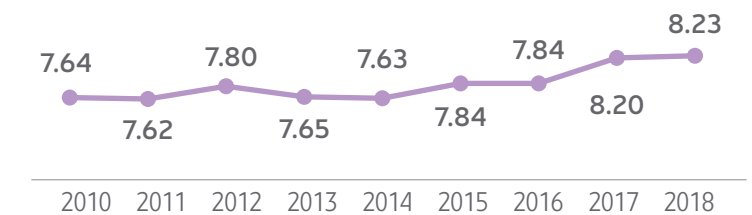
► Reasons for the claims accepted for processing by the Customer Ombudsman in 2018 (%)



Customer and user satisfaction

The customer satisfaction and expectations model, implemented at Canal since 2001, makes it possible to evaluate the quality of service from an internal and external perspective. The results for 2018 are better than those from 2015 and 2016. A score of 8.23 was obtained for domestic clients out of a maximum score of 10 points, and 8.36 for companies. Furthermore, the services provided by Canal are the highest rated among domestic services (gas, electricity and telecom).

► Domestic customer satisfaction level (score from 0 to 10)



CANAL DE ISABEL II CUSTOMER OMBUDSMAN

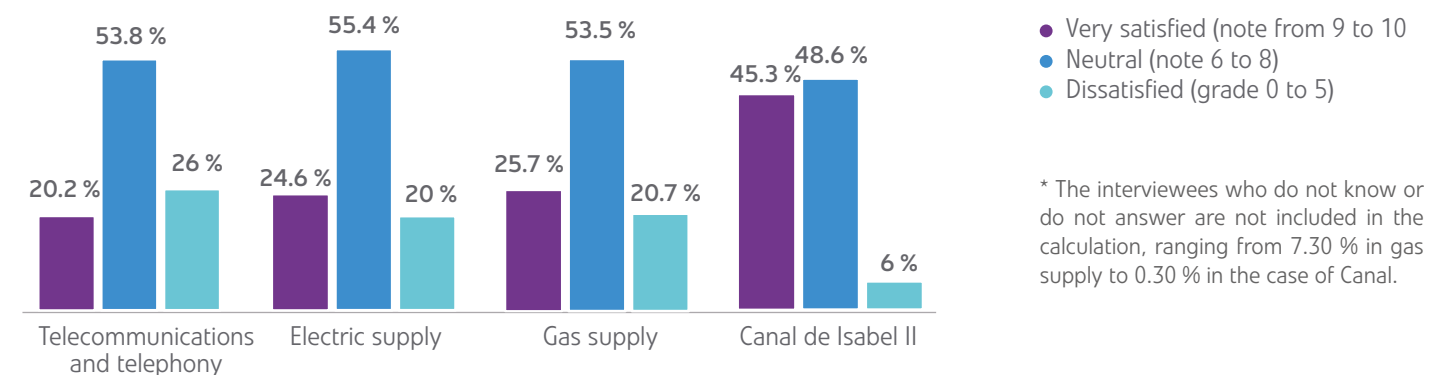
Canal de Isabel II's Customer Ombudsman is an independent figure who does not form part of the company's management line. It was created voluntarily in 2001 as a pioneering tool in the public services sector.

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

The activity of the Customer Ombudsman's Office focuses on handling the complaints it receives. In 2018 it received 1,977 complaints, 78.60 % of which were accepted for processing (1,554) as they were deemed to meet the requirements of the Customer Ombudsman Statute. Of these, 798 (51.34 %) were fully or partially resolved in favour of the customer.

Of the total number of complaints accepted for processing in 2018, 70.46 % were filed by individuals, 12.29 % by owners associations, 9.91 % by companies and 7.34 % by other entities.

► Percentage of customer satisfaction from various domestic services in 2018*



* The interviewees who do not know or do not answer are not included in the calculation, ranging from 7.30 % in gas supply to 0.30 % in the case of Canal.

Commitment to users

103-3 Monitoring the main advances in the Strategic Line regarding commitment and proximity to users (2018-2030)

Strategic objective: to maximise the "customer experience" in every contact with our users, improving efficiency in the business and operational processes.

Our strategy in this line will focus on three main areas: continuous improvement in the business culture based on placing the customer as the centre of the company's activity, the implementation of smart metres and improving the efficiency of the business processes.

In 2018, in order to continue increasing the **promotion and development of the "customer experience" culture**, we have worked on a new letter of commitments, much closer to the customers and, of course, much more bold, committed and in tune with their real needs, which will be released at the beginning of 2019.

It is important to note that it is no longer just a "Commercial" letter, it is an "Operations", "Engineering" or "Quality" letter, that is, it involves all areas of the company. The implication of all areas has been extraordinary.

In addition to the aforementioned actions we have changed the orientation of Canal's communication policy towards the outside; much more open, fresh and proactive.

Regarding the **Plan for installing smart metres and new billing systems for water consumption**, during 2018, the equipment installation was completed in the pilot projects carried out with the three major communications operators (Vodafone, Movistar and Orange), as well as with the metre manufacturer Contazara. In total, more than 80 devices have been installed, which has meant the connection for the remote reading with NB-IoT of more than 1,600 metres.

Furthermore, the parameters and technical specifications needed to complete the tenders that make the acquisition of mass communication equipment possible during 2019 and following annuities have been defined.

Also, a technological platform has been developed for managing data generated by the communications equipment, both from the strict perspective of telecommunications parameters, as well as all the concerning information captured by the smart metres.

Moreover, in order to boost Canal de Isabel II as a technological engine in the metre reading field, some Telereading Technical Workshops were held under Narrow Band-IoT (Internet of Things), with the participation of the entire water sector, as well as that of telecommunications and affiliates. Due to its technical rigour, the success of these workshops was evidenced by both the massive attendance at the event and by its subsequent impact in the media.

In terms of **improving the efficiency of business processes**, we have set in motion the customer satisfaction measurement before the reply given to a complaint. This indicator offers a lot of information about the improvements that the Company can make.

In order to increase our efficiency when dealing with the resolution of claims or the request for information, our customer database has been improved. We now have information that is more accessible and closer to the customers.

The indicator has been defined, as the metric that will yield the result of the first measurement point on specific transactions: degree of customer satisfaction after closure and settlement of a claim, either on their invoice or on any other matter.

Following its definition and preliminary works for the implementation of the continuous measurement system (preparation of questionnaires and integration between systems, among others.), a pilot test project was launched in December, which was satisfactory, and which will allow us to launch to real customers in 2019. Since then, every day and through digital

media (email or SMS) any client for whom a claim has been resolved will receive an invitation to complete a 1-2-minute survey, with which Canal intends to obtain their opinions on the result of that particular transaction.

► The indicators of Line 6, its Star Plan and the rest of its plans in 2018 are as follows:

		2017 Value	2018 Value	2018 Objective	2018 Compliance(%)	2019 Objective	Objective upon closure of the Plan (2010)
SL6	Customer satisfaction rate (scale of 1 to 10)	8.20	8.23	8.23	100 %	8.28	8.48
SP6.1	Overall Image of the Company Index (scale from 1 to 10)	7.45	7.49	7.59	98.68 %	7.62	8.00
SP6.2 and Star Plan 6	Percentage of smart metres installed	0 %	0.11 %	0.10 %	100 %	0.20 %	40.40 %
SP6.3	Satisfaction rate for the resolution of a claim (scale of 1 to 10)	N/A	Define the rate	Define the rate	100 %	5.4	6.5



For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).

4.7. Transparency, governance and social commitment: the company of all Madrid's residents



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

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

In this regard, we are working on the progressive incorporation of best practices in good governance and transparency that exceed the standards required of unlisted companies, as is Canal's case, and the company has an Internal Control System for Financial Information (SCIIF, which we have been working on since 2013) and an internal audit department, together

with the creation in 2015 of an Audit and Control Committee (today referred to as the Audit Committee following the reform of the Spanish Companies Law of 2014), a Risk Management System, submission to the CNMV of an Annual Corporate Governance Report (submitted and registered since 2014), an Appointments and Remuneration Committee, an Internal Code of Conduct on Securities Market Issues and a Code of Conduct approved by the Board of Directors at its meeting on 8 January 2015, among others.

102-17 Relations with Public Administrations and management transparency

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

- **City councils of the municipalities in which we provide our services.**
- **Autonomous Communities where we operate the service, especially the Autonomous Region of Madrid.**
- **General State Administration (central government) in the countries where we operate the service.**

Furthermore, as a public company, we are obliged to respond to requests for information and inspection by all political groups represented in the Madrid Assembly. These requests reflect the issues that are important to stakeholders, covering all aspects (economic,

environmental and social) and, in addition to serving as a means of rendering accounts for the performance of the company and its Group, they help us to understand the main concerns regarding responsibility, solvency and sustainability.

The response to these requests is made through the Executive Vicepresidency of the Council of the Presidency, Justice and Government Spokesperson, from which they are forwarded to the Assembly of Madrid.



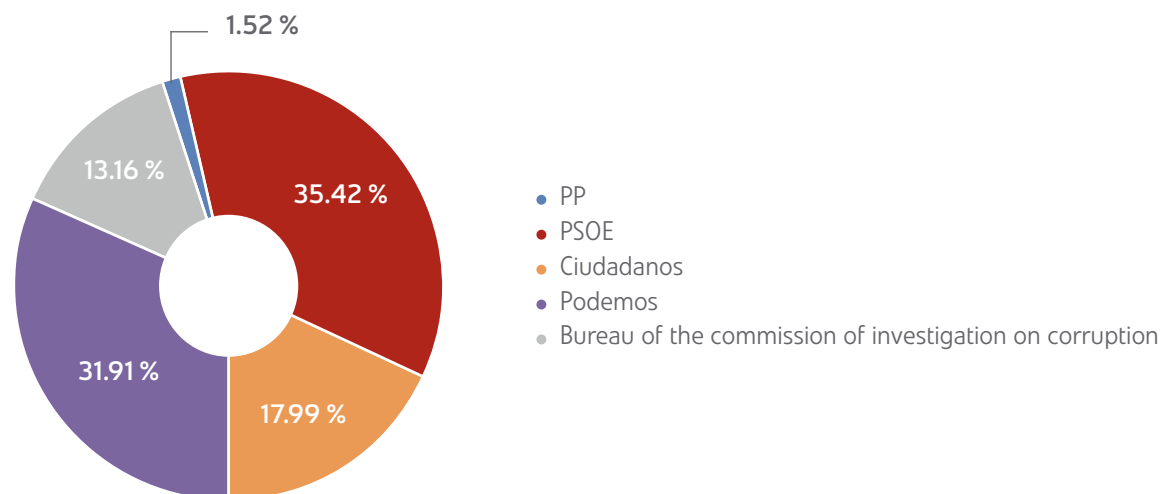
► Requests for information by the Assembly of Madrid to Canal de Isabel II (2016-2018)

	Request for Information	Question with written reply	Oral question in Committee	Oral question in Plenary Session	Appearance Examination	Questioning	Non - Legislative Motion	Legislative Proposal	Annual Sum
2016	237	21	2	12	13	1	3	0	289
2017	361	59	0	16	12	0	2	1	451
2018	224	52	2	11	6	0	1	1	297

Transparency, governance and social commitment

► Origin of the 1056 requests made to Canal by the deputies since the beginning of the X Legislature (June 2015 - December 2018)

Number of applications and percentage of the total between June 2015 and December 2018



In addition, we have established an electronic communication channel through the Canal website for receiving and answering queries from the public. In compliance with the provisions of Law 19/2013 of 9 December on Transparency, Access to Public Information and Good Governance, our Transparency Portal was created on this platform in 2015, containing all the

information required by the law on active advertising, as well as the means to guarantee the exercise of the right of access to public information. From its implementation on 28 October 2015 and until 2018 the inbox of Canal's Transparency Portal has handled a total of 455 requests.

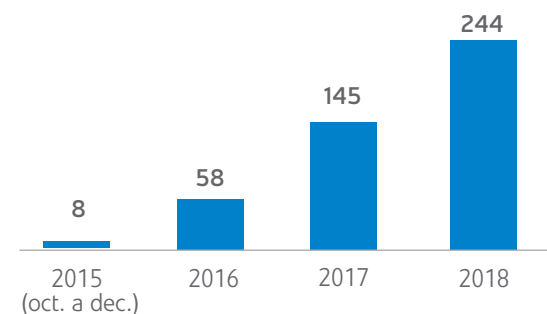
Of all of them, 98.46 % were accepted for processing, only rejecting 10, primarily because they were clearly repetitive, they compromised security, they were not applicable, or they were of an unjustified abusive nature with the purposes of transparency of Law (only 1.54 % of the total).

Of the accepted 62.72 percent are communications that, given that they are complaints, claims, requests for meetings, acknowledgments, comments or invitations, among others. All of them have other channels for their resolution, such as the virtual office for customers, and they do not comply with Law 19/2013 and for this reason they are rejected. However, Canal has answered all of them one by one, informing the interested party of its dismissal, the cause and what were the possible available avenues to process them through other channels of communication with our company.

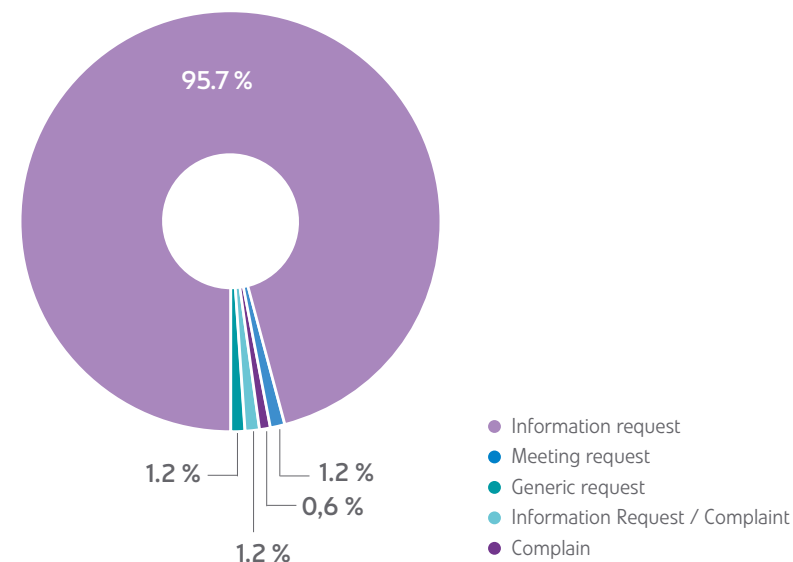
There were 164 estimated requests (37.28 % of accepted ones) and were mainly requests for information.

Regarding response time, 90.99 % of the requests were answered in under a month, almost 70% in under 5 days.

► Number of requests received in the transparency inbox

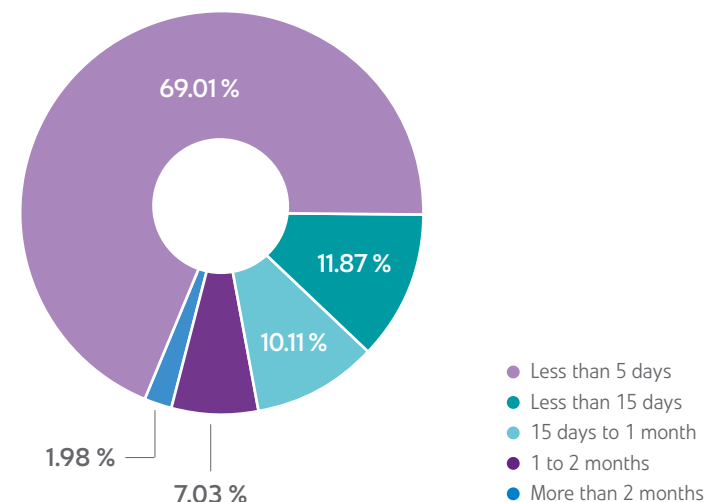


► Estimated request categories



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

► Transparency Portal request response time (2015-2018)




Other audits of our management

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

The company's external control mechanisms include:

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

.....
 During the 2018 fiscal year, the Accounts Chamber completed the comprehensive inspection of the Canal de Isabel II Group for the 2008 to 2015 period. Information available at [this link](#).

Transparency, governance and social commitment

The internal control mechanisms include:

- The Internal Audit Department carries out specific analyses on company practices.
- We have a Risk Management system and corporate controls.
- Our Procurement Subdivision ensures the correct application of tendering procedures.
- We have a mandatory internal Code of Conduct, a Compliance Policy and a Crime Prevention Policy.
- ISO-14000/9000 quality control and certification system, among others.
- We have an Audit Committee, which reports to the Board of Directors.
- There is a hierarchical system in place for contract and payment authorisations.
- The SAP R3 system has automated controls on payment authorisations.
- Implementation of the Internal Control System on Financial Information (SCIF).

In 2018, work continued on the project to implement the compliance function of Canal de Isabel II. After identifying, analysing and reviewing the organisation's most relevant regulations, work began on the implementation of a crime prevention model as a result of the changes to the Criminal Code in 2015, which establishes the criminal liability of legal entities.

205-3 Matters relating to the Lezo Case

Throughout 2018, the Preliminary Investigation 91/2016 has been conducted before Central Court No. 6 of the National Court, based, among others, on the information provided by Canal de Isabel II to the Crown Prosecution Service by means of a Complaint filed before the Office of the Prosecutor General.

Canal de Isabel II, S.A. hired the services, via a public tender process, of a prestigious law firm and appeared in the proceedings as private prosecutor on 2 October 2017, pursuant to article 110 of the Code of Criminal Procedure and was accepted by the Court as such. Therefore, in principle, Canal cannot be considered criminally or civilly liable for the acts being investigated and rather, it would appear that its position as injured party seems to be consolidated as the investigation progresses.

The procedure, which is still partly secret, was divided, together with the root cause, into six separate parts, to our knowledge to date. The first, second and fifth parts refer, respectively, to the Company's expansion in Latin America (Inassa and Emissao), the Canal Golf Course, and to money laundering in the various transactions under investigation. The third parts (Navalcarnero tram) and fourth (illegal financing of the Spanish party Partido Popular) are unrelated, in principle, to the interests of Canal de Isabel II, S.A. The sixth part (MerCase), also unrelated to the Company, was referred to another Court investigating related criminal offences.

The procedure is currently in the pre-trial stage, being foreseeable that the investigation of the first part, regarding the expansion of the Company in Latin America (INASSA and Emissao), may be concluded throughout 2019.

During the appropriate stage of the proceeding, charges will be filed on behalf of Canal de Isabel II, and the estimated damages for the Company will be quantified and payment thereof shall be claimed. No negative financial impacts resulting from the procedure are expected.

Lastly, as a result of the legal action initiated in Spain in relation to possible cases of corruption and irregularities in the purchase of Emissão, the Colombian control entities began requesting information in 2017, and continued in 2018, from INASSA and all the companies forming the

corporate group, with the aim of obtaining information about transactions between related companies, capitalisations and technical assistance agreements. For its possible impact on the business, and Canal being the parent company of the Canal Extensia Group, it must be noted:

- **Office of the Attorney General of Colombia:** On 22 June 2018 notification was received from the Public Interest Claim presented by the Office of the Attorney General before a court in Cundinamarca. The claims and interim measures included in the Public Interest Claim, if materialised, would have a significant impact on the business of the Inassa Group. The process is described in further detail in Note 19 Provisions and Contingent Liabilities of the Canal de Isabel II report.

INASSA presented a written opposition to the interim measures and defended the suit on 29 June and 9 July 2018 respectively, and at the close of 2018 was awaiting the Administrative Court of Cundinamarca to issue a judgement on the requested interim measures (after analysing the objection arguments presented by Inassa) and to convene a compliance hearing.

- **Office of the Prosecutor General of Colombia:** On 20 March 2018, the Office of the Prosecutor General of Colombia issued a press release providing information on the progress of Phase I of Acordeón Operation with the arrest of a former manager of Triple A de Barranquilla, accused embezzling 27.880 billion Colombian pesos (7,790 thousands of euros) of operations allegedly not carried out in Triple A de Barranquilla. The same press release refers to the citation to answer to charges submitted to the managers and historical chairpersons of Triple A de Barranquilla and INASSA in relation to the technical assistance agreement between the two companies.

On 3 October 2018, the Office of the Prosecutor General of Colombia resolved to order the interim measures to suspend the power of disposal, seizure and confiscation concerning eighty-two percent (82 %) of the share capital of Triple A de Barranquilla, of which INASSA is the holder. The ordered interim measures imply, among other aspects, that INASSA cannot carry out the exercise of the rights that correspond to the activities affected by those measures or that derive from said activities. Although the interim measures do not affect the ownership of the shares, which continue to be the property of Inassa and the asset forfeiture has not been

carried out, in accordance with the International Financial Reporting Standards, dated 3 October 2018, the Canal Group loses the indirect control it held until then over Triple A de Barranquilla.

Canal de Isabel II will undertake all of the actions and measures at its disposal to defend its rights and guarantees. The Colombian authorities learned of the possible irregularities committed in their territory after the complaint filed by Canal with the General Prosecutor of the Spanish State and that led to the investigation 91/2016, Lezo Operation. This led to the so-called Acordeón Operation in Colombia, in which the Colombian prosecutor's office's actions are framed.

Canal has been fully collaborating in the suit and investigation of the possible liabilities in which Colombian and Spanish administrators and executives could have incurred. These facts in these events, as well as the ironclad defence of all the rights that avail both Inassa and its shareholders to protect their investments and other economic and proprietary interests.

Transparency, governance and social commitment

- 102-11
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- 205-2

Corporate Governance in Canal de Isabel II

Internal Code of Conduct and Ethics & Compliance Committee

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

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

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

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


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

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

Ethics and Compliance Committee	
Chairman	Director of Resources
Board member	General Technical Secretariat Director
Board member	Sales Director
Board member	Director of Financial Management and Business Development
Board member and the Secretary	Internal Audit Department Head

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

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

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 **The Canal Code of Conduct is available at the following link.**



Transparency, governance and social commitment

Compliance and Crime Prevention Policies

In 2015, the Board of Directors Audit Committee assessed the appropriateness of having a compliance function as a reinforcement of the three lines of defence (risk management, audit and internal control) with which the company already had. As a result, Canal implemented the Compliance Policy in February 2018.

The Compliance Policy is designed to detect and manage the compliance risk with applicable regulations (legal and voluntary) and internal procedures. Under the supervision and responsibility of the Board of Directors and senior management, the objective of the Compliance Policy is to define the basic principles and general framework for action in the Company.

At the beginning of 2018 the company also approved the Crime Prevention Policy as a result of the changes to the Criminal Code in 2015, which incorporates the

criminal liability of legal entities. This policy's purpose is to demonstrate to all executives and employees of the company, as well as to affiliated third parties, the unequivocal commitment to oppose the commission of any criminal offense and the will to combat them and prevent any eventual deterioration of the Company's image and reputation.

Accordingly, the applicable criminal risks to the Company were identified and the controls that mitigate them were established. Likewise, the oversight and control body referenced in the Criminal Code reform was defined.

Similarly, in 2018 implementation of the crime prevention model referenced in the 2015 reform of the Criminal Code has continued.

which requires approval by its Department of Economy and Finance. These regulations expressly forbid the agreement of indemnity clauses of any kind for termination of the employment relationship.


Furthermore, as an incentive policy, we have defined a variable remuneration system linked mainly to the annual fulfilment of the objectives corresponding to the Canal Strategic Plan 2018-2030. This system of variable remuneration is established for all personnel with management responsibility in some field of action, including employees with recognised higher education qualifications.

In 2018, the remuneration corresponding to Canal Senior Management personnel amounted to 905 thousands of euros, and the attendance fees for Board and committee meetings received by the members of the Board of Directors amounted to 48.0 thousand of euros, a figure very similar to that of previous years.

Similarly, pension commitments to senior management are developed under the same terms and conditions as those that apply to other employees. In 2018, the company did not make any contributions in accordance with the provisions of Law 3/2014 of 22 December on

the General Budgets of the Autonomous Region of Madrid for the year 2015.

The remuneration of Canal de Isabel II's highest-paid person, in accordance with the requirements and responsibilities of the position, was four times the average compensation of the workforce. Remuneration for both the highest-paid person and for the rest of the company's workforce grew by 2 % in accordance with the General Budgets of the Autonomous Region of Madrid for 2018.

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 **For more information on the company's corporate governance, please visit [the following link](#).**

.....
 **Compliance and Crime Prevention Policies of Canal are available at the [following link](#).**



Compensation & incentives policy

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

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

As with the rest of the workforce, the salaries of Senior Management and their annual increments are regulated by the regulations of the Autonomous Region of Madrid,



Transparency, governance and social commitment

102-30 Corporate risk management, audit and internal control

In order to carry out the internal control of the company and the management of corporate risks, Canal has a specific Internal Audit Department reporting hierarchically to the Executive Vice-presidency and functionally to the Audit Committee of the Board of Directors, to which it reports periodically. Since 2012, the Internal Audit Department has had the international QAR (Quality

Assurance Review) certificate, awarded by the Institute of Internal Auditors of Spain, which certifies that its work complies with the international standards for professional practice. Moreover, the members of its staff have professional certification as Certified Internal Auditors (CIA), which guarantees their capacity and professionalism.

Internal audit activity

During 2018, internal audit activity at Canal de Isabel II continued as an independent and objective assurance and consulting activity, designed to add value and improve the organisation's operations, which constitute a benchmark among Spanish public companies.

On 10 March 2016, the Audit Committee approved the 2016-2018 Strategic Internal Audit Plan, which, together with subsequent modifications, establishes the projects to be carried out in the coming years. The Plan is based on the risk map, the strategic objectives of the company,

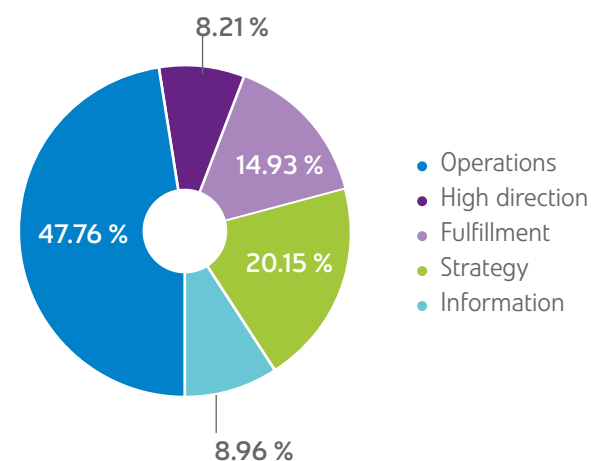
the Audit Committee's requests, and the processes detected by the Internal Audit Department itself, as well as the follow-up of the recommendations arising from the audits carried out. Throughout 2018 a total of six audits were carried out, giving rise to 187 recommendations for improvement. Of these recommendations, 86.10 % were implemented or closed at the end of the fiscal year.

Corporate Risk Management

The corporate risk management activity in Canal started in 2010 under the COSO III methodology, and throughout 2018 this activity has been consolidated following the methodology implemented in previous years. The company's Operational Risk Map and its High-Level Risk Map have both been updated. The Catalogue of existing risks at Canal was redefined in order to adapt it to the reality of the company, incorporating new potential risks (as a result, we now have 134 identified risks).

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

► Type of risks identified at year-end 2018



Internal Control


The Company, since 2015, has also implemented a Policy for Internal Control System for Financial Reporting (ICFR) aimed at managing risks regarding financial reporting identified and assessed by the Financial Management and Business Development.

Apart from the internal control and internal auditing activities, there are also external fiscal control mechanisms in place, as mentioned in foregoing sections (Chamber of Accounts, external auditor or CNMV, among others).

Reporting of Significant Events to the CNMV

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

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

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 **During 2018, Canal de Isabel II notified the CNMV of twelve significant events, which can be viewed on the company's website at [the following link](#).**



Transparency, governance and social commitment

Social commitment

Canal de Isabel II has for years been firmly committed to be a reference in the fields of culture, sport, leisure and support for social initiatives. For this reason, it develops numerous activities and makes its facilities and technical, human and economic resources available to society.

Our support of culture

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

As of 2017, by decision of the Canal Board of Directors, Fundación has taken over the Canal Educa and Canal Voluntarios programmes and in the future (from 2019) it will be responsible for managing of the Arte Canal Exhibitions Centre.

In 2018, the Fundación Canal organised 3 exhibitions and 97 cultural, scientific and social events, and has received more than 195,000 people in its exhibition hall and other facilities at the headquarters. In addition, almost 1,106,000 people have visited its web page.

The three exhibitions organised by the Foundation stand out among the activities carried out:

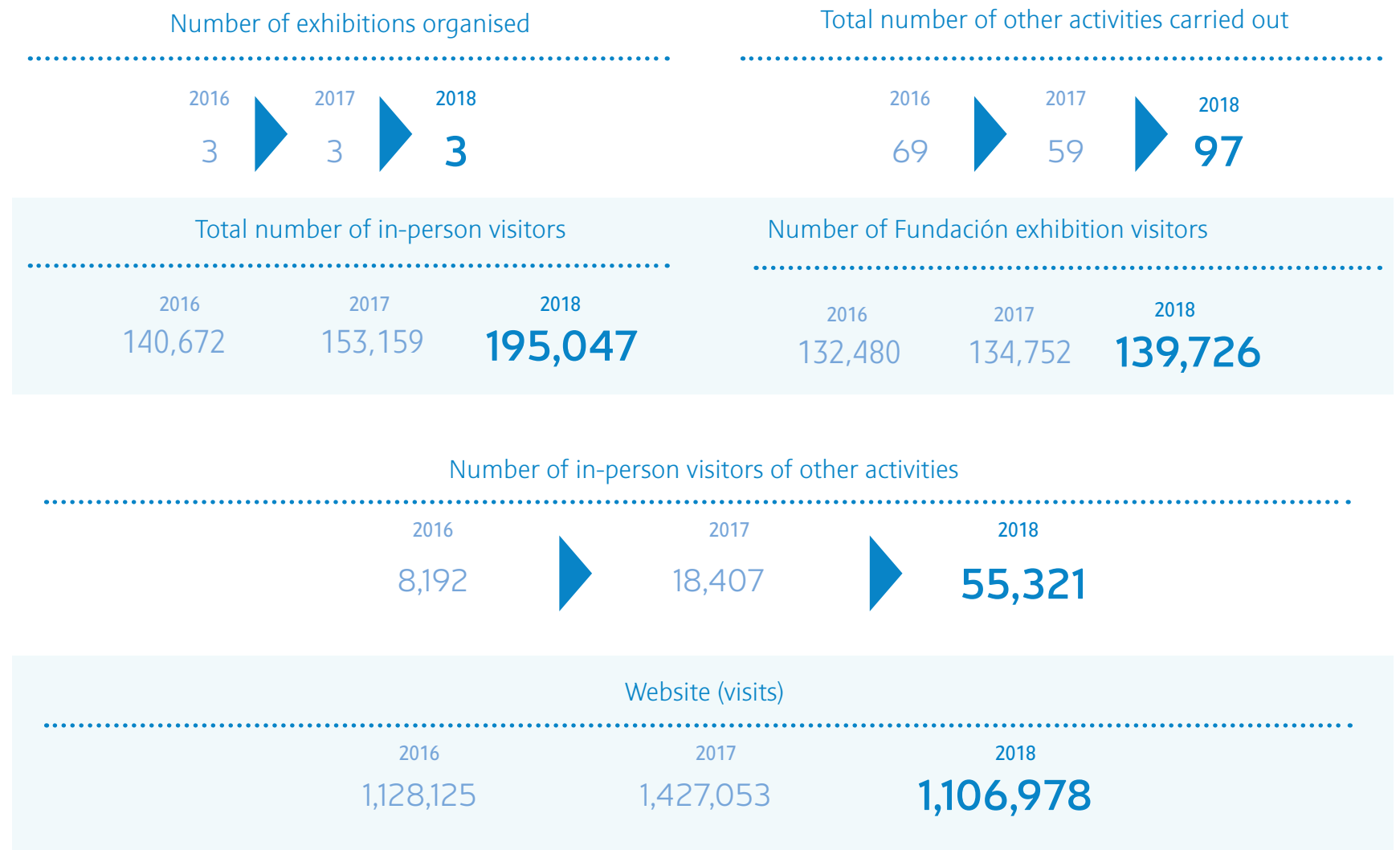
- **TOULOUSE-LAUTREC AND THE PLEASURES OF THE BELLE ÉPOQUE:** exhibition held in collaboration with the Musée d'Ixelles (Brussels) and in which, through 65 works - the 33 posters that Toulouse Lautrec produced plus many other important contemporary artists such as Alfons Mucha or Jules Cheret - some of the important changes that modernity brought in the late nineteenth and early twentieth centuries were addressed. Changes that affected art, literature and shows, as well as social uses. These changes were accompanied by a new, much more open and hedonistic mentality, which led to the enjoyment of new pleasures arising and being available to more citizens.
- **BEATON. MYTHS OF THE TWENTIETH CENTURY:** exhibition included in the official selection of PHOTOESPAÑA2018 that gathered a wide selection of the multifaceted photographer's portraits, a total of 116,

among which are some of the most important figures from the twentieth century, who also contributed to its transformation: from consecrated artists -mostly from Hollywood- , like Audrey Hepburn or Marlon Brando; great creators turned into cultural icons, like Salvador Dalí or Jean Paul Sartre, and fashion, like Cristobal Balenciaga or Coco Chanel; and influential and prominent figures of high society, aristocracy and royalty, such as Queen Elizabeth II of England.

- **ROY LICHTENSTEIN, POSTERS:** this collection, which was exhibited for the first time in Spain and brought together some of the artists' more iconic posters - a total of 76 - and offered a general vision of his creative universe. Lichtenstein was one of the greatest examples of American pop art. Along with his contemporaries, such as Andy Warhol or Robert Indiana, Lichtenstein created a new artistic language by incorporating aspects of daily life, consumer society and pop culture into his work. Regarding this idea of the popularisation of art, Lichtenstein uses new media for his creations, something considered to not be very academic until then, as is the case of comic books or advertisements.

In addition to these exhibitions, **Mentes Inquietas** stands out. It's a Fundación Canal initiative aimed at young people with worries that seeks to provide real solutions to everyday professional issues. The meetings take place in the outdoors, with an innovative and relaxed format, in which the participation and the exchange of ideas between speakers and attendees is enhanced via live interventions or their mobile phones with the interactive tool Kahoot. The meeting can be followed live at www.fundacioncanal.com and on Fundación Canal's social networks.

Fundación Canal statistic



In addition to the Foundation's exhibition facilities, Canal also runs the Arte Canal Exhibition Centre, located in the fourth underground water deposit, with a structure dating from the first half of the 20th century and covering an exhibition space of 2,000 square metres. This venue has hosted fourteen major thematic exhibitions since 2004, with more than 3.5 million visitors, making it one of the city's key cultural landmarks in recent years. The last exhibition, opened in 2017 and running through 2018, is Auschwitz. Not long ago. Not far away and had more than 540,000 visitors.



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

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

Transparency, governance and social commitment

AUSCHWITZ. NOT LONG AGO. NOT FAR AWAY

From December 2017 the Arte Canal Exhibition Centre hosted the world premiere of an exhibition about the history of Auschwitz and the historical and human repercussions of the Holocaust more than 72 years after the liberation of this of Nazi Germany concentration and extermination camp.

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

The show, the fruit of more than 6 years of work, will later visit 14 other cities around the world, although Madrid will be its only destination in Spain. It displayed more than 600 original objects, mostly belonging to the State Museum of Auschwitz-Birkenau's collection, but is also in collaboration with other institutions such as Yad Vashem in Israel, the United States Holocaust Memorial and Museum or various Holocaust museums in North America and Europe, as well as survivors and private collectors.

Among the objects making up exhibition, an original barrack from Auschwitz III - Monowitz, one of Auschwitz's sub-camps meant for forced labor, stands out.

Also, an original wagon (model 2) of the national German railway company, Deutsche Reichsbahn, deserves special mention. This type of wagon was used during World War II for the transfer of soldiers, prisoners of war and deported Jews to the ghettos and extermination camps.

Although the State Museum of Auschwitz-Birkenau had previously given pieces to museums and institutions, this is an unprecedented collaboration, given the large number of pieces donated and the international nature of this new exhibition. Furthermore, most of these objects had never been on display for the general public.

In the case of this exhibition, Canal de Isabel II and Musealia created a programme for schools throughout Spain to have free access to the exhibition. In total, it has been visited by more than 76,000 schoolchildren.



The Canal de Isabel II Exhibition Hall is also located in the city of Madrid (First Raised Deposit). Built in 1911, it is now a unique space that houses exhibitions of contemporary photographic and audio-visual creation, managed by the Department of Culture of the Autonomous Region of Madrid. Every year it collaborates with the ARCO and PhotoEspaña competitions. In 2018 five noteworthy exhibitions were held: *Dios Iberoamericano (Ibero-american God)*, from the photographer Juan Manuel Díaz Burgos; *Cuallado esencial (Essential Cuallado)*, dedicated to Gabriel Cualladó and his contribution to photography; the two dedicated to the photographers Ricardo Cases and

Ricard Terré and, finally *Modus. A la manera de España (Modus. In the Spanish way)*, a journey through the history of fashion in Spain from the 19th century until the present, with models from Balenciaga, Pertegaz or Fortuny, among others.

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

We promote sport

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

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

A highlight in 2018 was the opening of the new Ríos Rosas park, located in the vicinity of the Canal de Isabel II central offices. It is built next to the Santa Engracia High Water Tank and has an area of approximately 2,500 square metres. It has a triangular shape and has various trails, more than 20 plant species, numerous benches, two-tier fountains and a small playground with various adapted games.

In addition, Canal also has three non-urban recreational areas, two in the reservoirs of Valmayor and El Atazar, focusing on sailing, rowing and canoeing, as well as a third in the Riosequillo reservoir, which has one of the largest swimming pools in the Autonomous Region. From 26 June and for steps to adapt to current regulations and sectoral legislation, the Valmayor recreational area facilities remain closed. These areas received almost 105,000 visitors in 2018.

► Statistics of Canal de Isabel II recreational areas

	2016	2017	2018
Riosequillo	52,917	32,518	91,576
El Atazar	5,650	8,353	13,192
Valmayor	1,478	818	Closed
SUM	60.045	41.689	104.768

Transparency, governance and social commitment

CLOSURE OF THE THIRD DEPOSIT GOLF PRACTICE FIELD AND CREATION OF OCIO Y DEPORTE CANAL

In 2017 and in compliance with the enforcement of court orders 734/2017 issued by the High Court of Justice of Madrid, Canal de Isabel II has proceeded to suspend the Third Deposit facilities' golf and restaurant activities and studies have begun to proceed to demolish the golf driving range, as this was a singular use not allowed on the plot.

The City Council of Madrid, for its part, it has already regularised the facilities compatible with the General Urban Development Plan of Madrid.

The Autonomous Region of Madrid and Canal de Isabel II, in collaboration with the City Council of Madrid, have committed themselves, with the representatives of Chamberí district residents and parents of the students to look for a solution that makes it possible to continue sporting activities.

In February 2017 Canal created the company OCIO Y DEPORTE CANAL, SL to manage the Third Deposit facilities and football and paddle sports academies in order for the 1,400 students enrolled, including about 900 children and adolescents, to continue with their classes.

As for future uses of the golf driving range field area, the Autonomous Region of Madrid, Canal de Isabel II and the neighbours have agreed upon the uses for the almost 50,000 square metres of new landscaped areas, sports facilities and pedestrian areas, taking into account the participatory process promoted by their associations.



.....
 **More information on the future planned uses for Canal's Third Deposit sports and leisure facilities is available at [this link](#).**

102-12 102-13

Cooperation in water and sanitation and other social initiatives

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

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

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

Since 2007, Canal Voluntarios has carried out 65 projects in 29 countries with 1.7 million beneficiaries. In 2018 Canal Voluntarios worked primarily on two projects in Mozambique: the adaptation and implementation of new hydraulic infrastructures for the Nieta mission, in collaboration with the Baobab-Mozambique Association

and the improvement in the sanitary conditions and access to water of the population in the south of the province of Sofala, in collaboration with the Foundation for the Social Promotion of Culture (FPSC, in Spanish).


On 25 September 2015 world leaders adopted a set of global goals, the Sustainable Development Goals (SDG), the purpose of which is to eradicate poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda.

In total, 193 member states agreed upon 17 goals and 169 targets that should be achieved in the next 15 years.

Proposed as a continuation of the Millenium Development Goals, they include new areas such as climate change, economic inequality, innovation, sustainable consumption and peace and justice, among other priorities.

Canal, as a company that provides a public and essential service, is committed to achieving the Sustainable Development Goals. With the implementation of its new Strategic Plan, the 17 SDG will be addressed by means of the 10 strategic lines. It is worth highlighting that line 7 in order to promote transparency, good governance and commitment to society, is, by far, the strategic line most involved in achieving the SDG.

Below, the coverage that our Plan, through each of its lines, covers with its plans and actions is shown summarised for each of the SDGs.

.....
 **You can find more information about Canal Voluntarios at [this link](#).**

Transparency, governance and social commitment

Significant Canal projects that respond to the SDGs



	Executed	Strategic Plan Implementation		Executed	Strategic Plan Implementation
	Social tariffs Canal Voluntarios	Social tariffs extension to retirees		CEthics committee and fulfillment	Commitment increase Plan
	CSR activities in Colombia (Fund. Triple A)	Strategic line 7		Uncontrolled water reduction plan	SMART-REGION
	2016 the occupational prevention year	Plan 8.4 Safe environments		Reclaimed water production increase plan	Promotion of the circular economy
	Canal Educa Expositions	Advance water studies Center (CEA)		Fomento de la producción energética	Plan eficiencia energética y cambio climático
	Code of conduct	Implementation of non compulsory recommendations CMNV		100 % adequate brine discharges (Lanzarote)	Strategic Line 4
	Sectorization and breakings reduction	Plan -25 Plan SANEA		Biodiversity protection	Sierra Norte Plan
	Medidas de eficiencia energética	Renewable energy Plan		Code of conduct approval	Government compliance and internal control Plan
	I Collective agreement	700 new public jobs		Stake holders relationship	Observatorio del agua
	Master Plans	Strategic Investments Plan Plan SMART-REGION			

Transparency, governance and social commitment

Collaboration with social partners

Canal is a signatory of the United Nations Global Pact and prepares its progress report every year, which is sent to said organisation. In 2018 our report received the "Advanced" rating for the eight-consecutive year, the highest rating granted by the most important voluntary corporate social responsibility initiative in the world. This distinction recognises the quality of the information provided by the companies in their annual reports. Furthermore, Canal de Isabel II is one of the founding partners of the Spanish World Pact Network since March 2006.

The World Pact, which 10,000 entities in over 162 countries worldwide have joined, is an instrument of free accession of the United Nations that promotes the implementation of 10 universally accepted principles to promote corporate social responsibility. These principles are grouped into four areas; human rights, work, the environment and anti-corruption.

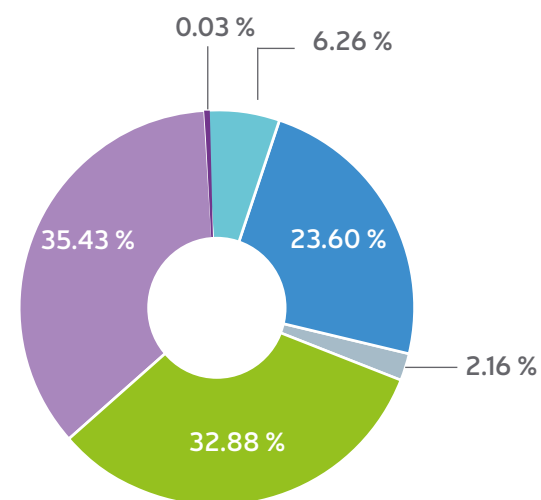
Canal is a friend of Fundación Lealtad, a non-profit organisation whose mission is to foster the trust of society in NGOs so as to increase donations and any other type of collaboration. It was the first entity to

develop a methodology for analysing transparency and good management practices in Spanish NGOs. It has carried out its work since its creation in 2001, based on its values of independence, transparency, solidarity and rigour.

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

Finally, every year Canal takes part in activities organised by social entities with the participation of employees. In 2018 Canal has collaborated in the activities of the Spanish Red Cross, the Spanish Association Against Cancer, Action Against Hunger and Oxfam Intermon Spain, among others.

► Expenses related to Canal's social commitment in 2018



- Culture and education
- Social benefits employed
- Social infrastructure maintenance
- Social entities and others
- Social rates
- Cooperation

Value creation for our stakeholders: our "social dividend"

As a public and socially committed company, Canal's vocation is to provide stakeholders with whom we interact more than just the services we provide. Therefore, in many cases we go beyond what is established in the regulations to favour them.

