

# Sustainability Report 2020

Non-Financial Information (NFI) Statement







# In memoriam

of our colleagues Víctor Dávila, Rafael Molia and all victims  
of the COVID-19 pandemic

Canal   
de Isabel II



## Our mission

Caring for our Community through the transparent, efficient and sustainable management of our everyone's water.

## Our commitments

1. To be a gold-standard public company and an economic and developmental driving force in the Community of Madrid.
2. To work towards managing the integrated water cycle in the entire Autonomous Community of Madrid.
3. To be a leader in overcoming the challenges of the sector and in regulatory advancement.
4. To maintain, innovate and plan our infrastructure and services, adapting them to our society's future needs.
5. To minimize the environmental impact of all of our processes by promoting the circular economy, the efficient use of resources and energy and by bolstering renewable generation.
6. To increase customer and user satisfaction by guaranteeing levels of excellence in service quantity, quality and continuity (QQC).
7. To guarantee progressive, affordable, sympathetic rates that promote savings in consumption and guarantee everyone's access to an essential commodity.
8. To reinforce the digital transformation for more proximate and efficient management.
9. To apply rigorous and transparent financial management, guaranteeing proper economic equilibrium, financial autonomy, as well as the sustainability of the company.
10. To support our professionals by attracting, retaining and encouraging our talent.