Environment

- Greater electricity production in the Region of Madrid (312GWh), only with renewable or high efficiency technologies. Higher
- Higher Electricity production of the sector in Europe.
- In 2018 we started the sludge drying of the WWTP of the City of Madrid. First struvite plant of wastewater from Spain (330 tons).
- To improve the quality of our rivers, 23.01% of discharges to channel is with tertiary treatment (112.6 hm³ in 2018).

Society

- Employment (direct, indirect and induced): 11,895 people working for our group.
- Innovation: 3.74 million euros in R&D projects.
- Resources for CSR: 9.02 million euros.
- 600,000 Visitors to the exhibition «Auschwitz»: The Foundation Canal received more than 195,000 visitors.

Media

- Transparency and informative immediacy with the media.
- Constant collaboration and proactive attitude.
- Extensive communication campaigns (Matilda, social rates)

Suppliers

- Canal de Isabel II has awarded its suppliers a total of 360 contracts, totaling 525.8 million euros.
- 91% of the amounts awarded by open procedure.
- Requirement of compliance with environmental regulations, ethical code and 2% of staff with disabilities.

Regulatory Bodies

- 297 parliamentary questions answered.
- Wide institutional transparency (Chamber of Accounts, auditor External, Commercial Registry, CNMV, Trib. Admin Hiring, Court of Auditors ...).
- Advanced Good Governance Policy and Internal Control (Code of conduct, Ethics Committee, remuneration policy and incentives).
- We contribute to public coffers with more than 26 million taxes and tributes.

Shareholders

- Dividends to municipalities and Region of Madrid of more than 1,031 million until 2019.
- We have distributed more than 31 euros per inhabitant since creation of the society.
- Start-up of the creation process of the shareholder's office.
- We contribute to public coffers with more than 26 million taxes and tributes.

Clients

- Average grade of 8.23 out of 10 in customer satisfaction.
- Largest social rate in our sector that exceeds 75% of bonus with more than 237,000 beneficiaries.
- Fourth year of freezing rates, which are more than 20% below the average of Spain.

Human Resources

- One million euros invested in training (58 hours per employee).
- Nuevo convenio colectivo con homogeneización de condiciones laborales de eventuales y fijas.
- New collective agreement with standardization of conditions Occupational and fixed employment.

201-1 Economic resources for society

203-2

In 2018, Canal de Isabel II earmarked a total of 8.56 million euros for activities related to its social commitment, equal to 4.08 % of the company's after-tax profit. Of the resources allocated, 2.02 million correspond to investments in infrastructure for social, cultural and sporting purposes and 6.54 million went to cover the expenses incurred to carry out these activities, distributed as follows.

In addition to expenses, during the 2018 fiscal year we invested 460,000 euros in infrastructure for social use, thereby the economic resources (investment + expenditure) allocated to the social commitment amounted to 9.02 million euros in 2018.

Transparency, governance and social commitment

Monitoring the main advances in the transparency, good governance and commitment to society Strategic Line (2018-2030)

103-3

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

Our strategy in this line is focused on three large axes consisting of continuously improving our performance as it regards to corporate governance, transparency and our commitment to society.

In the area of **transparency** in 2018 we carried out an independent audit of transparency in which we obtained almost a 10 in legal compliance and 6.3 in voluntary measures of transparency. Thus, we are in second position with respect to other Spanish public companies, behind the Occupational Accidents Insurance Company (AMAT).

We want to be on the cutting edge of Spanish companies in matters of **corporate governance and internal control**, implementing the best practices of Spanish companies. In this respect, we intend to have a body that periodically reports and sees to our shareholders in a personalised manner, thus helping to improve the company's proximity with said entities.

At the end of 2018 we complied with 57.3 % of the voluntary recommendations from the CNMV good governance code. It should be noted, however, that in 2018 the set objective was not met 100 % due to the Audit Committee's heavy workload stemming from the events that occurred in the Latin American companies.

We will also establish channels for a regular, stable and cordial relationship with society and the academic and social entities with which we interact,

understanding their opinions and needs and adapting our management to them, mainly by using the future **Autonomous Region of Madrid Water Observatory**.

In 2018 we studied other existing observatories and we already have a first version of internal regulations and a working model for the observatory in which we are working together with the Madrid Federation of Municipalities. The goal is for the Water Observatory to be fully operational in 2019.

Another area for action of this line is to enhance the company's **social commitment** through the development of new actions, complementary to those already undertaken in previous years, which consolidate our leadership as a socially responsible company. Throughout the year, we have promoted actions of a social nature that are directly related to our company's day to day activity, such as the applying the social tariff to the groups that are most in need. In 2018 we easily surpassed the target of 220,000 people who benefit from social tariffs, since we have closed the year with more than 237,000 people who have a tariff allowance for social issues.

Also, in 2018, we have managed to reach 2 % of our workforce being people with disabilities and we have promoted the inclusion of environmental and social clauses in our contracting procedures.

► The indicators of Line 7, its Star Plan and the rest of its plans in 2018 are as follows:

		2017 Value	2018 Value	2018 Objective	2018 Compliance (%)	2019 Objective	Objective upon closure of the Plan (2010)
SL 7	Rate of corporate transparency (%)	Not rated	63.64 %	Define rate	100 %	70 %	85 %
SP7.1	Implementation of the non-compulsory good governance recommendations from the CNMV (%)	45 %	57.30 %	60 %	95.50 %	60 %	82 %
Star Plan and SP7.2	Degree of progress of the Water Observatory (%)	NA	60 %	NA	100 %	100 %	100 %
SP7.3	Beneficiaries of tariff allowances	209,711	222,083	220,000	107.74 %	250,000	366,025



For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this document](#).



4.8. Canal's professionals: empowering our people



102-8

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

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

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

401-1

Structure of the workforce

Canal's workforce has grown 8.42 % in the past three years (since 2016) despite the restrictions on hiring established in the general budget laws of the Autonomous Region of Madrid, which prevent indefinite hiring. In 2018, the total workforce of the company (Autonomous Region of Madrid and Caceres) was 2,808 people.

Although the various regulatory restrictions have limited the Company's management capacity in terms of human resources in recent years, in 2018 Canal achieved the approval and implementation of 700 selective processes in public employment offers,

ending 2018 with the publication of 200 open positions and employment consolidation, after having made the transfers and promotions required by agreement to reach this point. It is the highest number of public vacancies in its history.

In these calls for permanent employment, the company will boost the socio-occupational integration of people with functional diversity or at risk of exclusion, for whom a higher than the legally established (2 percent) quota will be reserved.

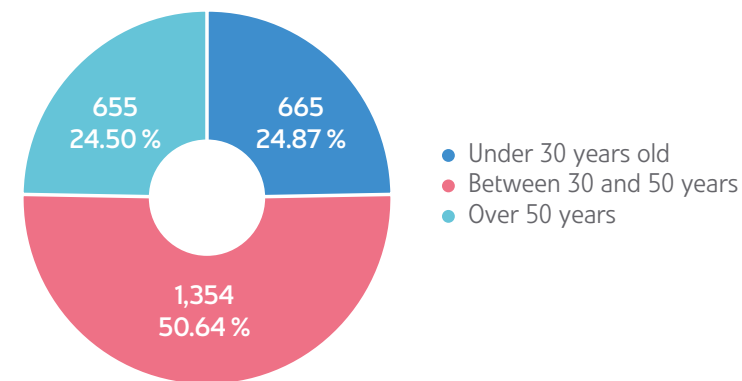
Canal's professionals

The actions relating to the reduction of temporary contracts and talent retention are included in strategic line 8 of the company's new Strategic Plan, specifically in the "Plan to increase the commitment and sense of belonging of the employees". The objectives of this plan are: facilitating participation and recognising the achievements of all employees, achieving greater employment stability and wage harmonisation.

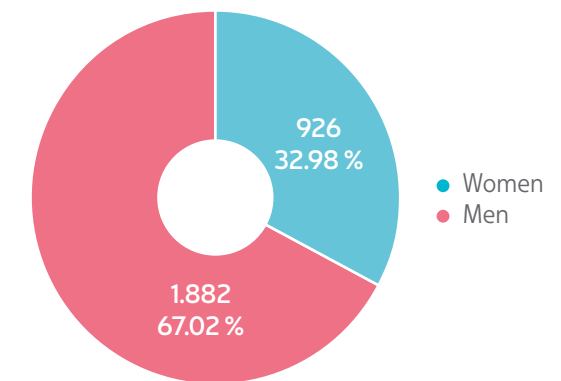
The average age of Canal employees is the same as the previous two years, with an average age of 48 for permanent employees and 31 for temporary employees. The average seniority in 2018 was 13.7 years, and more than half of the workforce was between thirty and fifty years old.

► **Distribution of the workforce by age** (all employees, including Caceres delegation)

405-1



► **Distribution of workforce by gender** (all employees, including Caceres delegation)



401-1

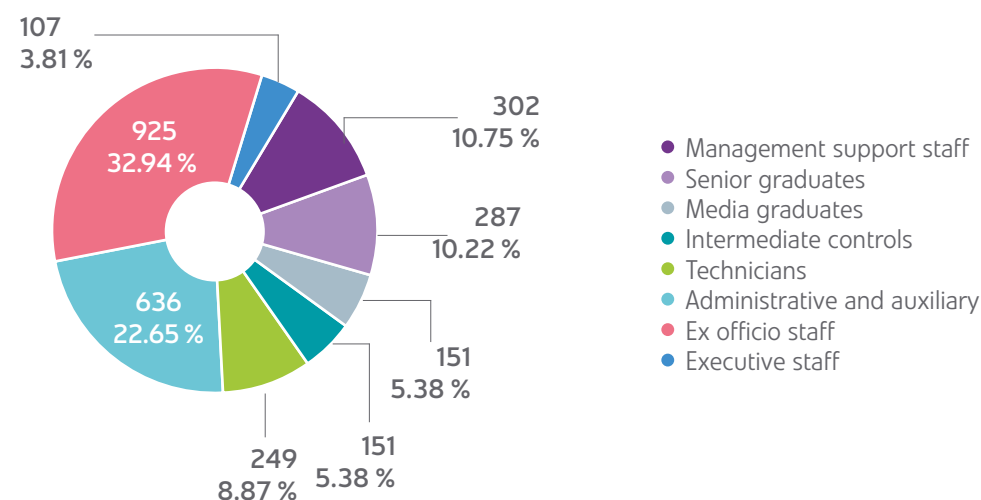
Throughout 2018, the company has had a net increase of 250 employees, with a turnover rate of 8.9 % of employees.

	Total	Male	Female	Under 30 years old	Between 30 and 50 years	Over 50 years old	Nationals	Foreign nationals
Total hired	516	327	189	356	144	16	505	11
Total resigned/ dismissed	266	176	90	125	91	50	263	3
Voluntary dismissals	49	23	26	32	16	1	49	-

More than 30 % of the workforce (30.16 %) of Canal had a university degree at the close of 2018.

Canal's professionals

► Distribution of Canal de Isabel II employees by function (number of employees/percentages of total)



404-1 404-2 Training and development of our employees

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

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

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

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

In 2018, a total of 138,965 hours was taught in the company (an average of 58.14 hours per employee/ intern) and 2,390 employees and interns received training. 48 % of these hours were given during working hours, 31 % outside working hours, and the remaining 21 % correspond to internships.

Theme-based training	Number of hours	% of the total
Languages	23.980	17,26 %
Administration and Management of Computer Systems	4.736	3,41 %
Quality	3.908	2,81 %
Sales and Customer Relations	5.306	3,82 %
Skills/Competence Development	11.473	8,26 %
Technical Training	19.225	13,83 %
Legal-Economic	5.958	4,29 %
Office Automation and Software Applications	12.012	8,64 %
Occupational Risk Prevention	17.893	12,88 %
Fight against corruption	919	0,66 %
Others + on-the-job training	33.556	24,15 %

In 2018 there are no major differences between the training received by men and the training received by women.

Average hours of training	2018		2017	
	Male	Female	Male	Female
Management	51.29	72.86	56.38	61.03
Management support staff	64.72	67.05	59.07	55.57
Post-graduate degree holders	58.00	75.90	54.45	57.28
Graduate degree holders	119.96	100.01	82.00	80.19
Middle managers	41.28	36.43	47.75	159.07
Technicians	65.51	81.87	22.55	20.91
Administrative and auxiliary staff	56.52	45.18	33.36	38.26
Office staff	45.78	79.79	39.84	44.57

Canal's professionals

In Canal during 2018 there were 919 total hours of specific training imparted on the fight against corruption (346 men and 217 women participated).

As in previous years, Canal de Isabel II continues with its policy of collaboration with academic-training institutions to enable young professionals and students to access the business world. To that end, cooperation agreements are encouraged, as well as scholarships so that these people may complete their academic training.

Likewise, with the new Strategic Plan, the Company has wanted to provide a solution to a growing concern: there is a shortage of professionals with expertise in water management, both with respect to Intermediate and Advanced Vocational Training and to university postgraduates of all types (engineers, scientists, lawyers and economists). Therefore, the company is developing a **Centre for Advanced Studies in Water** to provide specialised training for future water professionals in Spain and other countries.

In 2018, thanks to the agreement reached between the Regional Ministry of Education and Research, IES Virgen de la Paloma secondary school and Canal, the **School of Water** was established with, initially, 50 students studying the two Dual Vocational Training degrees of the Integrated Water Cycle at IES Virgen de la Paloma. As a result, the Company received an award from the **Dual Vocational Training Alliance** in November 2018.

At year-end 2018, Canal had completed its first mentoring programme, with more than 80 participants. The programme focused on effective communication, team and time management, establishing a collaborative relationship in which participants were able to learn about other areas, processes and people at the company.

403-1 403-2 Ensuring health and safety for all

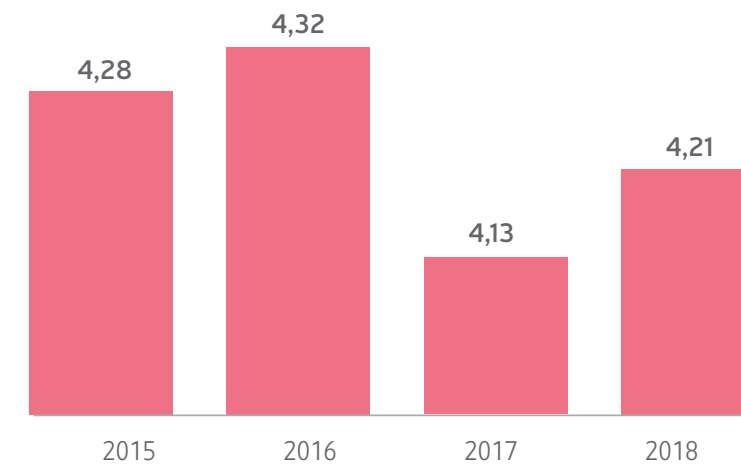
403-3 403-4 In the period between 2016 and 2018, there was a significant decrease in the frequency and incidence rates. With regard to lost working days, the average length of time lost, and the

severity index declined in the last year due to the fact that the type of accidents and injuries produced led to a reduction in the duration of leave. It is also worth noting that no fatal accidents occurred.

Accident Indicators	2016	2017	2018
Accidents at work in labore (excluding <i>in itinere</i>)	124	111	114
Accidents with leave (excluding <i>in itinere</i>)	67	54	56
Average length of leave (days)	16.31	14.78	17.75
Days lost	1.093	798	994
Accident Frequency Index with time off (excluding <i>in itinere</i>)	16.20	13.29	13.29
Frequency rate of total accidents (excluding <i>in itinere</i>)	29.98	27.32	27,06
Severity rate (excluding <i>in itinere</i>)	0.26	0.20	0.24
Incidence rate of accidents with leave (excluding <i>in itinere</i>)	26.95	21.52	21.48
Fatalities (number)	0	0	0

Absenteeism increased slightly, reaching 4.21 % of hours lost in the total workforce. This was mainly due to the flu epidemic in January and February 2018.

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



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

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

Within the scope of the Occupational Risk Prevention Plan, annual safety inspections are carried out at the facilities, aimed at detecting possible deviations in the fields of safety, industrial hygiene and ergonomics.

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

In the area of Occupational Risk Prevention, a total of 17,983 hours of training has been given in 2018 to newly recruited workers, promotions, transfers and top-level jobs. Also, this year, first-aid training continued to be provided by different work centres.

Noteworthy in 2018, Canal de Isabel II has installed defibrillators in 28 of the company's work centres, distributed across the Autonomous Region of Madrid, ahead of the regional decree published in September 2017, which required the installation of these devices in work centres with more than 250 people.

Canal has gone one step further, not only in terms of deadlines, but also in terms of scope, since a large number of the devices have been installed in work centres with fewer employees than the figure established by the decree: the number of employees, the distance from hospitals, outpatient clinics and other health facilities have also been taken into account. The installed devices give simple verbal instructions to users and, maintain a telephone connection with the 112 Emergency Services for the Region of Madrid.

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

Canal's professionals

103-2

401-3

405-1

405-2

406-1

Equal opportunities at Canal de Isabel II

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

The percentage of women in the workforce has increased in recent years and now represents 32.98 % of the total. The percentage is slightly higher at the management level, with women accounting for 34.58 % of the total, a figure that has been increasing in recent years.

With regard to wages, our Agreement ensures equality between men and women, with the same wage items for both of them and in the same amounts in all professional categories. Thus, at the end of 2018, the company's minimum wage was 173.56 % higher than the interprofessional minimum wage and the minimum wage for internships was 156.21 %. These percentages have improved considerably after the application of the new company collective bargaining agreement, starting in 2017, which includes a process of homogenising the salaries of permanent and temporary staff.

102-41

Trade union representation

The Collective Agreement agreed upon by the company and the workers' representatives in 2016 establishes a framework of stable labour relations seeking to achieve the optimum level of productivity in the company, based on the best use of its human and material resources and the mutual collaboration of the parties in all aspects that may impact an improved provision of services facilitated by development.

403-1

The Works Council is the Canal workers' representative body and possesses the functions and powers established by the Workers' Statute.

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

According to Spanish law, all Canal employees are entitled to take maternity or paternity leave. Likewise, the levels of return to work and retention after maternity or paternity leave are 100 % for both sexes. The number of Canal employees who enjoyed this right in 2018 was 33 (11 women and 22 men).

At the end of 2018 it covered 95.26 % of the workforce, only excluding company management and the company's workforce in Cáceres, which is subject to the sector agreement.

Additionally, a total of 480 workers were affiliated with the company's union groups, which represent 17.09 % of the total workforce.

On 7 February 2018, the Association for Excellence in Public Services, granted an award to the Workers' Committee and Canal, for the negotiation of the 1st Collective Agreement, with this understood to be the restoration of the employment rights of the employees of Canal de Isabel II.

NEW COMPANY COLLECTIVE AGREEMENT

On 31 January 2017, following its publication in the Official State Gazette (BOE), the first Collective Agreement of Canal de Isabel II, S.A entered into force. Thus, Canal's Works and Management Committees reached an agreement in December 2016 whereby the company abandoned the previous sectoral agreement and returned to Canal's historic model of having its own specific agreement. This was achieved after several months of negotiations and following the commitment of Canal's chairman. The preliminary agreement was reached unanimously by the trade union sections and is supported by an absolute majority of the Works Council.

The new agreement allows us to homogenise the day-to-day working conditions, leave and social benefits of all employees

(fixed or temporary); in this way we are able to improve the integration of workers' groups and better manage the company's human resources. With regard to compensation, it was agreed to standardise remuneration over a period of three years with regard to basic salary, with the job supplements being equal to one hundred per cent since the entry into force of the Agreement.

This agreement is not applicable to the Cáceres Delegation, which is represented by its own Committee and continues to be governed by the Collective State Agreement of the Industries of Collection, Elevation, Routing through Pipelines, Treatment, Distribution, Sanitation and Purification of Drinking Water and Wastewater.

401-2

Internal communication

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

In 2018, four years after the launch of the new *Canal&tú* intranet network, it has not only consolidated itself as the most powerful instrument of communication between the company and its employees, but it has also expanded, including audio-visual material and the concept of site (websites that allow information to be included and updated by the areas themselves).

Canal uses the promotion of sport not only to protect employees' health, but also to strengthen their relationship with each other and to spread the company's values. We have teams of employees in different sports and coordinate their participation in races, trophies and championships. Every year, the employees of Canal and its subsidiaries located in the Autonomous Region of Madrid participate in Canal Deporte, a sports and meeting day for all employees, family members and retirees of the company, in the eighteen sports disciplines.

Canal and its employees participate in numerous charities or commemorative events such as solidarity cafés in favour of the Spanish Association Against Cancer or the Red Cross, where the total revenue obtained from employees is doubled by the company and donated in its entirety to the beneficiary entities. Among the activities carried out with employees in 2018, the celebration of International Women's Day with an event at our headquarters is particularly noteworthy.

Canal uses the promotion of sport not only to protect employees' health, but also to strengthen their relationship with each other and to spread the company's values. We have teams of employees in different sports and coordinate their participation in races, trophies and championships.

Each year Canal also organises a children's drawing contest for the children of employees. The winning drawings are awarded by including them in the following year's annual company calendar. Also aimed at children, the Christmas party is organised, and a Christmas cinema or circus session is also organised for children and family members of employees. Lastly, Canal commemorates its retirees with an annual tribute ceremony.

Canal's professionals

201-3 401-2 Social benefits

In accordance with the budgetary regulations in force in the Autonomous Region of Madrid, the social benefits of Canal employees and subsidiaries in Spain are suspended, including the company's contribution to the employee pension fund. However, a financing system is maintained for transport costs and, in particular, for the acquisition of the Transport Pass in Canal and in the Madrid-based companies of Grupo Canal.

Employees have the option of taking out a collective medical and dental policy for themselves and their families in advantageous terms, as well as some discounts and benefits on access to certain sports and recreational facilities.

Monitoring the main advances in the Strategic Line regarding the talent, commitment and health of our professionals (2018-2030)

103-3 **Strategic objective:** to support our professionals by attracting, retaining and encouraging talent and knowledge, in order to be the best company in our sector in which to pursue a professional career.

Our strategy in this line is focused on four large axes consisting of increasing the commitment of employees, ensuring a workforce that is adapted to the evolution of the company's needs, adequate development of professionals and management, as well as our commitment in order for all Canal employees to work in safe environments.

Plan has the objective of supporting our partners by attracting, retaining and encouraging talent and knowledge, in order to become the best company in the sector in which to pursue a professional career.

Our employees are our most important asset and the best guarantee in order to achieve excellence in our management. Therefore, we need to have the best professionals in addition to ensuring their full commitment to the company. Line 8 of our Strategic

Plan has the objective of supporting our partners by attracting, retaining and encouraging talent and knowledge, in order to become the best company in the sector in which to pursue a professional career. In order to measure compliance with this line, in 2018 we proposed defining the **Canal work environment index**, an objective that was met within the established timeframe. With the information collected from the results, we can work on those areas of improvement that our employees were able to express in the questionnaires.



Another of our milestones in 2018 was the creation of the **Centre for Advanced Studies in Water (CEA)**, a place where those who aspire to specialise in water can become professional experts. At the end of 2018 we had 42 students studying in the Vocational Training programme, surpassing the initially proposed goal of 20 people.

Regarding to the **safety of our employees**, we are promoting the integration of prevention in the production process at all levels of the company, with the aim of reducing the accident rate not only in Canal, but also in the rest of our partner companies. In this respect, in labore accidents in 2018 were 21.48 accidents per 1,000 employees. This figure, although it does not reach the goal of less than 20 work in labore accidents with leave per 1,000, it does allow us to keep the figure within the levels of recent years.

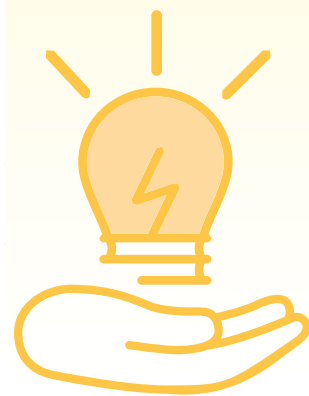
For the purpose of **reducing temporality**, in 2018 we achieved the approval and implementation of 600 selective processes in public employment offers, ending the year with the publication of 200 open positions and employment consolidation, after having made the transfers and promotions required by agreement to reach this point.

► The indicators of Line 8, its Star Plan and the rest of its plans in 2018 are as follows:

		Value 2017	Value 2018	Objective in 2018	Compliance 2018 (%)	Objective in 2019	Objective in 2023
SL8 and SP8.1	Compliance rate	ND	Rate defined	Rate defined	100 %	N/A	63 %
Star Plan 8	Students with training in the CEA	-	42	20	100 %	40	120
SP8.2	Hours of training by employee	45	58	46	100 %	47	51
SP8.3	Employees trained in the CEA (Centre for Advanced Studies in Water)	N/A	N/A	N/A	N/A	N/A	20
SP8.4	Incidence Rate (Work-related accidents in labore with leave, per 1,000 workers)	21.52	21.48	20	93.11 %	20.40	16.10

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 For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).

4.9. Innovation and development: at the cutting edge of our sector



Since its inception, Canal de Isabel II has been committed to innovation and technological development to meet the challenges posed by the management of the integrated water cycle. We were pioneers in many areas, including remote control, communications and information technology, and today we are one of the companies in our sector that invests most in innovation.

201-1

We contribute to the development of R&D&i in our sector

The company's innovation effort in recent years is evidenced by its portfolio of 43 R&D&i projects initiated, under development or completed in 2018.

The R&D&i expenditure budget in 2018, associated with contracts, agreements and minor expenses, amounted to 0.56 million euros. Adding the internal costs, derived from the dedication of the Canal personnel involved, and the activities and investments of other areas related to the projects, the total figure for R&D&i projects amounts to more than 3.74 million euros.



The company's innovation efforts during the past few years are evidenced in its portfolio of R&D+I project and agreements, which can be broken down into the following main lines of work:

- Ensuring a balance between availability and demand.
- Ensuring strategic continuity of the service.
- Strategic management of infrastructure.

- Water for consumption and health.
- Environmental integration and sustainability.
- Management efficiency.

► The active R&D+I projects during 2018, were the following:

Projects completed in 2018
Characterisation of critical elements in the strategic network using topological analysis tools (Bridges in the strategic network).
Study of breakage in the supply network.
Feasibility assessment of generating variable output impedance and its use.
Applicability and feasibility assessment of ceramic thermal coatings as insulation and energy efficiency assessment in Canal de Isabel II facilities exposed to high and low temperatures Finished.
Identification and reduction of criticality in strategic supply works infrastructures.
Calculation of Canal de Isabel II supply and distribution system resiliency.
System for characterization of functioning and strategic operation of the distribution system of Canal de Isabel II.
Measurement system for the Canal de Isabel II distribution network operational energy cost (Verification of the hydraulic and energy models of the Canal de Isabel II distribution network).
Planning system for the renovation and adaptation of the Canal de Isabel II supply and distribution network.
Fraud detection system through integrating technologies and satellite information.
Assessment of solutions for the early identification of failures in metres used in billing.
Development of a pattern recognition system for identifying end-uses of water in domestic consumption.

Innovation and development

Projects under development at the end of 2018

Optimisation of the sensorisation associated with the sectorisation of the Canal de Isabel II network (Microsectorisation).

Update of the Planning system for the renewal of the network with useful life criteria.

Characterisation of the discharges produced in the spillways managed by Canal de Isabel II Gestión located in Special Protection Areas.

Autonomous drone inspection of sewerage networks and galleries.

Development of tools for analysing the functioning of the Canal de Isabel II supply and distribution network.

Development of tools for the topological analysis of strategic and distribution networks.

Smart water metre reading on NbloT technology.

Development of a new standard for assessing the level of urban water service and the risk of non-compliance.

Development of the Plan for promoting innovative culture.

Update the hourly consumption models by sectors of the supply network.

New early leak detection system based on pressure measure in pipelines.

3D evolutionary models of water quality in drinking water tanks.

Centre of excellence in Sustainable Urban Drainage Techniques (TDUS).

Projects under development at the end of 2018

Strategic network hydraulic state estimator.

Study and applicability of power generation alternatives for energy optimisation in Canal de Isabel II.

Flood risk identification and quantification system.

Smart urban drainage operation management system in Madrid.

Interpretation of flow records in sectors.

3D modelling and laser auscultation of Canal de Isabel II dams and reservoirs.

Monitor micro components of domestic consumption in a cross section of users.

Centre of excellence in purification and reuse technologies (Mother Plant).

Establish levels of resilience against different contingencies.

Early warning system before severe rainfall events (1st phase).

Assessment of a Digital Transformation index in Canal de Isabel II.

Risk assessment and management to Canal de Isabel II supply and distribution services.

Innovación y desarrollo

Projects pending at the end of 2018

Development and implementation of a supply network operation programmer.

Design and Implementation of a Technology Surveillance Service in Canal de Isabel II.

Study on the internal morphological characteristics of the supply pipes.

Smart water quality management system the network.

System for the location of quality sensors.

Assessment of the integrated use of monitoring technology and modelling of hydraulic transients for the optimisation of the entire Canal de Isabel II supply facilities management.

The dissemination of the knowledge generated, and the results of the most important research projects have led to the publication of new titles from the collection of **R&D&I workbooks**, supplementing those published in previous years with a total of 28 workbooks. The workbooks published this year are:

- Workbook 26: Analysis of the influence of explanatory variables in pipe breaking models.
- Workbook 27: Climate change scenarios for severe rainfall events in the Autonomous Region of Madrid.
- Workbook 28: The keys of domestic water consumption in the Autonomous Region of Madrid.



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All of the R&D+I workbooks published by Canal are available at this link:

<https://www.canaldeisabelsegunda.es/en/publicaciones>

Seeking to stimulate innovation in the company, at the end of 2010 the **R+D+i blog** was launched. The blog is an internal forum in which to publish articles, news and events related to research, development and innovation, encouraging workers to share opinions and generate debate on the subject.

Furthermore, in 2018 the new **Canal Innovation Community** was created, made up of a large group of company employees interested in innovation. Any company employee with an interest in innovation may belong to that Region in which:

- They receive information about **INNOVATION**, both from Canal de Isabel II and outside the company.
- They participate in visits to innovative facilities.
- The attendance of members to Conferences and Forums of innovative nature is facilitated.
- Priority is given to training related to innovation.
- Subscriptions to magazines and web pages related to innovation are provided.
- Experiences, knowledge and debates are shared with other innovators.

The best thing about belonging to the community will undoubtedly be the opportunity to share, discuss, inspire and collaborate in order to identify and, why not, launch initiatives and innovative projects that have arisen in their midst.

In 2018 Canal organised, in collaboration with the Spanish Association of Water Supply and Sanitation (AEAS) and the Fundación Canal, the first technical seminar "Future scenarios in the remote reading of water metres. NB-IoT communications technology". In the Seminar, Canal de Isabel II, telecommunications operators, and metre and communication module manufacturers presented their prior experiences as well as the future possibilities of this technology and its applications in order to improve the commercial service and information given to customers about their water consumption. Apart from Canal and AEAS, Global Omnium, Vodafone, Telefónica, Orange and Contazara, among others, also participated in the forum.

In 2018 Canal de Isabel II also participated this week in the XII edition of the International Conference of the Spanish Association of Development and Reuse, Adir, held in Toledo between 23 and 25 October, and attended by experts from companies from the water sector as well as public and academic institutions.



This conference seeks to provide a space to contact desalination, reuse and water treatment experts, in order to present the latest research, development and innovations in these fields, to encourage dialogue, collaboration and experience and idea sharing among them.

Canal de Isabel II, with its commitment to sustainable management and efficient use of natural resources, took part in the **14th edition of the National Environmental Congress (Conama)**, with various technical sessions in which it shared its experience in terms of adapting to climate change, circular economy innovation and raising awareness among the population regarding the efficient use and management of water.

Innovation and development

In 2018 more than thirty foreign and national delegations have been interested in Canal de Isabel II's management of the integrated water cycle and the different procedures and technologies available to us. In total, 566 people visited the public company's facilities in Madrid, 33 % more than in 2017: a figure that consolidates Canal as a national and international benchmark in the water sector.

In addition to receiving visits from a dozen Spanish institutions, Canal de Isabel II welcomed 24 foreign

delegations from countries such as South Korea, China, Peru, Israel, Uzbekistan, the United States and Turkey. There were also numerous visits from other European countries, such as France and Bosnia Herzegovina.

In total, 355 Spaniards and 211 foreigners were able to see first-hand the daily management of our professionals, as well as the operating procedures and action plans that make Canal de Isabel II one of the most innovative companies in the water sector.

Technology at the (internal and external) customer's service

Canal de Isabel II applies technologies that promote the efficient use and management of resources, demands and infrastructures in all its processes. In this regard, the application of advanced information and communication systems technologies (ICT) is particularly noteworthy.

Operational actions in the field of technologies are focused on advancing technological innovation and boosting advanced information, communications and remote-control systems and technologies. Canal's ICT expenditure in 2018 amounted to 25.14 million euros, and it made investments amounting to 5.26 million euros.

In 2018 the most important ITC projects completed were the following:

- Migration of all user positions to the Windows 10 for Business operating system.
- Preparation of a 3D printing system for employee use for projects as a means to bring new technologies into the organisation.
- Implementation of virtual desktops and use of laptops as a workstation and as a remote working platform.
- Drafting of the Business Impact Analysis in the event of contingency for all Canal de Isabel II processes.
- Integrated continuity test of the Data Processing Centres in the face of contingencies.

- Deploy a security solution, in addition to the antivirus solution, to reduce malware risks in all user positions.
- Roll-out of the new Canal de Isabel II SA website and adaptation of the Virtual Office's image in line with the new website.
- Adaptation to the new Public Procurement Law 9/2017 on contracting and procurement systems and implementing a web portal in SaaS mode for simplified open procedures.
- Undertaking of a pre-market public query prior and, subsequently, drafting of the tender documents for the new trading system, YARA project.
- Expansion of the Fibre Optic communications network in 65 kilometres and connection to the telecommunications network of 17 WWTPs.
- Interconnection of the Tetra de Canal de Isabel II and Metro de Madrid emergency networks.
- Installation of the first floating virtual private network (VPN) in the Santillana dam for floating water quality measurement equipment.

It should be noted that, this year, the availability of critical systems of the company was 99.93% and 99.86% for the rest of the sensitive systems.

Remote control and communications: the key to modern water management

In 1995 Canal de Isabel II was a pioneering company in the development of remote-control systems for integrated water cycle management. We currently have a complete remote-control system that allows us to know in real time the hydraulic situation of supply and sanitation infrastructures, the status of water quality, groundwater collection and other parameters. By the end of 2018, the remote-control network monitored a total of 2,369 remote stations from our Main Control Centre (CPC) and managed a total of 29,345 measuring instruments. In addition, we had 79 remote-controlled facilities from which a large number of operations are performed in the facilities and networks (an average of 23 per day). The set of field systems controlled in 2018 had an availability rate of 99.20%.

Our fibre optic network reaches 893 kilometres and we have 158 radio links. The average availability of the communications network was 99.92% in 2018.

Our technology at the service of the safety and health of the citizens of the Autonomous Region of Madrid: TETRA Project

In 2008, the Government of the Autonomous Region of Madrid entrusted Canal de Isabel II with the implementation of a modern and advanced technology digital mobile radiotelephony service called Digital Trunking, to guarantee and implement a fast, secure, coordinated and efficient communication service both within and between each of the security, emergency and rescue services in our Autonomous Region (firefighters, local police officers and BESCAM, medical emergencies, civil protection and road traffic). Currently there is complete coverage throughout the Region of Madrid and more than 4,000 terminals have been put into service.

In 2018 Canal installed 174 new terminals and 27 new radio base stations to expand the digital trunking network for emergency services in the Region.



Innovation and development

103-3 **Monitoring the main advances in the innovation and development Strategic Line (2018-2030)**

Strategic objective: To innovate in our activities in order to be a leader in the water sector and develop technologies and services demanded by customers in the future.

Our objective in this line will be focused on three major axes aimed at the technological support of other strategic lines defined for the 2018-2030 period, for the innovation and internal development of the company, for the digital transformation of Canal de Isabel II and to position ourselves as innovative company.

In order to achieve our objectives, in 2018 we proposed to earmark 0.72 % of our business turnover for innovation. The truth is that, although the final figure is 0.44 %, the projections for the years ahead, due to the growing

number of R&D+I projects and initiatives, invite us to consider that we will achieve the goal we set for 2022: earmark 2 % on business turnover to R&D+I projects.

To do so, we proposed, among other things, implementing 100 R&D+I projects until 2022. Under this **Star Plan, known as Innova 100**, we have managed to achieve our goal for 2018, reaching 20 innovation projects.

Promoting the cultural change of our professionals towards an **innovative culture** is another challenge we proposed within the Strategic Plan. Throughout this year we launched new bold initiatives, such as the "innovation links" or the Plan for promoting innovative culture. The goal for the year 2018 was to go from 2.26 out of 4 to 2.50 in the innovative culture survey. The results of the survey showed a mark of 2.33, higher than that of last

year. Given the lack of prior information, this result has allowed us to confirm the resistance to cultural change and the need to be more proactive. We are confident that with the projects that we have already started, such as **Canal Start-up**, our innovative culture will be accelerated.

Regarding the **Canal Digital Transformation Plan** (Canal 4.0), our goal for this year was to implement three digitalisation solutions, and as of now we have met the objective. **The Culebro 4.0 project** stands out, which includes constructing a "digital twin" of the WWTP, sectoring energy consumption

for optimal energy management, creating an industrial cybersecurity zone, as well as the remote diagnosis of the plant, among many other functions.

Another challenge is to make Canal a sector leader in technology through **Centres of Excellence** and consultancy and water and environmental engineering services.


In 2018 we put into operation the two centres of excellence that we had set as our goal. On the one hand, the construction of the first, **a pilot plant in the Meco WWTP** for researching different **sustainable urban drainage** techniques, is being completed. This centre seeks to be a European benchmark in the

research and innovation of this type of techniques. Regarding the first consultancy package, a study on power generation alternatives for energy optimisation has been drafted, which will serve as a pilot for the design of the rest of the packages.

We also highlight the launch of the first edition of **Canal Start-up**, an internal entrepreneurship initiative in which some of our employees have received training and professional advice in order to design innovative solutions applied to the water sector.

► **The indicators of Line 9, its Star Plan and the rest of its plans in 2018 are as follows:**

		Value 2017	Value 2018	Objective in 2018	Compliance 2018 (%)	Objective in 2019	Objective in 2023
SL9	Percentage of net turnover spent on innovation	0.40 %	0.44 %	0.72 %	61.11 %	0.64 %	2 %
SP9.1 and Star Plan 9	Number of innovative and research projects developed (accumulated)	15	20	20	100 %	40	120
SP9.2	Innovation culture assessment	2.26	2.33	2.50	93 %	2.40	2.68
SP9.3	Number of ITC initiatives and/or solutions promoted in order to improve processes	0	3	3	100 %	6	18
SP9.4	Number of excellence centres and consulting packages prepared	0	2	2	100 %	4	12

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 **For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).**

4.10. Sustainability and efficiency in management: a profitable business strategy



The economic and social sustainability of public organisations is becoming increasingly more important to our growth and welfare model.

Canal de Isabel II, as a leading and one-hundred percent public company, is obligated to guarantee its economic sustainability, in order to support confidence in economic recovery and to encourage economic growth and job creation. We must be an efficient company in all our actions and provide society with social and environmental returns.

201-1 Our economic performance

The economic sustainability of Canal de Isabel II, as a 100% public "benchmark" company, allows us to guarantee all our customers and users the provision of quality services at an affordable cost.

Furthermore, our strategy based on the efficient management of economic resources allows us to face the important levels of investment required in an infrastructure management company while we seek to establish reference limits in the level of indebtedness in order to

ensure the economic-financial balance in the future and to ensure, simultaneously, that the company is able to fulfil all its commitments.

In 2018 the tariffs were frozen for the third consecutive year and will continue to be frozen in 2019. Therefore, Canal has earmarked a total of 2.81 million euros for the application of social allowances.

The volume of water invoiced decreased 4.21 % compared to 2017 due to climate factors. The spring of 2018 has been the wettest in the last 50 years while 2017 was rather dry, making 2018 the year with the lowest drinking water consumption in the Autonomous Region of Madrid in 20 years.

EBITDA has fallen 27.6 million compared to 2017 as a result of less activity and tariff freezing. The operating profitability falls from 41.29 % to 39.59 % in 2018 given that, due to the company's activity, a majority of its costs are fixed, as it is necessary to guarantee a higher demand than what has been produced.

The financial result worsened with regard to the preceding year despite the reduction of average debt and the subsequent financial costs. The decrease in the financial result is associated with lower financial income recorded in order to maintain the asset's current value accounts and the impairment of 6.4 million euros associated with the participation of Hispanagua and not actual cash flows.

The net result fell 52.0 million euros compared with 2017 as a result of the lower turnover and the greater deteriorations recorded, amounting to 210.0 million euros.

► Individual figures in millions of euros

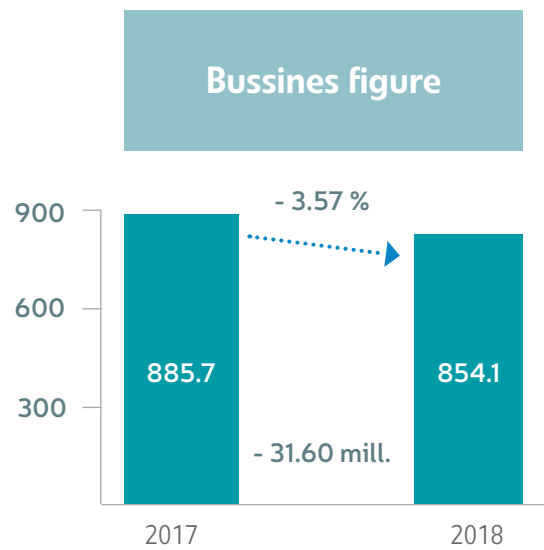
BUSINESS FIGURE	854,1	<ul style="list-style-type: none"> ▼ 3.57 % compared to 2017 Freezing rates 2018 Rainy spring of the last 50 years (decrease in consumption)
EBITDA	338,2	<ul style="list-style-type: none"> ▼ 7.54 % compared to 2017 Fundamentally for the ▼ Business Code and harmonization salary of the I Collective Agreement
RESULT BEFORE TAXES	209,7	<ul style="list-style-type: none"> Interest expense: -1.05 mill. (-5.99 %) Rev. financial for updates and application of the concessionary accounting regulations ▼ Hispanagua deterioration (6.37 million) and Cáceres (9.2) million)
RESULT AFTER TAXES	210,0	<ul style="list-style-type: none"> ▼ 19,82 % compared to 2017

Sustainability and efficiency in management

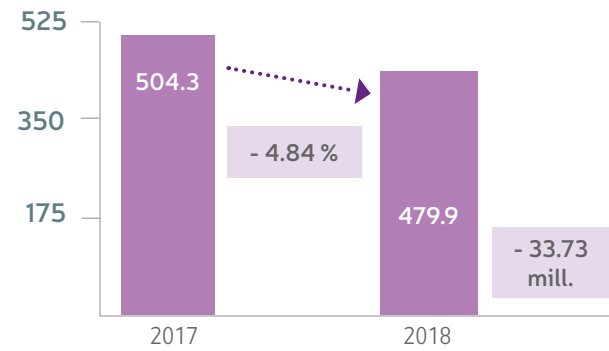
Decreased business turnover

Business turnover reached 854.1 million euros, a decrease of 3.57% compared to the previous fiscal year despite a slight increase in customers (1.20%). The fall in revenue compared to the previous year is directly related with the volume of water invoiced decreasing 4.21% due to climate factors. The first months of 2018 were very wet while 2017 was a very dry year.

On the other hand, the network performance optimisation measures and invoicing, detection and fraud prevention measures also contributed to mitigating the decrease in invoicing.



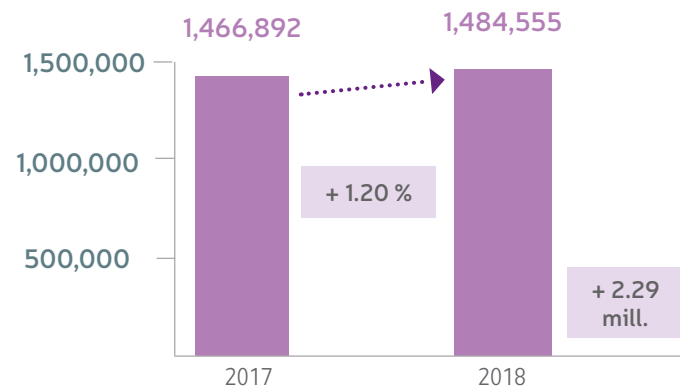
Hm³ DERIVED FOR CONSUME



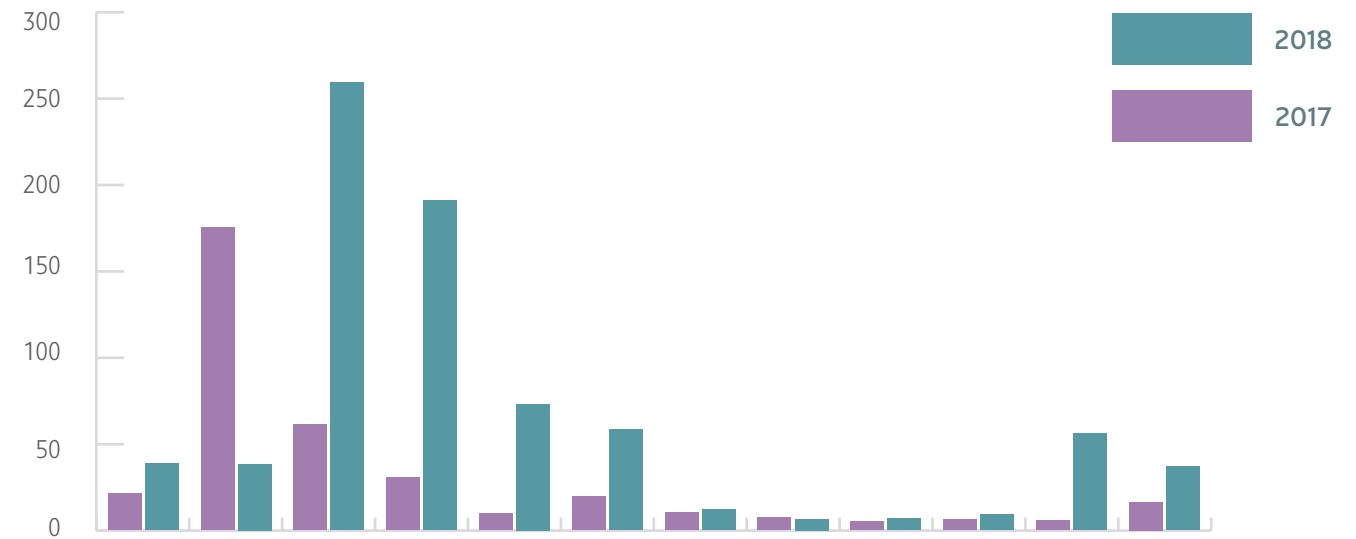
TARIFFS

- Tariff freeze
- Decrease in consumption in all blocks
- Increase in social bonuses and exemptions

CLIENTS

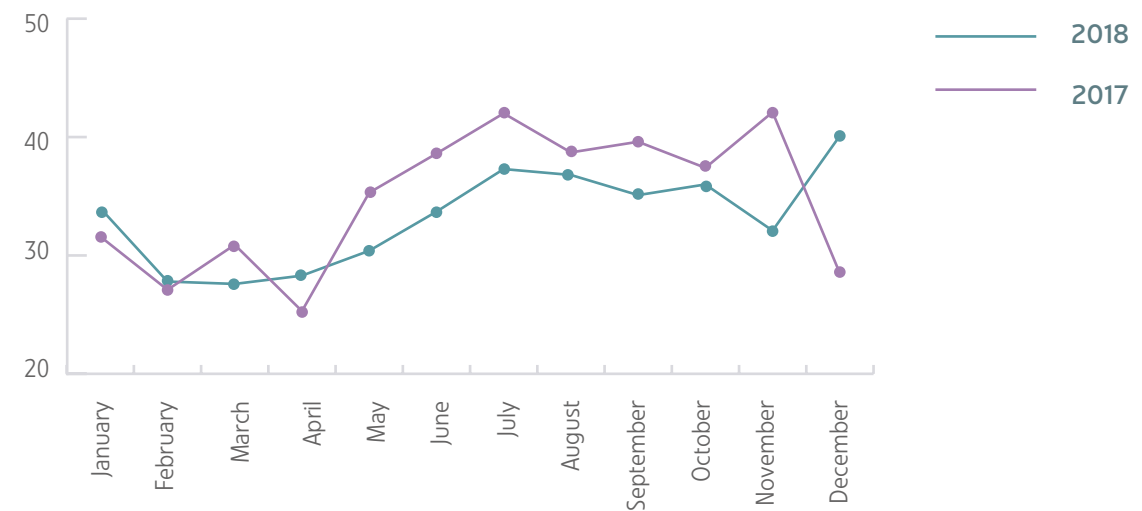


River contributions (cubic hectometers)



	2018	2017	% variación
River contributions (hm ³)	786.96	363.78	116.33 %

Billed in adduction (cubic hectometers)



	2018	2017	% variation
Hm ³ billed	399.2	416.86	(4.21)

Sustainability and efficiency in management

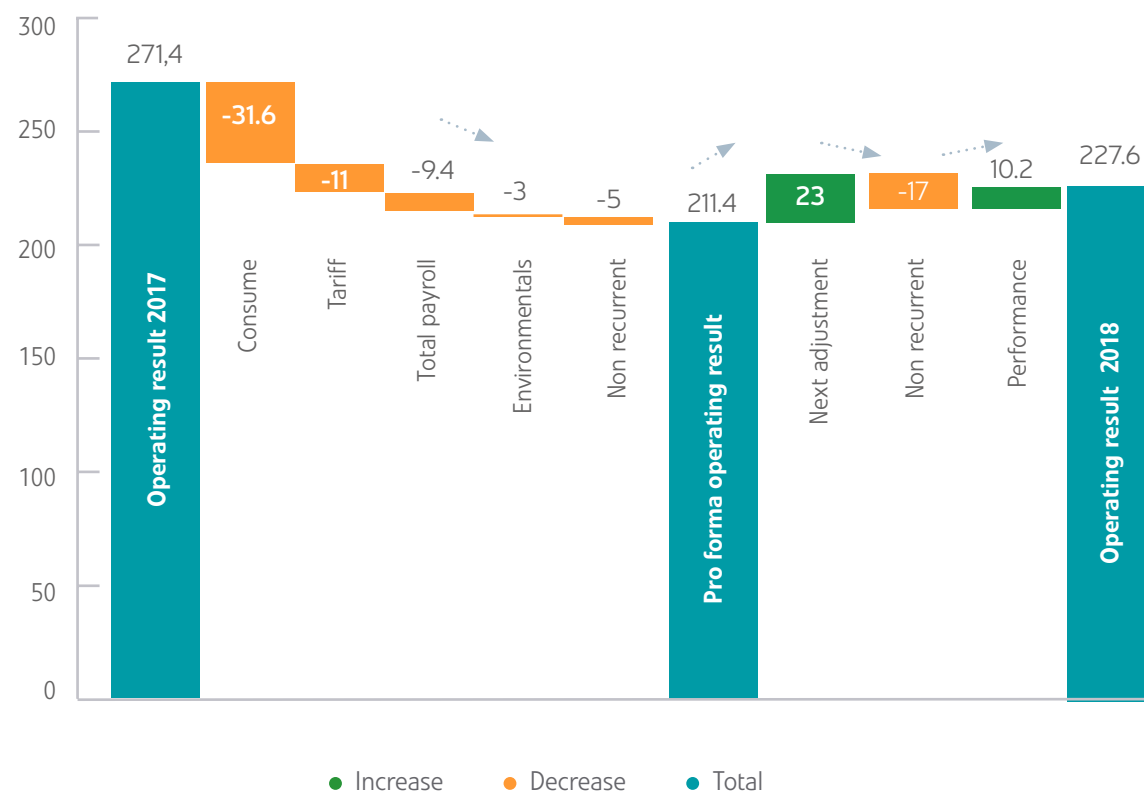
Operating profit decrease

The complete cycle management and to the supra-municipal nature thereof, enabling not only costs to be covered but also to obtain a margin that guarantees the investments and economic and financial equilibrium thanks mainly to the economies of scale and synergies generated in the activity.

The following significant exceptional events occurred during the fiscal year that directly affect the company's operating profit:

- New Collective Agreement.** In 2017 the implementation began of the 1st Collective Agreement for Canal, which standardises salaries and conditions of the various groups within the company. It is gradually being implemented during 2017, 2018 and 2019 and increases the company personnel costs.
- Taxes provisions reversal.** As a result of the entry into force of Law 6/2018, of 3 July, of the General State Budgets for 2018, as well as the assessment of the Company in relation to the claims raised by the treatment plant operators regarding the biogas tax regime, 6.2 million euros have been reverted. Furthermore, other provisions reversals have taken place for other tax concepts for 2.3 million euros.
- Charge to provision for infrastructure replacement.** The company has reviewed its investment expectations in the remaining period of the Autonomous Region of Madrid Concession, reducing the annual provision for this concept by 22.7 million euros in 2018.

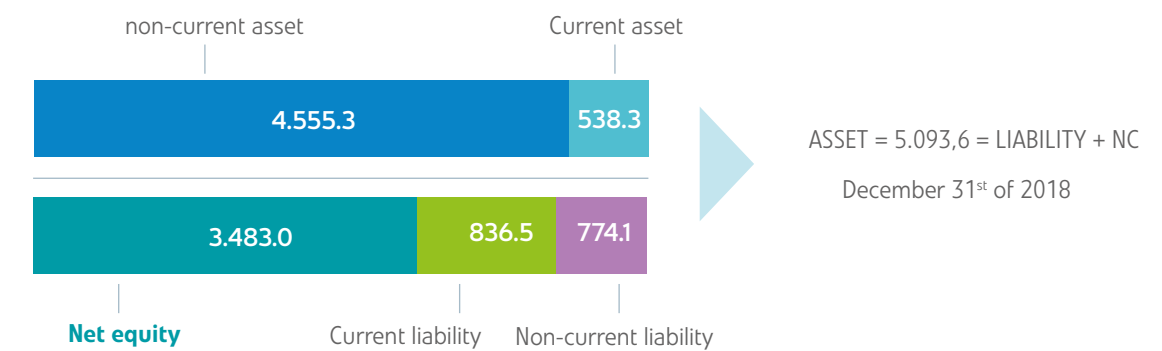
Variation of the Operating Profit 2017-2018 (millions of euros)



- Other intangible losses.** As a result of the inventory of fixed assets linked to the concession carried out by an independent expert in 2018, a decrease in the fiscal year of 4.27 million euros.
- Caceres Concession Impairment.** In 2018 fiscal year, an impairment of 9.2 million euros was recorded associated with the Caceres concession as a result of the concession business plan updating.

Asset soundness

The balance sheet shows the soundness of the company's balance sheet, reaching a net worth of 3.483 billion euros in 2018, which involves 68.4% of the total assets.



	2017	2018
Capital	1,074.0	1,074.0
Issue premium	1,074.0	1,074.0
Reserves	268.5	268.5
Past year earnings	-	261.9
Yearly earnings	261.9	210.0
Interim dividend	(123.7)	(123.7)
Subsidies	712.5	718.3
Total net assets	3,267.2	3,483.0

In 2011, net worth represented 61.9 % of assets

68.4 % of the total asset

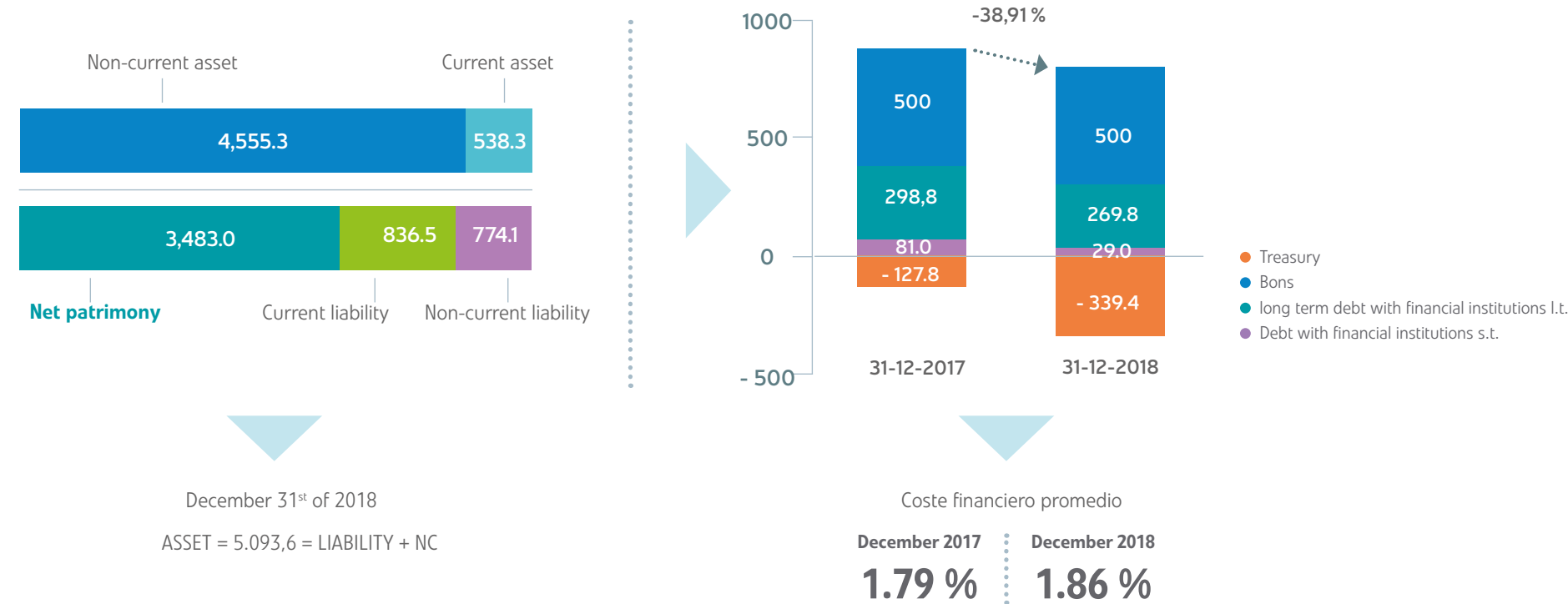
Sustainability and efficiency in management

Reduction of financial debt

Indebtedness stood at **798.8 million euros** at the end of the year, 9.21% lower than in 2017 and a decrease of 81 million euros.

Of this reduction in financial debt, 29 million euros corresponded to long-term debt and 52 million euros to short-term debt.

In the same regard, the **Net Financial Debt (NFD)** dropped by 292.7 million euros, 38.91%, with the net financial debt /EBITDA ratio reaching 1.36 at the end of 2018, compared with 2.06 at the end of 2017.



DEBT RATIO	December 2018	December 2017	% Evolution 2018-2017
Net financial debt NFD	459.448	752.106	(38.91)
EBITDA	338.150	365.718	(7.54)
NFD/EBITDA	1.36	2.06	(33.93)

From its creation in 2012, the limited liability company Canal de Isabel II has distributed more than 181 million euros in dividends to the 111 shareholder municipalities. This entails a total of 30.74 euros per inhabitant of said municipalities.

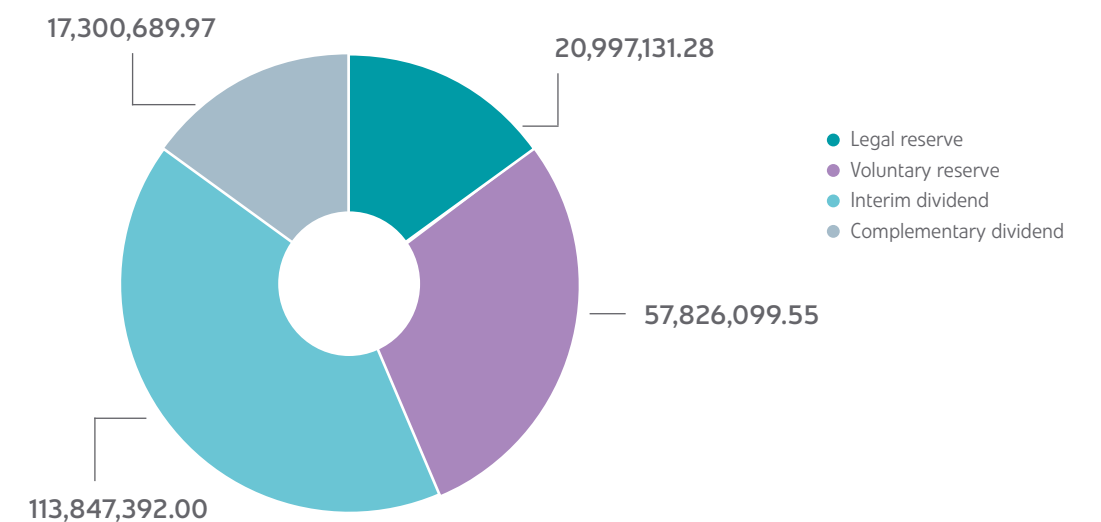
201-1 Application of FY 2018 earnings

In accordance with Article 274 of the Law on Capital Companies, a figure equal to 10% of the profit for the year will be allocated to the legal reserve until it reaches at least 20% of the share capital.

Thus, the 2018 fiscal year obtained a profit of 209,971,312.80 euros. The proposed application of the profit for approval by the Ordinary General Meeting of Shareholders is the following:

► Distribution of profits from the 2018 fiscal year in euros

Canal de Isabel II, S.A Result
209,971,312.80 euros



Legal reserve: in accordance with article 274 of the Capital Companies law, which states that a figure equal to 10% of the profit for the year will be allocated to Legal reserve until it reaches at least 20% of the social capital. It cannot be distributed. The Pay Out corresponds to 65% of the Benefit Consolidated Group, which is equivalent to 62% of the Benefit Individual de Canal de Isabel II, S.A.

Sustainability and efficiency in management

201-1 We invest in the Autonomous Region of Madrid

From its beginnings in 1851, Canal de Isabel II has been a key company for facilitating the socioeconomic development and growth of the Autonomous Region of Madrid. Our investments in infrastructure and the proper management of supply and sanitation services have facilitated the growth of the municipalities and the implementation of new economic activities in the same.

Investments made

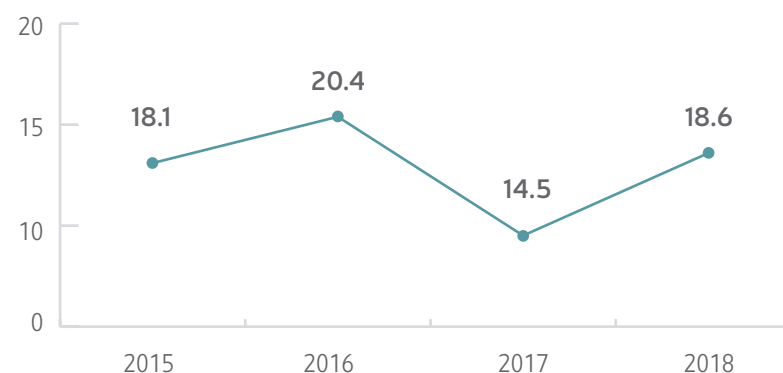
The investments made meet the objective of guaranteeing a satisfactory level of operation of the operation, maintaining the levels of productive efficiency and competitiveness in all our areas of action and adapting to new, increasingly demanding legal requirements regarding the environment.

The cashflow generated in operating activities were mainly used to address the volume of investment carried out in 2018, which amounts to 128.03 million euros in construction works and projects (compared

with 153.54 million euros in 2017), placing the Company among the companies with the highest investment made in the Autonomous Region of Madrid.

Furthermore, it has invested an additional 18.6 million in the municipalities of Madrid through the supplementary quotas approved by the Government of the Autonomous Region of Madrid.

Investments in municipalities financed by an additional fee



The most significant investments made by the Company are the result of the aforementioned targets of guaranteeing a satisfactory level of operation, maintaining the levels of productive efficiency and competitiveness, the extension and improvement of the transport and distribution network and the storage capacity, the upgrading and modernisation of the sewerage treatment system and the expansion of recycling infrastructures.

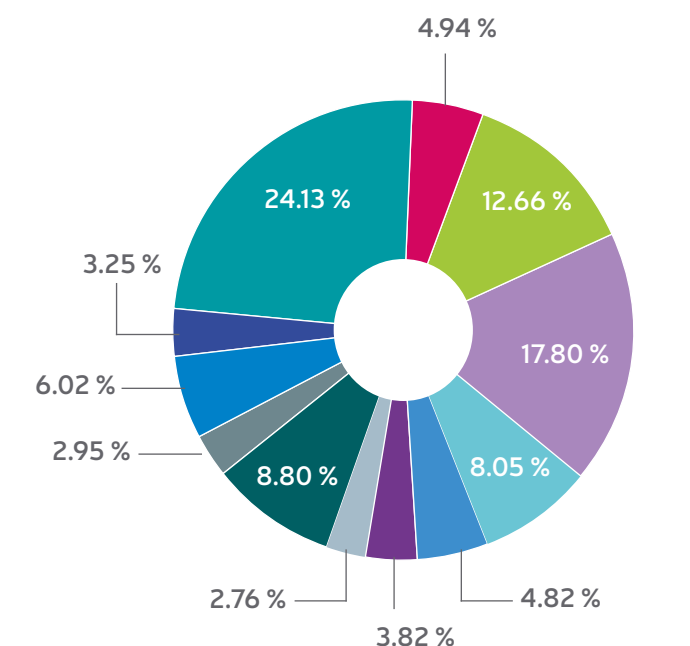
The following table illustrates the volume of investment for each of the different categories:

Investment by categories (Millions of euros)	2018	2017	2016
Supply guarantee	47.85	55.65	73.72
Quality assurance	5.52	3.60	5.11
Environmental commitment	45.80	56.67	52.95
Technological innovation	10.65	18.39	15.07
Upgrading the general services of Canal de Isabel II	4.83	12.03	3.78
Other investments	13.38	7.19	16.62
TOTAL	128.03	153.54	167.25

The total amount of investments made in 2018 was less than that of the two previous periods. On the occasion of the first year of the Strategic Plan's implementation, many projects are in an initial phase of study and pilot testing. Furthermore, from 9 March 2018 the new Public Procurement Law has begun to be applied, which has increased the average terms for the awarding of contracts.

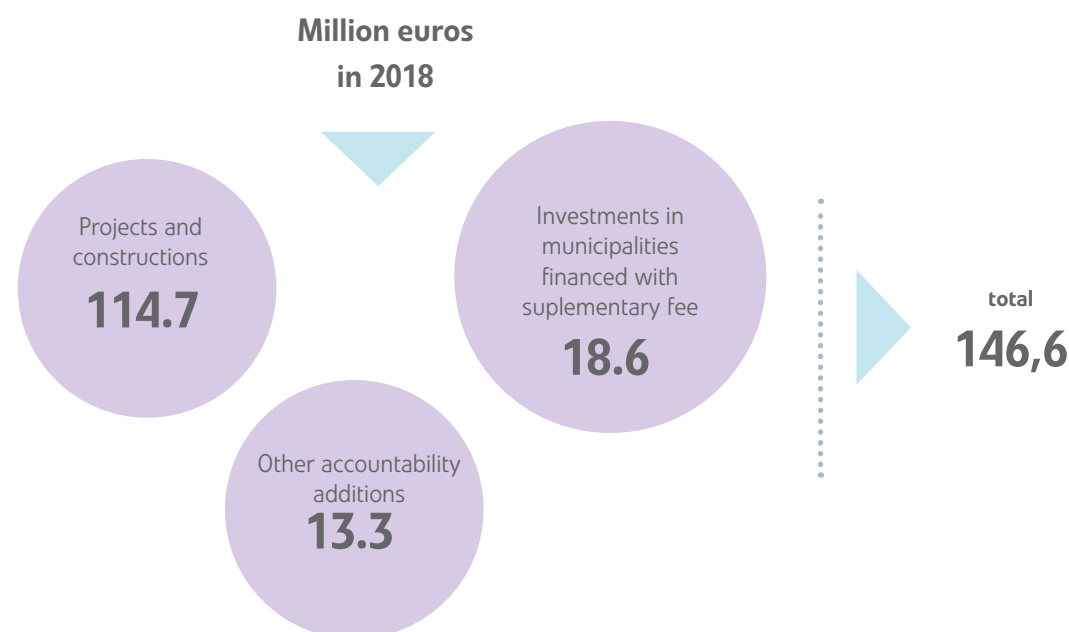
Over the 2015-2018 period, more investments were made in new infrastructures and in maintaining existing ones. In relative terms, out of every 100 euros that the people of Madrid have paid for water services during these three years, almost 18.23 euros were invested in improving service provision.

Breakdown by type of investments made in 2018



- Distribution networks
- Collections and large pipes
- Investment in municipalities financed through an additional fee
- WWTP
- Sanitation networks
- Reuse networks
- Other concepts
- Land and buildings
- Technical conformities
- Deposits
- Information and remote control systems
- DWTP

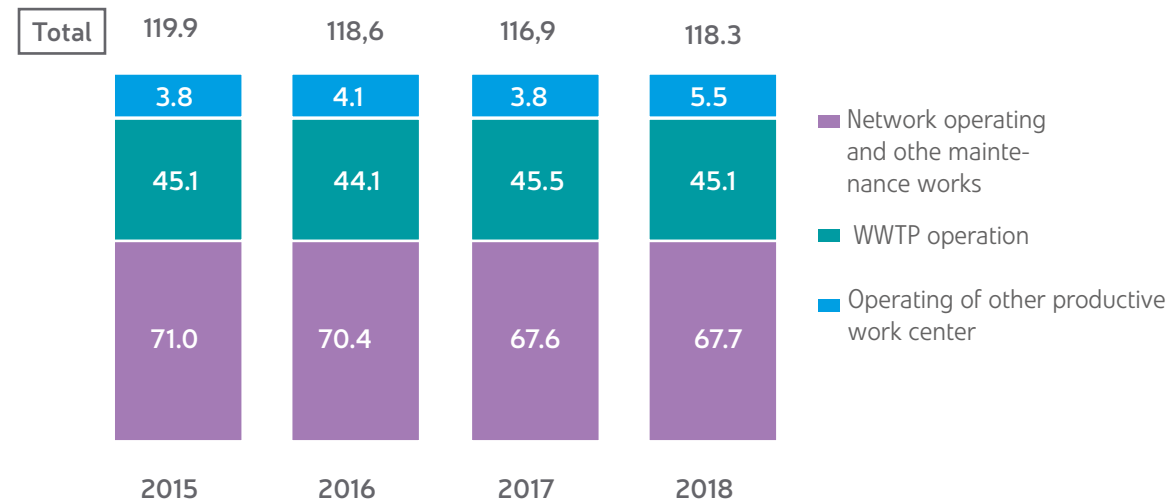
Investments



Sustainability and efficiency in management

However, Canal also earmarked a total of 118.3 million euros for the operation and maintenance of infrastructures, which results in an improvement in the efficiency of our services.

► Investment in operation and maintenance of infrastructure (in millions of euros)



Projects and works to ensure the future development of the Region

Canal de Isabel II develops and processes the general supply and sanitation infrastructure projects included in the planning forecasts or required to maintain the service capacity of the facilities, as well as the design and management of the architecture and landscaping works carried out in our premises and buildings.

In 2018 the processing and drafting of 52 infrastructure projects was completed with a budget for the projected work of 297.65 million euros.

As part of the investments aimed at guaranteeing the supply, particularly noteworthy are investments aimed at the renovation of the distribution network. In terms of

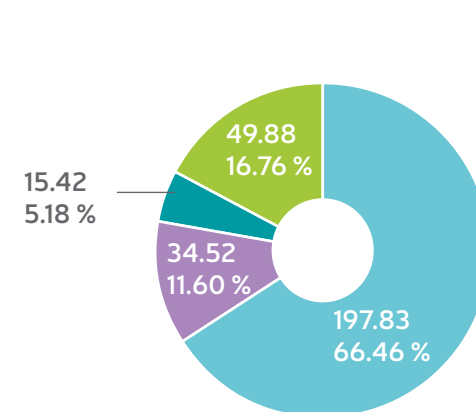
those aimed at environmental commitments, the most significant investments are related to the "Improvement Plan for the sewerage treatment system and the extension of the supply of reusable water". Other investments mainly include technical compliances.

Among the most significant additions of the investment registered for December 2018, the sectorisation works of the supply networks stand out within the objectives of the Quality Plan, the network extensions and renovations of pipelines in the various municipalities of Madrid, within the network pipeline renovation plan, together with metering devices and connections in new contracts.

► The connection of the distribution network of the municipality of Algete with the conduction of the Second Ring of distribution to improve its supply is outlined in supply and treatment; the flow from the Nuevo Baztán pumping station to the Olmeda de las Fuentes line, providing this municipality with a supply alternative; the equipment and electrification of the G-22 well; the actions in the entrance, control and dosage buildings deposit number 13 of Getafe and the ones completed in the sludge line and reagent facilities of the station the Navacerrada DWTP.

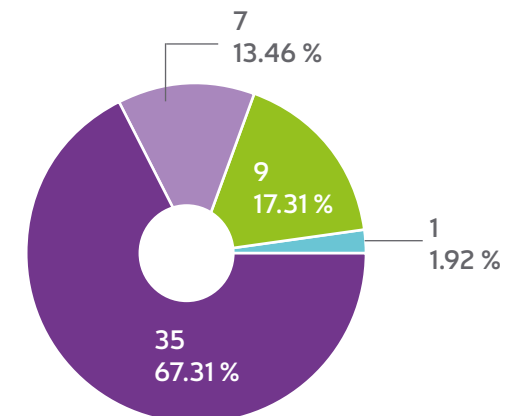
- In purification the connection between the sanitation systems of the Algete I and Algete II Treatment Plants to make the operation more flexible and guarantee the regenerated water needs for green areas of the municipality stand out; the improvement of technology in the Alcalá Oeste WWTP to comply with the National Purified Water Quality Plan; and the expansion in the treatment capacity of the Chaparral WWTP to treat the discharges generated by the successive urban developments in the municipalities of Cercedilla, Los Molinos and Guadarrama.
- In the network of collectors and emissaries of the Autonomous Region of Madrid, we must highlight the renovation of section C5 of the emissary of the Arroyo Culebro Middle Basin in Humanes in order to prevent flooding; the bending of the B12 emissary in San Fernando de Henares; and the works on section B of the Boadilla collector to the Valenoso WWTP.
- Regarding the actions carried out with reused water we developed the necessary infrastructure in order to supply water to irrigate the green areas of the municipalities of Villalbilla, Mejorada del Campo and Velilla de San Antonio.
- With regard to power generation, the completion of the construction of the Valmayor mini plant, the installation of a microturbine in the valve chamber of the Plaza Castilla deposit; and of the electric line between the Valmayor hydroelectric plant and the sectioning centre of the Valmayor DWTP all stand out.
- Work continues on automation and integration into the telecontrol system of metropolitan regenerated water networks and facilities with scattered locations throughout the Autonomous Region of Madrid. The telecommunications infrastructure in the southwest area has been strengthened, with new fibre connections between Majadahonda and Santa Engracia with the areas of Villalba, Valmayor and Santillana.
- Pursuant to the agreement entrusting the management of the sewerage services between the City Council of Madrid, the Autonomous Region of Madrid and Canal, improvements have been made to the sewage system in several areas of the municipality of Madrid, of which those carried out in Avenida de Carondelet, Calle Jacobina, Calle Eugenia de Montijo and Paseo del Prado stand out.

► Projects in 2018 (number and percentage of total)



- Supply
- Sanitation
- Building/Architecture
- Network renovating and other projects

► Projects in 2018 (estimate millions of euros and percentage of total)



- Supply
- Building/Architecture
- Network renovating and other projects
- Sanitation

Sustainability and efficiency in management

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With our suppliers

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Canal de Isabel II, as a public company belonging to the Institutional Administration of the Autonomous Region of Madrid, executes its contracts **under the legal framework applicable to public sector contracts** which entered into force on 9 March 2018 (Law 9/2017, of 8 November, on public sector contracts). Likewise, in some procedures, for their characteristics or amount, Law 31/2007 of 30 October on procurement procedures in the water, energy, transport and postal services industries is applied.

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The aim of these laws is to achieve greater transparency in public procurement and achieve better value for money. Specifically, Law 9/2017 seeks greater legal security and aims for public procurement to be used as an instrument for implementing European and national policies in social, environmental, innovation and development matters and the promotion of SME's and the defence of competition.

In relation to the objective of promoting SMEs, it should be made clear that in 2018, 60.98 % of the companies awarded contracts in Canal are small and medium-sized companies.

Without prejudice to the foregoing, Canal's contractors, in addition to complying with environmental and occupational risk prevention regulations, they must comply with the environmental and occupational risk prevention policies implemented in this public company.

Finally, it is worth nothing that, in order to foster diversity and the incorporation into the labour market of persons with disabilities, contractors with more than 50 workers employed are required, while the contract is in force, for at least 2 per cent of these to have a disability pursuant to the provisions established in Royal Legislative Decree 1/2013, of 29 November, approving the amended text of the General Law on the rights of people with disabilities and the social inclusion thereof.

The bidders' compliance with requirements is reviewed by the company prior to making procurements. Furthermore, upon being awarded, the unit responsible for the contract are ensured of compliance with the procurement documents.

Service and supply contracts for amounts less than 15,000 euros and works contracts for less than 40,000 euros are made under regulations governing minor contracts.

For minor works contracts between 15,000 and 40,000 euros the authorisation of the Executive Vice Chairperson is required. Minor contracts, except for supply contracts managed by the Purchasing Department, are processed through the CYCLO system's "Minor Contract" computer application.

Generally, subcontracting is permitted under the terms established in the current legislation and in the conditions established in the specific administrative bidding conditions of each contract subject of tendering. The contracting system ensures that subcontractors comply with both the legally established obligations and the requirements for being able to contract with the public sector.

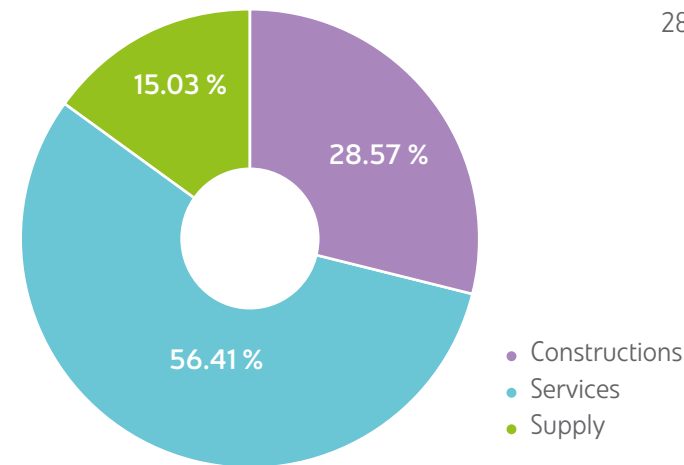
Awarding of contracts in 2018

Excluding the 19 commissions to the subsidiary companies in its group, in 2018 Canal de Isabel II awarded 341 contracts totalling 494.31 million euros through contracting procedures. Most of them are directly linked to activities and processes relating to engineering, operations and energy.

The Open Procedure is the procedure most commonly used in Canal contracting. In this procedure, any prospective entrepreneur may submit a proposal, excluding any negotiation of the terms of the contract with the bidders. The procedure has been used in 303 contracts processed in 2018, accounting for 91.30 % of the total amounts awarded, totalling 480.01 million euros.

In 2018, 19 management orders were processed (5.28 % of the procedures) for those companies that, in accordance with the provisions of the Public Sector Contracts Law, have the status of Canal de Isabel II's own instrumental means. The amount processed through these orders is 31.64 million euros, which represents 6.02 % of the total awarded amount.

► Amounts awarded by type of contract (millions of euros and %)



Among other functions, the tool makes it possible to manage minor contracting for materials supply providers.

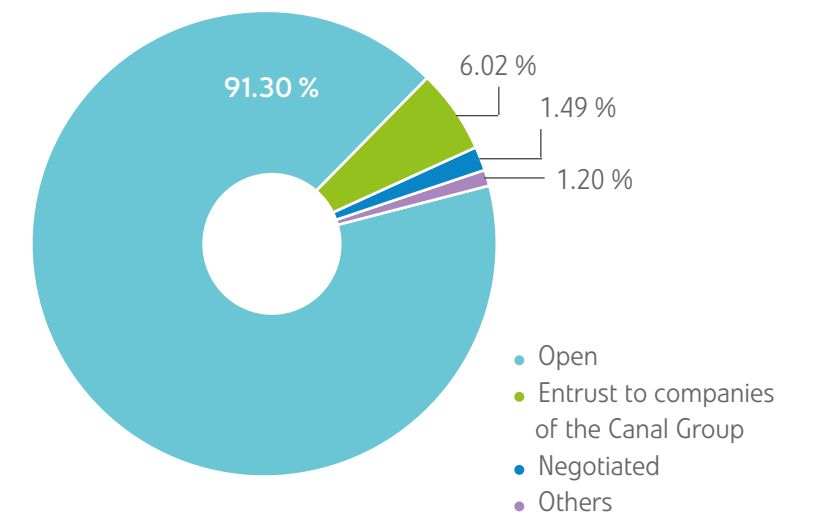
In 2018, Canal de Isabel II's average payment period to suppliers was 39.52 days, and Canal made a total of 285,294 payments throughout the year.

On the other hand, 31 contracts were awarded using the negotiated procedure representing 8.61 % of the total number of procedures processed. The total amount of these procedures was 7.83 million euros (1.49 % of the total amount processed in 2018). The negotiated procedure is used when any of the cases established in the legislation is present.

It should be noted that 7 of the contracts awarded by Canal de Isabel II, which account for 1.94 % of the tenders processed in 2018, were executed using procedures other than those included in the legislation on public sector contracts.

Canal has a support service for its suppliers, through the email address atproveedores@canaldeisabelsegunda.es and a specific portal for them on our website where they are offered real-time information on the status of invoices, strengthening the relationship with them and increasing productivity. This electronic data exchange implies reduced transaction costs and faster and easier proceedings.

► Amounts allocated by type of procedure (millions of euros and %)



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With our suppliers

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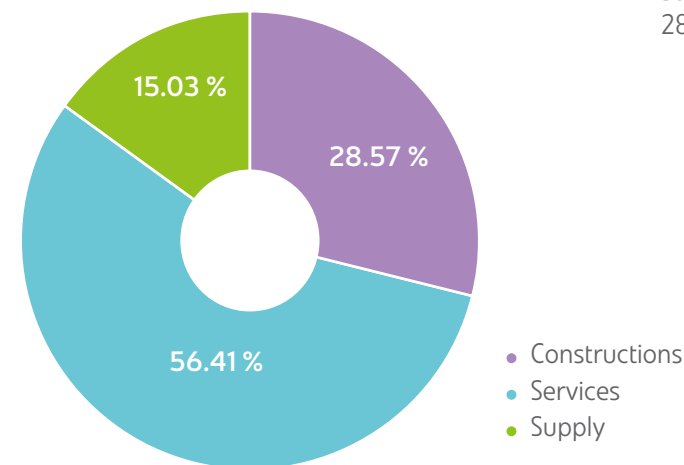
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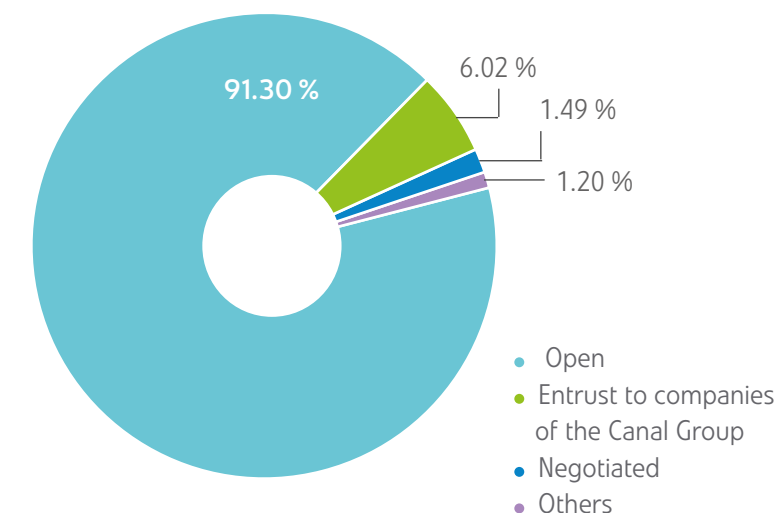
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► Amounts allocated by type of procedure (millions of euros and %)



Sustainability and efficiency in management

Processing of procurement dossiers in Canal

Our internal procurement procedure has the following phases:

PHASE I: REPORT OF NEED AND SUITABILITY	The proposing area approves a Necessity and Suitability Report of the contract (NSR) where it exposes the need to be covered and the type of procedure to follow.
PHASE II: APPROVAL OF THE FOLDINGS OR INVITATION CARD	The Executive Vice President approves, at the proposal of the Sub-Directorate of Contracting, the specifications or the letter invitation in simplified and negotiated procedures.
PHASE III: PUBLICATION OF THE TENDER	<p>The tenders by open procedure at Canal de Isabel II, are published in the Recruitment Portal of the Region of Madrid (company contractor profile) and in the appropriate official media depending on the nature and amount of contract: Official report of the Region of Madrid, Official Spanish report and European Union official report. Also it's published on the website of Canal de Isabel II, (https://www.canaldeisabelsegunda.es/en/inicio)</p> <p>The award and formalization of the contract, including simplified procedures without prior bidding and negotiated, are published in the Recruitment Portal of the Region of Madrid (company contractor profile) and In addition, the formalization of contracts by amount over 100,000 euros, in the Region of Madrid official report. Information on contracts of Canal de Isabel II, is sent periodically to the Contract Registry of the Madrid Region.</p>
PHASE IV: RECEPTION AND ANALYSIS OF THE OFFER	<p>In this phase the Subdirectorate of Recruitment reviews the administrative documentation of the offers presented by bidders. The offers that do not meet those requirements are not taken in consideration and communicates said circumstance to bidders at the opening of envelopes (at the opening of the technical envelope, if awarded by plurality of criteria; at the opening of the economic envelope, if it is awarded at the lowest price).</p> <p>In the bidding procedures that are awarded by plurality of criteria, before of the opening of economic proposals, the technical envelopes are opened in order to proceed to assess the no quantifiable criteria by the mere application of formulas before opening economic proposals.</p> <p>Finally, we proceed in a public act to the opening of the economic offers of bidders. In the tender procedures that are awarded by plurality of criteria the technical scores obtained before of the opening of plicas are read in public .</p>
PHASE V: ASSESSMENT OF THE OFFERS AND AWARD OF CONTRACT	The proposing service makes the report on the offers entered in the initial presumption of value abnormal or disproportionate and the final assessment report of the offers. The hiring table analyzes both reports and issues an award proposal that is submitted to the contracting that awards the contract.
PHASE VI: FORMALIZATION OF THE CONTRACT	The contract is formalized within 15 days from the notification of the award of the contract and once the successful tenderer has provided the corresponding guarantee.

Monitoring the main advances in the sustainability and efficiency in management Strategic Line (2018-2030)

Strategic objective: to carry out strict and transparent financial management, ensuring an adequate economic and social balance.

Ensure sustainability and efficiency in management form a part of Line 10 of our Strategic Plan. In order to carry out strict and transparent financial management, it is imperative to ensure an adequate economic and social balance.

The indicator we chose to determine the progress of this line, the **Net Financial Debt / EBITDA ratio**, stood at 1.36, well below the target we established for this first year (2.2). This means that we have been able to **reduce our indebtedness** much more than expected.

Regarding the **reduction of general expenses**, our objective was to achieve 2.50 % of business turnover. The fact remains that finally, although general expenses have been reduced compared to the amounts provided for, the ratio has worsened with respect to business turnover as it has been a year in which the weather led to a decrease in invoicing, at 2.58 %.

However, thanks to the different studies of processes that we have performed during 2018, including the optimisation of the fleet of vehicles and machinery, as well as the purchasing processes, we will try to reduce this figure until achieving our goal of 2.20 % in 2022.

Sustainability and efficiency in management

We are aware that the implementation of the Strategic Plan involves a sharp increase in investment figures, so within line 10 we established the objective of progressively adjusting the level of debt. Therefore, we are redefining the reference limits with the goal of reviewing them every year, **ensuring the economic-financial balance in the future.**

As reflected in the indicator monitoring the progress of this plan for the progressive adjustment of the debt level to the development strategy, the CAPEX/EBITDA ratio has been 41 % in 2018. The target set initially, based on the growth prospects of the investment for the first year, was 67.7 percent. A good number of investments have not begun to be executed, mainly due to the delay of a majority of the procurement processes.