## Our values



Sustainability



Commitment



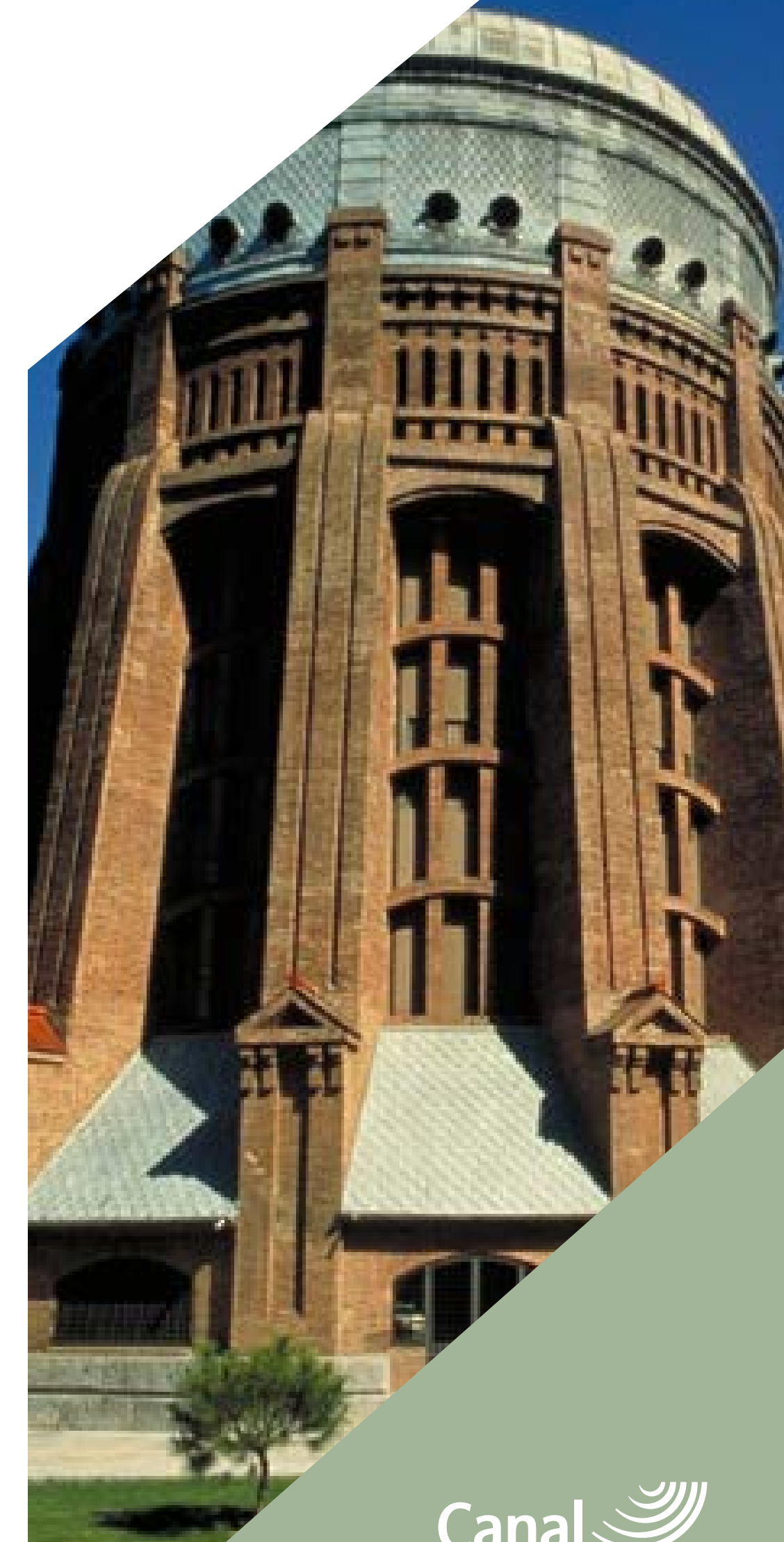
Excellence



Proximity



Transparency





# Canal de Isabel II in 2020

January

**2** The **reservoirs** in the Community of Madrid **started 2020** at **66% capacity**, four points above average. Reservoir water levels increased nearly 14 points in the month of December 2019 alone.

The Board of Directors names Ms. **Paloma Martín Martín**, Regional Minister for the Environment, Spatial Planning and Sustainability, the new **Chairperson of Canal de Isabel II**. For the first time in over 160 years, a woman holds the position as Chair of the company.

Canal presents its **advances in telemetry for water meter reading with NB-IoT technology** during a technical seminar. Its experts, together with telecom companies and water meter manufacturers, analyzed the present and future of this technology.

February