Regarding **improving the efficiency of the processes**, the indicator of average bidding time that measures the progress of this plan is 377 days, surpassing the goal we set for 2018 to not exceed 320 days. Given that the new public sector contracting regulation is more rights-based than the previous one, procurement processes are being extended, which could ultimately affect the speed with which the Plan's investments are undertaken. In order to mitigate this, during this first year we have begun with an analysis of the contracting procedure, identifying those processes that are susceptible to reorganisation and improvement. For this reason, in 2019 we expect to be able to reduce the average bidding time for all procedures until a target of 250 days is reached in 2022.

It is worth noting that **the Star Plan of this line was fulfilled by freezing the tariffs for 2019.**

► **The indicators of Line 10, its Star Plan and the rest of its plans in 2018 are as follows:**

		Value 2017	Value 2018	Objective in 2018	Compliance 2018 (%)	Objective in 2019	Objective in 2023
SL10	Net financial debt / EBITDA	2.05	1,36	2.20	100 %	1.46	1.85
Star Plan 10	Tariff freezing	100 %	100 %	100 %	100 %	N/A	N/A
SP10.1	General expenses (without personnel expenses) / Business Turnover (%)	2.55 %	2.58 %	2.50 %	97 %	2.62 %	2.42 %
SP10.2	CAPEX / EBITDA (%)	42.7 %	39 %	68 %	61 %	52.40 %	111.10 %
SP10.3	Average tender period (days)	344	377	320	0 %	330	230



For more information about the closure of our Strategic Plan in 2018 and our objectives for 2019, please visit [this link](#).

5 THE CANAL GROUP



The Canal de Isabel II Group provides services in six different countries: Spain, Colombia, Brazil, Ecuador, Dominican Republic and Panama.

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Our management experience accumulated over more than a century and a half has made it possible for Canal de Isabel II to provide added value in other parts of the world thanks to the integration of subsidiary companies in other geographical areas.

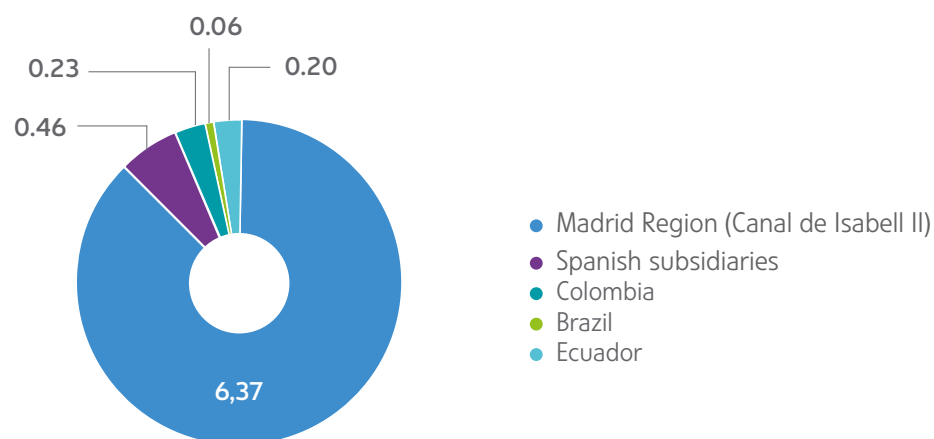
Thus, since the 1960s, Canal de Isabel II has integrated a group of subsidiary companies that, along with our company itself, constitute the modern-day Canal de Isabel II Business Group.

In 2018, the Canal Group supplied 7.32 million people (6.83 million in Spain and 0.49 million in Latin America),

employing 7,301 workers and generating more than 4,594 indirect jobs. Furthermore, the Group's companies managed a total of 568 million cubic metres of water (530 million cubic metres in Spain and 38 million cubic metres in Latin America) and 38,954 kilometres of supply, sanitation and regenerated water networks.

At the close of the fiscal year, the Canal de Isabel II Group had close to 1.7 million supply contracts (77 % of which are domestic) in almost two hundred municipalities, with a supply coverage of 96 %.

► Population supplied in 2018 (millions of inhabitants)



It is worth noting that until October 2018, the company **Triple A Barranquilla** formed a part of the Canal Group. Although this company is not included within the scope of non-financial information consolidation, in 2018 this company

supplied 2,814,692 inhabitants, compared to 2,670,781 in 2017. Regarding the sewerage system service, the company says it was able to reach 2,417,587 inhabitants compared to 2,290,833 in 2017, which involves a 5.5 % growth.

5.1. Canal Group: activities and geographical location

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Canal de Isabel II Business Group is dedicated to three main activities:



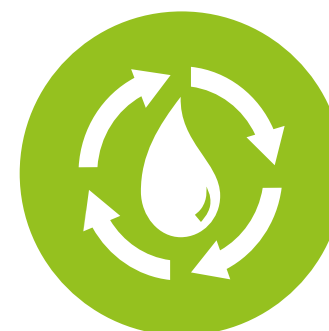
Management of the integrated water cycle

In three Spanish autonomous communities, three Departments in Colombia, in Ecuador and in Brazil.



Support services for integrated water cycle management

Such as sectoral advisory and consultancy, civil engineering, plant operation of third-party companies, works for connection and metre installation, the purchase of supplies, commercial management of the water supply and sanitation, call centre management or the collection of taxes and levies. The Canal Group has companies in Spain, Panama, the Dominican Republic and Brazil to carry out these activities.



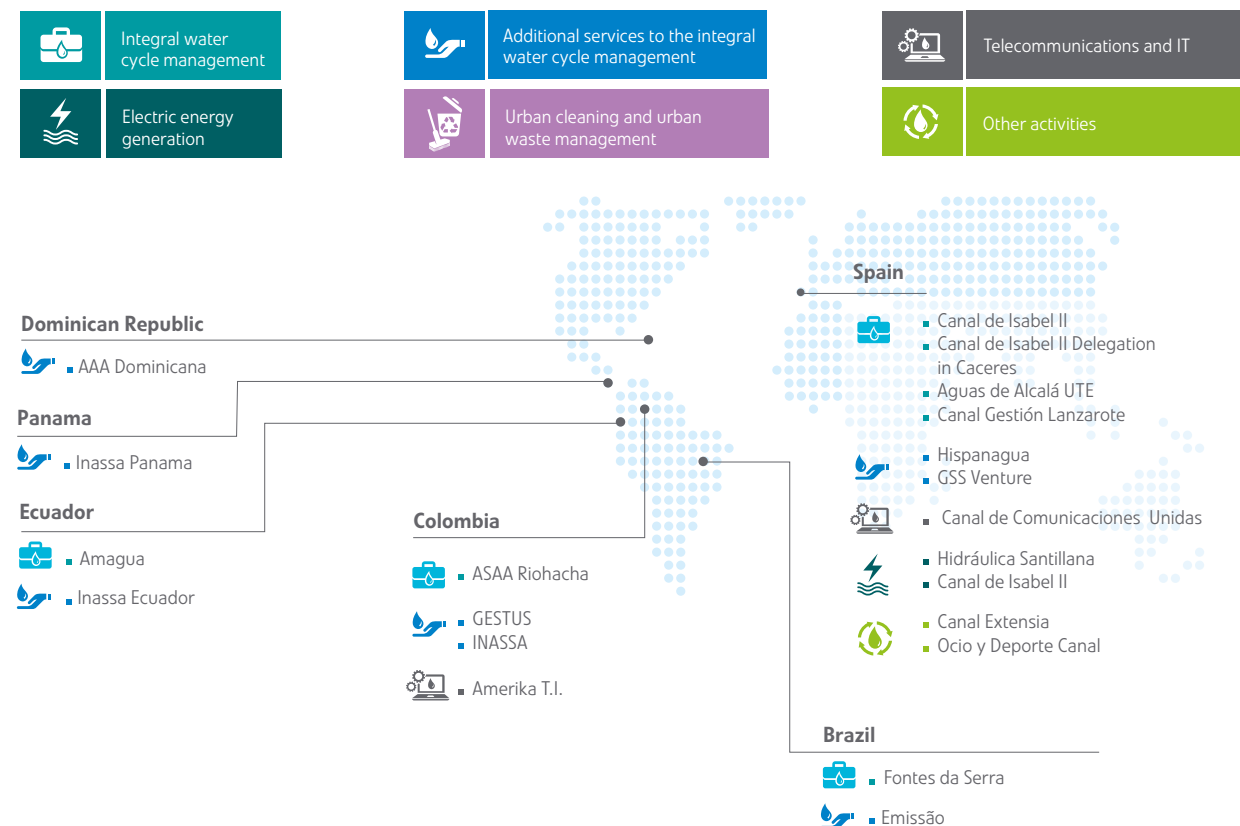
Other activities that share synergies with the integrated water cycle management

Such as electricity generation, telecommunications and information technology, engineering, civil construction and architecture not related with water, waste management and cleaning services in urban areas. These activities are carried out by Group companies located in Spain, Colombia, Ecuador and Brazil.

The **main figures** of the Canal de Isabel II Business Group at the close of 2018 were as follows:



► List of Canal Group companies



5.2. Canal Group: population served and capabilities in the integrated water cycle

In 2018, for the provision of this type of activities, the Group had nine companies located in Spain (3), Colombia (2*), Ecuador (1) and Brazil (1). These companies are:

- **Canal de Isabel II, S.A.**, is the parent company of the Business Group and is responsible for the management of the integrated water cycle in the Autonomous Region of Madrid (179 municipalities), 7 municipalities of Castilla La Mancha, and 3 municipalities in Extremadura via our delegation in Caceres.
- **Avanzadas Soluciones de Acueducto y Alcantarillado S.A. E.S.P.**, known as ASAA, is a company that was incorporated in the Canal Group in 2013. The company is in charge of the supply services and sewerage system in the Riohacha District, capital of the La Guajira Department (Colombia).
- **Aguas de Alcalá UTE**, consortium in which on 31 December 2018, in addition to Canal (50 percent of the shares) the company AQUALIA participated 50 percent. It is responsible for supplying and managing the sewerage networks in the city of Alcalá de Henares (Madrid, Spain).
- **Canal Gestión Lanzarote, S.A.U.**, that began its activities on 1 June 2013, manages the integrated water cycle in the islands of Lanzarote and La Graciosa, in the Canary Islands (Spain). Serves the population of 7 municipalities.
- **Sociedad de Acueducto, Alcantarillado y Aseo de Barraquilla S.A. E.S.P.** known as Triple A Barraquilla, is the company responsible for managing the integrated water cycle in the city of Barraquilla as well as in 14 other municipalities in the Department of Atlántico in Colombia.
- On 3 October 2018 the Prosecutor General of Colombia adopted an agreement, by virtue of which was ordered the suspension of the power to dispose, seize and confiscate the shares of INASSA, company indirectly controlled by Canal de Isabel II in Triple A de Barraquilla, which represents 82 % of the share capital of Triple A, and its delivery in custody to the Special Assets Company of Colombia (SAE).
- **Agua de Samborondón Amagua C.E.M.**, which provides drinking water distribution services, sewerage management, wastewater treatment and reuse of regenerated wastewater in Samborondón and Daule, towns located very close to Guayaquil (Ecuador).
- **Fontes da Serra, Saneamento de Guapimirim Ltda.**, company belonging to Emissão which was incorporated into the Canal de Isabel II Group in November 2013. Fontes de Serra is the company that supplies the inhabitants of the town of Guapimirim, in the State of Rio de Janeiro (Brazil).

► Population and municipalities served in Spain

	SUPPLY		SEWERAGE SYSTEM		PURIFICATION	
	Municipality	Pop. served	Municipality	Inhab. supply	Municipality	Inhab. supply
Autonomous Region of Madrid	173	6,357,983	134	5,602,372	179	6,569,461
Castilla-La Mancha	7	12,102	0	0	1	4,279
Province of Caceres	2	56,688	2	54,794	2	54,794
Alcalá de Henares	1	193,751	1	193,751	0	0
Lanzarote y La Graciosa	7	205,028	7	144,748	7	144,748
TOTAL SPAIN	190	6,285,552	144	5,995,665	189	6,733,282

► Population and municipalities served in Latin America

	SUPPLY		SEWERAGE SYSTEM		PURIFICATION	
	Municipality	Pop. served	Municipality	Pop. served	Municipality	Pop. served
Colombia: Riohacha	1	230,718	1	197,070	0	0
Ecuador: Samborondón and Daule	2	201,372	2	157,924	2	157,924
Brasil: Guapimirim	1	57,921	0	0	0	0
TOTAL LATIN AMERICA	4	490,011	3	354,994	2	157,924
SUM CANAL GROUP	194	7,315,563	147	6,350,659	191	6,931,206

► Canal Group: technical information at the close of 2018

Supply	Spain	Latin America	Total Group
Number of reservoirs or collections in rivers	17	2	19
Number of wells in operation	79	-	79
Number of sea water collection points	4	-	4
Sum of collection points managed	100	2	102
Number of DWTP and desalination plants managed	20	2	22
Treatment capacity in millions of cubic metres per day	4.76	0.05	4.81
Kilometres of supply networks managed	20,021	1,169	21,190
Number of municipalities served in supply	190	4	194
Population served in supply (millions of inhabitants)	6.83	0.49	7.32

Sanitation	Spain	Latin America	Total Group
Kilometres of sewerage networks managed	16,108	745	16,853
Number of wastewater pumping stations managed	212	110	322
Number of wastewater treatment plants managed	168	95	263
Design flow of WWTP (hm ³ /day)	3.02	0.05	3.07
Number of municipalities served in sewerage management	144	3	147
Population served in sewerage (millions of inhabitants)	6.00	0.34	6.34
Number of municipalities served in wastewater purification	189	2	191
Population served in wastewater treatment (millions of inhabitants)	6.97	0.16	7.13

Reuse	Spain	Latin America	Total Group
Number of waste water treatment plants	35	19	54
Kilometres of regenerated water networks	911	-	911
Number of municipalities which are provided with regenerated water supply services	28	2	30
Volume of water regenerated in 2018 (millions of cubic metres)	128	5	133

5.3. Canal Group: companies with other activities

Group companies: water management support services

This category includes Group companies that carry out activities related to the management of the integrated water cycle, such as sector engineering and consultancy, the construction and operation of drinking water and wastewater treatment plants, works and installation of connections and metres, purchase of supplies for water supply, commercial management of supply and sanitation, call centre management or collection of fees and taxes.

To carry out these activities, at the end of 2018 the Group had companies in Spain, Colombia and the Dominican Republic, Panama and Ecuador (through Inassa's subsidiaries in these countries) and Brazil. These companies are:

- **Hispanagua, S.A.U.**, a company created in 1995 by the partial spin-off of Hidráulica Santillana. Its main objective is the construction, maintenance and operation of infrastructures related to water management, the operation of DWTPs and WWTPs and the provision of commercial services such as connection works or the installation of metres. According to Spanish public sector contract law, this is Canal's own medium, so that practically all of its business activity is carried out for the Group's parent company in Spain.

- The **Sociedad Interamericana de Aguas y Servicios S.A. (INASSA)**, acquired in December 2001, was incorporated in 1996 as a company engaged in providing services related to the integrated water cycle in Colombia and other Latin American countries. INASSA offers consulting services in public utilities processes and comprehensive and innovative IT solutions to drinking water and sanitation utilities in Latin America.

- **Amerika Tecnologías de la Información, S.A.S.** which since 2014 has been dedicated to the development and commercialisation of Amerika Software, a product that provides a definitive and integral solution to public utilities companies, designed by the water industry. Its different modules cover commercial management, technical management, administrative and financial management and management control.

- The company **GESTUS Gestión & Servicios** provides services to the different companies of the Canal Group in Latin America. For companies in the water supply sector, it deals with business advice and management, design and construction of civil works, pre-legal and legal collection management, updating and assembly of databases and software, contact human centre services, document management and messaging services.

- **INASSA Panamá**, is a delegation of the Colombian company Inassa and began its activities in 2011. The company provides advisory and operational services for the commercial and technical management of companies in the domestic utilities sector.

- **INASSA Ecuador** is a delegation of the Colombian company Inassa that has been in charge of executing all the activities inherent to the integrated water cycle in that country, extending to infrastructure works, consultancy, technical assistance, design, project supervision management and environmental consultancy.

- **AAA Dominicana S.A.** which began its operation in the Dominican Republic with the contract for commercial management and installation of metres in the western area of the city of Santo Domingo to serve a population of almost 1.5 million inhabitants. In recent years, AAA Dominicana S.A. has achieved significant growth by expanding its services in the commercial management of water services and in the collection of fees and taxes.

- **GSS Venture, S.L** is a company in which Canal de Isabel II holds a 25 % minority stake. Its corporate purpose is the provision of telemarketing and customer service, developed through the telephone network or any other telematic means. GSS is the company that currently handles Canal de Isabel II's customer service call centre.

- **Emissão, S.A.** headquartered in Rio de Janeiro, is responsible for the commercial management of supply and sanitation services in several Brazilian states; carries out consulting and sectoral engineering work; builds, manages and maintains facilities and supply networks for other companies; develops and maintains remote control systems in facilities and is the main operator in the supply to the municipality of Guapimirim (Rio de Janeiro State) through the company Fontes de Serra.



Other group companies: synergistic activities with the integral cycle

Apart from the activities directly related to the management of the integrated water cycle or with activities supporting the management of said cycle, the Canal de Isabel II Business Group carries out activities in synergy with the management of the integral cycle with five of its companies. These activities include hydropower generation; telecommunications and information technology; waste management and urban cleaning; and engineering and construction. These activities are performed by Group companies located in Spain, Colombia and Brazil:

- Hydroelectric production: **Hidráulica Santillana S.A.U.**, which was acquired in 1965 by Canal de Isabel II of the company of the same name. The company was split in 1995, separating the activities related to the integrated water cycle (for which Hispanagua was created) from energy production activities. The company's main activity is the operation of eight hydroelectric power plants, with a total installed capacity of 34.85 megawatts. These plants take advantage of the waterfalls existing in Canal de Isabel II reservoirs in the Autonomous Region of Madrid.
- Information technology and telecommunications: **Canal de Comunicaciones Unidas, S.A.U.** (hereinafter CCU), is a company wholly owned by the Canal Group and dedicated

to the information technology and telecommunications sector. CCU has Canal de Isabel II as its main client and currently has other clients to whom it provides mobile communications services, such as the Autonomous Region of Madrid.

- Solid waste management and urban cleaning: in addition to managing the integrated water cycle, **Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A** has been providing all the services related to solid urban waste management and urban cleaning in Barranquilla since 1993, and in three other municipalities in the Department of Atlántico since 1997.
- Engineering and construction of civil works not related to water: incorporated to Grupo Canal in 2013, the company **Emissão, S.A.** from Brazil. It is dedicated to the activity related to the management of the integrated water cycle and its secondary processes, but also has abilities and experience in the execution of civil works and construction in other areas.

102-45 Other activities

In addition to operating companies with personnel, Grupo Canal has three other companies that only hold shares. These are:

- **Canal Extensia, S.A.U.** was established in 2001 and is the holder of the shares of all the Group's Latin American companies.
- **Soluciones Andinas de Agua**, located in Uruguay, was established in 2013 to hold 75 % of the shares held by the Canal Group in the Brazilian company Emissão.
- **AAA Ecuador**, located in Ecuador, holds 70 % of the shares of Amagua.

- **Ocio y Deporte Canal, S.L.U.**, located in Madrid and the purpose of which is the management of sports facilities by undertaking activities involving the enhancement or use of networks or infrastructures in the management of which Canal de Isabel II S.A. participates, and specifically the exercise of commercial and sports use of infrastructure in the management of which Canal de Isabel II participates, and that they represent an added value for their users.

5.4. Workforce of the Group companies

102-8

401-1

At year-end 2018, the aggregate workforce of all Group companies with their own activity and personnel was 7,301 people in 6 countries. Of these, 48 % worked in Spain and 52 % in Latin America. The parent company's (Canal de Isabel II, S.A) workforce accounts for 38 % of the Group's total.

SPANISH COMPANIES	Employees 2018
Canal de Isabel II (Madrid and delegation in Caceres)	2,808
Aguas de Alcalá UTE	73
Canal Gestión Lanzarote	259
Hispanagua	303
Hidráulica Santillana	15
Canal de Comunicaciones Unidas	52
Ocio y Deporte, S.L.	7
SUM ESPAÑA	3,517

LATIN AMERICAN COMPANIES	Employees 2018
INASSA (Colombia and branches in Ecuador and Panama)	170
ASAA (Colombia)	97
Gestus (Colombia)	36
Amerika TI (Colombia)	53
Amagua (Ecuador)	84
AAA Dominicana (Dominican Republic)	367
Emissão y Fontes da Serra (Brasil)	2,977
SUM LATIN AMERICA	3,784



5.5. Consolidated Group results in 2018

In 2018, the ordinary **income** of Canal de Isabel II Business Group companies reached **1.0764 billion euros**, 6.05 % less than in 2017. This is mainly a consequence of the decrease in business turnover of CANAL DE ISABEL II, S.A (-31.6 million euros) and the incorporation of only 8 months of activity from Triple A de Barranquilla in 2018 (-53.3 million euros).

Additionally, the foreign currencies in which the group operates have been devalued at an average rate compared to 2017, negatively impacting the figures converted into euros. The fall in consolidated revenues is slightly offset by the increase in Emissão's activity by more than 8.5 million euros in 2018, a result of the contracts earned during the year.

EBITDA has fallen by 32.0 million euros compared to 2017 as a result of the fall in activity and rate freezing in the parent company (-26.5 million euros) and the incorporation of only 8 months of activity of Triple A de Barranquilla (-12.3 million euros) euros. The operating profitability falls from 36.39 % to 35.75 % in 2018 given that, due to the Group's activity, a majority of its costs are fixed, as it is necessary to guarantee a higher demand than what has been produced.

The **consolidated Operating Income** fell 41.5 million euros compared to 2017.

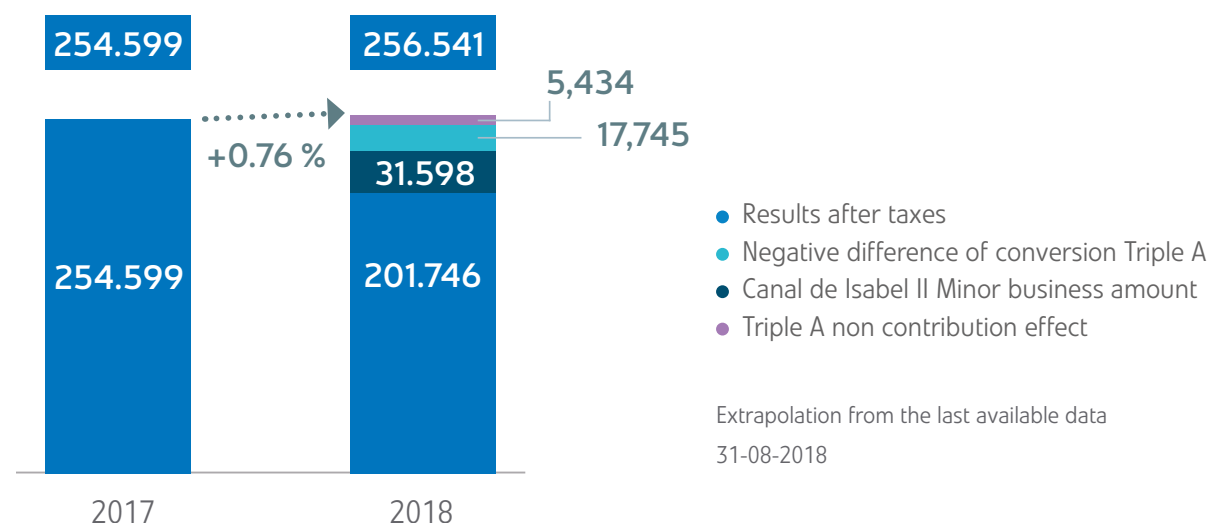


Evolution of the characteristic figures

► **Evolution of the characteristic figures** (consolidated figures in the form of millions of euros)



► **R Result after taxes** (in millions of euros)



Consolidated revenues

Consolidated revenues decrease due to the effect of reduced business turnover in Canal de Isabel II, S.A. and the non-integration of Triple A in the last 4 months.

In 2018, the Canal de Isabel II Group has achieved a consolidated ordinary income of **1.0764 billion euros**, 6.05 % less than in 2017.

The Parent Company's contribution in the 2018 fiscal year is 854.1 million euros (79.3 % of the consolidated ordinary income), which is a 3.6 % decrease on the previous fiscal year, due to the climate and the tariff remaining the same.

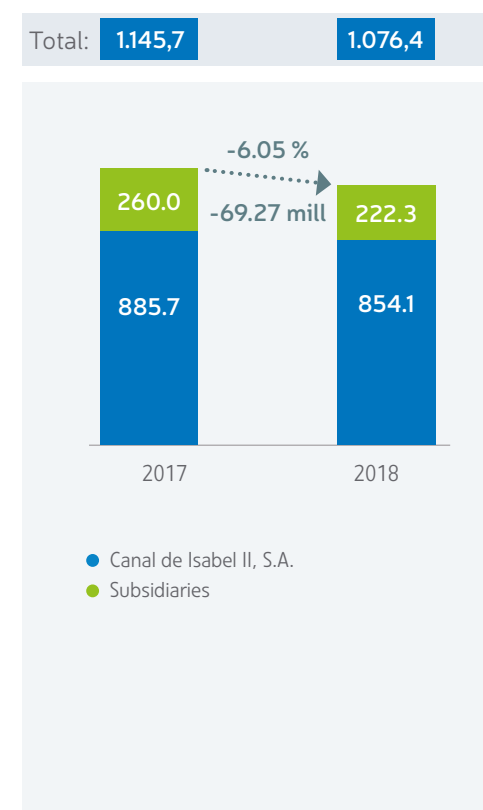
Triple A de Barranquilla's contribution is also significant, reaching 107.6 million euros (10.0 % of the Consolidated Ordinary Income) and decreasing by 33.2 % compared with the previous fiscal year, given that the Group ceased to consolidate Triple A de Barranquilla during 2018. Therefore, the consolidated income statement of the 2018 group only includes profits from January to August, while in 2017 and 2016 it included those from the full year.

The consolidated business turnover is, therefore, directly related to the lower business turnover of the Group's two main companies:

- The fall in revenue of the parent company compared to the previous year is due to the volume of water invoiced decreasing 4.21 % due to climate factors. The first months of 2018 were very wet while 2017 was a very dry year. Additionally, in 2018 the tariffs were frozen and will continue to be frozen in 2019 for the fourth consecutive year.
- The incorporation of only 8 months of activity from Triple A de Barranquilla in 2018.

Additionally, the foreign currencies in which the group operates have been devalued at an average rate compared to 2017, negatively impacting the figures converted into euros. The fall in consolidated revenues is slightly offset by the increase in Emissão's activity by 8.5 million euros in 2018, a result of the contracts earned during the year.

► Consolidated revenues (million euros)



-31.6

Canal de Isabel II, S.A. (▼ 3.6 %)

-38.3

Canal Extensia Group, fundamentally:

- 53.3 Triple A
- +8.5 Emissão
- +7.5 Other comlombian companies
- 1.0 Others

Notice that the evolution of the ToC medium has had an effect of -14.8 thousand.

+0.6 Spanish subsidiaries

- +1.0 Hidráulica Santillana (▲ 39.3 %)
- 0.6 C.G. Lanzarote (▼ 2 %)
- +0.3 Ocio y Deporte (▲ 42.,5 %)
- 0.1 Others

Consolidated EBITDA and Operating profit

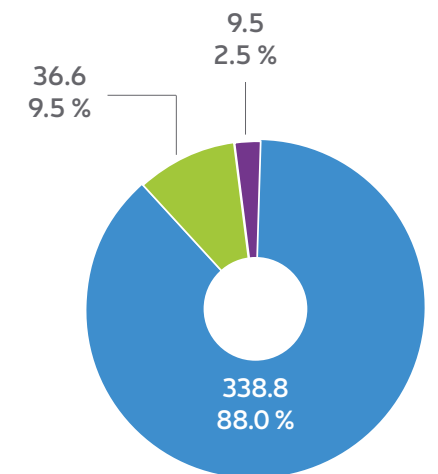
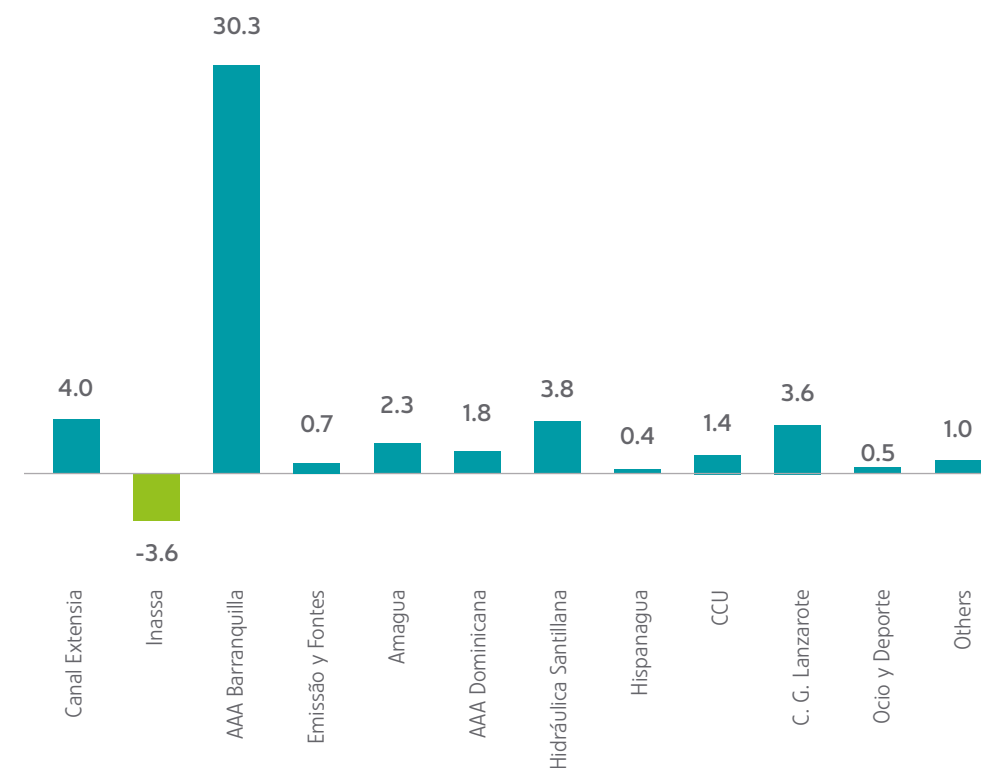
The **consolidated EBITDA** for the period stands at **384.9 million euros**, a decrease of 7.7 % compared to 2017 for the lower business turnover. This improvement is reflected in the EBITDA/Sales margin, going from 36.39 % in 2017 fiscal year to 35.75 % in 2018 fiscal year.

The optimisation of resource management, the investments made in previous years, operating efficiencies in terms of energy consumption and the achievements reached in operating and management processes have made it possible to mitigate the decrease of the operating margin. Thus, in the parent company, the complete cycle management and the supra-municipal nature thereof, enabling not only costs to be covered but also to obtain a margin

that guarantees the investments and economic and financial equilibrium thanks mainly to the economies of scale and synergies generated in the activity.

Most of the Group's EBITDA corresponds to the activities of the parent company, Canal de Isabel II, which contributes 338.8 million euros, accounting for 88 % of the total. Of note among the investees is Triple A in Colombia, which contributed 30.3 million euros (7.87 % of the consolidated Group EBITDA).

► Consolidated EBITDA (million euros)



- Canal de Isabel II
- Canal Extensia Group
- Spanish subsidiaries

Similarly, the consolidated Operating Income fell 13.8 % compared to the previous fiscal year, reaching **258.4 million euros**.

In addition to the drop-in activity, the following significant exceptional events occurred during the fiscal year that directly affect the company's operating profit:

- **New Collective Agreement:** in 2017 the implementation began of the 1st Collective Agreement for Canal, which standardises salaries and conditions of the various groups of the parent company. It is gradually being implemented during 2017, 2018 and 2019 and increases the company personnel costs.
- **Taxes provisions reversal:** as a result of the entry into force of Law 6/2018, of 3 July, of the General State Budgets for 2018, as well as the assessment of the parent company in relation to the claims raised by the treatment plant operators regarding the biogas tax regime, 6.2 million euros have been reverted. Furthermore, other provisions reversals have taken place for other tax concepts for 2.3 million euros.
- **Charge to provision for infrastructure replacement:** The parent company has reviewed its investment expectations in the remaining period of the Autonomous Region of Madrid Concession, reducing the annual provision for this concept by 22.7 million euros in 2018.

- **Other intangible losses:** As a result of the inventory of fixed assets linked to the concession carried out by an independent expert in 2018, the parent company recorded a decrease in the fiscal year of 4.3 million euros.

- **Caceres Concession Impairment:** In 2018 fiscal year, an impairment of 9.2 million euros was recorded associated with the Caceres concession as a result of the concession business plan updating.

The **net result** fell by 52.8 million euros compared to 2017 as a result of the fall in activity in the parent company and the deconsolidation of Triple A de Barranquilla.

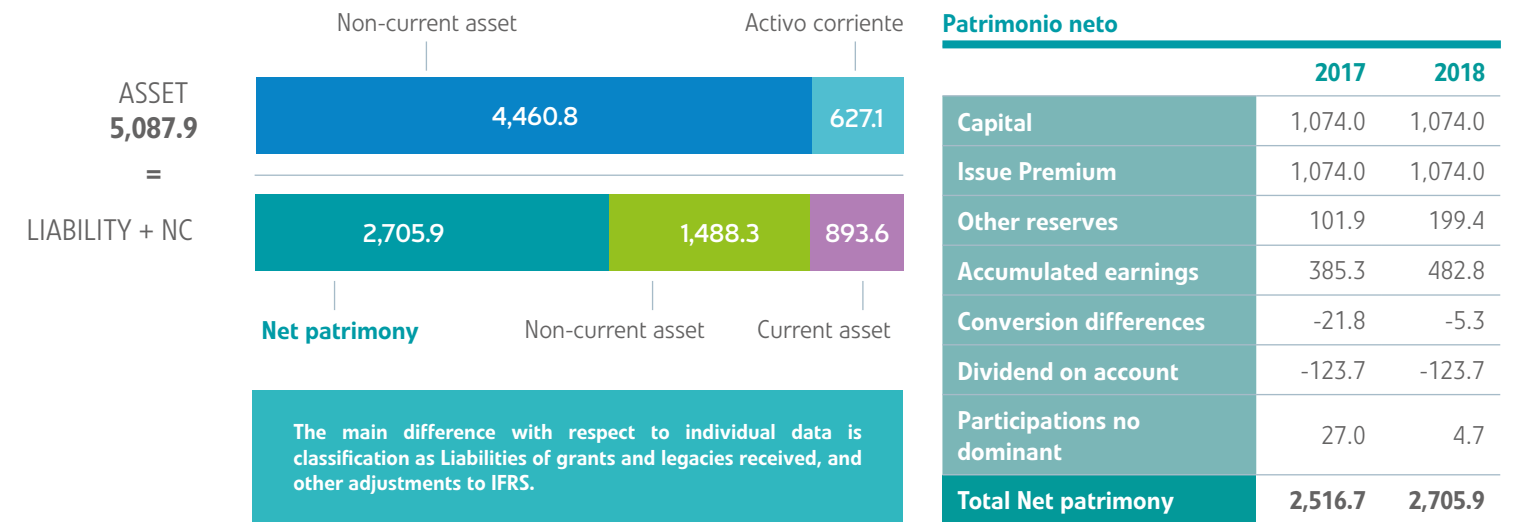


Consolidated net assets

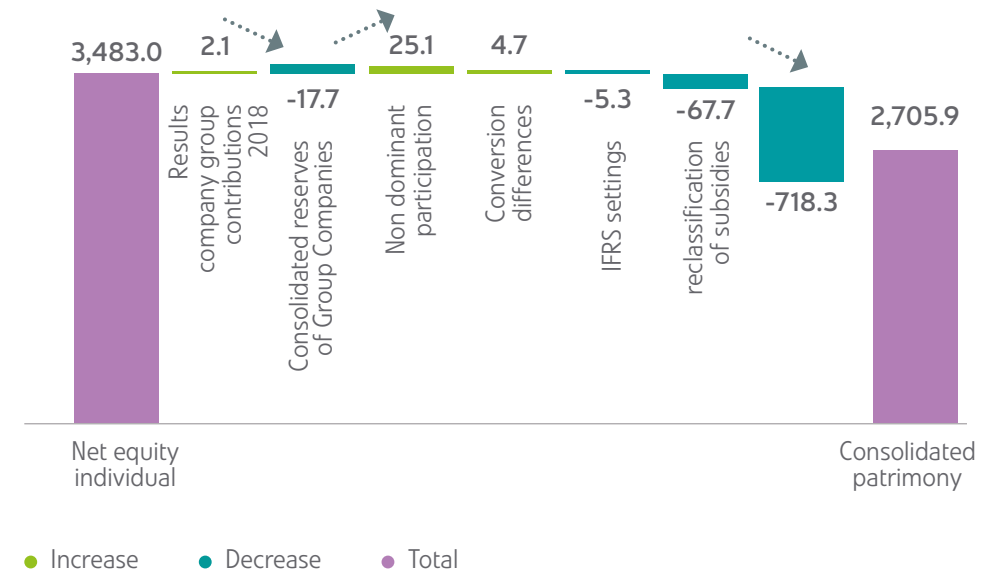
The consolidated balance sheet, which shows the Group's equity situation, continues to be sound, with consolidated equity of 2.705.9 billion euros at the end of 2018.

The positive result contributed by the investee companies to consolidated equity is worthy of note, although the application of different accounting standards means that consolidated equity is lower than individual equity.

► Consolidated balance sheet (in millions of euros) December 31, 2018



► Net equity from individual to consolidated (in millions of euros)

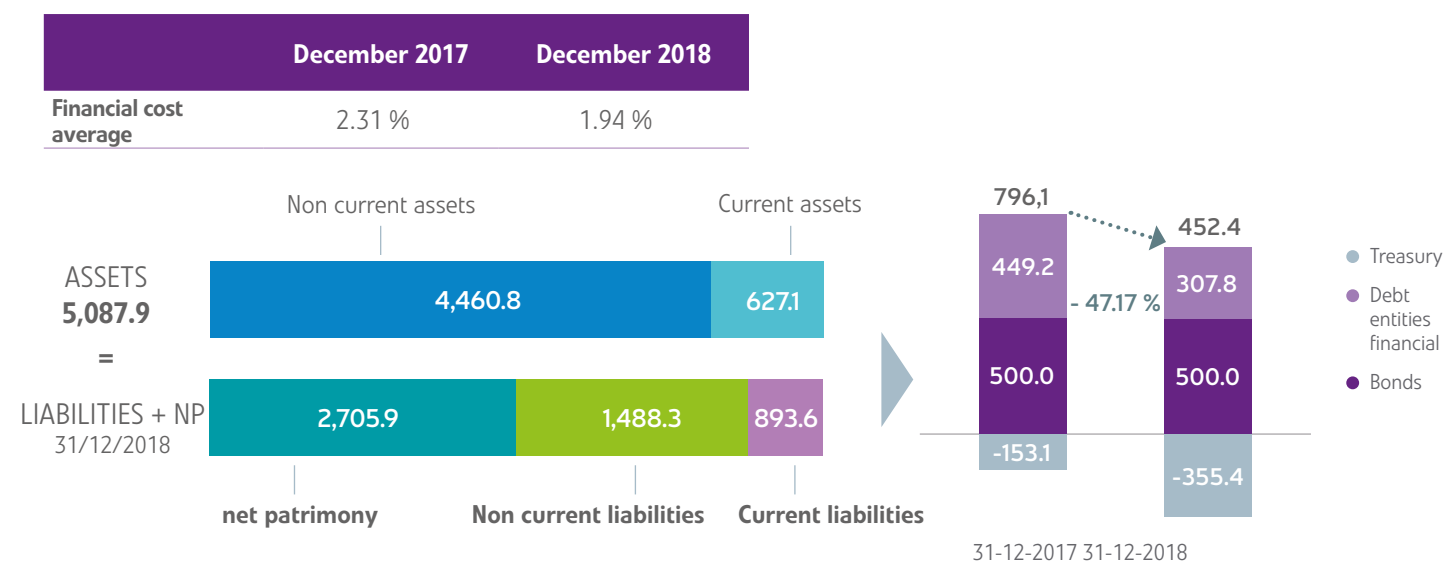


Reduction of financial debt

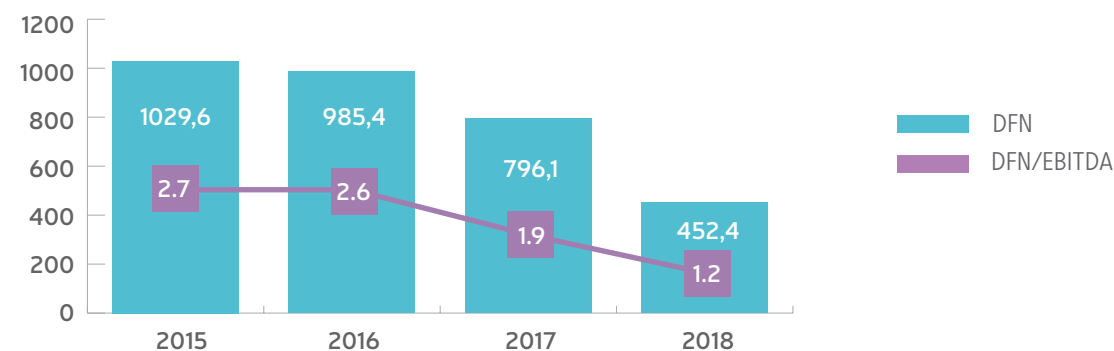
During the 2018 fiscal year, the group continued reducing its financial debt according to its maturities. Furthermore, at the end of the year the net financial debt of Triple A de Barranquilla was not included, as this company was no longer consolidated. Furthermore, the parent company did not distribute dividends during the year. Given that the 2017 annual accounts were approved in January 2019, both

the final dividend for the 2017 fiscal year and the account dividend for the 2018 fiscal year will be distributed in 2019. Consequently, and despite the significant investments made during the fiscal year, the net financial debt decreased by 343.7 million euros. The net financial debt/EBITDA ratio was 1.18 at the end of 2018 compared to 1.91 at the end of 2017.

► Consolidated balance sheet (in millions of euros)



► DFN / EBITDA CONSOLIDATED



DEBT RATIOS	2018	2017	% vaariation 2018-2017
Net financial debt (DFN in millions of euros)	452.4	796.1	43.17
EBITDA / Revenue	35.75 %	36.39 %	1.74
Net financial debt / EBITDA	1.18	1.91	38.45

5.6. How do we want to grow going forward?

We believe that, in order to grow, we must demonstrate the value of our capabilities and help others from our experience.

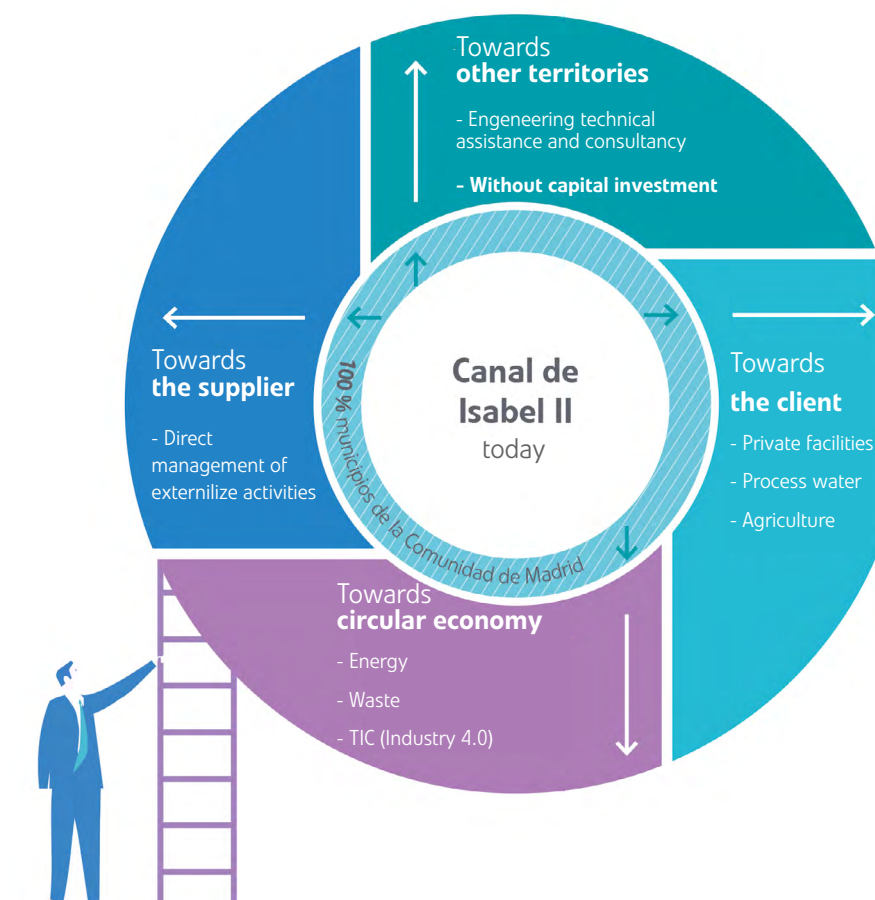
We are the public water company of reference in Spain and one of the most important ones on the international level. In recent years, the company has expanded to other countries and now we are revisiting the suitability of this growth strategy.

After concluding the strategic reflection carried out in 2017, we believe that, in order to maintain our long-term positioning, we must grow in all areas and be present in the most important international forums, demonstrating the value of our capabilities and helping others from our experience.

However, our objective will **NOT be to invest capital in other markets** by means of contracts or concessions that may put our mission or values at risk.

To this end, our General Shareholders' Meeting held on 13 November 2017, at the proposal of the Board of Directors, approved "authorising the sale of all or part of the Latin American business of Canal de Isabel II, by means of transferring the shares of Canal Extensia, owned by Canal de Isabel II or, as the case may be, of the shares of which Canal Extensia is holder in Interamericana de Aguas y Servicios (INASSA), through the structure and procedure that the Board of Directors deems most appropriate for the interests of the Company". The procedure for said disposal began in 2018.

► Where should we grow?



In order to maintain our long-term positioning, we must grow in all areas, but without investing capital in other regions.

ABOUT THIS REPORT



This report has been prepared following the guidelines of the GRI Standards guide for the elaboration of sustainability reports of the Global Reporting Initiative (GRI)

This report is intended to reflect the actions and commitments of Canal de Isabel II throughout 2018. This Annual Report combines information mainly from the parent company and part of that provided by Canal Group companies. This integration has been carried out following current international trends in the business world regarding the need for the information provided by companies to the different stakeholders with whom they interact to incorporate the most significant aspects, so that readers can have a real and integrated view of the current performance and future potential of organisations.

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The report has been prepared in accordance with the new and **most recently updated GRI Standards Guide** for the preparation of Global Reporting Initiative (GRI) sustainability reports and includes detailed information on most of the contents recommended therein. It is the intention of Canal to continue to prepare annual reports based on this standard during the coming fiscal years, using any new updates proposed by the GRI. The report includes those indicators established in the new GRI Guide that illustrate the material aspects that the company has determined for 2018. A detailed list of them and their location can be found in the report at the end of this chapter (and in Appendix 5). We believe that the 2018 Annual Report was prepared in accordance with GRI Standards in its Exhaustive option.

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The contents of this report have also been independently verified by Canal de Isabel II's current auditors for 2018 (the auditing firm AUREN), attaching the verification report that includes its scope and the results obtained (see Appendix 4). The criterion for choosing the verifying company was, both this year and in the previous years, its capacity as auditor of the annual accounts of our parent company, thus appointed by our Shareholders Meeting.

The document has focused mainly on the activity of Canal de Isabel II in the Autonomous Region of Madrid. It has also considered the information on the companies of the Canal

Group that is present in Section 5 of the report, its main figures are included in Appendix 3 and the main performance indicators of the Group in Appendix 2.

This report was built based on the strategic reflection process carried out by Canal from June 2016 through 2017 in order to prepare the Strategic Plan 2018-2030. As a result, the structure of the present report has been articulated based on the 10 main lines of the Strategic Plan. From the beginning, the Plan has been designed from a participatory process in which the opinions of all our stakeholders have been involved.

The scope of the information included in the report mainly includes Canal de Isabel II and those Group companies in which Canal holds a majority interest, had personnel and were active in 2018. Also included in the scope of the report are the programmes and main activities carried out by our foundation in Spain (Fundación Canal).

This report generally presents the information from 2018 with at least two comparative reporting years (2017 and 2016). In relation to the quantitative information from 2016 to 2018, in some cases there have been changes of criteria when interpreting the data, which led to some modifications with respect to the data that were published in previous years.

In general, all indicators were calculated for the Group by aggregating company data without taking into account the percentage of the Group's stake in each one's equity (aggregated data), with the sole exception of consolidated economic data. This was done to ensure the consistency of the data published in the Group's consolidated financial statements. Values in euros were calculated using the average exchange rates applied in the income statement of the Group's consolidated financial statements.

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The data contained in the report correspond to the activity between 1 January and 31 December for each of the reporting years. The data were compiled from the Canal Group companies' information systems in January 2019. All this information may be modified in the future due to subsequent events, changes or improvements in the accounting systems of the parameters used to construct the GRI indicators.

Process of materiality and results: material features and coverage

102-29 103-1

As described in the previous section, the process we have followed to determine the context of sustainability, the contents of the report and the coverage of each aspect, took place in parallel with the process of drafting of Canal de Isabel II's Strategic Plan 2018-2030 in 2016 and 2017, which culminated in the first quarter of 2018 with its implementation.

For this process in mid-2016, representatives from the different areas of the company were selected and an internal working committee, the **Advancement Committee**, worked with the **Management Committee** throughout 2017 to define the company's main areas of strategic action, values, mission and actions.


Beforehand, the strategic plans of companies from other countries, particularly England and France, were analysed along with the results of the benchmarking studies in which Canal participates, such as the European Benchmarking Co-operation (EBC) and Aquarating, the standard developed by the International Water Association (IWA).

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During the strategic reflection stage, a participatory process was also carried out in order to hear the opinions of different participating agents (customers, employees, stakeholders, suppliers or regulators) and validate all the aspects of the Plan that were being developed. In order to do so, we invited everyone to participate in our reflection process creating up to **11 focus groups** in which they expressed their ideas and expectations about Canal and its Group. We also interviewed prominent members of universities, companies, city councils and citizens' associations.

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From all these contributions, the main material aspects for the company were defined, resulting in a set of strategic lines for action that underpin Canal's progress throughout the 2018-2030 period.

.....
 **For any questions or additional information related to this report, please contact:**
atencion_rsc@canaldeisabelsegunda.es

Strategic Lines 2018-2030
Canal de Isabel II

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	Material aspects of management in each area of action			
SA1. Ensuring a guaranteed supply	Maximum efficiency in the use of existing resources	Extension of reclaimed water consumption	Effective management of the demand	
SA 2. Guaranteeing the quality of drinking water	Quality improvement of water at source	New technologies of treatment	Improvement of networks operation and maintenance processes	Improvement of supply networks preventive maintenance
SA 3. Strengthening continuity of service	reinforcement of the physical security of installations	People safety	Information safety	supply resilience to the municipalities of the Madrid's Region
SA 4. Promoting environmental quality and energy efficiency	Excellence in wastewater treatment	Climate change adaptation	Promotion of the circular economy	Development of the renewable energy sector
SA 5. Developing cooperation with Madrid's municipalities	Approach to city halls and housing developments	Sewage network excellence	Collaboration and revitalization of the Sierra Norte municipalities	
SA 6. Reinforcing commitment and accessibility to users	Client experience culture	smart meters and new systems of billing	Comercial processes improvement	
SA 7. Strengthening transparency, good governance and commitment to society	Good corporate governance	Maximum transparency in management	Commitment with society	
SA 8. Fostering the talent, engagement and health of our professionals	Commitment and sense of membership of the workforce	Workforce adapted to the evolution of the needs	promotion of activities directives of professionals	Employees safety
SA 9. Leading innovation and development	Innovative support to the strategy	Innovation and internal development	Digital transformation of Canal	Positioning as innovative company
SA 10. Ensuring sustainability and efficiency in management	Efficient use of the economic resources	Suitability of indebtedness to strategy	Greater efficiency in the internal processes	

Cobertura de los aspectos materiales

Internal Mixed (internal external) External

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Below, you can see the analysis carried out by Canal, from the set of areas for action, regarding the importance that each one has for the key elements of its **value chain** (both within and outside of the organisation).


	GESTIÓN AMBIENTAL											
	SOCIETY	ECOLOGIST ORGANIZATION	SUPPLIERS	COLLECTION	DRINKING WATER TREATMENT	DISTRIBUTION	SEWERAGE	WASTE WATER TREATMENT	REUSE	OTHER SERVICES	EMPLOYEES	CLIENTS
SA1. Ensuring a guaranteed supply	●		●	●	●	●			●			●
SA 2. Guaranteeing the quality of drinking water	●	●	●		●	●						●
SA 3. Strengthening continuity of service	●			●	●	●	●	●	●	●	●	●
SA 4. Promoting environmental quality and energy efficiency	●	●		●	●	●	●	●	●			
SA 5. Developing cooperation with Madrid's municipalities	●				●	●	●					●
SA 6. Reinforcing commitment and accessibility to users	●					●	●			●		●
SA 7. Strengthening transparency, good governance and commitment to society	●	●									●	●
SA 8. Fostering the talent, engagement and health of our professionals				●	●	●	●	●	●	●	●	
SA 9. Leading innovation and development	●			●	●	●	●	●	●	●	●	
SA 10. Ensuring sustainability and efficiency in management				●	●	●	●	●	●	●	●	

The following table shows the 10 strategic lines established by Canal de Isabel II, indicating which sections of the report deal with the material aspects related to the same.

Strategic Lines 2018-2030 of Canal de Isabel II

Sections of the Annual Report 2018		Ensuring a guaranteed supply	Guaranteeing the quality of drinking water	Strengthening continuity of service	Promoting environmental quality and energy efficiency	Developing cooperation with Madrid's municipalities	Reinforcing commitment and accessibility to users	Strengthening transparency, good governance and commitment to society	Fostering the talent, engagement and health of our professionals	Leading innovation and development	Ensuring sustainability and efficiency in management
1	Our company										
1.1.	Main magnitudes of the Madrid Region	●	●		●						
1.2.	Our activity: the integral water cycle	●	●		●						
1.3.	Our company's organization					●		●			
2	Our environment and future challenges										
2.1.	Water value	●	●	●	●						
2.2.	Context in which our sector currently operates in the international level	●			●			●			
2.3.	Our sector and us in Spain	●	●	●	●		●				
2.4.	Our main challenges to the future (strategic context)	●	●	●	●	●	●	●	●	●	●
3	Our mision and commitments										
3.1.	Basis of departure for our mission				●		●	●	●	●	
3.2.	Our mission, values and commitments				●		●	●	●	●	
3.3.	Our stakeholders						●	●			
3.4.	Communication channels with our stake holders						●	●			

Sections of the Annual Report 2018		Ensuring a guaranteed supply	Guaranteeing the quality of drinking water	Strengthening continuity of service	Promoting environmental quality and energy efficiency	Developing cooperation with Madrid's municipalities	Reinforcing commitment and accessibility to users	Strengthening transparency, good governance and commitment to society	Fostering the talent, engagement and health of our professionals	Leading innovation and development	Ensuring sustainability and efficiency in management
4	Canal strategic lines: our performance in 2018 and future objectives										
4.1.	Ensuring a guaranteed supply: everyone's water everyday	●									
4.2.	The best water		●								
4.3.	A trustworthy service			●							
4.4.	We take care of your environment				●						
4.5.	Building our region					●					
4.6.	On your side to help you						●				
4.7.	The company of all the inhabitants of the Madrid Region							●			
4.8.	Empowering our people								●		
4.9.	We are committed to innovation									●	
4.10.	We are efficient and profitable										●
5	Canal company Group										
5.1.	Canal Group: activities and geographical implementation	●	●				●				
5.2.	Canal Group: population served and capacities in the integral water cycle	●	●								
5.3.	Canal Group: companies with other activities				●					●	
5.4.	Group companies workforce								●		
5.5.	Consolidated economic results in 2018										●
5.6.	How do we want to grow in the future?					●	●			●	●

.....
 For more information about the Strategic Plan 2018-2030 and its services, please visit [this document](#).

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Canal de Isabel II, S.A. legal information and consolidated of Canal and its subsidiary companies

The entities listed in the consolidated financial statements of the organization can be consulted in the documents that referenced below (all available on the Canal website – www.canaldeisabelsegunda.es)

- Independent accounts auditing report of Canal de Isabel II.
- Consolidated Annual Accounts, Annual Accounts and Directors' Report for the 2018 fiscal year of Canal de Isabel II.
- Independent accounts auditing report of Canal de Isabel II and subsidiary companies.
- Consolidated Annual Accounts, Annual Accounts and Directors' Report for the 2018 fiscal year of Canal de Isabel II and subsidiary companies.



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Information available at [this link](#).



APENDIX I

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Management of the integrated water cycle

Supply: natural contributions of rivers to reservoirs in millions of cubic metres

Cuenca	2016	2017	2018
Lozoya	346.81	181.64	364.481
Jarama	152.17	59.82	198.381
Guadalix	46.47	25.99	46.7192
Manzanares	117.05	55.74	116.631
Guadarrama - Aulencia	39.52	26.71	35.9068
Alberche	28.44	18.6	23.9138
Sum of annual contributions	730.46	368.50	786.03
Percentage vs historical average ((761.63)	-4.09 %	-51.62 %	3.20 %

Supply: diverted water for the consumption of reservoirs and collections in millions of cubic metres

	2016	2017	2018
Canal Reservoirs	436.24	436.54	450.17
Lozoya Basin	202.22	202.60	194.50
Pinilla	3.15	3.04	2.54
El Villar	34.24	36.43	20.20
El Atazar	164.83	163.13	171.77
Jarama Basin	74.77	46.95	89.25
El Vado	74.77	46.95	89.25
Guadalix Basin	22.62	26.28	18.77
Pedrezuela	22.62	26.28	18.77
Manzanares Basin	46.31	54.15	58.79
Navacerrada	11.02	9.32	10.24
Santillana	35.29	44.83	48.55
Guadarrama - Aulencia Basin	88.23	104.11	86.78
La Jarosa	14.06	15.14	15.23
Valmayor	74.17	88.97	71.54
Alberche (Cofio) Basin	2.08	2.51	2.08
La Aceña	2.08	2.51	2.08

Supply: diverted water for the consumption of reservoirs and collections in millions of cubic metres

Other collections	55.24	67.70	29.70
Groundwater	6.60	1.41	1.08
Pozo de los Ramos Weir	8.77	3.83	1.07
La Parra weir	-	1.39	2.28
Picadas reservoir	38.50	58.42	22.90
San Juan - Majadahonda Impulsion	-	-	-
San Juan - Rozas de Puerto Real Impulsion	-	-	-
San Juan - ETAP Pelayos de la Presa Impulsion	0.43	1.77	1.83
Los Morales Reservoir	0.93	0.88	0.53
Tajo River (Tajo DWTP)	-	-	-
SUM WATER REROUTED FOR CONSUMPTION	491.48	504.29	479.87

Treatment and distribution figures

Treatment	2016	2017	2018
Volume of water treated in DWTPs (hm ³)	489.19	500.06	477.60
Number of drinking water treatment plants (DWTPs)	14	14	14
Treatment capacity of drinking water treatment plants (hm ³ /day)	4.55	4.55	4.55
Distribution	2016	2017	2018
Number of major pipelines	23	23	23
Number of major regulating reservoirs	33	34	34
Number of small reservoirs	291	292	292
Number of major lifting stations	22	22	22
Number of minor lifting stations	109	109	109
Length of managed network at end of period (km)	17.434	17.556	17.601

Sewerage network figures

	2016	2017	2018
Kilometres of sewerage networks managed	14,841	14,956	15,083
Large collectors and outfalls (km)	823	877	877
Municipal sewerage networks (km)	14,018	14,079	14,206
Number of wastewater pumping stations (WWPS)	133	133	133
Number of buffering basins and storm tanks managed	65	65	65
Capacity of storm tanks managed (hm ³)	1.48	1.48	1.48

Wastewater treatment figures

	2016	2017	2018
Number of WWTPs managed	157	157	157
Water purified in WWTPs (hm ³ per year) discharged in surface water	485.1	442.73	489.24
Water purified and regenerated in WWTPs for reuse (hm ³ yearly)	12.41	15.89	12.10
Sum water purified in WWTPs (hm³ per year)	497.51	458.62	501.34
Treatment capacity (million inhab. equivalents)	17.57	17.64	17.14
Design flow rate (hm ³ daily)	3.23	3.21	2.90
Percentage of treated volume by plant type			
Plants based on soft technologies	0.43 %	0.13 %	0.19 %
Plants with primary and secondary treatments	55.95 %	51.33 %	52.82 %
Plants with primary, secondary and tertiary treatments	43.62 %	48.54 %	46.99 %

Regenerated wastewater reuse figures

	2016	2017	2018
Number of regenerated water plants in service	23	25	30
Production capacity of plants (m ³ per day)	308,126	313,1406	318,806
Length of in-service reuse network (km)	511.93	589.32	615.26
Number of in-service reuse tanks	63	63	63
Volume of regenerated water produced (hm ³ per year)	12.41	15.89	12.10
Total irrigated surface area (ha)	2374.05	2698.73	2481.06
Number of municipalities with reuse infrastructures	22	23	23
Number of irrigated municipal green spaces	218	307	308

Efficient Resource Management Figures

Figures in the fight against water fraud

	2016	2017	2018
Number of reports received on potentially fraudulent events	6.490	7.604	6.869
Number of irregularities taken before the courts	80	51	34
Amount of water subject to lawsuits (m ³)	418.262	477.990	311.854
Water exposed by fraudulent actions (m ³)	-	-	3.349.201
Estimated amount of water from convictions (m ³)	5.584.013	3.967.167	712.709
Total m3 of water accounted for in complaints/convictions	6.002.275	4.445.156	4.373.764
Revenue from judicial settlements (euros)	311.943	136.670	63.772
Revenue from water consumed but not paid			279.689
Total revenue from actions against fraud (euros)	324.843	136.670	343.461
Economic valuation of fraud claimed in court (euros)	609.794	586.454	623.133
Procurement done by the anti-fraud area	341	313	291
Number of single connection convictions	935	809	719

Supply network fault statistics

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Network length (in km at 31 December)	15,044	15,512	15,861	17,087	17,160	17,346	17,366	17,434	17,556	17,601
Number of network breakages per year	3,434	3,094	2,861	2,549	2,363	2,487	17,366	1,985	1,950	1,945
Breakage rate per km	0.23	0.2	0.18	0.15	0.14	0.14	17.366	0.11	0.11	0.11
Number of connections (at 31 December)	627,785	634,226	634,600	644,099	647,981	680,137	17,366	688,789	692,332	696,840
Number of breakages in connections per year	9,310	8,733	7,792	7,671	6,836	6,102	17,366	5,126	5,397	5,011
Breakage rate per 100 connections	1.48	1.38	1.23	1.19	1.05	0.9	0.95	0.74	0.78	0.72

Data on losses and self-consumption by hydrological years

Hydrological Years	2015/2016	2016/2017	2017/2018
Water diverted for consumption (millions of cubic metres)	489.01	498.83	485.59
Estimation of the real losses in adduction and distribution (% of water diverted for consumption)	3.45	3.27	3.26
Hidden distribution network losses (% of water diverted for consumption)	1.98	2.53	2.07
Canal self-consumption (% of water diverted for consumption)	1.02	0.92	0.74
Self-consumption (in millions of cubic metres)	5.022	4.569	3.597

Water quality figures

Annual summary of the types of checks performed (number)

Type of analysis	2016	2017	2018
Water at source/raw and before distribution	28,947	30,872	32,951
Distribution network	21,301	20,716	20,402
Automatic surveillance	1,636,067	1,946,138	2,165,239
Purified water	6,519	6,576	11,110
Regenerated water	7,265	9,315	9,993
Sewerage studies	536	342	261
Discharges	100	105	108
Inspections by official bodies	694	872	810
Viruses	90	86	92
WWTP sludge	83	149	2,270
Other	738	874	226
Sum of analysis performed for Canal	1,702,340	2,016,045	2,243,462
Performed for other agencies or delegations	715	739	721
Sum of analysis performed for Canal and third parties	1,703,055	2,016,784	2,244,183

Annual summary of analysed samples (number)

Type of analysis	2016	2017	2018
Water at source/raw and before distribution	476,719	483,958	533,511
Distribution network	370,485	358,463	362,608
Automatic surveillance	10,981,881	12,105,354	13,965,135
Purified water	59,902	63,304	78,888
Regenerated water	34,066	48,538	51,362
Sewerage studies	8,494	5,498	4,986
Discharges	1,399	1,554	1,943
Inspections by official bodies	4,064	5,027	4,996
Viruses	180	172	184
WWTP sludge	1,086	1,680	11,077
Other	7,759	10,315	2,382
Sum of analysis performed for Canal	11,946,035	13,083,863	15,017,072
Performed for other agencies or delegations	16,165	16,388	14,860
Sum of analysis performed for Canal and third parties	11,962,200	13,100,251	15,031,932

Efficient sanitation figures

Management of sewerage and urban drainage networks

Cleaning and Inspection	2016	2017	2018
Cleaning of scuppers (number)	592,009	524,051	575,825
Network subjected to preventive cleaning (%)	58.97	11.54	83.36
Pipe network cleaning (kilometres)	3,213	3,420	3,332
Network length inspected (kilometres)	5,448	29,624	4,046
Pipe network inspection (kilometres)	3,177	2,931	3,462
Network inspection by probe (kilometres)	1,740	26,162	0
Network inspection available for visits (kilometres)	531	531	584

Management of sewerage and urban drainage networks

Renovation of sanitation networks (kilometres)	2016	2017	2018
Renovation by technology without opening trenches	2.39	6.70	7.25
Restoration through continuous hose	1.99	6.48	7.17
Other	0.41	0.22	0.08
Gallery available for visits	2.83	5.13	1.98
Restoration of gallery available for visits	0.27	0.65	0.18
Construction of gallery available for visits	2.56	4.48	1.80
Renovation of network by trenches	11.05	15.85	18.83
Concrete	0.71	0.44	0.63
PVC	9.11	13.05	17.04
Stoneware	0	0	0
Glass-fibre reinforced plastic	1.19	2.32	1.16
Other materials	0.04	0.04	0
Sum of renovated kilometres	16.27	27.68	28.06

Purification of waste water

Basic technical information	2016	2017	2018
Number of WWTPs in service managed by the company	157	157	157
Number of plants based on soft technologies (lagoons, green filters, biodiscs...)	11	7	7
Total volume of treated water and discharged to surface water	474.86	442.73	489.24
Treated volume versus volume diverted for consumption (%)	96.62 %	87.95 %	101.95 %
Regenerated water versus volume diverted for consumption (%)	2.52 %	3.15 %	2.52 %
Percentage of purified wastewater discharged to river channels (%)	ND	24.25 %	23.02 %
Treatment capacity (million inhab. equivalents)	17.57	17.64	17.14
Design flow rate (hm ³ daily)	3.23	3.21	2.97
Percentage of purified wastewater discharged to river channels	97.50 %	96.54 %	97.59 %
Percentage of regenerated treated wastewater	2.50 %	3.46 %	2.41 %

Contamination eliminated and purification yield

	2016	2017	2018
Inflow water volume at WWTPs (hm ³)	541,161	458,22	562,74
Inflow BOD5 (tonnes)	163.972	148.856	169.947
Inflow COD (tonnes)	312.791	294.497	327.514
Inflow nitrogen (tonnes)	31.409	28.646	34.631
Inflow phosphorus (tonnes)	4.042	3.813	4.485
Inflow water suspended solids (mg/l)	265	294	274
Average quality of treated water			
Outflow water volume (hm ³)	474,86	443,54	489,113
Outflow DBO5 (tonnes)	4.385	3.992	4.402
Outflow COD (tonnes)	20.465	19.959	20.054
Outflow nitrogen (tonnes)	12.099	11.381	11.651
Phosphorus (tonnes)	351	328	342
Outflow water suspended solids (mg/l)	11	11	10
Pollutant load removed			
DBO5 of pollutant load removed (tonnes)	159.586	144.864	165.545
Suspended solids (tonnes)	138.047	130.194	149.299
Degree of purification (%)	97,33 %	97,32 %	97,41 %
Purification yield (%)			
DBO5	97,33 %	97,32 %	97,41 %
Suspended solids	95,85 %	96,26 %	96,35 %
COD	92,73 %	92,98 %	92,96 %
Phosphorus	91,32 %	91,39 %	92,37 %
Nitrogen	61,48 %	60,27 %	66,36 %

Environmental management figures

Statistics on quality, environmental and OSH management systems

Structure of quality, environmental and OSH documents management systems	2016	2017	2018
No. of documents in effect	597	598	570
No. of amended documents	101	106	69
Results of internal audits performed	2016	2017	2018
Divisions	1	0	0
Departments	14	6	7
Areas	31	17	15
Sum	46	23	22
Type of facilities audited in internal audits	2016	2017	2018
Well field	0	0	0
Dams	0	0	2
Drinking water lifting station	0	0	4
Drinking water treatment plant	3	9	5
Wastewater treatment plant	6	9	5
Laboratory	2	0	2
Offices	2	0	0
Other	8	0	7
Sum	21	18	25
Results of internal audits performed	2016	2017	2018
Deviations	15	2	3
Observations	54	26	56
Opportunities for improvement	86	33	50

Financial resources assigned to voluntary environmental activities (in euros)

Net expenses (excluding income from energy sales and reuse tariff)	2016	2017	2018
Thermal WWTP sludge drying	1,365,002	787,189	4,249,473
Recycling/reuse	770,992	809,156	511,101
Maintenance of green areas and reforestation	1,882,552	1,728,699	2,347,767
Spending on environmental education programmes*	229,441	99,945	208,550
Use of third-party treatments in WWTP for discharge to surface bodies	-	1,239,734	1,300,000
Other voluntary environmental expenses	181,088	181,590	226,618
Sum	4,247,988	4,664,723	8,616,891
Investments	2016	2017	2018
Recycling/reuse	12,248,897	9,719,932	5,971,006

(*) The expenditure for environmental education (Canal Educa) is a part of the company's contribution to its foundation.

Total environmental expenditure and investments (in euros)

Expenses	2016	2017	2018
Purification of waste water	141,727,562	143,762,489	149,141,799
Sewerage system	66,178,651	67,185,287	68,033,751
Recycling/reuse	6,753,453	7,202,380	7,841,878
Others (green areas, waste management)	2,151,145	1,863,708	2,355,981
Sum	216,810,811	220,013,864	227,373,409

Investments	2016	2017	2018
Purification of waste water	13,581,372	13,559,330	11,442,133
Sewerage system	952,599	1,327,169	867,542
Recycling/reuse	12,248,897	9,719,932	5,971,006
Renewable energy generation facilities	3,469,130	2,187,392	164,679
Sum	30,251,998	26,793,823	18,445,360

Consumption of reagents in DWTPs and WWTPs (tonnes per year)

	2016	2017	2018
Consumption of reagents in DWTPs			
Chlorine	2,055	1,868	1,979
Alumina sulphate	13,945	16,827	12,377
Calcium hydroxide	2,375	2,981	3,540
Polychlorinated alumina	1,342	1,084	1,384
Activated carbon dust	161	81	98
Sodium hypochlorite	2,453	3,081	1,945
Other reagents (10 types)	5,038	5,805	5,029
Total reagents consumed in DWTPs	27,369	31,727	26,352
Consumption of reagents in WWTPs			
Ferrous chloride	36,801	35,899	32,457
Polyelectrolyte	996	1,050	1,045
Limestone	171	175	0
Total reagents consumed in WWTPs	37,967	37,124	33,502
Sum of reagents	68,486	64,493	59,855

Paper consumption statistics (kg/year)

	2016	2017	2018
Paper consumption in administrative and management activities			
Envelopes	213	291	327
Plain paper	11,643	14,665	11,866
Recycled paper	20,270	18,508	15,319
Sum	32,126	33,464	27,512
Paper consumption in invoice delivery and others (external consume)			
Envelopes	71,942	69,606	68,022
Plain paper	54,691	52,703	52,220
Sum	126,633	122,310	120,242
Total consumption	158,759	155,774	147,754

Energy consumption

	2016	2017	2017
Energy consumption			
Total consumption of electric power from the network	299,605,401	363,684,345	329,330,642
Consumption of hydroelectric power generated by Hidráulica Santillana	18,978,168	18,455,988	20,572,311
Consumption of electric power generated from wastewater treatment plant biogas	90,281,621	93,325,383	96,262,018
Self-consumption of electrical energy in Loeches sludge treatment	9,152,761	9,709,979	12,315,597
Self-consumption of electric power from supply network microturbines, WWTP waterfalls and photovoltaic solar installations	1,279,606	602,191	637,932
Total consumption in electric power	419,297,556	485,777,887	459,118,500

Fuel consumption

	2016	2017	2018
Fuel consumption			
Natural gas in thermal drying of sludge from Loeches and WWTP South (kWh GCV/year)	180,862,708	198,893,397	337,517,562
Natural gas in building boilers/furnaces (in m ³ /year)	121,536	127,000	95,500
Diesel fuel in building boilers/furnaces (in litres/year)	123,155	135,000	144,000
Diesel fuel in vehicles and machinery (in litres/year)	669,436	647,299	625,710
Petrol in vehicles (in litres/year)	22,638	22,032	48,731
Diesel fuel in processes (in litres/year)	42,820	18,825	21,876
WWTP Bio gas (m ³)	15,744,763	16,167,352	17,011,369

Summary of consumption by origin in GJ

Origin	2016	2017	2018
Network consumption	1,078,579	1,309,264	1,185,590
Hidráulica Santillana consumption (only Canal Spain)	68,321	66,442	74,060
Network microturbines	4,607	2,168	2,297
Total electric power consumption	1,151,507	1,377,873	1,261,947
Diesel fuel consumption in company vehicles and machinery	24,148	23,350	22,571
Petrol consumption in vehicles	758	738	1,632
Natural gas in building furnaces	4,741	4,693	3,529
Diesel fuel in building boilers/furnaces	4,803	5,265	5,616
Diesel consumption in processes	1,670	734	853
Natural gas thermal drying UTL Loeches and WWTP South sludge	603,030	628,129	1,065,921
WWTP Bio gas (m ³)	597,986	614,036	646,092
Total fossil fuel consumption	1,237,136	1,276,944	1,746,213
Total energy consumption	2,388,644	2,694,849	3,008,160

Specific electric power consumption

	2016	2017	2018	Average over 3 years
Specific electric power consumption in supply (in kWh/m ³ of water derived for consumption)	0.253	0.370	0.313	0.312
Specific electric power consumption in sanitation and reuse (in kWh/m ³ of purified and regenerated water) *	0.542	0.618	0.585	0.582
Total specific electric power consumption (in kWh/m ³ of water managed) **	0.419	0.503	0.468	0.463

* Includes sewerage, purification, reuse and WWTP sludge management.

** Managed water = water diverted for consumption + water treated in WWTPs + regenerated water.

Internal water consumption (in cubic metres per year)

Sources of internal water consumption	2016	2017	2018
Network flushing	2,183,697	1,626,137	1,064,469
Canal de Isabel II facilities	1,969,999	2,289,275	2,189,230
Commissioning of existing facilities	454,244	74,092	2,039
Commissioning of new facilities	198,622	77,509	4,021
Cleaning of reservoirs	80,058	151,217	184,322
Cleaning of new regulating infrastructures	45,855	0	6,098
Water consumed in treatment processes	41,756	250,645	120,122
Cleaning of new network renovation pipes	35,653	12,366	26,993
Pipe recessing	7,601	84,661	0
PCT pipe cleaning	4,180	2,833	0
Sum of internal consumption at canal	5,021,665	4,568,735	3,597,294

Emissions into the atmosphere

	Pollutant	2016	2017	2018
Indirect emissions				
Due to recorded electric power consumption (1)	CO ₂ (t/year)	81,193	126,221	0
Direct emissions from existing combustion plants				
Sludge heating boilers, UTL Loeches cogeneration and torches (2), natural gas boilers (3) and diesel boilers for buildings and diesel fuel used in processes (3)	CO ₂ (t/ year)	65,927	70,271	97,322
	CH ₄ (t/ year)	1.77	1.88	3.64
	N ₂ O (t/ year)	3.01	3.18	2.56
	NO _x (t/ year)	166.24	178.84	170.17
	SO ₂ (t/ year)	3.00	3.16	3.20
	CO (t/ year)	21.45	22.94	30.23
	COVNM (t/ year)	0.08	0.07	0.07
Direct emissions from sludge composting processes				
Composting of WWTP sludge (5)	CH ₄ (t/ year)	75.71	54.20	69.49
	N ₂ O (t/ year)	5.68	4.06	5.21
Direct emissions from mobile sources (diesel and petrol)				
Exhaust fumes from vehicles and machinery (4)	CO ₂ (t/ year)	1,803.75	1,744.44	1,751.47
	CH ₄ (t/ year)	0.08	0.07	0.10
	NO _x (t/ year)	9.45	9.14	9.05
	SO ₂ (t/ year)	0.06	0.06	0.06
	CO (t/ year)	5.97	5.78	7.15
	COVNM (t/ year)	1.10	1.07	1.31

(1) Estimated emissions based on the electricity generation scheme in the Spanish mainland electricity system and the IPCC emission factors.

(2) Estimated emissions based on the European Environment Agency's CORINAIR Guide and the consumption and characteristics of the biogas obtained.

(3) Estimated emissions based on the European Environment Agency's CORINAIR Guide and fuel consumption and characteristics.

(4) Estimated emissions based on the European Environment Agency's CORINAIR Guide, taking into account road transport emission factors for Spain and fuel consumption and characteristics.

(5) Estimated emissions based on IPCC 2006 emission factors.

Waste management statistics

Waste production centres and waste gathering points			
	2016	2017	2018
No. of waste production centres (hazardous or non-hazardous)	343	347	350
No. of centres declared and approved as producers of Hazardous Waste	184	186	186
No. of waste gathering points	17	18	18
No. of affiliated facilities (facilities without personnel)	413	443	443

Non-hazardous waste generated (kg/year)

Non-hazardous waste generated (kg/year)			
Type of waste	2016	2017	2018
Printer toner waste	1,068	1,641	1,596
Construction and demolition waste (debris)	465,350	337,840	377,160
Paper and cardboard	75,656	82,184	79,132
Glass	760	1,420	1,220
Wood not containing hazardous substances	53,470	59,790	70,040
Plastics and rubber	45,922	73,940	114,680
Metals	177,156	143,170	201,740
Pruning waste from parks and gardens	405,155	344,320	493,637
Biodegradable kitchen waste, oils and fats	80	120	120
Disposable electrical and electronic equipment	7,044	4,270	9,580
Mixed urban waste (includes USW)	106,682	83,113	66,204
Drinking water filtration sand	514,610	258,900	72,228
Aqueous liquid waste	35,800	598,920	11,540
WWTP and WWPS pre-treatment waste	30,197,609	28,433,180	34,034,399
Other non-hazardous waste	12,858	14,018	96,045
Sum	32,099,220	30,436,826	35,629,321

Hazardous and bio-sanitary waste (kg/year)			
Type of hazardous waste	2016	2017	2018
Acids, bases and salts from physical-chemical water treatment	30,676	14,727	14,345
Halogenated and non-halogenated solvents	1,903	1,707	2,022
Waste from maintenance of water treatment equipment/facilities	6,763	6,765	16,243
Motor oil and lubricant waste	81,448	54,796	73,888
Containers containing/having contained waste of hazardous substances	51,984	33,897	32,495
Disposable electrical and electronic equipment	1,260	69	452
Expired laboratory liquid/reagent waste Water analysis	86,272	106,659	91,490
Batteries and accumulators containing hazardous substances	7,801	1,488	4,159
Biosanitary waste	978	622	714
Fluorescent tubes and other mercury-containing waste	1,798	1,011	1,173
Miscellaneous waste gathered	3,969	4,243	1,501
Sum hazardous waste	274,851	225,983	238,482

Management of mud from DWTPs and sludge from WWTPs(tonnes/year)

Sludge generated in WWTPS*			
	2016	2017	2018
Sludge produced	186,839	188,445	218,774
Dry matter	43,305	41,837	52,052

Sludge generated in sanitation facilities belonging to the Madrid City Council is included only from October to December 2018. The drying of the sludge generated in these facilities fell outside the scope of the Management Commission of the City Council of Madrid.

Mud generated in DWTPS			
	2016	2017	2018
Mud generated	26,636	30,792	24,553
Dry matter	4,663	4,599	3,665

Destination in % of sludge generated in WWTPS			
Destination	2016	2017	2018
Landfill/dumpsite	0.46 %	0.00 %	0.00 %
Ceramic recovery	1.46 %	0.00 %	0.00 %
Agricultural use	67.42 %	67.45 %	52.99 %
Composting	10.13 %	7.48 %	7.59 %
Thermal drying	20.53 %	25.07 %	39.42 %

Destination in % of mud generated in DWTPS			
Destination	2016	2017	2018
Landfill/dumpsite	6.28 %	0.00 %	0.00 %
Agricultural use after treatment	93.72 %	100.00 %	100.00 %

Noise controls

Results of the noise level control programme			
	2016	2017	2018
No. of controlled facilities	234	211	268
Rate of compliance	97.93 %	98.93 %	99.63 %

Greenhouse gas emissions

Estimated greenhouse gas (GHG) emissions from Canal Isabel I activity in the Region of Madrid (in thousands of tonnes of CO ₂ equivalent)			
	Emission sources	2017	2018
Direct emissions within the organisational limit (scope 1)	Purification of water treated via aerobic pathways	6,198.40	6,274.69
	Fugitive and fuel emissions from the WWTP and bio-gas line	1,508.56	1,526.56
	WWTP sludge composting	557.47	752.38
	Natural gas consumption in UTL cogeneration	41,152.21	50,447.47
	Natural gas consumption in Secado Sur	-	18,831.27
	Natural gas consumption in building furnaces	279.35	226.82
	Diesel C consumption in furnaces and generators	442.68	477.36
	Fuel consumption in mobile sources and machinery	1,710.33	1,714.3
	Climate control/cooling system	236.19	175.89
Indirect emissions associated with electricity generation (scope 2)	Electricity consumption in the supply	126,220.71	-
Indirect emissions from supplies, services and other activities (scope 3)	Emissions from employee commutes to their workplace	2,761.28	2,969.62
	Transport of desanding waste in WWTP and DWTP	1,341.80	496.23
	WWTP and DWTP sludge transport	312.15	282.77
	Agricultural use of WWTP and DWTP sludge by third parties	10,479.16	9,485.54
	Consumption of reagents used in supply and sanitation	46,281.66	42,654.99
	Tap water consumption	734.86	702.74
	Paper consumption	225.88	217.82

	2017	2018
Sum scope 1	52,085.20	80,427.17
Sum scope 2	126,220.71	0.00
Sum scope 3	62,136.78	56,809.71
Total GHG Emissions	240,442.69	137,236.88

Water managed (m³)	966,027,254	981,504,761
Emissions in kg of CO₂ eq per m³	0.249	0.140

Statistics on the production and destination of electricity (MWh yearly)

Generation sources	Generated electric power			Self-consumed by Canal			Transferred to the grid		
	Generation sources	2017	2018	2016	2017	2018	2016	2017	2018
Hydroelectric (Hidráulica Santillana)	97,058	69,142	89,039	19,648	20,014	20,572	77,410	49,128	66,651
Cogeneration (UTL Loeches and WWTP South dryer)	72,792	79,628	126,2280	9,153	9,710	12,316	63,640	69,918	113,964
WWTP biogas	90,282	93,325	96,262	90,282	93,325	96,262	-	-	-
Supply microturbines	736	0.11	0	736	0.11	0	-	-	-
WWTP microturbines	518	575	612	518	575	612	-	-	-
WWTP photovoltaic	26	27	26	26	27	26	-	-	-
Sum	261,411	242,697	312,218	120,362	123,652	129,788	141,050	119,045	180,615

Canal de Isabel II power generation facilities

Company	Facility	Installed Power (kW)	2018 Production (MWh)
Hidráulica Santillana	PINILLA hydroelectric power plant	2,320	6,619
	RIOSEQUILLO hydroelectric power plant	7,200	1,355
	PUNTES VIEJAS hydroelectric power plant	7,200	22,022
	EL VILLAR hydroelectric power plant	5,680	15,816
	EL ATAZAR hydroelectric power plant	8,640	30,944
	TORRELAGUNA hydroelectric power plant	1,700	4,748
	PEDREZUELA hydroelectric power plant	800	1,162
	NAVALLAR	1,310	6,374
	VALMAYOR hydroelectric power plant	672	-
	TOTAL HYDROELECTRIC POWER PLANTS	35,522	89,039
Canal de Isabel II	Cogeneration UTL Loeches - Motor 1	6,633	34,701
	Cogeneration UTL Loeches - Motor 2	6,633	23,483
	Cogeneration UTL Loeches - Motor 3	6,633	39,700
	TOTAL COGENERATION UTL LOECHES	19,900	97,883
Canal de Isabel II (facilities owned by City Council of Madrid)	Cogeneration thermal sludge drying WWTP South	24,800	28,397
Total cogeneration thermal sludge drying WWTP		44,700	126,280
Canal de Isabel II (facilities owned by City Council of Madrid)	Viveros de la Villa WWTP biogas motors	1,710	7,177
	La China WWTP biogas motors	2,906	10,902
	La Gavia WWTP biogas motors	1,980	7,190
	Butarque WWTP biogas motors	2,980	14,743
	Sur WWTP biogas motors	6,923	24,859
	Sur Oriental WWTP biogas motors	616	1,609
	Valdebebas WWTP biogas motors	690	2,718
	Las Rejas WWTP biogas motors	1,298	5,698
	SUM CITY COUNCIL OF MADRID WWTP MOTORS	19,103	74,896

Company	Facility	Installed Power (kW)	2018 Production (MWh)
Canal de Isabel II (en instalaciones propias)	Arroyo Culebro Cuenca Media Alta WWTP biogas motor	1,320	5,771
	Arroyo Culebro Cuenca Baja WWTP biogas motors	2,856	7,132
	Arroyo del Soto WWTP biogas motors	940	3,699
	Alcalá Oeste WWTP biogas motors	808	2,372
	Torrejón de Ardoz WWTP biogas motors	404	2,393
	SUM CANAL DE ISABEL II WWTP MOTORS	6,328	21,366
	Total motors in WWTPs	25,431	96,262
Canal de Isabel II	Microturbine 1 Majadahonda	100	-
	Microturbine 2 Majadahonda	110	-
	Microturbine 3 Majadahonda	110	-
	Griñón WWTP microturbine	100	-
	La Jarsa Reservoir microturbine	90	-
	Navacerrada 1 Reservoir microturbines	55	-
	Navacerrada 2 Reservoir microturbines	55	-
	Riosequillo Reservoir microturbine	150	-
	Plaza de Castilla microturbine	60	-
	SUM SUPPLY MICROTURBINES	830	-
	Sur WWTP microturbine 1	90	255
	Sur WWTP microturbine 2	90	255
	La Gavia WWTP microturbine	75	102
SUM PURIFICATION MICROTURBINES	255	612	
Total microturbinas	1.085	612	
Canal de Isabel II	La Estación WWTP photovoltaic solar	110	12
	Valdemaqueda WWTP photovoltaic solar	220	14
	TOTAL PHOTOVOLTAIC	330	26
Total Canal de Isabel II + Hidráulica Santillana		107.068	312.218

Canal de Isabel II reservoirs included in the Regional Catalogue of Reservoirs and Wetlands of the Autonomous Region of Madrid

RESERVOIR	MUNICIPALITIES	ADDITIONAL INFORMATION Other significant protections
Pinilla	Lozoya, Pinilla del Valle	Other significant protections
Riosequillo	Buitrago de Lozoya, Gargantilla del Lozoya and Garganta de los Montes	Cuenca del río Lozoya and Sierra Norte SCI Sierra de Guadarrama Natural Resources Natural Management Plan
Puentes Viejas	Piñuécar, Puentes Viejas, Buitrago de Lozoya, Madarcos and Gascones	Cuenca del río Lozoya and Sierra Norte SCI Partially included in: Sierra de Guadarrama Natural Resources Natural Management Plan
El Villar	Puentes Viejas, Robledillo de la Jara and Berzosa de Lozoya	Cuenca del río Lozoya and Sierra Norte SCI
El Atazar	El Berrueco, Robledillo de la Jara, El Atazar, Cervera de Buitrago, Puentes Viejas and Patones	Cuenca del río Lozoya and Sierra Norte SCI
Pedrezuela	Guadalix de la Sierra, Pedrezuela and Venturada	Cuenca del río Guadalix SCI
Santillana	Manzanares El Real and Soto del Real	Cuenca Alta del Manzanares Regional Park Cuenca del río Manzanares SCI
Navacerrada	Navacerrada, Becerril de la Sierra and Collado Mediano	Sierra de Guadarrama Natural Resources Natural Management Plan Partially included in Cuenca río Guadarrama SCI
La Jarosa	Guadarrama	Sierra de Guadarrama Natural Resource Natural Management Plan
Valmayor	El Escorial, Valdemorillo, Colmenarejo and Galapagar	Guadarrama River Middle Course and Environs Regional Park Partially included in: Sierra de Guadarrama Natural Resource Natural Management Plan