**16**

**3**

**3** Canal works on a major **sanitation network renovation** project in 91 municipalities in the region. The Minister of the Environment visited the **Plan SANEA** pipeline project in the municipality of Las Rozas, Madrid.

**4** The Canal Foundation revealed an unknown facet of Rodin as a sketch artist, with an exhibit of the most representative clippings, sketches and related sculptures to better understand the ingenuity and innovative means of expression of the so-called father of modern sculpture.

March

**11** Canal reports its **first** case of **COVID-19** among its employees in the Cantos Altos work site.

**15**

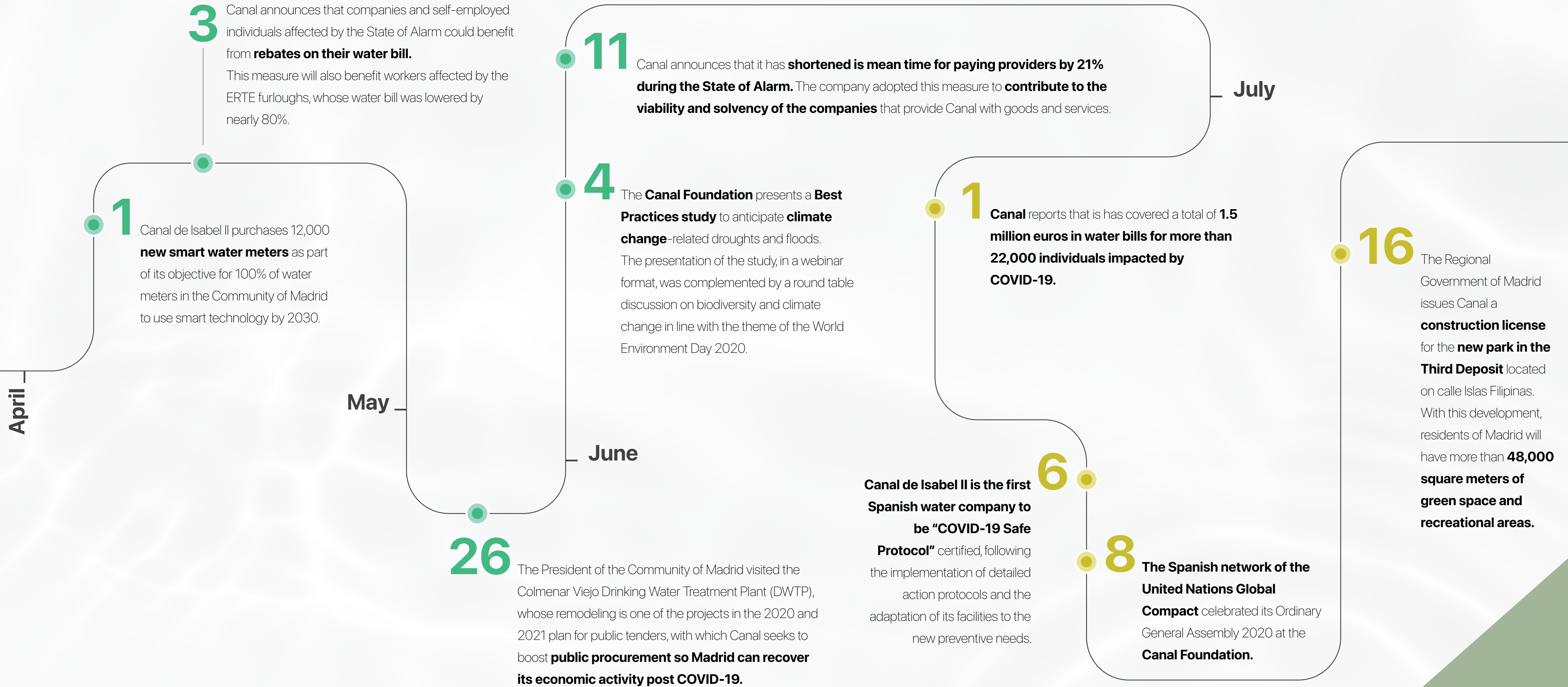
Canal de Isabel II adopts a series of measures in the framework of the **COVID-19** health warnings. The objective of the measures is to **guarantee service continuity** and prevent the spread of the virus among its workforce and society at large.