Canal de Isabel II Green Zone statistics

Restoration activities carried out in natural habitats	2016	2017	2018
Tree plantations (number of units)	3,629	0	300
Shrub plantations (number of units)	259	0	0

Actions carried out for the maintenance of plant heritage	2016	2017	2018
Conservation and improvement of the areas adjacent to Canal de Isabel II facilities, area of action (in ha)	425	433	447
Reforestation (number of units) including new plantations and gardening	18,358	14,360	29,953
Clearing of brush and surface preparation (in ha)	520	378	374
Phytosanitary treatments in vegetation masses (surface treated in ha)	377	264	385

Discharges from reservoirs effected to maintain the ecological flow of rivers and for other reasons

Environmental discharges made	2016	2017	2018
Environmental discharges into rivers (in hm ³ /year)	75.60	76.66	69.97

Operation-related discharges made	2016	2017	2018
Discharges (in hm ³ /year)	101.97	51.83	72.78

Customer and user satisfaction figures

Services provided by Canal de Isabel II in the municipalities of the Autonomous Region of Madrid

Municipalities of the Autonomous Region of Madrid	Population 2018	Services provided by Canal de Isabel II			
		Supply works		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Madrid	3,223,334	3,223,334	3,223,334	3,223,334	3,223,334
Móstoles	207,095	207,095	207,095	207,095	207,095
Alcalá de Henares	193,751	-	-	-	193,751
Fuenlabrada	193,586	193,586	193,586	193,586	193,586
Leganés	188,425	188,425	188,425	-	188,425
Getafe	180,747	180,747	180,747	180,747	180,747
Alcorcón	169,502	169,502	169,502	169,502	169,502
Torrejón de Ardoz	129,729	129,729	129,729	129,729	129,729
Parla	128,256	128,256	128,256	128,256	128,256
Alcobendas	116,037	116,037	116,037	116,037	116,037
Las Rozas de Madrid	95,550	95,550	95,550	95,550	95,550
San Sebastián de los Reyes	87,724	87,724	87,724	87,724	87,724
Pozuelo de Alarcón	86,172	86,172	86,172	-	77,554
Rivas-Vaciamadrid	85,893	85,893	85,893	85,893	85,893
Coslada	81,860	81,860	81,860	-	81,860
Valdemoro	74,745	74,745	74,745	74,745	74,745
Majadahonda	71,785	71,785	71,785	-	71,785
Collado Villalba	63,074	63,074	63,074	63,074	63,074
Aranjuez	59,037	59,037	59,037	-	59,037
Arganda del Rey	54,554	54,554	54,554	54,554	54,554
Boadilla del Monte	52,626	52,626	52,626	52,626	52,626
Pinto	51,541	51,541	51,541	51,541	51,541
Colmenar Viejo	49,498	49,498	49,498	-	49,498
Tres Cantos	46,750	46,750	46,750	46,750	46,750
San Fernando de Henares	39,466	39,466	39,466	39,466	39,466
Galapagar	33,379	33,379	16,690	-	33,379
Arroyomolinos	30,052	30,052	30,052	30,052	30,052
Navalcarnero	28,305	28,305	28,305	28,305	28,305
Villaviciosa de Odón	27,596	27,596	27,596	27,596	27,596

Municipalities of the Autonomous Region of Madrid	Population 2018	Services provided by Canal de Isabel II			
		Supply works		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Paracuellos de Jarama	24,521	24,521	24,521	24,521	24,521
Ciempozuelos	24,087	24,087	24,087	24,087	24,087
Torrelodones	23,361	23,361	23,361	23,361	23,361
Mejorada del Campo	23,241	23,241	23,241	-	23,241
Villanueva de la Cañada	21,000	21,000	21,000	21,000	21,000
Algete	20,473	20,473	20,473	20,473	20,473
Humanes de Madrid	19,587	19,587	19,587	19,587	19,587
San Martín de la Vega	18,784	18,784	18,784	18,784	18,784
San Lorenzo de El Escorial	18,088	9,044	9,044	-	18,088
Villanueva del Pardillo	17,127	17,127	17,127	17,127	17,127
El Escorial	15,842	15,842	15,842	15,842	15,842
Guadarrama	15,785	15,785	15,785	-	15,785
Alpedrete	14,364	14,364	14,364	14,364	14,364
Meco	13,959	13,959	13,959	13,959	13,959
Villalbilla	13,421	13,421	13,421	13,421	13,421
San Agustín del Guadalix	13,273	13,273	6,637	-	13,273
Moralzarzal	12,697	12,697	-	-	12,697
Valdemorillo	12,280	12,280	12,280	12,280	12,280
Velilla de San Antonio	12,193	12,193	12,193	12,193	12,193
Brunete	10,596	10,596	10,596	10,596	10,596
Griñón	10,178	10,178	10,178	10,178	10,178
Daganzo de Arriba	10,061	10,061	10,061	10,061	10,061
El Álamo	9,353	9,353	9,353	9,353	9,353
Colmenarejo	9,124	9,124	-	-	9,124
Sevilla la Nueva	9,095	9,095	9,095	9,095	9,095
Soto del Real	8,694	4,347	8,694	8,694	8,694
Loeches	8,673	8,673	8,673	8,673	8,673
El Molar	8,666	8,666	8,666	8,666	8,666
Manzanares el Real	8,597	8,597	8,597	-	8,597
Torrejón de la Calzada	8,582	8,582	8,582	-	8,582
San Martín de Valdeiglesias	8,318	8,318	8,318	8,318	8,318
Hoyo de Manzanares	8,222	8,222	8,222	-	8,222
Colmenar de Oreja	7,902	7,902	7,902	-	7,902

Municipalities of the Autonomous Region of Madrid	Population 2018	Services provided by Canal de Isabel II			
		Supply works		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Torres de la Alameda	7.760	7.760	7.760	7.760	7.760
Morata de Tajuña	7.553	7.553	7.553	7.553	7.553
El Boalo	7.399	7.399	7.399	-	7.399
Villarejo de Salvanés	7.291	7.291	7.291	7.291	7.291
Cobeña	7.280	7.280	7.280	7.280	7.280
Camarma de Esteruelas	7.226	7.226	7.226	-	7.226
Cercedilla	6.948	3.474	-	-	6.948
Collado Mediano	6.781	6.781	6.781	6.781	6.781
Fuente el Saz de Jarama	6.541	6.541	6.541	6.541	6.541
Villa del Prado	6.409	-	-	-	6.409
Cubas de la Sagra	6.310	6.310	6.310	6.310	6.310
Nuevo Baztán	6.154	6.154	6.154	6.154	6.154
Guadalix de la Sierra	6.119	6.119	6.119	-	6.119
Campo Real	6.075	6.075	6.075	6.075	6.075
Miraflores de la Sierra	5.897	5.897	5.897	-	5.897
Pedrezuela	5.746	5.746	-	-	5.746
Becerril de la Sierra	5.564	2.782	-	-	5.564
Chinchón	5.239	5.239	5.239	5.239	5.239
Moraleja de Enmedio	5.021	5.021	5.021	5.021	5.021
Torrelaguna	4.724	4.724	4.724	4.724	4.724
Ajalvir	4.559	4.559	4.559	4.559	4.559
Valdetorres de Jarama	4.384	4.384	4.384	4.384	4.384
Los Molinos	4.328	4.328	4.328	-	4.328
Torrejón de Velasco	4.298	4.298	4.298	4.298	4.298
Robledo de Chavela	4.159	4.159	4.159	-	4.159
Serranillos del Valle	4.066	4.066	4.066	4.066	4.066
Valdeolmos-Alalpardo	4.039	4.039	4.039	4.039	4.039
Talamanca de Jarama	3.725	3.725	3.725	3.725	3.725
Casarrubuelos	3.707	3.707	3.707	3.707	3.707
Villaconejos	3.363	3.363	3.363	-	3.363
Quijorna	3.357	3.357	3.357	3.357	3.357
Cadalso de los Vidrios	3.049	3.049	3.049	3.049	3.049
Navacerrada	2.911	2.911	2.911	-	2.911

Municipalities of the Autonomous Region of Madrid	Population 2018	Services provided by Canal de Isabel II			
		Supply works		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Valdilecha	2.840	2.840	2.840	2.840	2.840
Perales de Tajuña	2.831	2.831	2.831	2.831	2.831
Navas del Rey	2.819	2.819	2.819	2.819	2.819
Aldea del Fresno	2.698	-	-	-	2.698
La Cabrera	2.613	2.613	2.613	2.613	2.613
Tielmes	2.604	2.604	2.604	2.604	2.604
Navalagamella	2.601	2.601	-	-	2.601
Los Santos de la Humosa	2.542	2.542	2.542	2.542	2.542
Villamanta	2.501	2.501	-	-	2.501
Bustarviejo	2.486	2.486	2.486	2.486	2.486
Pelayos de la Presa	2.475	2.475	2.475	2.475	2.475
Chapinería	2.240	2.240	2.240	2.240	2.240
Fresno de Torote	2.181	2.181	2.181	-	2.181
Venturada	2.081	2.081	2.081	2.081	2.081
Fuentidueña de Tajo	1.985	1.985	1.985	1.985	1.985
Cenicientos	1.980	1.980	1.980	1.980	1.980
Villar del Olmo	1.967	1.967	1.967	1.967	1.967
El Vellón	1.942	1.942	1.942	1.942	1.942
Carabaña	1.905	1.905	1.905	1.905	1.905
Buitrago del Lozoya	1.875	1.875	1.875	1.875	1.875
Colmenar del Arroyo	1.685	1.685	1.685	1.685	1.685
Rascafría	1.663	-	-	-	1.663
Batres	1.638	1.638	1.638	-	1.638
Belmonte de Tajo	1.627	1.627	1.627	1.627	1.627
Zarzalejo	1.620	1.620	1.620	1.620	1.620
Fresnedillas de la Oliva	1.554	1.554	1.554	1.554	1.554
Villanueva de Perales	1.547	1.547	1.547	1.547	1.547
Valdeavero	1.510	1.510	-	-	1.510
Villamantilla	1.420	1.420	1.420	1.420	1.420
Navalafuente	1.397	1.397	1.397	1.397	1.397
Titulcia	1.304	1.304	1.304	1.304	1.304
Anchuelo	1.272	1.272	1.272	1.272	1.272
Lozoyuela-Navas-Sieteiglesias	1.266	1.266	1.266	1.266	1.266

Municipalities of the Autonomous Region of Madrid	Population 2018	Services provided by Canal de Isabel II			
		Supply works		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Estremera	1.236	1.236	1.236	1.236	1.236
Orusco de Tajuña	1.202	1.202	1.202	-	1.202
Santa María de la Alameda	1.182	1.182	1.182	1.182	1.182
Pozuelo del Rey	1.120	1.120	1.120	-	1.120
Torremocha de Jarama	975	975	975	975	975
Valdemanco	927	927	927	927	927
Valdelaguna	903	903	903	-	903
Santorcaz	850	850	850	850	850
Pezuela de las Torres	821	821	821	-	821
Valdemaqueda	761	761	761	-	761
El Berrueco	741	741	741	741	741
Cabanillas de la Sierra	712	712	712	712	712
Ribatejada	706	706	706	706	706
Villamanrique de Tajo	699	699	699	699	699
Corpa	697	697	697	697	697
Puentes Viejas	642	642	642	642	642
Valdaracete	626	626	626	626	626
Ambite	601	601	601	601	601
Valdepiélagos	574	574	574	574	574
Lozoya	559	559	559	559	559
Rozas de Puerto Real	527	527	527	527	527
Brea de Tajo	525	525	525	525	525
Patones	523	523	523	523	523
Valverde de Alcalá	432	432	432	432	432
Canencia	423	423	423	423	423
Montejo de la Sierra	363	363	363	363	363
Garganta de los Montes	348	348	348	348	348
Olmeda de las Fuentes	346	346	-	-	346
Gargantilla del Lozoya y Pinilla de Buitrago	318	318	318	318	318
Villavieja del Lozoya	258	258	258	258	258
Redueña	247	247	247	247	247
Braojos	205	205	205	205	205
Berzosa del Lozoya	198	198	198	198	198

Municipalities of the Autonomous Region of Madrid	Population 2018	Services provided by Canal de Isabel II			
		Supply works		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Alameda del Valle	195	-	-	-	195
Gascones	188	188	188	188	188
Pinilla del Valle	187	187	187	187	187
Piñuécar-Gandullas	171	171	171	171	171
Cervera de Buitrago	149	149	149	149	149
Horcajo de la Sierra-Aoslos	148	148	148	148	148
Navarredonda y San Mamés	122	122	122	122	122
Prádena del Rincón	117	117	117	117	117
El Atazar	93	93	93	93	93
Horcajuelo de la Sierra	89	89	89	89	89
Robledillo de la Jara	87	87	87	87	87
Somosierra	80	-	-	-	80
La Serna del Monte	74	74	74	74	74
La Acebeda	65	65	65	65	65
Puebla de la Sierra	60	60	60	60	60
Robregordo	48	48	48	48	48
La Hiruela	48	48	48	48	48
Madarcos	47	47	47	47	47
Sum autonomous Region of Madrid	6.578.079	6.353.636	6.293.876	5.602.372	6.569.461

Types of contracts with clients (number)

Types of contracts	2016	2017	2018	% en 2017
Single-family domestic	1,097,480	1,111,527	1,126,540	75.88 %
Multiple homes domestic	97,897	97,815	97,750	6.58 %
Business-industrial	113,684	115,111	116,039	7.82 %
Other uses	139,867	142,439	144,226	9.72 %
Sum contracts	1,448,928	1,466,892	1,484,555	100 %

Canal de Isabel II social tariff

Evolution of tariff allowances			
	2016	2017	2018
Large family/household allowances			
No. contracts with allowances	35,285	34,066	37,445
Allowance amount (euros)	1,182,115	1,353,714	1,362,612
Social exemption allowances			
No. contracts with allowances	6,547	9,576	12,171
Allowance amount (euros)	715,528	1,137,848	1,453,203

Metre laboratory activity (number of metres verified annually)

Number of metres verified annually	2016	2017	2018
New proprietary metres	2,996	1,244	2,065
Customer complaints regarding metres	2,740	3,721	3,092
Evaluation of the operation of metres in service	2,379	1,197	2,490
Other internal checks	66	170	113
Checks for third parties	120	116	122
Sum	8,301	6,448	7,882

Fulfilling the customer commitment (rate of compliance)

Commitments included	2016	2017	2018
New connection	97.58	94.27	83.49
Secondary metre	99.84	99.87	99.91
Complaints resolved	99.67	99.19	99.48
Check metre	99.78	99.43	100.00
Average compliance	92.22 %	98.19 %	95.72 %

Customer service statistics

	2016	2017	2018
No. of permanent sales offices	11	10	11
No. of telephone calls handled	1,032,732	950,360	954,520
Visits to HQ	27,716	26,220	24,366
Visits to peripheral offices	91,053	81,083	76,038
Efforts via the Virtual office	2,646,008	3,186,031	4,244,342
Contact via the Virtual office	15,005	17,015	19,088
Contact via letter	10,957	8,853	5,636
Contact via Fax	24,945	14,389	9,120
Contact via Chat/WhatsApp	2,364	4,123	3,942
Contact via email	73,562	91,976	106,408
Automatic telephone service	32,857	20,830	25,468
APP	NA	NA	1,522
Average sales offices wait time (minutes)	NA	NA	1.27

Customer complaints and claims statistics

Complaints regarding management	2017	2018
Complaints received	7,433	9,408
Complaints resolved	7,314	9,446
Complaints resolved within 1-month commitment	7,124	7,982
Authorised complaints resolved	3,987	4,947
% commitment fulfilment	97.40 %	84.50 %
% complaints authorised	54.51 %	52.37 %
Complaints received per 1000 contracts	5.07	6.34

Type of complaints resolved	2017	2018
Accessibility and usability (Virtual Office)	115	107
Information	314	430
Customer/citizens service	81	108
Administrative procedures	2,458	1,655
Economic disagreement	591	544
Service rendered	2,887	4,914
Water quality	357	487
Environment, health and safety and others	6	10
Cancelled	201	681
Transferred to Customer Ombudsman Office	304	510

Claims regarding invoicing received in the customer service network			
	2016	2017	2018
Invoices issued	8,583,199	8,689,173	8,806,747
No. claims received	21,667	22,158	22,522
No. claims Resolved	20,504	22,398	23,218
No. Favourable Claims	15,216	16,718	17,472
Percentage of claims regarding invoices issued	0.25	0.26	0.26
Percentage fully or partially resolved in favour of the customer	74.21	74.64	75.25

Incident reporting statistics

Summary of types of reports received per year (number)			
	2016	2017	2018
Reports relating to water quality	10,743	8,999	9,096
Reports relating to sanitation	23,919	23,096	24,640
Reports relating to supply continuity	36,167	32,800	40,258
Reports relating to water pressure	12,555	11,578	12,317
Other reports	47,439	51,177	51,427

Customer Ombudsman Office statistics

Complaints received by the Customer Ombudsman Office			
	2016	2017	2018
No. of complaints received that do not qualify for processing	248	354	418
No. of complaints received admitted for processing	1,066	1,134	1,559
Total no. of complaints received	1,314	1,488	1,977
Percentage of complaints received admitted for processing	81.1	76.2	78.6
No. of complaints fully or partially resolved in favour of the customer	501	510	748
No. of complaints resolved not in favour of the customer	508	500	709
Total no. of complaints resolved over the year	1009	1,010	1,010
Percentage fully or partially resolved in favour of the customer	49.7	45.0	51.3

Type of complaints accepted for processing by the Customer Ombudsman's Office (%)			
	2016	2017	2018
Connections	5.72	7.85	10.46
Water quality	9.19	5.64	5.13
Collection	5.25	3.88	4.55
Contracting	8.35	4.59	4.23
Cut-off/Supply chain	1.88	1.32	1.92
Sanctioning file	1.03	0.09	0.13
Billing	53.66	63.76	58.82
Compensation. Insurance and Risks	5.82	6.44	4.81
Water pressure	3.1	1.85	2.12
Other	6	4.59	7.83

Types of customers who have submitted complaints accepted for processing by the Customer Ombudsman's Office (%)			
	2016	2017	2018
Natural person	69.42	72.05	70.46
Company name	8.44	9.26	9.91
Owners' association	10.88	8.82	12.29
Municipal Consumer Information Office	4.32	4.5	2.64
Consumer associations	1.88	1.15	0.84
Arbitration board	0.38	3.35	1.80
Residential estate	0.38	0.09	0.26
Autonomous Region of Madrid	4.32	0.79	1.80

Customer satisfaction statistics

Customer satisfaction level			
	2016	2017	2018
Results obtained by the company			
Domestic customer satisfaction level (scale of 1 to 10)	7.84	8.21	8.23
Client company satisfaction level (scale of 1 to 10)	-	7.87	8.36

Social commitment

Expenses and investments in Corporate Social Responsibility (thousands of euros)

	2016	2017	2018
Expenditure on customer CSR actions (social tariffs)	1,897.82	2,491.72	2,815.87
Employee CSR expenses (employee social benefits)	417.95	484.75	535.88
CSR expenditure related with Culture, Education and Sport (including Fundación Canal)	3,936.82	2,352.27	3,004.79
Cooperation for development and support for social entities	283.19	483.28	187.49
Social infrastructure maintenance expenses	1,470.29	1,444.88	2,020.91
TOTAL CSR EXPENSES	8,006.07	7,256.90	8,564.93
Investment in social and environmental infrastructure	1,290.90	374.07	460.04
Financial resources (expenditure + investment) allocated to social commitment	9,296.97	7,630.97	9,024.97

Canal employees

(includes the Canal de Isabel II Delegation in Cáceres workforce)

Company workforce structure (number of employees)

	2016	2017	2018
Total number of workers	2,590	2,611	2,808
Full-time	2,476	2,501	2,674
Part-time	114	110	134
Average workforce			
Average workforce	2,485	2,509	2,607
Breakdown by type of contract (FULL-TIME WORKFORCE)			
Indefinite	1,581	1,540	1,474
Temporary	895	961	1,200
Breakdown by function (TOTAL WORKFORCE)			
Management staff	110	110	107
Management support staff	294	300	302
Post-graduate degree holders	231	227	287
Graduate degree holders	111	128	151
Middle managers	159	154	151
Technicians	224	224	249
Administrative and auxiliary staff	563	587	636
Technicians with Professional Training	898	881	925
Breakdown by gender (TOTAL WORKFORCE)			
Female	816	853	926
Male	1,774	1,758	1,882
Breakdown by age (FULL-TIME)			
Under 30 years old	499	543	665
30-50 years old	1,344	1,303	1,354
Over 50 years old	633	655	655
Average age per contract			
Average age of permanent staff	47.33	48.012	48.41
Average age of temporary staff	31.11	31.09	31.197
Breakdown by nationality (TOTAL WORKFORCE)			
Nationals	2,581	2,598	2,788
Foreigners	9	13	20
Disability (TOTAL WORKFORCE)			
Workers with some degree of disability	22	22	55
Seniority in the company (TOTAL WORKFORCE)			
Average seniority of the workforce (years)	13.60	14.58	13.72

201-2 Workforce diversity

	2016	2017	2018
Management staff (TOTAL AND FULL-TIME)			
Breakdown by gender	110	110	107
Female	36	36	37
Male	74	74	70
Breakdown by age	107	107	107
Under 30 years old	0	0	0
30-50 years old	55	51	52
Over 50 years old	55	59	55
Other			
Foreigners	0	0	0
Non-management staff (TOTAL AND FULL-TIME)			
Female	780	817	889
Management support staff	103	100	105
Post-graduate degree holders	128	130	142
Graduate degree holders	48	58	71
Middle managers	31	27	19
Technicians	64	72	88
Administrative and auxiliary staff	393	413	440
Technicians with Professional Training	13	17	24
Foreign workers	9	13	20
Management support staff	2	2	2
Post-graduate degree holders	1	-	1
Graduate degree holders	-	1	-
Middle managers	-	-	-
Technicians	-	-	-
Administrative and auxiliary staff	5	6	11
Technicians with Professional Training	1	4	6
Disability	22	22	54
Workers with some degree of disability	22	22	54

Workforce diversity

	2016	2017	2018
By age, under 30 years old	499	543	665
Management support staff	3	1	-
Post-graduate degree holders	89	81	97
Graduate degree holders	28	48	66
Middle managers	4	2	1
Technicians	40	42	56
Administrative and auxiliary staff	127	150	177
Technicians with Professional Training	208	219	268
By age, between 30-50 years old	1,289	1,242	1,302
Management support staff	203	200	201
Post-graduate degree holders	104	110	152
Graduate degree holders	65	62	64
Middle managers	75	72	77
Technicians	112	109	114
Administrative and auxiliary staff	285	279	305
Technicians with Professional Training	445	410	389
By age, over 50 years old	692	1,014	600
Management support staff	88	99	101
Post-graduate degree holders	38	36	29
Graduate degree holders	18	18	12
Middle managers	80	78	65
Technicians	72	73	63
Administrative and auxiliary staff	151	456	112
Technicians with Professional Training	245	254	218
Internship students/scholarship holders/interns/student apprentices			
Internship students/scholarship holders/interns/student apprentices	83	92	78

Breakdown by type of contract and gender	2018	
	Male	Female
Personnel with indefinite contracts	1,145	463
Personnel with temporary contracts	737	463
TOTAL	1,882	926

* The total workforce is included: full-time and part-time.

Breakdown by type of contract and age	2018		
	< 30 years	Between 30 and 50 years	> 50 years
Personnel with indefinite contracts	2	863	743
Personnel with temporary contracts	663	491	46
TOTAL	665	1,354	789

*The total workforce is included: full-time and part-time.

Breakdown by age, gender and professional category in 2018

2018			
Workforce by age		< 30 years	665
		Between 30 and 50 years	1,354
		> 50 years	789
Professional category	Management	Male	70
		Female	37
	Management support staff	Male	197
		Female	105
	Post-graduate degree holders	Male	145
		Female	142
	Graduate degree holders	Male	80
		Female	71
	Middle managers	Male	132
		Female	19
	Technicians	Male	161
		Female	88
Administrative and auxiliary staff	Male	196	
	Female	440	
Office staff	Male	901	
	Female	24	

*The total workforce is taken into account: full-time and part-time.

401-1 Workforce turnover

Total Workforce turnover	2016	2017	2018
Total hired	324	359	516
Total resigned/dismissed	251	338	266
Voluntary dismissals	40	41	49

Resignations/dismissals by gender

Resignations/dismissals by gender	2017		2018	
	Male	Female	Male	Female
Total resigned/dismissed	238	100	176	90
Voluntary dismissals	24	17	23	26
Total	262	117	199	116

Resignations/dismissals by age

Resignations/dismissals by age	2017			2018		
	< 30 years	Between 30 and 50 years	> 50 years	< 30 years	Between 30 and 50 years	> 50 years
Total resigned/dismissed	160	123	55	125	91	50
Voluntary dismissals	30	11	0	32	16	1
Total	190	134	55	157	107	51

401-3 Reinstatement and retention for maternity or paternity leave (total workforce)

	2016	2017	2018
Employees entitled to maternity or paternity leave	51	33	33
Female	16	10	11
Male	35	23	22
Employees who ended their leave in the previous year	45	48	33
Female	15	13	10
Male	30	35	23
Employees reinstated after leave from the previous year	49	48	33
Female	17	13	10
Male	32	35	23
Employees who retain employment 12 months after reinstatement	49	48	33
Female	17	13	10
Male	32	35	23

412-2 Workforce training

Training received	2016	2017	2018
Total number of workers	2,590	2,611	2,808
No. workers (including interns) who have received training	2,406	2,941	2,390
Average no. of hours/employee (including interns) receiving training	45.94	45.4	58.1444226
Total number of training hours received	110,551	133,525	138,965
During working hours	51,229	52,182	66,531
Outside working hours	44,406	53,317	42,457
On-the-job training	14,916	28,025	29,977
Training received by function			
Total hours of training received by function	110,551	133,524	138,965
Management staff	5,829	6,261	6,149
Management support staff	18,194	17,186	19,064
Post-graduate degree holders	21,437	22,022	25,924
Graduate degree holders	8,395	9,578	11,978
Middle managers	5,440	10,200	5,265
Technicians	11,633	5,717	15,934
Administrative and auxiliary staff	17,745	23,067	26,334
Technicians with Professional Training	21,878	39,491	28,318
Average hours of training received by function			
Management staff	53	58	58
Management support staff	67	58	66
Post-graduate degree holders	64	56	67
Graduate degree holders	82	81	110
Middle managers	49	70	40
Technicians	53	22	72
Administrative and auxiliary staff	39	37	49
Technicians with Professional Training	31	40	47

Workforce training

Attending trainees by function (persons)	2,314	2,940	2,390
Management staff	110	108	106
Management support staff	271	297	291
Post-graduate degree holders	337	394	388
Graduate degree holders	102	118	109
Middle managers	110	146	130
Technicians	221	260	221
Administrative and auxiliary staff	456	628	542
Technicians with Professional Training	707	989	603
Training by costs (euros)			
Total	745,961	637,631	1,167,123
Direct cost	941,630	829,963	829,963
Indirect cost	37,004	44,723	44,723
Cost of study grants for employees	31,818	27,691	27,691
Revenue from subsidies/financing/allowances received	-264,491	-264,747	264,746
Training by theme (hours)			
Total	110,551	133,523	138,965
Languages	18,998	30,467	23,980
Administration and Management of Computer Systems	4,396	3,822	4,736
Quality	4,322	3,988	3,908
Sales and Customer Relations	2,603	3,239	5,306
Skills/Competence Development	8,617	6,577	11,473
Technical Training	24,069	21,064	19,225
Legal-Economic	3,626	3,956	5,958
Office Automation and Software Applications	11,248	11,636	12,012
Occupational Risk Prevention	16,193	16,294	17,893
Fight against corruption	257	2,617	919
Others + on-the-job training	16,222	29,863	33,556

410-1

Average hours of training by gender

Average hours of training by gender	2017		2018	
	Male	Female	Male	Female
Management	56.38	61.03	51.29	72.86
Management support staff	59.07	55.57	64.72	67.05
Post-graduate degree holders	54.45	57.28	58.00	75.90
Graduate degree holders	82.00	80.19	119.96	100.01
Middle managers	47.75	159.07	41.28	36.43
Technicians	22.55	20.91	65.51	81.87
Administrative and auxiliary staff	33.36	38.26	56.52	45.18
Office staff	39.84	44.57	45.78	79.79

Trade union representation

Collective bargaining agreement and union representation (number of employees)	2016	2017	2018
Workforce covered by own collective agreement (employees)	-	2,473	2,675
Workforce covered by own collective agreement (percentage)	-	94.71 %	95.26 %
Workforce covered by sector-specific collective agreement (employees)	2,588	106	101
Workforce covered by sector-specific collective agreement (percentage)	99.92 %	4.06 %	3.60 %
Workforce not covered by collective agreement (employees)	2	32	32
Workforce not covered by collective agreement (percentage)	0.08 %	1.23 %	1.14 %
Workers affiliated to trade union organisations (employees)	453	454	480

201-1 Minimum wage

Minimum wage (euros)	2016	2017	2018
Initial entry-level annual salary	15,367.78	16,968	17,882
Minimum initial entry-level annual salary for internship contracts	13,831	15,244	16,093
Country interprofessional annual minimum wage	9,173	9,906	10,303
Starting annual salary/Interprofessional Minimum Wage	167.54 %	171.28 %	173.56 %
Starting minimum wage/Interprofessional Minimum Wage	150.78 %	153.88 %	156.21 %

Breakdown of average pay by professional category and gender in 2018

Remuneración media		Average pay	
2018	Management	Male	85,535
		Female	81,510
	Management support staff	Male	49,561
		Female	47,729
	Post-graduate degree holders	Male	25,717
		Female	25,721
	Graduate degree holders	Male	22,213
		Female	23,780
	Middle managers	Male	22,001
		Female	22,454
	Technicians	Male	21,363
		Female	21,803
	Administrative and auxiliary staff	Male	18,296
		Female	18,651
	Office staff	Male	19,063
		Female	19,282

*The salary tables and the Full Reclassification corresponding to the 2018, referred to in the 1st Collective Agreement of Canal de Isabel II, are taken into account.

**The total workforce is taken into account: full-time and part-time.

Breakdown of average pay by age

Average pay by age	2018
Under 30 years old	20,832
Between 30 and 50 years	27,140
Over 50 years old	26,052

*The salary tables and the Full Reclassification corresponding to the 2018, referred to in the 1st Collective Agreement of Canal de Isabel II, are taken into account.

**The total workforce is taken into account: full-time and part-time.

403-1 Occupational health and safety

Occupational health and safety	2016	2017	2019
Number of people covered for disability or invalidity	3	1	2
Total number of workers exposed to occupational risks	2,486	2,509	2,607
Occupational accidents			
Accidents at work with permanent contract (excluding <i>in itinere</i>)	84	59	64
Accidents at work with temporary contract (excluding <i>in itinere</i>)	40	52	50
Accidents at work (excluding <i>in itinere</i>)	124	111	114
Accidents with leave (excluding <i>in itinere</i>)	67	54	56
Average length of leave	16.31	14.78	17.75
Days lost	1,093	798	994
Frequency rate of accidents with sick leave (excluding <i>in itinere</i>)	16.20	13.29	13.29
Frequency rate of total accidents (excluding <i>in itinere</i>)	29.98	27.32	27.06
Severity rate (excluding <i>in itinere</i>)	0.26	0.20	0.24
Incidence rate of accidents with sick leave (excluding <i>in itinere</i>)	26.95	21.52	21.48
Fatalities	0	0	0
Temporary incapacity benefit for professional contingencies (euros)	121,827	821,334	99,001
Total contributions for professional contingencies (euros)	1,233,294	1,279,468	1,030,648
Number of <i>in labore</i> traffic accidents (on assignment)	9	6	18
Number of <i>in itinere</i> traffic accidents	24	13	20
Number of <i>in itinere</i> accidents	42	30	40
<i>In itinere</i> accidents involving permanent workers	22	14	24
<i>In itinere</i> accidents involving temporary workers	20	16	16
Total accidents involving permanent workers	106	73	88
Total accidents involving temporary workers	60	68	66
Total <i>in labore</i> accidents involving own workers	166	141	154

Occupational health and safety

Occupational health and safety	2016	2017	2018
Kilometres travelled on assignment	10,001,440	9,950,721	9,518,517
% traffic accidents out of total accidents in Canal	19.88 %	13.48 %	24.68 %
Rate of incidence of traffic accidents at work	13.27	7.57	14.58
Frequency rate of accidents at work while on assignment/kilometres travelled	0.90	0.60	1.89
Hours worked	4,136,597	4,062,733	4,212,190
Absenteeism (hours)	178,566	167,749	-
Permanent employee hours lost due to absenteeism	138,523	125,351	123,821
Temporary employee hours lost due to absenteeism	40,044	42,398	53,392
Total absenteeism	4.32 %	4.13 %	4.21 %
Absenteeism of employees with permanent contracts	5.19 %	4.86 %	4.92 %
Absenteeism of employees with temporary contracts	2.73 %	2.86 %	3.15 %
Workers represented on Health and Safety Committees (%)	100	100	100

Workplace accident rates by gender	2017		2018	
	Male	Female	Male	Female
Accidents with leave (excluding <i>in itinere</i>)	45	9	45	11
Fatalities (number)	0	0	0	0
No. of cases of work-related illnesses	0	0	0	0
Frequency rate of accidents with leave (excluding <i>in itinere</i>)	16	7	16	8
Frequency rate of total accidents (excluding <i>in itinere</i>)	30	22	33	15
Severity rate (excluding <i>in itinere</i>)	0.27	0.05	0.30	0.11

Innovation, ICTs and remote control

R&D&i expenses (euros)

	2016	2017	2018
Net expenditure (net of subsidies)	3,530,206	3,256,776	3,744,944
Total expenses incurred	3,558,309	3,328,555	3,744,944
Budget	1,135,786	930,772	563,891
Internal expenses	2,422,523	2,397,783	3,181,053
Subsidies	-28,103	-35,889	0
Total expenses incurred versus turnover (%)	0.41 %	0.37 %	0.44 %

Information and communication technology (ICT) statistics

ICT Expenses (euros)	2016	2017	2018
Total expenses	25,328,604	23,627,028	25,135,070
Expenses incurred	19,064,851	17,047,737	17,869,076
Internal expenses	6,263,753	6,579,290	7,265,994
Investment (euros)	2016	2017	2018
Investments	7,303,004	9,824,268	5,264,327
Degree of IT penetration among users	2016	2017	2018
Number of computers	2,133	2,256	2,330
Number of ThinkClients	35	-	-
Number of laptop computers	128	154	155
Number of printers	648	538	477
Number of field terminals managed	1,097	1,151	1,309
Number of TEMPO ruggedized laptops	15	15	5
Employees	2016	2017	2018
Employees who log on in one month	2,347	2,311	2,555
Employees browsing in the last month	2,031	2,275	2,557
Employees with email mobility in the last month	197	2,638	2,762

Invoices (number) and amount (euros)	2016	2017	2018
Electronic invoices issued allowing processing	884.486	1.165.448	1.522.587
Hardcopy invoices issued	8.071.656	7.990.369	7.847.023
Supplier electronic invoices issued allowing processing	10.583	11.144	12.149
Hardcopy invoices from suppliers	45.084	44.893	40.005
Amount Invoiced for Payments via Payment Gateway	299.211	315.436	11.550.100
Amount Invoiced to Companies for Payments via Payment Gateway	198.326	46.989	1.786.375
Amount of online purchases using credit card via down payment	6.135	9.620	45.971
Amount of online purchases	7.172.297	7.425.420	6.330.566
In Spain	7.143.860	7.340.702	6.255.532
In other EU countries	28.437	84.717	75.034
In the rest of countries	0	0	0
Availability	2016	2017	2018
Critical system availability	99,954	99,98	99,927
Availability of important systems	99,944	99,97	99,864

Remote Control Figures

Remote Control Figures	2016	2017	2018
Remote Terminal Units (RTUs) monitored	1,940	2,262	2,369
Direct measurements	28,005	28,956	29,345
Remote control facilities	58	58	79
Remote controls conducted	6,644	6,382	8,337
Availability of field instrument kits (%)	98.908	99.303	99.198

Telecommunications Figures

Telecommunications Figures	2016	2017	2018
Number of telecommunications network hosts	385	430	437
Fibre optic network length (km)	636	636	893
No. of network radio links	163	163	158
Average Telecommunications network availability (%)	99.95	99.94	99.92

An efficient, sound company

Main financial figures

In millions of euros	2016	2017	2018
Net turnover	866.78	885.74	854.14
FY profit/loss	232.69	261.89	209.97
Shareholders' equity	2,467.13	2,573.40	2,764.65
Investments	167.25	153.54	128.03
EBITDA	332.00	365.18	338.15
Debt	982.15	879.86	798.81
Debt / EBITDA	2.96	2.41	2.36

Investment (in euros)

	2016	2017	2018
Total acquisitions of fixed assets	167,250,340	153,544,555	128,033,799
Land and buildings	10,507,601	3,645,843	4,052,570
Catchments and large pipelines	24,668,978	13,085,646	7,241,953
DWTP	4,158,340	2,369,628	4,765,912
Distribution networks	37,585,504	35,538,632	35,371,393
Technical compliance	8,939,057	10,915,054	12,893,587
Sanitation networks	13,937,326	16,576,375	11,792,618
WWTP	24,377,407	25,669,654	26,096,874
Reuse networks	12,757,961	12,862,336	7,066,410
Deposits	6,708,384	4,308,889	4,330,538
Information and Remote-Control systems	12,028,610	16,090,290	8,825,772
Other items	11,581,171	12,482,208	5,596,173
Other indicators	2016	2017	2018
Investments applied to replacement provision	-64,596,594	-63,015,757	-60,164,551
Net additions to fixed assets	102,653,745	90,528,798	67,869,249

Projects completed

	2016	2017	2018
No. supply projects	8	10	7
No. sanitation projects	17	15	9
No. reuse projects	1	0	0
No. construction/architecture projects	6	8	1
Renovation of networks and other projects	48	42	35
Sum	80	75	52
	2016	2017	2018
Budget for supply projects (millions of euros)	35.78	63.00	197.83
Budget for sanitation projects (millions of euros)	58.33	26.00	34.52
Budget for reuse projects (millions of euros)	10.23	-	-
Budget for construction/architecture projects (millions of euros)	1.82	11.72	15.42
Budget for renovation of networks and other projects (millions of euros)	60.74	59.62	49.88
SUM (millions of euros)	166.90	160.34	297.65
	2016	2017	2018
No. of construction management projects	3	2	4
Budget for construction management projects (millions of euros)	0.17	1.38	0.77
	2016	2017	2018
No. of environmental procedures completed	23	20	8
No. of Environmental Impact Statements	2	1	0

Public procurement (procedure type)

Open procedure	2016	2017	2018
No. of contracts	200	210	303
Percentage of total contracts	80,32 %	76,09 %	84,17 %
Amount awarded (euros)	365.287.026	331.224.582	480.008.309
Percentage of total amount awarded	95,07 %	87,58 %	91,30 %
Orders to Canal Group companies	2016	2017	2018
No. of orders	18	9	19
Percentage of total contracts	7,23 %	3,26 %	5,28 %
Amount awarded (euros)	11.634.657	21.328.386	31.641.464
Percentage of total amount awarded	3,03 %	5,64 %	6,02 %
Negotiated procedure	2016	2017	2018
No. of contracts	26	30	31
Percentage of total contracts	10,44 %	10,87 %	8,61 %
Amount awarded (euros)	4.812.570	9.009.630	7.834.940
Percentage of total amount awarded	1,25 %	2,38 %	1,49 %
Other	2016	2017	2018
No. of contracts	5	27	7
Percentage of total contracts	2,01 %	9,78 %	1,94 %
Amount awarded (euros)	2.497.856	16.648.382	6.283.845
Percentage of total amount awarded	0,65 %	4,40 %	1,20 %
Detail of procedure type	2016	2017	2018
Total no. of contracts	249	276	360
Total amount awarded (euros)	384.232.109	378.210.981	525.768.557

Public procurement (contract type, excluding orders to affiliated companies)

Works contract	2016	2017	2019
No. of contracts	68	112	89
Percentage of total contracts	29,44 %	41,95 %	26,10 %
Amount awarded (euros)	55.809.965	158.429.433	141.151.679
Percentage of total amount awarded	14,98 %	44,39 %	28,57 %
Service contracts	2016	2018	2018
No. of contracts	101	94	177
Percentage of total contracts	43,72 %	35,21 %	51,91 %
Amount awarded (euros)	217.173.715	94.411.469	278.728.671
Percentage of total amount awarded	58,29 %	26,45 %	26,45 %
Supply contracts	2016	2018	2018
No. of contracts	62	61	75
Percentage of total contracts	26,84 %	22,85 %	21,99 %
Amount awarded (euros)	99.613.772	104.041.691	74.246.743
Percentage of total amount awarded	26,73 %	29,15 %	15,03 %
Detail of contracts per awarded contract type	2016	2018	2018
Total no. of contracts	231	267	341

APPENDIX I

APPENDIX II

Main aggregate figures of the Canal de Isabel II
business group (2016-2018)

APPENDIX III

APPENDIX IV

APPENDIX V

Customers and population served

Customers and population served

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Supply												
Supplied population [inhabitants]	6,355,007	6,355,355	6,426,774	3,106,451	2,913,987	490,011	396,760	395,162	398,779	9,858,218	9,664,504	7,315,563
Supply coverage [% inhabitants]	97	96	96	96	97	97	100	100	100	96	96	96
Municipalities served	183	182	182	20	31	4	8	8	8	211	221	194
Sanitation												
Population with sewerage service [inhabitants]	5,596,192	5,591,271	5,657,167	2,622,596	2,415,135	354,994	337,725	336,127	338,499	8,556,512	8,342,533	6,350,660
Sewerage service coverage [% inhabitants]	85	84	85	81	80	70	85	85	85	84	83	84
Municipalities with sewerage service	137	136	136	14	26	3	8	8	8	159	170	147
Purification												
Covered population [inhabitants]	6,559,838	6,557,627	6,628,535	769,054	786,354	157,924	337,725	141,817	338,499	7,666,617	7,485,798	7,124,958
Covered population [inhabitants]	100	99	99	24	26	31	85	36	85	75	75	94
Municipalities where wastewater is treated	182	182	182	10	22	2	7	7	7	199	211	191
No. of contracts	1,477,788	1,496,605	1,514,869	669,056	641,159	94,557	122,254	124,680	125,871	2,269,098	2,262,444	1,735,297

Breakdown of population served in 2018 (inhabitants) by country, service and company, and coverage in % of population Spain

Spain

	Supply works		Sewerage system		Purification	
	Municipality	Inhab, supply	Municipality	Inhab, supply	Municipality	Inhab, supply
Comunidad de Madrid	173	6,357,983	134	5,602,372	179	6,569,461
Castilla - La Mancha	7	12,102	0	0	1	4,279

Breakdown of population served in 2018 (inhabitants) by country, service and company, and coverage in % of population Spain

Spain

	Supply works		Sewerage system		Purification	
	Municipality	Inhab, supply	Municipality	Inhab, supply	Municipality	Inhab, supply
Provincia de Cáceres	2	56,688	2	54,794	2	54,794
Alcalá de Henares	1	193,751	1	193,751	0	0
Lanzarote y La Graciosa	7	205,028	7	144,748	7	144,748

Latin America

	Supply works		Sewerage system		Purification	
	Municipality	Inhab, supply	Municipality	Inhab, supply	Municipality	Inhab, supply
Colombia: Riohacha	1	230,718	1	197,070	0	0
Ecuador: Samborondón y Daule	2	201,372	2	157,924	2	157,924
Brasil: Guapimirim	1	57,921	0	0	0	0