**23** **Canal de Isabel II launches its bottled water service** to the Community of Madrid's hospital at the **IFEMA** conference center. The public company made its Colmenar Viejo bottling plant production available to the regional Government.

**19** **Canal** commences preparations to supply **bottles of water to healthcare staff at Health Centers in the Community of Madrid during the COVID-19 crisis**.

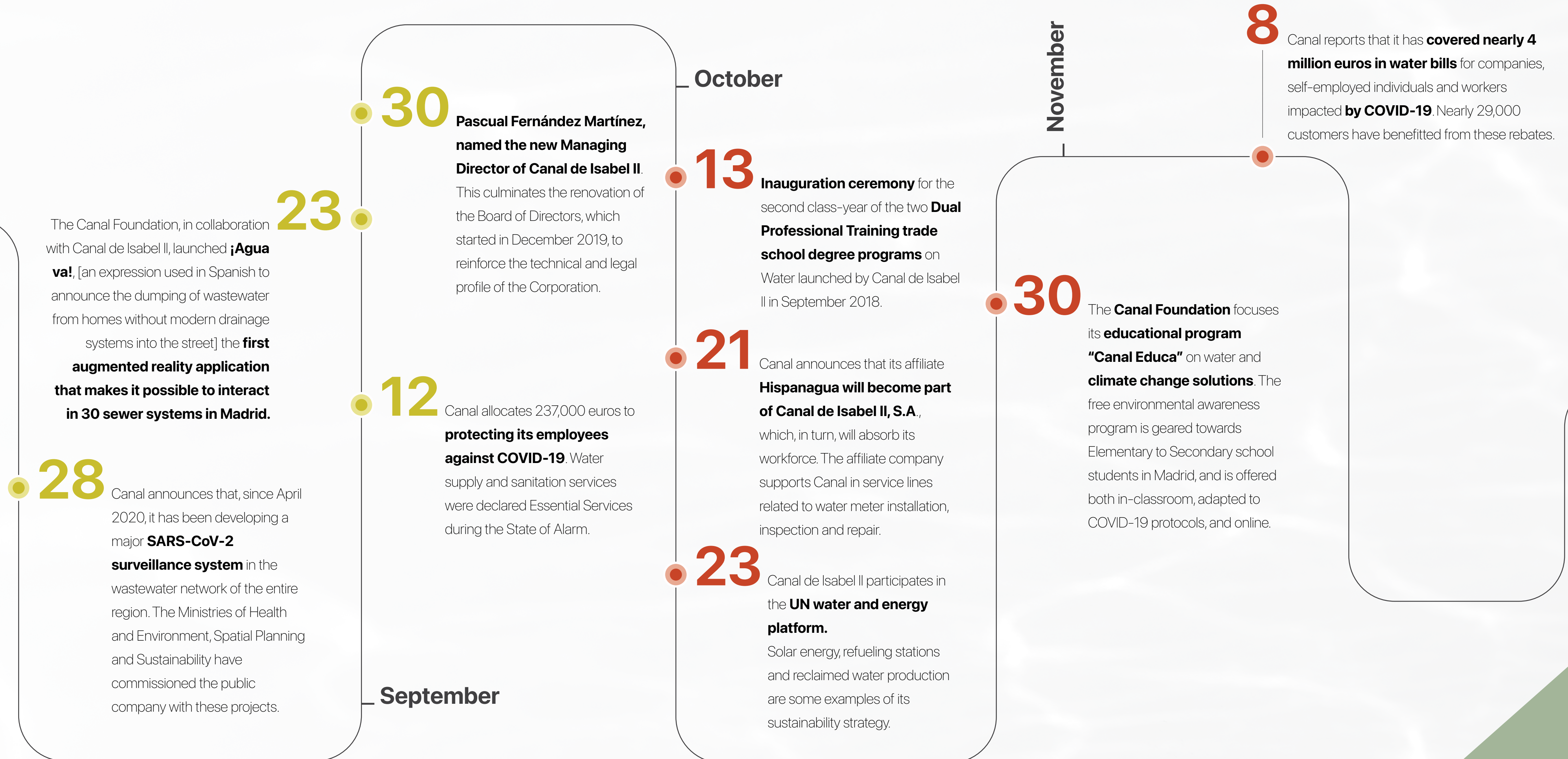


# Canal de Isabel II in 2020



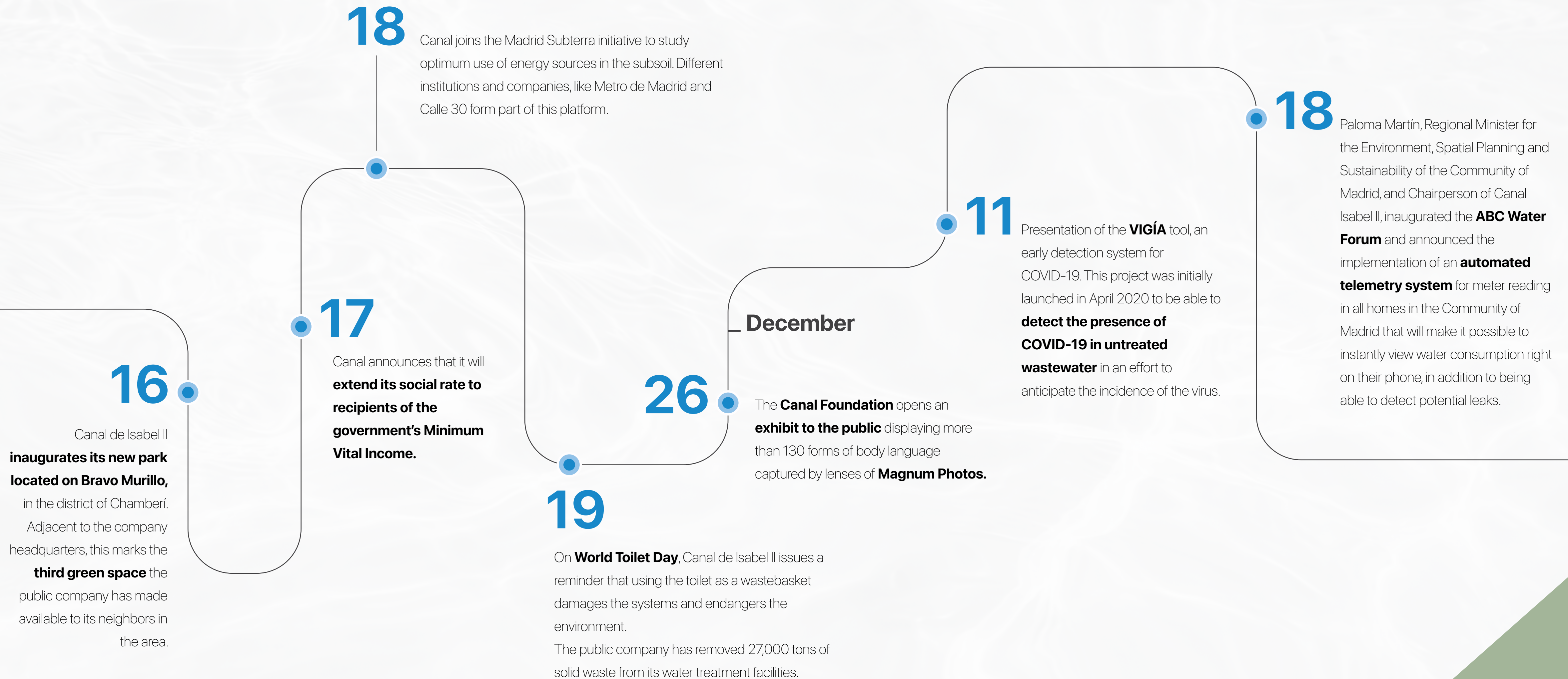


# Canal de Isabel II in 2020





# Canal de Isabel II in 2020





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# Message from the Chairperson of the Board of Directors

The year 2020 has been one of the most complicated in the history of Canal de Isabel II. The global COVID-19 pandemic has posed one of the greatest challenges to humanity in the last 75 years, and this has certainly also been the case for our company.

From the beginning of the year, we had to address the consequences of the pandemic and its subsequent uncertainties, adapt our operations to the new context and do everything possible to mitigate its impact on people's day-to-day life.

Despite the difficulties and the fact that in the worst times of the pandemic, more than one hundred of our employees were affected by COVID-19, we were ultimately able to overcome every obstacle. Thanks to our excellent team of professionals, we were able to uphold our standards of excellence in the rendering of all of our essential services, in a clear demonstration of our leadership, ability to adapt and resilience.