Integral water cycle management figures

Supply: natural contributions by rivers and water rerouted for consumption of reservoirs and catchments in millions of cubic metres

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Natural contributions												
Natural contributions [hm ³]	734	373	803	151,900	181,970	78	-	-	-	152,634	182,343	881
Surface catchments												
No. reservoirs or river or sea surface catchment	15	15	15	9	9	2	5	6	6	29	30	23
Capacity of reservoirs and/or surface catchments [hm ³]	965.40	965.40	963.06	304.45	301.96	37.84	1.89	1.89	1.89	1,271.74	1,269.25	1,002.79

Integral water cycle management figures

Supply: natural contributions by rivers and water rerouted for consumption of reservoirs and catchments in millions of cubic metres

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
No. of weirs	6	6	6	3			1	1	1	10	7	7
Groundwater catchments												
No. of groundwater catchments in operation	79	79	79	48	13	-	-	-	-	127	92	79
Capacity of groundwater catchments [hm ³]		93.00	93.00	0.07	6.54	-	-	-	-	93.07	99.54	93.00
Water diverted for consumption												
Water diverted for consumption [hm ³]	501.20	514.56	489.17	306.29	268.69	38.24	41.14	42.45	40.53	848.63	825.70	567.93

Treatment and distribution figures

Regionalización	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Treatment												
DWTP inflow volume [hm ³]	499	511	512	276	263	21	57	58	58	832	831	590
Treated water volume [hm ³]	499	510	487	269	255	17	26	27	26	794	793	530
No. of drinking water treatment plants	15	15	15	8	9	2	5	5	5	28	29	22
Treatment capacity [hm ³ /day]	4.60	4.60	4.60	0.89	0.78	0.06	0.16	0.16	0.16	5.65	5.54	4.81
No. rechloramination facilities	66	66	66	13	11	1	1	1	1	80	78	68
Distribution												
No. of large pipes	23	23	23	-	-	-	-	-	-	23	23	23
No. of major regulating reservoirs	33	34	34	1	5	-	2	2	2	36	41	36
Storage capacity of major deposits [hm ³]	3.16	3.20	3.29	0.07	0.05	-	0.06	0.06	0.03	3.30	3.31	3.32
No. of small deposits	300	301	301	48	46	5	67	67	67	415	414	373
Storage capacity of small deposits [hm ³]	0.53	0.53	0.61	1.68	1.56	1.51	0.11	0.11	0.11	2.32	2.20	2.23
No. of major lifting stations	25	25	25	11	10	-	4	4	4	40	39	29
No. of smaller lifting stations	111	111	111	27	16	3	26	26	26	164	153	140

Integral water cycle management figures

Sewerage network figures

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
No. of WWP	134	134	134	170	186	110	79	78	78	383	398	322
No. of buffering basins and storm tanks managed	65	65	65	-	-	-	4	4	4	69	69	69
Capacity of storm tanks managed (hm ³)	1,483	1,483	1,483	-	-	-	0,007	0,007	0,007	1,490	1,490	1,490
Spillways and overflow weirs in the entire sewerage system	603	603	603	10	14	-	54	54	28.026	667	671	28.629
No. releases	263	351	237	-	-	-	5	2	1	268	353	238

Wastewater treatment figures

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Number of wastewater treatment plants	160	160	160	93	102	95	8	8	8	261	270	263
Treated volume in WWTPs (hm ³)	483,26	451,08	497,91	46,67	60,45	14,16	2,32	3,63	3,42	532,25	515,17	515,49
Treated volume versus volume rerouted for consumption (%)	96	88	102	19	24	83	9	14	14	69	65	97
Design flow (hm ³ /day)	3,26	3,24	3,00	0,20	0,24	0,05	0,02	0,02	0,02	3,49	3,51	3,07

Pollution removed in wastewater treatment

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Average quality of inflowing water (mg/l)												
Inflow water volume at WWTPs (hm ³)	550	467	571	44	46	9	7	8	8	600	521	589
DBO5 of inflowing water	302	323	301	238	225	250	463	399	489	299	315	303
Inflow water suspended solids (mg/l)	264	293	273	218	173	250	311	288	315	261	282	273
Average quality of treated water (mg/l)												
Total volume of treated water (hm ³)	483	451	498	47	60	14	2	4	3	532	515	515
DBO5 of treated water	9	9	9	53	61	69	14	13	16	13	14	10
Suspended solids of treated water	11	11	10	45	46	69	21	20	24	14	14	11

Integral water cycle management figures

Pollution removed in wastewater treatment

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Pollutant load removed (tonne/year)												
DBO5 of pollutant load removed	156.915	141.964	162.698	4.891	5.110	1.689	3.075	3.214	3.808	144.038	128.422	158.692
Suspended solids	135.736	127.587	146.730	4.481	3.717	1.689	2.043	2.284	2.403	124.615	115.332	143.113
Purification yield (% removed)												
DBO5	97	97	97	78	73	72	99	99	99	96	95	97
Suspended solids	96	96	96	79	74	72	93	93	92	94	94	96
COD	93	93	93	63	61	61	93	93	92	90	90	92
Phosphorus	91	91	92	18	34	100	92	90	88	85	86	92
Nitrogen	61	60	66	32	29	55	78	74	74	59	57	66

Regenerated wastewater reuse figures

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Basic figures												
No. of regenerated water plants in service	23	25	30	17	18	19	5	5	5	45	48	54
No. of reuse deposits in service	63	63	63	-	-	-	4	4	5	67	67	68
Volume of regenerated water produced [hm ³]	12	16	12	4	5	5	3	3	3	20	24	20
Total irrigated surface area [ha]	2.193	2.487	2.481	-	-	-	534	730	754	2.726	3.218	3.235

Efficient resource management figures

Figures in the fight against water fraud

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Communications received on suspected acts of fraud	6.702	7.792	6.982	73.995	65.278	1.187	2.872	2.825	1.589	83.569	75.895	9.758
No. of irregularities handled by the courts	98	93	45	-	27	849	59	89	79	157	209	973
Economic valuation of fraud claimed in court [€]	627.715	623.465	629.728	-	40.090	-	160.375	261.373	211.961	788.090	924.928	841.689
Total m ³ of water accounted for [m ³]	6.026.584	4.495.419	4.381.413	973.785	1.037.107	23.208	126.109	210.677	126.095	7.126.478	5.743.203	4.530.716
Total revenues through actions involving fraud in euros	313.586	136.852	345.771	-	19.666	18.866	-	-	50.677	313.586	156.518	415.315
No. of convictions for single connections	939	816	721	7.001	8.937	1.053	59	64	60	7.999	9.817	1.834

Breakage

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Breakage rate for every 1000 km	116,41	114,73	113,67	1.726,89	1.806,04	320,79	3.743,09	5.021,92	5.144,58	783,10	886,14	600,71
Breakage rate for every 1000 connections	7,43	7,83	7,47	44,12	41,57	30,64	40,05	16,71	26,69	25,96	23,12	11,63

Data on losses and self-consumption (% of volume rerouted for consumption in the hydrological year)

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Water measured in final users	83	86	86	51	46	52	58	63	58	70	71	82
Estimation of actual losses in adduction and distribution	3	3	3	37	34	14	38	31	38	17	16	6
Hidden losses in the distribution network	2	3	2	20	29	6	10	10	10	9	12	3
% self-consumption	1,02	0,87	0,71	4,89	5,18	1,16	0,40	0,56	0,43	2,39	2,31	0,72

Efficient resource management figures

Renovation of networks

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Supply												
Length of managed network [km]	17.859	17.981	18.026	5.295	4.306	1.169	2.359	2.396	1.995	25.512	24.682	21.190
Kilometres of network renovated	119	102	159	18	29	0	28	32	94	165	164	253
Renovation rate	0,67	0,57	0,88	0,35	0,68	0,00	1,17	1,35	4,71	0,65	0,66	1,19
Sanitation												
Length of managed network [km]	15.193	15.307	15.435	3.707	3.472	745	673	673	673	19.573	19.452	16.853
Large collectors and outfalls [km]	935	989	989	430	358	221	17	17	17	1.382	1.364	1.226
Municipal sewerage networks [km]	14.258	14.318	14.446	3.277	3.114	524	657	657	657	18.191	18.089	15.627
Kilometres of network renovated	13,64	25,12	2,38	20,39	33,90	1,61	0,48	1,30	0,60	34,51	60,32	4,59
Renovation rate	0,09	0,16	0,02	0,55	0,98	0,22	0,07	0,19	0,09	0,18	0,31	0,03
Recycling/reuse												
Length of managed network [km]	512	589	615	-	-	-	296	296	296	808	885	911
Kilometres of network renovated	-	-	-	-	-	-	12,10	0,00	0,00	12,10	0,00	0,00
Renovation rate	-	-	-	-	-	-	4,090	0,000	0,000	1,498	0,000	0,000

Water quality figures

Summary of types of checks performed

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
WWTP effluents												
Analysed samples	9.354	9.423	13.954	1.891	1.469	703	1.459	1.118	1.358	12.704	12.010	16.015
Analyses performed	66.412	69.799	85.421	22.110	21.215	5.283	10.728	7.990	9.432	99.250	99.004	100.136
Regenerated water												
Analysed samples	7.265	9.315	9.993	-	-	-	889	1.003	1.027	8.154	10.318	11.020
Analyses performed	34.066	48.538	51.362	-	-	-	5.787	7.504	7.292	39.853	56.042	58.654

Water quality figures

Summary of types of checks performed

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Discharges (industrial)												
Analysed samples	141	144	127	442	102	-	7	66	49	590	312	176
Analyses performed	1.522	1.671	2.000	6.380	2.060	-	41	630	509	7.943	4.361	2.509
Water at source												
Analysed samples	16.009	16.354	16.389	7.318	19.017	4.448	54	79	59	23.381	35.450	20.896
Analyses performed	116.397	112.540	120.071	40.652	643.496	14.094	399	865	725	157.448	756.901	134.890
Water before distribution												
Analysed samples	68.396	70.003	71.965	12.391	33.140	4.418	1.492	1.663	1.537	82.279	104.806	77.920
Analyses performed	474.564	485.674	527.559	63.615	1.856.514	17.808	11.397	15.423	13.217	549.576	2.357.611	558.584
Distribution network												
Analysed samples	26.068	25.498	25.160	16.386	18.761	2.732	10.596	8.906	7.549	53.050	53.165	35.441
Analyses performed	393.253	381.264	385.329	150.219	10.079.836	18.377	44.837	53.423	46.900	588.309	10.514.523	450.606
Analysis for other bodies												
Analysed samples	715	739	721	4.996	971	-	-	-	-	5.711	1.710	721
Analyses performed	16.165	16.388	14.860	34.936	5.643	-	-	-	-	51.101	22.031	14.860
Automatic surveillance (water for consumption)												
Analysed samples	700.800	700.800	700.800	31	38	-	-	-	-	700.831	700.838	700.800
Analyses performed	6.096.960	6.096.960	6.096.960	13.851.763	279.818	-	-	-	-	19.948.724	6.376.778	6.096.960
Automatic surveillance (regenerated water)												
Analysed samples	498.672	726.288	726.288	-	-	-	-	-	-	498.672	726.288	726.288
Analyses performed	1.102.464	1.557.696	1.557.696	-	-	-	-	-	-	1.102.464	1.557.696	1.557.696
Virus analyses												
Analysed samples	90	86	92	-	-	-	-	-	-	90	86	92
Analyses performed	180	172	184	-	-	-	-	-	-	180	172	184

Customer service quality

Customer service statistics

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
No. of permanent sales offices	12	11	12	38	39	20	9	9	9	59	59	41
No. of telephone calls fielded	1.032.732	950.360	954.520	765.388	731.579	390.022	58.922	60.603	55.200	1.857.042	1.742.542	1.399.742
Visits to HQ	27.716	26.220	24.366	401.008	357.086	67.874	68.812	69.436	64.734	497.536	452.742	156.974

Detailed virtual office statistics

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Virtual office customers	225.951	253.768	289.693	951.677	1.084.154	-	6.617	7.335	-	1.184.245	1.345.257	289.693
Virtual office contracts	312.466	349.352	398.608	-	-	-	-	-	-	312.466	349.352	398.608
Customers with e-billing	131.514	171.238	233.250	67.080	61.545	66.723	9.111	10.762	11.314	207.705	243.545	311.287
Electronic invoices issued	895.434	1.192.271	1.702.452	791.050	723.290	795.516	56.377	62.984	77.122	1.742.861	1.978.545	2.575.090
Contracts with e-billing	-	-	273.365	-	-	-	-	-	-	-	-	273.365

Degree of compliance with the service charter

	Canal de Isabel II			Filiales internacionales			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Average compliance [%]	99	98	-	100	85	-	99	98	-	100	91	-
No. breaches of the Service Charter	121	280	1.102	-	-	-	-	-	-	121	280	1.102

Invoicing claims

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Facturas emitidas	8.767.282	8.873.422	8.982.586	10.905.421	10.576.966	4.438.971	724.898	704.232	738.487	20.397.600	20.154.620	14.160.044
% Reclamaciones recibidas sobre facturas emitidas	0,25	0,26	0,25	0,36	0,34	0,17	0,28	0,33	0,39	0,31	0,30	0,24
% Favorables al cliente	75	75	75	25	23	27	74	73	71	44	44	64

Customer service quality

Customer satisfaction level

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Company												
Satisfaction level (1-10)	7,84	8,20	8,23	8,40	8,19	6,74	6,60	6,60	7,84	7,97	8,14	8,13
Sector												
Satisfaction level (1-10)	7,02	7,86	8,35	7,97	7,04	6,58	-	-	-	7,29	7,82	8,25

Type of complaints received commercial contact

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Type of complaints resolved												
Accessibility and usability (Virtual Office)	-	115	107	-	-	-	-	-	0	-	115	107
Information	-	314	430	-	-	1.693	-	-	9	-	314	2.132
Customer/citizens service	-	81	108	-	-	9.503	-	-	9	-	81	9.620
Administrative procedures	-	2.458	1.656	-	-	24	-	-	13	-	2.458	1.693
Economic disagreement	-	591	545	-	-	839	-	-	5	-	591	1.389
Service rendered	-	2.887	4.919	-	-	9.148	-	-	79	-	2.887	14.146
Water quality	-	357	487	-	-	72	-	-	5	-	357	564
Environment, health and safety and others	-	6	10	-	-	1.602	-	-	5	-	6	1.617
Cancelled	-	201	681	-	-	-	-	-	0	-	201	681
Transferred to Customer Ombudsman Office	-	304	511	-	-	-	-	-	26	-	304	537

Consumption and energy production

Consumption and energy production (kWh)

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Electricity consumption by activity												
Supply	141.526.736	204.523.232	164.094.464	151.596.384	153.465.568	877.344	108.584.136	112.370.416	106.847.208	401.707.264	470.359.200	271.819.008
Sanitation	272.391.104	277.491.360	288.481.696	17.567.488	17.575.360	7.277.107	9.652.396	9.581.440	8.613.672	299.610.976	304.648.160	304.372.480
Other areas	25.203.704	23.803.790	22.631.660	2.689.421	2.814.345	1.392.130	1.928.090	2.839.036	2.955.887	29.821.214	29.457.172	26.979.676
Electricity consumption per m ³ of rerouted water	0,839	0,947	0,929	0,558	0,612	0,225	2,884	2,884	2,932	0,837	0,938	1,025
Electricity production												
Self-consumption	119.692.160	122.093.544	129.787.856	71.355.520	75.262.616	-	669.490	18.455.988	1.807.900	191.717.168	215.812.144	131.595.760
Sold to the grid	141.049.744	119.045.408	180.615.408	-	-	-	77.410.016	49.127.832	66.651.300	218.459.760	168.173.248	247.266.704

Waste produced and managed by the companies

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Residuos no peligrosos	32.589.502	31.042.990	35.943.536	11.541.528	10.556.583	192.532	5.224.673	5.355.066	5.538.162	49.355.704	46.954.640	41.674.232
Residuos peligrosos	282.660	230.757	246.979	11.933	31.967	3.337	18.204	19.915	22.974	312.797	282.639	273.290

Employee figures

Workforce diversity

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total workforce	2.590	2.611	2.808	3.095	3.090	3.784	826	803	709	6.511	6.504	7.301
Interns and trainees	83	92	78	204	177	66	10	9	9	297	278	153
According to workday type												
Full-time	2.476	2.501	2.674	3.047	3.054	3.704	799	762	668	6.322	6.317	7.046

Employee figures

401-1 Workforce diversity

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Part-time	114	110	134	48	36	80	27	41	41	189	187	255
According to contract type												
Indefinite	1.581	1.540	1.474	2.977	2.943	3.650	485	483	505	5.043	4.966	5.629
Temporary	895	961	1.200	71	111	79	314	279	165	1.280	1.351	1.444
By sex												
Female	816	853	926	786	752	768	138	164	124	1.740	1.769	1.818
Male	1.774	1.758	1.882	2.309	2.338	3.015	688	639	585	4.771	4.735	5.482
Employees with disability												
Workers with some degree of disability	22	22	55	18	17	33	11	11	12	51	50	100
External workers												
No. of external workers***	3.372	3.256	3.663	2.788	2.757	708	390	442	242	6.550	6.455	4.613
Total	31	40	47	16	21	25	13	10	10	23	30	33

401-3 Retention and hiring

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Male												
Employees entitled to paternity leave	35	23	22	25	22	7	14	14	22	74	59	51
Employees who ended paternity leave in the previous year	30	35	23	25	22	8	20	8	13	75	65	44
Employees reinstated after paternity leave in the previous year	32	35	23	25	21	8	19	8	13	76	64	44
Employees who retain employment 12 months after reinstatement	32	35	23	19	21	8	13	8	12	64	64	43
Rate of reinstatement [%]	107	100	100	100	95	100	95	100	100	101	98	100
Rate of retention [%]	100	100	100	76	100	100	68	100	92	84	100	98

Employee figures

Retention and hiring

	Canal de Isabel II			International subsidiaries			National subsidiaries			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Female												
Employees entitled to maternity leave	16	10	11	57	26	23	4	5	2	77	41	36
Employees who ended maternity leave in the previous year	15	13	10	36	26	18	3	2	3	54	41	31
Employees reinstated after maternity leave in the previous year	17	13	10	35	25	16	3	2	3	55	40	29
Employees who retain employment 12 months after reinstatement	17	13	10	41	21	21	2	1	3	60	35	34
Rate of reinstatement [%]	113	100	100	97	96	89	100	100	100	102	98	94
Rate of retention [%]	100	100	100	117	84	131	67	50	100	109	88	117
Total												
Employees entitled to paternity leave	51	33	33	82	48	30	18	19	24	151	100	87
Employees who ended paternity leave in the previous year	45	48	33	61	48	26	23	10	16	129	106	75
Employees reinstated after paternity leave in the previous year	49	48	33	60	46	24	22	10	16	131	104	73
Employees who retain employment 12 months after reinstatement	49	48	33	60	42	29	15	9	15	124	99	77
Rate of reinstatement [%]	109	100	100	98	96	92	96	100	100	102	98	97
Rate of retention [%]	100	100	100	100	91	121	68	90	94	95	95	105

Employee turnover

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total hired	324	359	516	717	896	2.955	128	110	127	1.169	1.365	3.598
Male	194	223	327	550	708	2.457	108	87	115	852	1.018	2.899
Female	130	136	189	167	188	498	20	23	12	317	347	699
Under 30 years old	231	276	356	331	388	670	37	26	31	599	690	1.057
Between 30 and 50 years old	88	75	144	344	454	1.947	78	77	78	510	606	2.169

Employee figures

Employee turnover

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Over 50 years old	5	8	16	42	70	338	13	7	18	60	85	372
Total resigned/dismissed	251	338	266	706	907	1.350	107	133	226	1.064	1.378	1.842
Male	163	238	176	514	677	1.090	90	106	195	767	1.021	1.461
Female	88	100	90	192	230	260	17	27	31	297	357	381
Under 30 years old	104	160	125	285	314	331	20	20	28	409	494	484
Between 30 and 50 years old	87	123	91	347	511	830	66	94	140	500	728	1.061
Over 50 years old	60	55	50	74	82	189	21	19	58	155	156	297
Voluntary dismissals	40	41	49	280	119	103	15	21	16	335	181	168
Male	14	24	23	191	76	55	15	14	14	220	114	92
Female	26	17	26	89	43	48	-	7	2	115	67	76
Under 30 years old	28	30	32	137	38	50	8	7	5	173	75	87
Between 30 and 50 years old	12	11	16	124	59	50	6	13	10	142	83	76
Over 50 years old	-	-	1	19	22	3	1	1	1	20	23	5

Occupational health and safety

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Occupational accidents and illnesses												
Total number of workers exposed to occupational risks	2.486	2.509	2.607	3.057	2.926	3.728	824	803	703	6.367	6.238	7.037
Accidents at work (excluding <i>in itinere</i>)	124	111	114	89	91	94	147	147	133	360	349	341
Accidents with leave (excluding <i>in itinere</i>)	67	54	56	75	28	49	57	73	62	199	155	167
Average duration (days)	9	7	9	11	4	6	6	10	7	8	7	7

Employee figures

Occupational health and safety

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Days lost	1.093	798	994	1.010	341	545	867	1.408	968	2.970	2.547	2.507
Frequency rate of accidents with sick leave	16	13	13	11	4	5	42	55	53	16	12	12
Frequency rate of total accidents (excluding in itinere)	30	27	27	13	13	10	109	110	114	29	28	24
Severity rate	0,26	0,20	0,24	0,15	0,05	0,06	0,64	1,06	0,83	0,24	0,20	0,17
Incidence rate (excluding in itinere)	26,95	21,52	21,48	24,53	9,57	13,14	69,18	90,94	88,25	31,25	24,85	23,73
Fatalities (number)	-	-	-	1	-	2	-	-	-	1	-	2
No. of cases of work-related illnesses	-	-	-	-	-	1	-	-	-	-	-	1
Rate of work-related illnesses	-	-	-	-	-	0,0001	-	-	-	-	-	0,0001
Hours worked												
Hours worked	4.136.598	4.062.734	4.212.190	6.895.379	7.152.983	9.025.798	1.347.493	1.332.181	1.171.309	12.379.469	12.547.897	14.409.297
Total hours worked by employees with indefinite contracts	2.667.522	2.578.227	2.516.460	6.811.689	7.079.123	8.937.968	815.641	819.829	884.956	10.294.851	10.477.180	12.339.384
Total hours worked by employees with temporary contracts	1.469.076	1.484.506	1.695.730	83.690	73.860	87.830	531.852	512.352	286.353	2.084.618	2.070.718	2.069.913
Absenteeism												
Absenteeism	178.566	167.750	177.213	70.336	50.951	65.704	62.341	89.056	91.441	311.244	307.757	334.357
Permanent employee hours lost due to absenteeism	138.523	125.351	123.821	65.107	46.991	61.880	52.148	59.506	75.698	255.778	231.849	261.399
Temporary employee hours lost due to absenteeism	40.044	42.398	53.392	5.229	3.960	3.824	10.193	29.550	15.742	55.465	75.908	72.958
Total absenteeism	4	4	4	1	1	1	5	7	8	3	2	2
Absenteeism of employees with permanent contracts	5,19	4,86	4,92	0,96	0,66	0,69	6,39	7,26	8,55	2,48	2,21	2,12
Absenteeism of employees with temporary contracts	3	3	3	6	5	4	2	6	6	3	4	4

Employee figures

Theme-based training

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Languages (hours)	18.999	30.467	23.980	1.986	626	-	-	-	-	20.985	31.093	23.980
Administration and Management of Computer Systems (hours)	4.395	3.822	4.736	2.367	1.765	489	24	226	55	6.786	5.813	5.281
Quality control (hours)	4.322	3.988	3.908	4.405	2.448	1.185	36	158	16	8.763	6.594	5.109
Sales and Customer Relations (hours)	2.603	3.239	5.306	563	1.136	270	521	16	6	3.687	4.391	5.582
Competences/Skills Development (hours)	8.616	6.577	11.473	11.884	12.939	1.590	289	1.851	2.207	20.789	21.367	15.270
Technical Training (hours)	24.069	21.065	19.225	7.394	8.027	2.770	308	1.186	765	31.771	30.278	22.761
Legal-Economic (hours)	3.626	3.956	5.958	1.483	1.314	51	42	29	64	5.151	5.299	6.073
Office Automation and Software Applications (hours)	11.249	11.637	12.012	1.929	621	260	1.630	774	995	14.807	13.032	13.267
Occupational Risk Prevention (hours)	16.193	16.294	17.893	8.173	7.363	12.078	2.593	2.924	509	26.960	26.581	30.480
Fight against corruption (hours)	257	2.617	919	109	2.906	17	-	-	-	366	5.523	936
Others + on-the-job training (hours)	16.222	29.864	33.556	10.190	10.475	8.198	-	-	-	26.412	40.339	41.754

Average hours of training

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Management												
Male	46	56	51	57	34	5	36	33	4	49	49	38
Female	68	61	73	39	15	20	34	39	5	51	32	44
Total	53	58	58	48	20	13	35	36	4	50	40	41
Management support staff												
Male	68	59	65	40	18	16	2	45	31	55	37	47
Female	66	56	67	43	19	13				56	32	47
Total	67	58	66	41	18	15	2	45	31	55	35	47
Post-graduate degree holders												
Male	54	54	58	43	19	40	16	15	19	48	36	53
Female	71	57	76	38	20	46	30	28	12	62	46	70
Total	64	56	67	42	19	42	22	21	16	55	40	61

Employee figures

Average hours of training

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Graduate degree holders												
Male	80	82	120	33	4	7	23	40	78	65	26	105
Female	86	80	100	12	7	8	29	31	80	57	50	89
Total	82	81	110	22	4	7	27	39	78	62	32	97
Middle managers												
Male	46	48	41	15	19	8	33	15	12	31	35	28
Female	131	159	36	50	28	25	22	9	21	56	68	33
Total	49	70	40	27	24	10	32	14	13	37	45	28
Technicians												
Male	51	23	66	21	21	10	25	23	14	33	22	33
Female	56	21	82	58	65	2	19	16	32	55	24	78
Total	53	22	72	23	22	10	24	22	17	38	22	43
Clerical and administrative staff												
Male	45	33	57	20	25	18	14	32	14	27	29	41
Female	37	38	45	23	16	16	12	13	14	30	27	38
Total	39	37	49	22	19	17	13	18	14	29	27	39
Office staff												
Male	31	40	46	13	19	23	13	10	10	22	30	32
Female	45	45	80	93	47	37		8		77	45	46
Total	31	40	47	16	21	25	13	10	10	23	30	33

Wages

Euros	Spain			Colombia		
	2016	2017	2018	2016	2017	2018
Starting entry-level annual salary	16.670	17.453	17.883	2.952	3.212	2.684
Annual interprofessional minimum wage in the country	9.173	9.907	10.303	2.491	3.039	2.684
Starting annual salary/interprofessional minimum wage (%)	182	176	174	119	106	100

Employee figures

Social benefits

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Number of persons with disability or invalidity coverage	3	1	2	-	106	181	2	1	2	5	108	185
Registered in sports activities promoted by the company	748	790	727	612	410	15	-	22	24	1.360	1.222	766
Social benefit expense (€)	417.953	484.755	535.878	4.937.258	6.189.198	5.725.130	39.594	40.748	44.528	5.394.805	6.714.701	6.305.536

Expenditure in R&D&i and information technology and telecommunications

Expenditure in R&D&i

	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
R&D&i & ICT												
R&D&i expenses [euros]	3.530.206	3.256.776	3.744.944	484.711	13.010	55.578	-	-	-	4.014.917	3.269.786	3.800.522
ICT expenses [euros]	16.958.098	32.088.146	32.343.062	3.322.367	8.013.377	4.968.203	5.280.537	5.908.997	5.026.783	25.561.002	46.010.520	42.338.048

Economic performance and investments

Main financial figures for Canal de Isabel II (individual) and Grupo Canal (consolidated) (in millions of euros)

	Canal de Isabel II, S.A. (individual)			Grupo Canal de Isabel II (consolidated*)			
	2016	2017	2018	2016	2017	2018	
Net turnover	866,8	885,7	854,1	Revenues	1.104,2	1.145,7	1.076,4
FY profit/loss	232,7	261,9	210,0	FY profit/loss	245,6	254,6	201,8
Equity	3.172,6	3.285,9	3.483,0	Equity	2.427,4	2.516,7	2.705,9
EBITDA	332,0	365,7	338,2	EBITDA	375,6	416,9	384,9
Debt	982,2	879,9	798,8	Debt	1.082,9	949,2	807,8
Debt / EBITDA	2,96	2,41	2,36	Debt / EBITDA	2,88	2,28	2,10

*In 2018 Triple A Barranquilla not consolidated.

Economic performance and investments

Investment in euros

REGIONALIZACION	Canal de Isabel II			International subsidiaries			Filiales nacionales			Total result		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Land and buildings	10.507.601	3.645.844	4.052.570	855.842	15.292	-	89.292	107.926	-	11.452.736	3.769.062	4.052.570
Catchments and large pipelines	24.668.978	13.085.646	7.241.954	553.590	885.410	-	2.063.949	2.788.842	2.305.032	27.286.516	16.759.897	9.546.985
DWTP	4.158.340	2.369.628	4.765.912	582.059	946.294	-	-	1.583.213	370.040	4.740.399	4.899.135	5.135.953
Distribution networks	37.585.504	35.538.632	35.371.392	4.088.356	2.794.160	181.627	4.366.731	3.175.220	1.883.463	46.040.592	41.508.012	37.436.484
Technical compliance	8.939.057	10.915.054	12.893.587	3.457.023	1.618.491	501.207	-	15.115	-	12.396.080	12.548.660	13.394.794
Sanitation networks	13.937.326	16.576.375	11.792.618	5.793.104	6.080.259	864.480	5.036	182.059	66.714	19.735.466	22.838.692	12.723.811
WWTP	24.377.408	25.669.654	26.096.874	208.293	805.825	-	1.753	-33.490	27.097	24.587.452	26.441.990	26.123.970
Recycling networks	12.757.961	12.862.336	7.066.410	-	-	-	608.963	442.683	-	13.366.924	13.305.019	7.066.410
Deposits	6.708.385	4.308.889	4.330.538	50.468	933.365	-	2.386.473	492.467	155.535	9.145.326	5.734.721	4.486.073
Information and Remote Control systems	12.028.610	16.090.290	8.825.772	515.022	142.689	217.191	102.758	2.473.305	780.076	12.646.390	18.706.284	9.823.039
Other items	11.581.171	12.482.208	5.596.173	8.402.663	4.729.180	2.566.593	1.406.730	940.868	158.537	21.390.564	18.152.256	8.321.303
Total result	167.250.336	153.544.560	128.033.800	24.506.418	18.950.964	4.331.098	11.031.685	12.168.207	5.746.493	202.788.448	184.663.728	138.111.392

APPENDIX I

APPENDIX II

APPENDIX III

Basic technical 2018 information of Canal de Isabel II
business group companies

APPENDIX IV

APPENDIX V

I. Companies devoted to managing the integrated water cycle

Canal de Isabel II (Autonomous Region of Madrid, Spain)

Canal de Isabel II, S.A. is the head company of the Canal business group, providing all the services related to the integrated water cycle: collection, distribution, sanitation and wastewater reuse. Ente Público Canal de Isabel II holds 82.40 % of the company's shares, and the remaining 17.60 % is held by the town councils of 111 municipalities in the Autonomous Region of Madrid.

The company provides integrated water cycle management services to 179 municipalities in the Autonomous Region of Madrid and seven neighbouring municipalities located in the Autonomous Communities of Castilla-La Mancha and Castilla y León. The company's main technical figures at 31 December 2018 were as follows:

SUPPLY	
Number of reservoirs	13
Reservoir capacity (millions of cubic metres)	943.55
Water diverted for consumption in reservoirs and wells in 2018 (millions of cubic metres)	479.87
Number of catchment wells in operation	78
Kilometres of network (treatment and distribution)	17,601
Number of drinking water treatment plants (DWTPs)	14
Treatment capacity (millions of cubic metres per day)	4.55
Number of major regulating reservoirs	34
Storage capacity of large reservoirs (millions of cubic metres)	3.26
Number of small reservoirs	292
Number of major lifting stations	22

SANITATION	
Kilometres of managed municipal sewerage networks	14,956
Kilometres of large collector and outfall networks	877
Number of buffering basins and storm tanks managed	65
Capacity of storm tanks managed (millions of cubic metres)	1.48
Number of wastewater pumping stations managed	133
Number of Wastewater Treatment Plants managed	157
Nominal treatment capacity (millions of equivalent inhabitants)	17.14
Water treated in WWTPs in 2018	489.24

REUSE	
Number of existing reuse plants in 2018	30
Kilometres of regenerated water network managed	589.26
Regenerated water reservoirs	63
Total volume of water regenerated in 2018 (millions of cubic metres)	124.72
Volume of water regenerated for environmental use (millions of cubic metres)	112.62
Volume of water reused for industrial/commercial use (millions of cubic metres)	12.10
Municipalities that have reuse agreements with Canal	23
Golf courses with agreements or contracts	11
Industries and other entities that have reuse agreements with Canal	12

CUSTOMERS AND POPULATION SERVED*	
Number of contracts (millions)	1.48
Population supplied* (millions of inhabitants)	6.37
Supply coverage (% inhabitants)	97
Municipalities served by Canal	180
Population served in sewerage management (millions of inhabitants)	5.60
Sewerage management coverage (% inhabitants)	85
Municipalities managed in sewerage	134
Population served in wastewater treatment (millions of inhabitants)	6.57
Coverage in wastewater treatment** (% inhabitants)	100
Municipalities managed in wastewater treatment***	180

* Includes the Autonomous Region of Madrid and 7 municipalities of Castilla-La Mancha and Castilla y León, which in 2018 totalled 12,102 inhabitants.

** Coverage of wastewater treatment in the Autonomous Region of Madrid is 100 %

*** Includes the Autonomous Region of Madrid and Ontígola (Toledo).



More information about the company's activities can be found on the Canal website at the following link:

<http://www.canaldeisabelsegunda.es>

Canal de Isabel II also has a delegation in the city of Cáceres, in the Autonomous Region of Extremadura, which in 2018 provided services to 3 municipalities in Cáceres province. At the end of 2018, the main figures for this delegation were as follows:

SUPPLY	
Number of managed collection (reservoirs and wells)	2
Water diverted for consumption in collections in 2018 (millions of cubic metres)	9.30
Kilometres of network (adduction + distribution)	425
Number of drinking water treatment plants	1
Daily treatment capacity (cubic metres per day)	47,520
Number of small reservoirs	9
Storage capacity of reservoirs (millions of cubic metres)	0.04

SANITATION	
Kilometres of managed municipal sewerage networks	240
Kilometres of network of managed large collectors and outfalls	112
Number of Wastewater Treatment Plants managed	3
Nominal treatment capacity of WWTPs (thousands of equivalent inhabitants)	162,47
Water treated at WWTPs in 2018 (millions of cubic metres)	8,67

CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	30,314
Population supplied (inhabitants)	56,688
Supply coverage (% inhabitants over total area supplied)	58
Number of municipalities supplied	2
Population served in sewerage management (inhabitants)	54,794
Sewerage management coverage (% inhabitants out of the total area supplied)	56
Number of municipalities managed in sewerage	2
Population served in wastewater treatment (inhabitants)	54,794
Coverage in wastewater treatment (% inhabitants out of the total area supplied)	56
Number of municipalities managed in wastewater treatment	2

Aguas de Alcalá UTE (Alcalá de Henares, Autonomous Region of Madrid, Spain)

Aguas de Alcalá UTE (also known as UTE Alcalá) is the temporary joint venture of concessionary companies (until 2030) to provide drinking water treatment and distribution services and municipal sewerage management services in the city of Alcalá de Henares (Madrid, Spain).

UTE Alcalá was 50% owned by Canal de Isabel II at the end of 2018. The remaining shares of the joint venture were owned by Aqualia Gestión Integral del Agua S.A. (50%) In 2018, UTE Alcalá provided services to the city's 193,751 inhabitants, its main technical figures in 2016 being the following:

SUPPLY	
Water derived for consumption in reservoirs and/or collections (millions of cubic metres)	15.83
Kilometres of network (adduction + distribution)	521
Number of drinking water treatment plants	1
Treatment capacity (millions of cubic metres per day)	0.07
Large regulating reservoirs	1
Storage capacity of large reservoirs (millions of cubic metres)	0,03
Number of small reservoirs	5
Storage capacity of reservoirs (millions of cubic metres)	0.04

SANITATION*	
Kilometres of managed municipal sewerage networks	267
Kilometres of managed large collectors and outfalls network	7
Number of wastewater pumping stations (WWPS)	6
Number of buffering basins and storm tanks managed	3
Capacity of storm tanks managed (cubic metres)	1,525

CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	54,289
Population supplied (inhabitants)	193,751
Supply coverage (% inhabitants)	100
Number of municipalities supplied	1
Population served in sewerage management	193,751
Sewerage management coverage (% inhabitants)	100
Number of municipalities managed in sewerage	1



For more information about Aguas de Alcalá, please visit:
<http://www.aguasdealcala.es>

Canal Gestión Lanzarote

(Islands of Lanzarote and La Graciosa, Autonomous Region of the Canary Islands, Spain)

Canal Gestión Lanzarote, S.A.U. is a company wholly owned by Canal de Isabel II, which began its activity on 1 June 2013. It manages the integrated water cycle in the islands of Lanzarote and La Graciosa, in the Canary Islands (Spain). It serves the population of 7 municipalities which, in 2018, included 205,028 inhabitants and a floating population of 55,769 (permanent transit tourists). At the end of 2018, the company's main figures were as follows:

SUPPLY	
Number of seawater collection managed	4
Water diverted for consumption in collections (millions of cubic metres in 2018)	24.70
Kilometres of network (transportation + distribution)	1,474
Number of seawater desalination plants	4
Daily treatment capacity of desalination plants (millions of cubic metres)	0.09
Number of major regulating reservoirs	1
Storage capacity of large reservoirs (millions of cubic metres)	0.03
Number of small water reservoirs	62
Storage capacity of reservoirs (millions of cubic metres)	0.07
SANITATION	
Kilometres of sewerage networks managed	389
Kilometres of managed large collectors and outfalls networks	10
Number of Wastewater Treatment Plants managed	8
Nominal treatment capacity (millions of equivalent inhabitants)	0,16
Water treated at WWTPs in 2018 (millions of cubic metres)	3,42
REUSE	
Number of reuse plants built until 2018	5
Kilometres of regenerated water network built until 2018	296
Volume of water regenerated in 2018 (millions of cubic metres)	2.92
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	71,582
Population supplied* (inhabitants)	205,028
Supply coverage (% inhabitants)	100
Number of municipalities supplied	7
Population served in sewerage system and wastewater treatment management* (inhabitants)	144,748
Sewerage system and wastewater treatment management coverage (% inhabitants)	71
Number of municipalities managed in sewerage and wastewater treatment	7

* Includes 55,769 permanent transit tourists.

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 For more information about the company, please visit:
<http://www.canalgestionlanzarote.es/>

Triple A

(Barranquilla and Atlántico Department, Colombia)

The **Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A**, provides all services related to the integrated water cycle in the city of Barranquilla, the fourth largest city in Colombia, as well as in 14 other municipalities in the Department of Atlántico. Its outstanding achievements include the spectacular extension of service coverage in 1993 and the fact that all municipalities are supplied 24 hours a day. In addition, the company provides the services of solid waste management and urban cleaning in Barranquilla and 3 other municipalities of the Department.


In 2018, the company supplied a total of 2,245,506 inhabitants. Canal has a 67.91 % stake, the District of Barranquilla has another 14.50 %, and the rest is in the hands of small shareholders.

On 3 October 2018, the Prosecutor General of Colombia adopted an agreement, by virtue of which was ordered the suspension of the power to dispose, seize and confiscate the shares of INASSA, company indirectly controlled by Canal de Isabel II in Triple A de Barranquilla ("Triple A"), which represents 82 % of the share capital of Triple A, and its delivery in custody to the Special Assets Company of Colombia (SAE).

The main technical figures relating to Triple A Barranquilla's integrated water cycle management in 2018 are as follows:

SUPPLY	
Number of collection points managed	4
Water diverted for consumption in collections (millions of cubic metres)	239,769
Kilometres of network (adduction + distribution)	3.518
Number of drinking water treatment plants	4
Daily treatment capacity (millions of cubic metres)	0,72
SANITATION	
Kilometres of managed municipal sewerage networks	2.403
Kilometres of pumping networks	46
Kilometres in other networks	61
Number of Wastewater Treatment Plants managed	10
Nominal treatment capacity (millions of equivalent inhabitants)	0,707
Water treated in WWTPs (millions of cubic metres)	35,304
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	503,984*
Population supplied (inhabitants)	2,814,692
Supply coverage (% inhabitants)	98
Number of municipalities supplied	15
Population served in sewerage management (inhabitants)	2,417,587
Sewerage management coverage (% inhabitants)	98.32
Number of municipalities managed in sewerage	14
Population served in wastewater treatment (inhabitants)	558,442*
Coverage in wastewater treatment (% inhabitants)	24.42*
Number of municipalities managed in wastewater treatment	10*

* Data corresponding to 2017 fiscal year.

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 For more information about Triple A, please visit:
<http://www.aaa.com.co>

ASAA (Riohacha, La Guajira Department, Colombia)


Avanzadas Soluciones de Acueducto y Alcantarillado - ASAA S.A. E.S.P., is the company responsible for water supply and sewerage management in the Colombian city of Riohacha, capital of the Department of La Guajira. shareholders. The company's main figures at the end of 2018 were as follows:

At the end of 2018, the company supplied a total of 230,718 inhabitants. Canal holds 32.50% of its shares, the Riohacha District holds 20% and the rest belongs to other small

SUPPLY	
Number of river collection points managed	1
Water diverted for consumption in river catchments in 2016 (millions of cubic metres)	17.50
Kilometres of network (adduction + distribution)	381
Number of drinking water treatment plants	1
Daily treatment capacity (millions of cubic metres)	0.048
Number of small reservoirs	3
Storage capacity of small reservoirs (millions of cubic metres)	0.012

SANITATION	
Large collectors and outfalls managed (km)	10
Kilometres of managed municipal sewerage networks	217

CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	34,186
Population supplied (inhabitants)	230,718
Supply coverage (% inhabitants over total area supplied)	94
Number of municipalities supplied	1
Population served in sewerage management (inhabitants)	197,070
Sewerage management coverage (% inhabitants out of the total area supplied)	81
Number of municipalities managed in sewerage	1

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 For more information about ASAA, please visit:
<http://www.asaa.com.co>

Amagua (Samborondón/Daule, Guayas Province, Ecuador)

The Canal de Isabel II business group is one of the main shareholders (57%) in **Aguas de Samborondón, Amagua Compañía de Economía Mixta** which provides drinking water distribution services, sewerage management, wastewater treatment and reuse of regenerated wastewater in the urban development area of Cantón Samborondón and in the parishes of La Puntilla and Aurora, in the cantons of Samborondón and Daule, towns located very close to Guayaquil (Ecuador).

The Municipality of Samborondón holds a 30% stake in the company.


In 2018, Amagua supplied 201,372 inhabitants of both municipalities. Its main technical figures at the end of the fiscal year were as follows:

SUPPLY	
Agua el alta bought in 2018 from the Guayaquil supply company (millions of cubic metres)	17,01
Kilometres of network (adduction + distribution)	635

SANITATION	
Kilometres of managed municipal sewerage networks	307
Kilometres of network of managed large collectors and outfalls	211
Number of Wastewater Treatment Plants managed	95
Nominal treatment capacity (millions of equivalent inhabitants)	0.23
Water treated at WWTPs in 2018 (millions of cubic metres)	14.16

REUSE	
Number of reuse plants managed	19
Volume of water regenerated in 2018 (millions of cubic metres)	5.2

CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	50,343
Population supplied (inhabitants)	201,372
Supply coverage (% inhabitants)	100
Number of municipalities supplied	2
Population served in sewerage management (inhabitants)	157,924
Sewerage management coverage (% inhabitants)	78
Number of municipalities managed in sewerage	2
Population served in wastewater treatment (inhabitants)	157,924
Coverage in wastewater treatment (% inhabitants)	78
Number of municipalities managed in wastewater treatment	2

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 For more information about the activities of Amagua – Aguas de Samborondón, please visit:
<http://www.amagua.com>

Fontes da Serra (Township of Guapimirim, State of de Janeiro, Brazil)

Fontes da Serra Saneamento de Guapimirim Ltda. is fully owned by the company Emissão Engenharia e Construções S.A, which was incorporated into the Canal de Isabel II Group in November 2013. Canal holds 67.97% of Emissão's shares and the rest is owned by private individuals.

Fontes da Serra is responsible for supplying the town of Guapimirim in Brazil, and by the end of 2018 it had 10,028 customers and served a population of 57,921 inhabitants. The company's main figures at the end of 2018 were as follows:

SUPPLY	
Number of river collection points managed	1
Water diverted for consumption in collections (millions of cubic metres)	3.73
Kilometres of network managed (adduction + distribution)	153
Number of drinking water treatment plants	1
Daily treatment capacity (millions of cubic metres)	0.010
Number of small reservoirs	2
Storage capacity of small reservoirs (millions of cubic metres)	1.50

CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	10.028
Population supplied (inhabitants)	57.921
Supply coverage (% inhabitants)	100
Number of municipalities supplied	1



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For more information about the activities of Fontes da Serra, please visit:

<http://www.fontesdaserra.com.br/>

II. Companies dedicated to water management support services

Hispanagua (Autonomous Region of Madrid, Spain)

Hispanagua, S.A.U. is a company created in 1995 through the partial spin-off of Hidráulica Santillana. Its main purpose is the construction, maintenance and operation of infrastructures related to water management.

The company is wholly owned by Canal de Isabel II, of which, according to the legislation governing public sector contracts in Spain, it is deemed an instrumental resource. Hispanagua does virtually all its business for Canal de Isabel II in Spain.

Hispanagua S.A.U.'s activity consists of providing services and carrying out works related to supply and sanitation networks (network repairs, connections, inspections, technical assistance, etc.) and the operation of its facilities, such as sewage treatment plants, drinking water treatment plants or pumping stations.

Hispanagua has long experience and is valued and appreciated by other companies in the sector. It manages its own personnel flexibly to meet the needs of the different orders signed with the parent company and of competitive pricing within the sector. Moreover, it is part of a stable and consolidated business group that has been involved in the water business for many years, which manages the integrated water cycle, giving support to all its companies in the necessary matters (technical, financial, support, etc.).

Inassa (Colombia)

Sociedad Interamericana de Aguas y Servicios S.A. (hereinafter Inassa) was established in 1996 as a company providing services related to the integrated water cycle in Colombia and other Latin American countries. It was acquired by Canal de Isabel II in 2001.

The Canal de Isabel II business group controls its stake in Inassa through Canal Extensia, with 81.24% of its shares. Sociedad de Aguas Latinas owns 18.76% of the company and small shareholders make up the rest of its ownership.

Inassa's activity includes consulting, technical assistance, project management, provision of services and/or activities inherent to the integrated water cycle and basic sanitation, the design of technological and commercial services and processes that complement each other, improve and lead to excellence in the management of the integrated water cycle.

Based in Colombia, Inassa is also the operational parent company of the **Inassa corporate** group and has extensive experience in the activities inherent to the integrated water cycle. Either directly or through subsidiaries, it carries out these activities in Latin America where, thanks to its long-standing experience, it has achieved successes in water management by offering different alternatives and raising the level of technical knowledge.

As the operational head of Grupo Canal in Latin America, Inassa has a website providing details of all our activities.



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This link contains all the Group's information in Latin America:

<http://www.grupoinassa.com>

Amerika T.I. (Colombia)

Amerika T.I. was created in 2013. Grupo Canal holds an 81.54% stake in AMERIKA T.I. (Amerika Tecnologías de la Información).

Since 2014, it has been offering the software AMERIKA, an information system that supports an integral solution for public utilities in the sector of drinking water, sewerage and sanitation. The AMERIKA software includes complementary services to keep it up to date in each of the client companies. The services provided by AMERIKA T.I. with respect to the AMERIKA software include:

- AMERIKA as SaaS (Software as a Service).
- Support.
- Management and development of requirements.
- Incident management.
- Consulting
- Software implementation.
- Training.

AMERIKA TI's business model and participation in the water cycle is horizontal through the INASSA Group companies

where AMERIKA software is implemented, collaborating in achieving their objectives. Therefore, the measurement of the Company's results refers not only to economic aspects but is also oriented towards complying with quality indicators in the provision of services and/or products.



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For more information about the activities of AMERIKA TI, please visit:

<http://www.amerikati.co>

GESTUS – Gestión y Servicios (Colombia)

The company **GESTUS – Gestión y Servicios**, established in 2000, began its journey as a company whose main activity was providing professional tax collection services for entities in the district of Santa Marta and the municipality of Villavicencio, in Colombia. Grupo Canal holds an 80.46% stake in the company.

Actualmente, las actividades de GESTUS consisten en:

- Collection management services, suspension and/or cutting-off and reinstallation of the service.
- Metre reading.
- Invoicing inspection.

- Metre installation and replacement
- Storage and commercialisation of all types of materials, especially those of a hydraulic nature.
- Installation of connections, civil works replacing drinking water metres in the connections of subscribers and/or users of public utilities.
- Repair and maintenance of public service networks, care of household leaks, installation, replacement, inspection of public service metres, and solving anomalies thereof, completing of civil works.
- Express courier services.

AAA Dominicana (Dominican Republic)

AAA Dominicana S.A. began its operation in the Dominican Republic with the contract for commercial management and installation of metres in the western part of the city of Santo Domingo, signed with Corporación de Acueducto y Alcantarillado de Santo Domingo (CAASD) to serve a population of almost 1.5 million inhabitants. The Canal de Isabel II business group holds 52.81% of the company's shares.

Currently, AAA Dominicana's clients include the country's public institutions, such as the utility companies that provide public water and sewerage services (CAASD, Coraaplata, Coraavega) and the City Council of Santo Domingo (ADN).

AAA Dominicana's business model involves the implementation of the commercial management of the services provided by each of its clients. This commercial management includes the following aspects:

- Value proposal to the customer: AAA Dominicana involves all the management in a quality system that begins with the collection and updating of basic, cadastral and commercial data of the service's users, allowing daily commercial updates that result in total coverage in billing of the service provided.

- Customer service: as the main focus of management, it is used by AAA Dominicana to maintain direct contact with service customers.
- Collection management: targeted at those users who, for one reason or another, omit the payment of their monthly invoice. AAA Dominicana tries to establish a link with users that allows them to incentivise the payment culture and to incorporate these users into the group of users on the day they pay their monthly invoices.

Inassa Panamá (Republic of Panama)

Inassa Panamá is a delegation of the Colombian company Inassa and began its activities in 2011. The company provides advisory and operational services for the commercial and technical management of companies in the domestic utilities sector.

Inassa Panamá currently manages the customer portfolio of the Instituto de Acueductos y Alcantarillados Nacionales (National Aqueduct and Sewerage Institute) in much of the Republic of Panama. It is also in charge of taking readings and distributing bills for IAAN.

Thanks to the experience gained by the Canal Group companies, INASSA Panama advises its clients in the improvement of the activities and processes under its responsibility, including a wide portfolio of services that include both operational and technical issues in the integrated water cycle, like commercial and customer service.



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For more information about the activities of Inassa in Panama, please visit:

<http://www.inassa.com.pa>

Inassa Ecuador (Republic of Ecuador)

Inassa Ecuador, a delegation of the Colombian company Inassa, began its activities in the middle of 2012. The company provides consulting services in the execution of engineering projects and the inspection of works, as well as activities inherent to the integrated water cycle: technical assistance to infrastructure works, design, project supervision and environmental consulting.


Emissão (Rio de Janeiro and other Brazilian States)

The Brazilian company **Emissão, S.A.** was incorporated into the Canal Group in November 2013 and is headquartered in Rio de Janeiro, Brazil. Canal holds 67.97 % of Emissão's shares and the rest is owned by private individuals. At the end of 2018, the main activities of the company and its subsidiaries were as follows:

- Execution of general infrastructure works.
- Waste management and decontamination activities.
- Computerised reading +of water metres, with simultaneous delivery of bills.

The company's clients are government agencies such as municipal councils, the State Government and water and sewerage companies.


In addition to these activities, Emissão through its subsidiary Fontes de Serra, is in charge of managing the supply to the city of Guapimirim in Brazil, which had 10,028 customers and served a population of 57,921 inhabitants at the end of 2018.

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 For more information about the company and its services, please visit:
<http://www.emissao.com.br>

Other water cycle management ancillary companies that the Canal Group holds shares in

GSS Venture (Spain)

GSS Venture, S.L is 25 % owned by Canal de Isabel II. Its corporate purpose is providing telemarketing and customer service services, developed through the telephone network or any other telematic means. GSS is currently the company that handles the customer service call centre of Canal de Isabel II in Spain.

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 For more information on GSS Group and its services, in which GSS Venture is included, please visit:
<http://www.grupogss.com/>

III. Companies engaged in activities that are in synergy with integrated water cycle management services

Hidráulica Santillana (Hydroelectric Production. Autonomous Region of Madrid, Spain)

Hidráulica Santillana S.A. (hereinafter, HS) was acquired in 1965 by Canal de Isabel II. The company split in 1995, separating the activities related to the integral cycle (for which Hispanagua was created) from those of energy production, which is the main activity of HS at present. The company is wholly owned by the Canal de Isabel II business group.

HS's activity involves the generation of hydroelectric power by operating eight plants that take advantage of the waterfalls in Canal de Isabel II reservoirs in the Autonomous Region of Madrid. Of the eight plants, seven are owned by Canal and one by Hidráulica Santillana. The main technical figures for HS at the end of 2018 were as follows:

FACILITIES AND PRODUCTION OF HYDROELECTRIC POWER	
Number of hydroelectric power plants managed by Hidráulica Santillana	8
Installed power in hydropower plants (MW)	34.85
Total hydroelectric production in 2018 (millions of kWh)	68.459

Canal de Comunicaciones Unidas – CCU (Telecommunications and information technology. Autonomous Region of Madrid, Spain)

Canal de Comunicaciones Unidas, S.A. Sociedad Unipersonal (hereinafter, CCU), wholly owned by the Canal de Isabel II business group, is engaged in the information technology and telecommunications sector. CCU's activities include the following:


- Integral technical manager of the TETRA Digital Trunking System in the Community of Madrid, which includes the provision of maintenance services for TETRA Infrastructures and the unified supervision of the telecommunications systems of Canal de Isabel II, S. A.

- Site management, consultancy and infrastructure maintenance in the area of Automation and Remote Control of Processes of Canal de Isabel II, S.A. (maintenance of more than 1,500 sites).
- Development of information systems and M2M in the field of telecommunications services.

CCU's main client is Canal de Isabel II. Furthermore, it has other customers from the Canal Group (Hispanagua) as well as third parties (Dragados, FCC, etc.) to which it provides fleet location and management services using GPS technology.

The main technical figures for Canal de Comunicaciones Unidas at the end of the 2018 fiscal year were as follows:

COMMUNICATIONS	
Number of stations in the digital mobile radio (trunking) network	110
Number of digital trunking terminals	5.910
Number of customers to whom communication services are provided	117
Number of GPS trackers in the fleet management service	912
Coverage of telecommunications systems managed in square kilometres	10.606

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 For more information about CCU and its services, please visit:

<https://www.canaldecomunicaciones.es/>

Triple A Barranquilla (Solid waste management and urban cleaning. Barranquilla and Atlántico Department, Colombia)


In addition to the management of the integrated water cycle, **Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P.** - Triple A provides all the services related to solid urban waste management and urban cleaning (services known as "sanitation" in Colombia) in Barranquilla since 1993 and in 5 municipalities in the Department of Atlántico in 2016. Canal de Isabel II owns 67.91 % of its shares.

The Los Pocitos Environmental Park landfill is one of Triple A's most important achievements, in terms of the final disposal of rubbish from Barranquilla and its metropolitan area. It was built in 2009 respecting the regulations in force in Colombia and taking into account the latest technologies and engineering standards to minimise environmental impacts.

ACTIVITY INDICATORS AND PARAMETERS OF THE SANITATION SERVICE	
Number of municipalities served in solid waste collection	7
Number of municipalities served in street cleaning	4
Number of inhabitants served in solid waste collection	1.927.865
Number of inhabitants served by street cleaning services	1.919.590
Coverage of cleaning services (in percentage of population)	100 %
Number of kilometres of street cleaning	1.206.822
Quantity of hazardous waste collected, managed and treated (tonnes)	3.513*
Total number of landfills managed	1
Managed landfill capacity (cubic metres)	15.100.435

Amount of household waste collected (tonnes)	630.624
Quantity of waste dumped in landfills (tonnes)	180.019*
Waste collection routes	234
High-volume customers (number)	3.121
Amount of leachate produced (cubic metres)	64.975
Amount of leachate treated (cubic metres)	43.811

* Data from 2017 fiscal year.

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 For more information about the activities of Triple A Barranquilla, please visit:

<http://www.aaa.com.co>

Other companies in which Grupo Canal has shares

Canal Extensia, S.A.U. is the holder of the shares of all the Group's Latin American companies.

Soluciones Andinas de Agua, located in Uruguay, was formed to hold 75% of the shares held by the Canal Group in the Brazilian company Emissão.

AAA Ecuador, located in Ecuador, holds 70% of the shares of Amagua. Ocio y Deporte Canal, S.L.U., wholly owned by Canal and located in Madrid. Its purpose is the management of sports facilities by undertaking activities involving the enhancement or use of networks or infrastructures in the management of which Canal de Isabel II SA participates, and specifically the exercise of commercial and sports use of infrastructure in the management of which Canal de Isabel II SA participates, and that they represent an added value for their users.

Ocio y Deporte Canal, S.L.U., wholly owned by Canal and located in Madrid. Its purpose is the management of sports facilities by undertaking activities involving the enhancement or use of networks or infrastructures in the management of which Canal de Isabel II SA participates, and specifically the exercise of commercial and sports use of infrastructure in the management of which Canal de Isabel II SA participates, and that they represent an added value for their users.

Companies with discontinued activities

Metroagua, S.A, E.S.P. (Colombia) was the company in charge of managing the water cycle in the city of Santa Marta (Magdalena Department, Colombia). Its contract, not renewed, finalised on 17 April 2017, activities being discontinued from that date (currently in the liquidation phase).

Canal Energía (Spain).

APPENDIX I

APPENDIX II

APPENDIX III

APPENDIX IV

Auditor's report on the contents of Canal de Isabel II
Annual Report 2018

APPENDIX V



INFORME DE VERIFICACIÓN INDEPENDIENTE DEL INFORME ANUAL 2018 DE CANAL ISABEL II, S.A.

A la Dirección de Canal Isabel II, S.A.

De acuerdo con nuestra carta de encargo, hemos revisado la información contenida en el Informe Anual 2018 de Canal Isabel II, S.A. correspondiente al ejercicio cerrado a 31 de diciembre de 2018 (en adelante, "el Informe")

Responsabilidad de los administradores

La Dirección de Canal Isabel II, S.A. es responsable de la preparación y presentación del informe de conformidad con la Nueva Guía GRI Standards para la elaboración de Memorias de Sostenibilidad de Global Reporting Initiative, en su opción exhaustiva, según lo que se describe en el apartado "Acerca de este Informe" y respondiendo a los indicadores GRI establecidos en el Anexo 5, también del Informe. Asimismo, es responsable del cumplimiento de los criterios de los indicadores 102-46 sobre "Definición de los Contenidos de los Informes y las Coberturas del Tema" y 102-47 "Lista de temas materiales", habiendo obtenido confirmación de Global Reporting Initiative sobre la correcta aplicación de los mismos. La Dirección también es responsable de la información y las afirmaciones contenidas en el mismo, de la determinación de los objetivos de Canal Isabel II, S.A. en lo referente a la selección y presentación de información sobre el desempeño en materia de desarrollo sostenible, incluyendo la identificación de los grupos de interés y de los asuntos materiales; y del establecimiento y mantenimiento de los sistemas de control y gestión del desempeño de los que se obtiene la información.

Estas responsabilidades incluyen el establecimiento de los controles que la Dirección considere necesarios para permitir que preparación de los indicadores con un nivel de aseguramiento limitado estén libres de errores materiales debidos a fraude o errores.

Nuestra independencia y control de calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código de Ética para Profesionales de la Contabilidad emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Nuestra firma aplica la Norma Internacional de Control de Calidad 1 (NICC 1) y mantiene, en consecuencia, un sistema global de control de calidad que incluye políticas y procedimientos documentados relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

Nuestra responsabilidad

Nuestra responsabilidad es llevar a cabo una revisión limitada y, basado en el trabajo realizado, emitir este informe. Hemos llevado a cabo nuestro trabajo de conformidad con la Norma ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, y con la Norma ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, emitidas por el International Auditing and Assurance Standard Board (IAASB). Estas normas exigen que planifiquemos y realicemos nuestro trabajo de forma que obtengamos un nivel significativo de seguridad sobre si el informe está exento de errores materiales.

Se ha aplicado la norma ISQC1 (International Standard on Quality Control 1) y de conformidad con la misma mantenemos un sistema integral de control de calidad que incluye políticas y procedimientos documentados en relación al cumplimiento de los requerimientos éticos, estándares profesionales y requerimientos legales y regulatorios aplicables.

Hemos cumplido con los requerimientos de independencia y otros requerimientos éticos del Code of Ethics for Professional Accountants emitido por el International Ethics Standards Board for Accountants, el cual está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Procedimientos de revisión limitada

Nuestro trabajo de seguridad limitada se ha llevado a cabo mediante entrevistas con la Dirección y las personas encargadas de la preparación de la información incluida en el informe y la aplicación de procedimientos analíticos y otros dirigidos a recopilar evidencias, como:

- La comprobación de los procesos que dispone Canal Isabel II, S.A. para determinar cuáles son los aspectos materiales, así como la participación de los grupos de interés en los mismos.
- La comprobación, a través de entrevistas con la Dirección y con otros empleados relevantes, tanto a nivel de grupo como a nivel de las unidades de negocio seleccionadas, en cuanto a la existencia de una estrategia y políticas de sostenibilidad y Responsabilidad Corporativa para atender a los asuntos materiales, y su implantación a todos los niveles de Canal Isabel II, S.A.
- La evaluación de la consistencia de la descripción de la aplicación de las políticas y la estrategia en materia de sostenibilidad, gobierno, ética e integridad de Canal Isabel II, S.A.
- El análisis de riesgos, incluyendo búsqueda en medios para identificar asuntos materiales durante el ejercicio cubierto por el Informe.
- La revisión de la consistencia de la información que responde a los Contenidos Básicos Generales con los sistemas o documentación interna.
- El análisis de los procesos de recopilación y de control interno de los datos cuantitativos reflejados en el Informe, en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión en base a muestreos.
- La revisión de la aplicación de los requerimientos establecidos en la Nueva Guía GRI Standards para la elaboración de Memorias de Sostenibilidad de Global Reporting, según la opción de conformidad exhaustiva.



- La lectura de la información incluida en el Informe para determinar si está en línea con nuestro conocimiento general y experiencia, en relación con el desempeño en sostenibilidad de Canal Isabel II, S.A.
- El contraste de la información financiera reflejada en el Informe con la incluida en las cuentas anuales de Canal Isabel II, S.A. auditadas por terceros independientes.

Nuestro equipo multidisciplinar ha incluido especialistas en el desempeño social, ambiental y económico de la empresa.

Los procedimientos llevados a cabo en un encargo de aseguramiento limitado varían en naturaleza y tiempo empleado, siendo menos extensos que los de un encargo de aseguramiento razonable. Consecuentemente, el nivel de aseguramiento obtenido en un trabajo de revisión limitado es inferior al de uno de aseguramiento razonable. El presente informe en ningún caso puede entenderse como un informe de auditoría.

Conclusiones

Nuestra conclusión se basa y está sujeta a los aspectos indicados en este Informe de Revisión Independiente. Consideramos que la evidencia que hemos obtenido proporciona una base suficiente y adecuada para nuestras conclusiones.

En base a los procedimientos realizados y a la evidencia obtenida, tal y como se describe anteriormente, no se ha puesto de manifiesto ningún aspecto que nos haga creer que el Informe Anual de Canal Isabel II, S.A. del ejercicio cerrado a 31 de diciembre de 2018 no haya sido preparado, en todos los aspectos significativos, de acuerdo con la Nueva Guía GRI Standards de Global Reporting Initiative, en su opción exhaustiva, según los detallado en el apartado "Acerca de este Informe" y respondiendo a los indicadores GRI establecidos en el Anexo 5 también del Informe, lo que incluye la fiabilidad de los datos, la adecuación de la información presentada y la ausencia de desviaciones y omisiones significativas.

En otro documento, proporcionaremos a la Dirección de Canal Isabel II, S.A. un informe interno que contiene todos nuestros hallazgos y áreas de mejora.

Propósito de nuestro informe

Nuestro informe se emite únicamente a la Dirección de Canal Isabel II, S.A., de acuerdo con los términos de nuestra carta de encargo, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

Esta comunicación, debe ser leída y acompañada del Informe Anual 2018 de Canal Isabel II, S.A. sujeto a formulación y se realiza para el conocimiento y uso de la Dirección de Canal Isabel II, S.A. y sus consolidadas y sus sociedades dependientes y, por consiguiente, no debe utilizarse para ninguna otra finalidad. Quedamos a su disposición para cualquier aclaración que pudieran necesitar.

Les saludamos atentamente,

AUREN AUDITORES SP, S.L.P.

Juan José Jaramillo



APPENDIX I

APPENDIX II

APPENDIX III

APPENDIX IV

APPENDIX V GRI Table of Contents

GRI DISCLOSURES LIST

GRI-100 Universal Standards

GRI 101 Fundamentals 2016

GRI 102 General Disclosures 2016



Organizational profile	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
102-1 Name of the organization			Canal de Isabel II, S.A.			
102-2 Activities, brands, products, and services	1.2. Our activity, 5. The Canal Group.	11-15, 100-108	Canal does not sell any product or service that is questioned by interest groups or subject to public debate.			
102-3 Location of headquarters			Calle de Santa Engracia, 125. Madrid, Spain.			
102-4 Location of operations	5.1. Canal Group activities and geographical location.	100-104				
102-5 Ownership and legal form	1.3. Organization of the company.	16	Mercantile corporation with 100 % publicly-owned capital.			
102-6 Markets served	5.1. Canal Group activities and geographical location, Appendix 2 : number of customers and population served.	100-104, 143				
102-7 Scale of the organization	1.1. Main figures in the Madrid Region, 5.1 Canal Group: activities and geographical location.	9-10, 100-101				

GRI-100 Universal Standards

GRI 101 Fundamentals 2016

GRI 102 General Disclosures 2016

Organizational profile	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
102-8 Information on employees and other workers	4.8. Canal employees, 5.4. Employees of the Group companies, Appendix 1: Canal employees, Appendix 2: numbers relating to employees.	79-81, 104, 133-138, 153-160	This information comes from the (SAP) computer systems of the human resources management departments. Temporary employees perform the same functions as permanent employees.			At the end of 2018, the total indirect employment generated by the Canal Group companies was 4,594 workers of its contractors. These companies generally carry out works and services for the operation and maintenance of facilities, sales services, safety & security, and support for administrative activities.
102-9 Supply chain	4.10 With our suppliers.	96-98				
102-10 Significant changes to the organization and its supply chain	4.10 With our suppliers.	96-98	During 2018, the new Public Sector Contracts Act came into force. For this reason, and among other new developments, we have promoted the inclusion of environmental and social conditions in our specifications.			
102-11 Precautionary Principle or approach	4.4.1 Environmental management in 4.7.2. Canal Corporate governance in Canal de Isabel II.	46-47, 70-72				
102-12 External initiatives	4.7.3. Social commitment.	75-76	United Nations Global Compact.			
102-13 Membership of associations	3.3. Our stakeholders, 4.7.3. Social commitment.	28, 75-77				
Strategy						
102-14 Statement from senior decision-maker	Message from the Chairman of the Board of Directors, Message from the Executive Vice President.	5-7				
102-15 Main impacts, risks and opportunities	2.2. Strategic context: our future challenges.	21-24				

GRI-100 Universal Standards

GRI 101 Fundamentals 2016

GRI 102 General Disclosures 2016

Organizational profile	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
Ethics and integrity						
102-16 Values, principles, standards, and norms of behavior	4.7.2. Corporate governance in Canal.	67-70				
102-17 Mechanisms for advice and concerns about ethics	4.7.1. Relations with government and transparency in management , 4.7.2. Corporate governance in Canal.	67-69, 70				
Government						
102-18 Governance structure	1.3. Organization of the company.	16-17	Decisions about economic, social and environmental issues are approved by the Board. In 2018 all decisions related to the Strategic Plan being were especially significant.			
102-19 Delegating authority	1.3. Organization of the company.	16-17	The Board delegates certain decisions to the Management Committee.			
102-20 Executive-level responsibility for economic, environmental, and social topics	1.3. Organization of the company.	16-17	Management Committee.			
102-21 Consulting stakeholders on economic, environmental, and social topics	1.3.5 Organization to monitor progress of the 2018-2030 Strategic Plan , 3.3. Our stakeholders, About this report.	18, 28, 110				
102-22 Composition of the highest governance body and its committees	1.3.2. Governing Bodies.	16-17				
102-23 Chair of the highest governance body	1.3.2. Governing Bodies.	16-17				
102-24 Nominating and selecting the highest governance body	1.3.2. Governing Bodies.	16-17	Proprietary directors are so according to their position in the different entities. Proprietary directors are proposed by the Appointments and Remuneration Committee. In all cases, it is the Shareholders' Meeting that approves their appointment.			

GRI-100 Universal Standards

GRI 101 Fundamentals 2016

GRI 102 General Disclosures 2016

Organizational profile	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
102-25 Conflicts of interest				None.	None.	More information can be found in our Annual Corporate Governance Report, which can be found in the shareholders section of our website.
102-26 Role of highest governance body in setting purpose, values, and strategy	1.3. Organization of the company.	16				
102-27 Collective knowledge of highest governance body				Not done.	Not done.	An refresher program for directors will be started in 2019.
102-28 Evaluating the highest governance body's performance				Not done.	Not done.	To be included in the Board's Rules of Procedure (currently in preparation).
102-29 Identifying and managing economic, environmental, and social impacts	About this report.	110-112				
102-30 Effectiveness of risk management processes	4.7.2. Corporate governance in Canal.	72				
102-31 Review of economic, environmental, and social topics	1.3.3.Organization and senior management , 1.3.5.Organization to monitor progress of the 2018-2030 Strategic Plan.	17-18				
102-32 Highest governance body's role in sustainability reporting	1.3.3.Organization and senior management , 1.3.5. Organization to monitor progress of the 2018-2030 Strategic Plan.	17-18		The material aspects have been defined and approved by the governing and management bodies in the process of drawing up the new 2018-2030 Strategic Plan.		
102-33 Communicating critical concerns				Not done in 2018.	Not done in 2018.	A first document will be published in 2019 to monitor all the indicators of the Strategic Plan during 2018.
102-34 Nature and total number of critical concerns	4. Canal's strategic directions: our performance in 2018 and future goals.	32-34				

GRI-100 Universal Standards

GRI 101 Fundamentals 2016

GRI 102 General Disclosures 2016

Organizational profile	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
102-35 Remuneration policies	4.7.2. Corporate governance in Canal.	71				Employee remuneration is established by the Collective Bargaining Agreement and approved by the Department of Economy and Finance of the Madrid Regional Government.
102-36 Process for determining remuneration	4.7.2. Corporate governance in Canal.	71				
102-37 Stakeholders' involvement in remuneration				Not done.	Not done.	
102-38 Annual total compensation ratio	4.7.2. Corporate governance in Canal.	71				
102-39 Percentage increase in annual total compensation ratio	4.7.2. Corporate governance in Canal.	71				Remuneration and increases are regulated by the Department of Economy and Finance of the Regional Government in accordance with the provisions of the annual budget laws.
Stakeholder engagement						
102-40 List of stakeholder groups	3.3. Our stakeholders.	28				
102-41 Collective bargaining agreements	4.8.4. Equality of opportunity in Canal de Isabel II.	82				
102-42 Identifying and selecting stakeholders	3.3. Our stakeholders.	28				
102-43 Approach to stakeholder engagement	3.3. Our stakeholders, 4.6.3. Client and user assistance.	28, 63-65				
102-44 Key topics and concerns raised	2.2. Strategic context: our future challenges, 4.6.3. Client and user assistance, About this report.	21-24, 63-65				

GRI-100 Universal Standards

GRI 101 Fundamentals 2016

GRI 102 General Disclosures 2016

Organizational profile	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
Key topics and concerns raised						
102-45	Entities included in the consolidated financial statements	About this report.	113			
102-46	Defining report content and topic boundaries	About this report.	111			
102-47	List of material topics	About this report.	111			
102-48	Restatements of information	About this report.	110			
102-49	Changes in reporting	About this report.	110	Since 2006, Canal has always prepared its reports in accordance with GRI's sustainability reporting guidelines.		
102-50	Reporting period			Annual (2018).		
102-51	Date of most recent report			2017.		
102-52	Reporting cycle			Annual.		
102-53	Contact point for questions regarding the report	About this report.	110	atención_rcs@canaldeisabelsegunda.es		
102-54	Claims of reporting in accordance with the GRI Standards	About this report, Appendix 4.	110			
102-55	GRI Disclosures list	Appendix 5.				
102-56	External assurance	About this report, Appendix 4.	110	Verified by AUREN Auditors.		

GRI-103

Management Approach 2016 (Includes all material topics: Ensure guaranteed supply, Guarantee drinking water quality, Strengthen service continuity, Promote environmental quality and energy efficiency, Improve cooperation with Madrid municipalities, Reinforce commitment and closeness to the user, Promote transparency, good governance and social commitment, Promote the talent, commitment and health of our professionals, Lead innovation and development, Maintain management sustainability and efficiency). Reported with the topic-specific standards listed below.

	Chapter	Page in report	Direct answers	Omissions Identified	Reason for omission	Explanation of the omission and observations
103-1	Explanation of the material topic and its boundary	About this report.	111-112			
103-2	The management approach and its components	1.3.5. Organization for monitoring the progress of the Strategic Plan; 3. Our mission and other commitments; 4. Channel Strategic Lines: our performance in 2018 and future objectives; 4.4.1. Ensuring the safety of facilities and people; 4.6.3. Follow-up of the main advances in the Strategic Line of cooperation with the municipalities of the Community of Madrid (2018-2030); 4.7.2. Rates, bonuses and billing to customers 4.8.4. Follow-up of the main advances in the Strategic Line in relation to transparency, good governance and commitment to society (2018-2030).	18, 26-27, 31-34, 46, 63-64, 70, 82			
103-3	Evaluation of the management approach	1.3.5. Organization to monitor progress of the 2018-2030 Strategic Plan , 4. Canal's strategic directions: our performance in 2018 and future goals.	18, 39, 42, 56-57, 66, 78, 83, 88			

GRI-200 Economic dimension

GRI 201 Economic Performance 2016	Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
201-1	Direct economic value generated and distributed	4.4.1. Environmental management in Canal de Isabel II, 4.7.3. Social commitment, , 4.9.1. Contribution to the development of R+D+i in the sector 4.10.1. Economic Performance, 4.10.2. Investment in the Madrid Region.	48, 77, 84-87, 89-92, 93-95	Efficient use of economic resources. Adequacy of the debt to the strategy.	Internal.	
201-2	Financial implications and other risks and opportunities due to climate change	4.1.Guarantee of supply: everyone's water, every day, 4.4.3. Energy efficiency & climate change.	35-36, 53	Adapting to climate change. Development of renewable energy sources.	Internal. Mixed (internal and external).	The consequences are expressed in terms of higher energy consumption in case of drought. They are not quantified economically.
201-3	Defined benefit plan obligations and other retirement plans	4.8.4.Equality of opportunity in Canal de Isabel II.	83	Staff commitment and sense of belonging.	Internal.	The company's contribution to the Pension Plan is suspended by law.
201-4	Financial assistance received from government	4.10.2. Investment in the Madrid Region.	95	Development of renewable energy sources.	Mixed (internal and external).	

GRI 202 Market Presence 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Appendix 1 Employees of Canal / Minimum wage.	137	Staff commitment and sense of belonging.	Internal.	No Canal employee receives the minimum wage.	
202-2	Proportion of senior management hired from the local community	Appendix 1 Employees of Canal / Workforce diversity.	133-134	Promotion of managerial activities by professionals.	Internal.		
GRI 203 Indirect Economic Impacts 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
203-1	Infrastructure investments and services supported	4.10.2. Investment in the Madrid Region.	93-94	Efficient use of economic resources.	Internal.		
203-2	Significant indirect economic impacts	4.10.2. Investment in the Madrid Region, 4.5.3. Monitoring of the main progress in the strategic direction about cooperation with the municipalities, 4.7.3. Social commitment.	59-60, 77, 93-95	Collaboration and business development of the municipalities in the Sierra Norte area. Commitment to society.	External.		
GRI 204 Procurement Practices 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
204-1	Proportion of spending on local suppliers	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.		Exact figure not available. Canal contracts under public sector procurement law and therefore cannot give priority to suppliers for being local.
GRI 205 Anti-corruption 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
205-1	Operations assessed for risks related to corruption	4.7.2. Corporate governance in Canal de Isabel II.	70, 150-152	Good corporate governance.	Internal.	Compliance practices have begun to be implemented in 2018 and a Sub-Directorate will be created for this purpose during 2019.	
205-2	Communication and training about anti-corruption policies and procedures	4.7.2. Corporate governance in Canal de Isabel II, Appendix 1: employee training.	70, 136	Good corporate governance.	Internal.		
205-3	Confirmed incidents of corruption and actions taken	4.7. Transparency, governance and social commitment: the company of all the people of Madrid.	69	Maximum transparency in management.	External.	The report provides detailed information on the Lezo (Spain) and Acordeón (Colombia) cases.	
GRI 206 Anti-competitive Behavior 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices						Does not apply to Canal de Isabel II.

GRI-300 Environmental dimension								
GRI 301 Materials 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
301-1	Materials used by weight or volume	4.4.2. Our environmental performance.	48	Promotion of the circular economy.	Mixed (internal and external).	Data about chemicals and paper are provided because they are the main consumption items.		
301-2	Recycled input materials used	Message from the Executive Vice President, 4.1.1. Ensuring access for all Madrid citizens to a quality resource, 4.4.2. Our environmental performance.	36, 48, 51-52	Wider reclaimed water consumption. Promotion of the circular economy.	Mixed (internal and external).			
301-3	Reclaimed products and their packaging materials	Message from the Executive Vice President, 4.1.1. Ensuring access for all Madrid citizens to a quality resource, 4.4.2. Our environmental performance.	36, 51-52	Wider reclaimed water consumption. Promotion of the circular economy.	Mixed (internal and external).			
GRI 302 Energy 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
302-1	Energy consumption within the organization	4.4.2. Our environmental performance.	49	Development of renewable energy sources.	Mixed (internal and external).			
302-2	Energy consumption outside of the organization				Not available.		No information available.	
302-3	Energy intensity	4.4.2. Our environmental performance.	49	Development of renewable energy sources.	Mixed (internal and external).			
302-4	Reduction of energy consumption	4.4.3. Energy efficiency & climate change.	49	Development of renewable energy sources.	Mixed (internal and external).			
302-5	Reductions in energy requirements of products and services	4.4.3. Energy efficiency & climate change.	53-54	Development of renewable energy sources.	Mixed (internal and external).			
GRI 303 Water 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
303-1	Water withdrawal	1.2.1. Supply: adduction, 4.4.2 Our environmental performance.	11-13, 49-50	Maximum efficiency in the use of existing resources. Efficient demand management.	Mixed (internal and external).			
303-2	Water sources significantly affected by withdrawal of water	1.2.1. Supply: adduction.	11-13	Maximum efficiency in the use of existing resources. Efficient demand management.	Mixed (internal and external).			
303-3	Water recycled and reused	1.2.5. Reclamation and distribution of treated wastewater for reuse, 4.1.1. Ensuring access for all Madrid citizens to a quality resource.	14-15, 36-37	Wider reclaimed water consumption.	Mixed (internal and external).			

GRI-300 Environmental dimension

GRI 304 Biodiversity 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.4.4. Biodiversity management.	55					
304-2	Significant impacts of activities, products, and services on biodiversity	4.4.4. Biodiversity management.	55				Not significant.	
304-3	Habitats protected or restored	4.4.4. Biodiversity management.	55					
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	4.4.4. Biodiversity management.	55					
GRI 305 Emissions 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
305-1	Direct (Scope 1) GHG emissions	4.4.3. Energy efficiency & climate change.	53	Adapting to climate change.	Internal.			
305-2	Energy indirect (Scope 2) GHG emissions	4.4.3. Energy efficiency & climate change.	53	Adapting to climate change.	Internal.			
305-3	Other indirect (Scope 3) GHG emissions	4.4.3. Energy efficiency & climate change.	53	Adapting to climate change.	Internal.			
305-4	GHG emissions intensity	4.4.3. Energy efficiency & climate change.	53	Adapting to climate change.	Internal.			
305-5	Reduction of GHG emissions	4.4.3. Energy efficiency & climate change.	53	Adapting to climate change.	Internal.			
305-6	Emissions of ozone-depleting substances (ODS)					Although emissions of this type of gas are minimal, the company's carbon footprint calculation is included. In 2018 there were only been 176 t of CO ₂ eq.		
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	4.4.2. Our environmental performance.	50	Adapting to climate change.	Internal.			

GRI-300 Environmental dimension								
GRI 306 Effluents and Waste 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
306-1	Water discharge by quality and destination	4.4.2. Our environmental performance.	50-51	Treatment efficiency.	Internal.			
306-2	Waste by type and disposal method	4.4.2. Our environmental performance.	52	Promotion of the circular economy.	External.			
306-3	Significant spills	4.4.2. Our environmental performance.	51					
306-4	Transport of hazardous waste	4.4.2. Our environmental performance.	51-52	Promotion of the circular economy (waste).	External.	Waste is managed and transported by companies with the appropriate management permits. The final priority destination is reuse.	No waste is transported to other countries.	
306-5	Water bodies affected by water discharges and/or runoff	1.2.4. Sanitation: wastewater treatment.	13	Treatment efficiency. Excellence in sewerage.	Internal.			
GRI 307 Environmental Compliance 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
307-1	Non-compliance with environmental laws and regulations	4.4.2. Our environmental performance.	52					
GRI 308 Supplier Environmental Assessment 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
308-1	New suppliers that were screened using environmental criteria	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.	Environmental protection clauses are included in all contracts, but no assessments are carried out. Suppliers' performance is monitored.		
308-2	Negative environmental impacts in the supply chain and actions taken	4.10.3. With our suppliers.	Not available.			The most significant impact is the transport of waste, WWTP and DWTP sludges, and our own fleet of vehicles and these are taken into account in Scope 3 of the calculation of our GHG emissions.		

GRI-400 Social Dimension

GRI 401 Employment 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
401-1	New employee hires and employee turnover	4.8.1. Workforce structure, 5.4. Staff of the Group companies, Appendix 1 and Appendix 2.	79, 104, 133-135, 154-156	Staff adapted to changing needs.	Internal.			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.8.4. Equality of opportunity in Canal de Isabel II.	82-83	Staff commitment and sense of belonging.	Internal.	There have been no differences since the First Company Collective Bargaining Agreement was approved.		
401-3	Leave	4.8.4. Equality of opportunity in Canal de Isabel II, Appendix 1, Appendix 2.	82, 135, 154-155	Staff commitment and sense of belonging.	Internal.			
GRI 402 Employee-company relationship 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
402-1	Minimum notice periods regarding operational changes			Staff commitment and sense of belonging.	Internal.		There is no established minimum notice period. Organisational changes are analysed on a case-by-case basis, so that any negative impacts on employees can be avoided or mitigated.	
GRI 403 Salud y seguridad en el trabajo		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission	Explanation of the omission and observations
403-1	Workers representation in formal joint management-worker health and safety committees	Appendix 1	138	Employee security.	Internal.	100 % of the workforce is represented.		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	4.8.3. Ensuring the health and safety of all.	80-81	Employee security.	Internal.			
403-3	Workers with high incidence or high risk of diseases related to their occupation	4.8.3. Ensuring the health and safety of all.	81	Employee security.	Internal.			
403-4	Health and safety topics covered in formal agreements with trade unions	4.8.3. Ensuring the health and safety of all.	81	Employee security.	Internal.	The collective bargaining agreement explicitly includes employee representation in all matters relating to occupational health and safety in the company.		

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GRI 404 Formación y enseñanza	Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
404-1	Average hours of training per year per employee	4.8.2. Training and development of our employees.	80	Staff adapted to changing needs.	Internal.	
404-2	Programs for upgrading employee skills and transition assistance programs	4.8.2. Training and development of our employees.	80	Promotion of managerial activities by professionals.	Internal.	
404-3	Percentage of employees receiving regular performance and career development reviews	4.7.2. Corporate governance in Canal de Isabel II.	71	Staff commitment and sense of belonging.	Internal.	100 % of employees of all categories receive this type of evaluation.
GRI 405 Diversity and Equal Opportunity 2016	Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
405-1	Diversity of governance bodies and employees	1.3.2. Governing Bodies, 4.8.1. Workforce structure, 4.84. Equality of opportunity in Canal de Isabel II.	16, 79, 82	Staff commitment and sense of belonging.	Internal.	
405-2	Ratio of basic salary and remuneration of women to men	4.84. Equality of opportunity in Canal de Isabel II.	82	Staff commitment and sense of belonging.	Internal.	There is no difference. Canal's collective bargaining agreement and the law prevent any differences in this regard.
GRI 406 Non-discrimination 2016	Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
406-1	Incidents of discrimination and corrective actions taken	4.84. Equality of opportunity in Canal de Isabel II.	82	Staff commitment and sense of belonging.	Internal.	None have occurred.
GRI 407 Freedom of Association and Collective Bargaining 2016	Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.	Our terms and conditions of employment prevent this type of practice.
GRI 409 Forced or Compulsory Labor 2016	Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
408-1	Operations and suppliers at significant risk for incidents of child labor	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.	Canal is a signatory of the United Nations Global Compact since 2006 and supports the fight against child labor. Spanish legislation and that of the countries in which we operate prevent this.

GRI-400 Social Dimension							
GRI 409 Forced or Compulsory Labor 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.	Canal is a signatory of the United Nations Global Compact since 2006 and supports the fight against forced labor.	
GRI 410 Security Practices 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
410-1	Security personnel trained in human rights policies or procedures	4.3.1. Ensuring the safety of facilities and people.	136	Strengthening physical security of facilities.	Internal.	All security personnel, as established by current regulations, have received training in fundamental citizens' rights.	
GRI 411 Rights of Indigenous Peoples 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
411-1	Incidents of violations involving rights of indigenous peoples						Canal and all the companies in its Group carry out their activities in urban areas where there are no indigenous communities.
GRI 412 Human Rights Assessment 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
412-1	Operations that have been subject to human rights reviews or impact assessments						Not available. Not available.
412-2	Employee training on human rights policies or procedures	Appendix 1.	136			Hours of training on human rights and anti-corruption.	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.	All contracts include clauses relating to the labor and social practices of contractor companies.	
GRI 413 Local Communities 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
413-1	Operations with local community engagement, impact assessments, and development programs	4.4.1. Environmental management in Canal de Isabel II, 4.7. Social commitment.	47, 75	Commitment to society.	External.		
413-2	Operations with significant actual and potential negative impacts on local communities						None have occurred.

GRI-400 Social Dimension							
GRI 414 Supplier Social Assessment 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
414-1	New suppliers that were screened using social criteria	4.10.3. With our suppliers.	96	Greater efficiency in internal processes.	Internal.	All suppliers have to comply with this type of conditions, especially since the new public sector procurement legislation came into force.	
414-2	Negative social impacts in the supply chain and actions taken						None detected and no action has been taken.
GRI 415: Public Policy 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
415-1	Political contributions						None are made, and they are prohibited by law.
GRI 416 Customer Health and Safety 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
416-1	Assessment of the health and safety impacts of product and service categories	4.2.1. Garantizando la calidad del agua.	40-41	Improving water quality at source.	Internal.		
GRI 417 Marketing and Labeling 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
417-1	Requirements for product and service information and labeling						None.
417-2	Incidents of non-compliance concerning product and service information and labeling						None have occurred.
417-3	Incidents of non-compliance concerning marketing communications						None have occurred.
GRI 418 Customer Privacy 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.3.2. Protection of data about customers and suppliers.	44	Safety of people.	Internal.		None recorded.
GRI 419 Socioeconomic Compliance 2016		Chapter	Page in report	Material topics identified	Boundaries of material topics	Direct answers	Omissions identified and reason for omission
419-1	Non-compliance with laws and regulations in the social and economic area						None have occurred.



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