But beyond facing and successfully overcoming this unprecedented situation, we have also made progress in the objectives we had set out as a company for 2020.

In fact, we attained 94 % of the objectives of our 2018-2030 Strategic Plan for the year 2020. And that's not all. The pandemic has further demonstrated the importance of water in terms of health.

For this reason, we have gone beyond the projects set out in the Strategic Plan and have developed a pioneer project that has put our company, once again, at the forefront of innovation: the VIGÍA project.

The most ambitious system worldwide (in terms of both its geographical scope and population studied) for the detection, surveillance and visualization of SARS-CoV-2 in wastewater. It consists of: 289 sampling points; 15,000 km of sewage network, and covers the entire population of the Community of Madrid, nearly 6.8 million inhabitants.

Through VIGÍA, we have put the full potential of our natural resource par excellence, water, at the service of the health of all people in Madrid. And we were able to do this thanks to the innovation and latest scientific and technological advances.

This project, which we developed in record time, is the largest early alert system known to date, as it scans 100 % of the Community of Madrid's wastewater every week. It is a highly useful tool that anticipates the evolution of the pandemic and aids in the health authorities' decision-making processes.

The most important aspect is that VIGÍA was born out of our dedication to the future, and we are in the process of opening a new genomic laboratory that would allow us to detect new variants of the virus and address other potential future pandemics.





# Message from the Chairperson of the Board of Directors

Canal de Isabel II has demonstrated, once again, that it is an innovative public company and sector leader at the service of the people of Madrid. We are one of the most recognized companies by the population and one of the most successful models of supra-municipal services management in Spain.

We guarantee water supply and sanitation to the population, we contribute to the protection and improvement of the environment, to the structuring of the region, to the promotion of a circular economy, to the sustainability of the region and to the protection of the health of the people of Madrid.

But we also bolster the social and economic development of our Autonomous Community. In fact, Canal de Isabel II will play a key role in the process of reactivating the economy of Madrid.

From day one, we were sympathetic to the economic and social consequences of the pandemic and created special rebates on our rates for companies that had to halt their activity, to the self-employed, and to those affected by the ERTE furloughs, to name a few.

At the close of 2020, we had already allocated 4.5 million euros to these rebates. In addition, when the Minimum Vital Income measure took effect, we modified our rates and applied our normal discounts to the families eligible for that income as of 1 January 2021.

Another of the consequences of the pandemic has been some companies' lack of liquidity. To that end, following the approval of the State of Alarm in March, we proceeded to accelerate our payments to our providers and were able to reduce the payment periods by 21 %.

On the other hand, we also have a tender plan for 2020 and 2021 in place including more than 200 projects throughout the region, with a total budget upwards of 1,700 million euros. This plan was created to actively contribute to Madrid's economic recovery thanks to the multiplying effect these investments will have on other sectors of the economy.

As a result of all these efforts, the people of Madrid rated us higher than ever in 2020. We earned a rating of 8.64 out of 10, making us, once again, the best ranked household utilities company, scoring much higher than the power, natural gas and telecommunications companies.

We have had difficult times, but this has only strengthened our commitment to the people of Madrid. Therefore, in 2021, we will stand by our commitment to water policy based on environmental criteria, regional cohesion and sustainability. We are going to keep improving the level of service and the quality of water for which Madrid is known in Spain and internationally.

Canal has numerous projects to be launched in the short, medium and long term. We are a key piece to the intelligent transition to a circular economy and the decarbonization of our region.

Without question, the technical capacity of our company, its excellent professionals and financial resilience make this great company an effective tool for carrying out environmental actions locally, regionally and globally.

But not just that, to talk about Canal is to talk about the future, with hope. Canal de Isabel II has demonstrated its capacity for anticipation, leadership and ability to make sound decisions under the most extraordinary of circumstances. We are a public company at the service of the people of Madrid.

Thank you.

## Paloma Martín Martín

Chairperson of the Board of Directors of Canal de Isabel II

Regional Minister for the Environment, Spatial Planning and Sustainability of the Autonomous Community of Madrid



# Message from the Managing Director

Without question, 2020 has been a difficult year for everyone. At Canal, our approach to the crisis caused by the COVID-19 pandemic has been two-fold: to guarantee water supply to everyone and to protect the health of the more than 3,000 professionals working in our company.

The coronavirus outbreak in our lives has been a major challenge for all of society. We were made to face a public health crisis that continues to leave its mark on all of us, in both the loss of loved ones and economically worldwide.

As an essential service, we at Canal have maintained the same level of activity from the start of the pandemic to be able to continue supplying a basic, life-sustaining resource that is also essential to the fight against coronavirus. The rapid coordination of all our teams thanks to the implementation of action protocols we have had in place for some time made it possible for us to anticipate the new public health crisis situation, even before the declaration of the State of Alarm. The efficient roll-out of the work-from-home (WFH) network since early March has made it possible for more than 1,350 workers to continue offering their services remotely. Moreover, we were ready to have 300 essential workers on home reserve for the operation. Since then and up to this day, we have made numerous decisions to be able guarantee service

continuity and prevent the propagation of the virus, in our workforce and in society in general. For example, our capacity to produce bottled water for emergency situations has allowed us to distribute 137,500 liters of water in jugs and bottles to hospitals, medicalized centers and to other entities, like the military.

To protect the health of all people, we implemented the following actions from the start: offering information on a daily basis to our workers; reinforcing the cleaning and disinfection of workspaces; implementing work-from-home and facilitating family-work commitments; providing personal protective equipment to employees; canceling events and meetings, switching them over to an online modality; organizing essential staff into pods; halting water shut-offs and meter reading, limiting visits to emergency malfunctioning; and closing commercial offices, replacing face-to-face customer service with online and phone contact with our customers.

Another of our company's major milestones has been the Canal de Isabel II Group's decision to absorb the company Hispanagua, a company created in 1995 due to the partial division of the company Hidráulica Santillana. Hispanagua's company purpose is the construction, maintenance and exploitation of water management-related infrastructure, DWTP and wastewater treatment plants (WWTP), and the rendering of commercial services, like connection

projects and meter installation. Given that nearly all of its business activity was being conducted for the Canal Group's parent company in Spain, a decision was made to absorb said company in a merger. This process involved the integration of its 158 employees into Canal de Isabel II, in addition to all of its goods and property.

In line with the guidelines set down by our 2018-2030 Strategic Plan, considering we are the primary generator of electrical energy in the Community of Madrid, our Solar Plan stands out. This Plan entails the installation of new photovoltaic solar power plants in the company's infrastructure, with the objective of reducing our costs and boosting the generation and self-consumption of clean energy. Our objective is to attain total electrical energy self-sufficiency based on power generated from clean, renewable sources by the year 2030.



Furthermore, considering the major social and economic impact of the healthcare crisis, as a socially responsible company, we created a new regimen of water bill rebates to ease the burden on individuals and entities most severely impacted by the crisis (workers in ERTE with furlough status and self-employed individuals and companies affected by the pandemic). To be able to absorb this high volume of requests, we reinforced our contact center and the workforce dedicated to processing this financial aid. At the close of 2020, more than 25,000 companies, self-employed workers and individuals had benefited from our rebates, totaling more than €4.5 million, with retroactive requests for this aid from our Online Office being accepted until May 2021. Aside from the bill rebate regimen, it should also be noted that our rates were frozen in 2020, for the fifth year in a row.

To consolidate our excellence in water management and sanitation in the Autonomous Community of Madrid, Canal de Isabel II has taken a proactive stance grounded in research, development and innovation. Through the digital transformation and incorporation of the latest smart technology, Canal de Isabel II has established itself as a leading company in the water sector. One example is the roll-out of smart meters, with the objective of 100 % of water meters in the Autonomous Community of Madrid having smart technology. Thanks to this project, users can be provide full, detailed information about their consumption, potential incidents or water leaks in interior installations and increase efficiency in the management and exploitation of the distribution network, bolstering Canal's principles of commitment and proximity to its clients.

Finally, and equally important, are Canal's advances through our 2018-2030 Strategic Plan to achieve the Sustainable Development Goals (SDGs), set out in the United Nations 2030 Agenda. Water plays a leading role as a driving force towards attaining the SDGs, not only because it occupies one of the 17 goals of the agenda, but because it fully contributes to the sustainable development of the rest of the axes for action due to its impact on hygiene, health, education, equality, lifestyle and food. Water is a vital resource for sustainable development and, for this reason, has become one of the pillars of the United Nations 2030 Agenda.

Thanks to our continued efforts in the 10 lines of work in our Strategic Plan, we continue promoting these objectives transversally, through the more than 45 plans established and 100 actions implemented since its launch.

Finally, the Ministry of the Environment, Spatial Planning and Sustainability of the Autonomous Community of Madrid, through Canal de Isabel II, announced in 2020 the launch of an investment program of upwards of €1,700 million for the 2020-2030 period. This constantly growing investment program not only represents the clear management advances made through the modernization of our facilities, but also encourages economic reactivation and generation of wealth, wellbeing and stable employment.

**Pascual Fernández Martínez**

Managing Director of Canal de Isabel II







# Our company



# 1. Our company

**The joint-stock company Canal de Isabel II is a 100 % public company whose stockholders are present in the Autonomous Community of Madrid, through the Canal de Isabel II Public Corporation, and 111 of its municipalities. The Company began its operations on 1 July 2012, assuming a large portion of the operations and activities of the Canal de Isabel II Public Corporation which, created in 1851, has been the public company under the control of the Autonomous Community of Madrid responsible for the management of the integrated water cycle since 1984.**

Canal is responsible for the management of the integrated water cycle in practically the entire region, meaning that it controls all processes aimed at ensuring the adequate administration of water resources and environmental conservation. These processes, which include **catchment**, treatment and **water quality** surveillance, water **transport** and **distribution, sanitation** and **purification** of wastewater and its regeneration for subsequent reuse, are essential to the development and maintenance of quality of life of the people of Madrid.

Canal de Isabel II's cumulative 170 years of experience in management allows us to offer added value through other water sector-related activities and in geographic areas other than the Community of Madrid. Since the 1970s, Canal has been integrating a group of affiliated companies that, together with our company, make up the **Canal de Isabel II Business Group**.

In 2020, the **Canal Group** supplied water to a total of **7.54 million people** (7.03 in Spain and 0.51 in Latin America), and employed **4,131 workers**, in addition to generating more than 4,400 indirect jobs. Likewise, it managed **584 million cubic meters of water** (541 in Spain and 43 in Latin America) and **39,625 kilometers** of supply, sanitation and reclaimed water networks.





# 1. Our company

## ESPAÑA

Canal de Isabel II ● ●  
[www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es)

Canal's Delegation in Cáceres ●  
[www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es)

Aguas de Alcalá UTE ●  
[www.aguasdealcala.es](http://www.aguasdealcala.es)

Canal Gestión Lanzarote ●  
[www.canalgestionlanzarote.es](http://www.canalgestionlanzarote.es)

Hispanagua ●

Canal de Comunicaciones Unidas ●  
[www.canalcom.com](http://www.canalcom.com)

Hidráulica Santillana ●  
[www.hidraulicasantillana.com](http://www.hidraulicasantillana.com)

## COLOMBIA

Gestus ●  
[www.gestus.co](http://www.gestus.co)

ASAA Riohacha ●  
[www.asaa.com.co](http://www.asaa.com.co)

INASSA ●  
[www.grupoinassa.com](http://www.grupoinassa.com)

Amerika TI ○  
[www.amerikati.com](http://www.amerikati.com)

## PANAMA

Inassa Panamá ●  
[www.grupoinassa.com](http://www.grupoinassa.com)

## BRAZIL

Fontes da Serra ●  
[www.fontesdaserra.com.br](http://www.fontesdaserra.com.br)

Emissão ●  
[www.emissao.com.br](http://www.emissao.com.br)

## ECUADOR

AMAGUA ●  
[www.amagua.com](http://www.amagua.com)

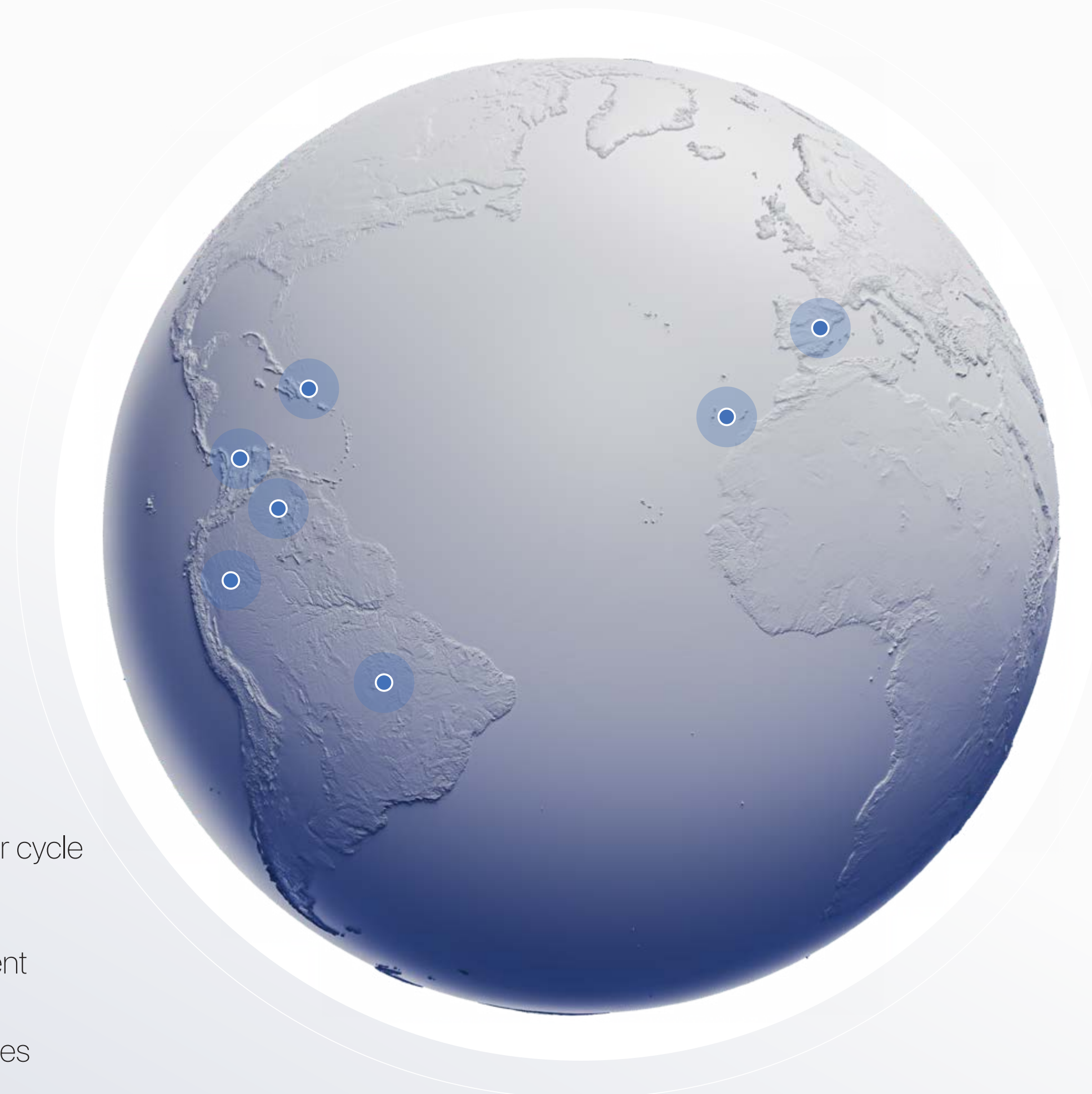
## DOMINICAN REPUBLIC

AAA DOMINICANA ●  
[www.aaa.com.do](http://www.aaa.com.do)

- Management of the integrated water cycle
- Generation of electricity
- Support services for the management of the integrated water cycle
- Telecom and information technologies

At year-end, it boasted nearly **1.78 million supply contracts** (**83 %** of which are residential) distributed throughout close to 200 municipalities, with a **99 %** degree of supply coverage.

For a detailed breakdown of Canal Group's 2020 year-end numbers, see the section ["The Canal Group"](#).





# 1. Our company

## 2020 Autonomous Community of Madrid key figures

GRI 102-7





# 1. Our company

## Technical information – Year-end 2020

### Supply in the Autonomous Community of Madrid

Number of reservoirs owned by Canal	<b>13</b>
Capacity of Canal reservoirs (hm <sup>3</sup> )	<b>943.51</b>
Water diverted for consumption in reservoirs and catchments (hm <sup>3</sup> )	<b>488.27</b>
Number of operational catchment wells	<b>78</b>
Kilometers of network (adduction and distribution)	<b>17,699</b>
Number of drinking water treatment plants	<b>14</b>
Treatment capacity (daily hm <sup>3</sup> )	<b>4.55</b>
Number of large forebays	<b>34</b>
Storage capacity of large forebays (hm <sup>3</sup> )	<b>3.3</b>
Number of small reservoirs	<b>294</b>
Number of large lifting plants	<b>22</b>

### Sanitation in the Autonomous Community of Madrid

Kilometers of municipal sewerage network managed	<b>14,689</b>
Kilometers of network of large sewers and emissaries	<b>870</b>
Number of laminators and storm tanks managed	<b>65</b>
Capacity of storm tanks managed (hm <sup>3</sup> )	<b>1.48</b>
Number of wastewater pumping stations managed	<b>133</b>
Number of wastewater treatment plants managed	<b>157</b>
Nominal treatment capacity (millions of inhabitants)	<b>16.66</b>
Water treated in the WWTP (hm <sup>3</sup> )	<b>465.68</b>



# 1. Our company

## Technical information – Year-end 2020

### Reuse in the Autonomous Community of Madrid

Number of reclaiming plants	<b>32</b>
Kilometers of reclaimed water network	<b>656</b>
Reclaimed water tanks in service	<b>64</b>
Volume of reclaimed water produced for reuse (annual hm <sup>3</sup> )	<b>13.14</b>
Municipalities with reuse services with Canal	<b>25</b>
Golf courses with reuse agreements or contracts with Canal	<b>11</b>
Companies and organizations with reuse service	<b>11</b>
Volume of reclaimed water discharged into rivers (annual hm <sup>3</sup> )	<b>112.79</b>

### Customers and population served in the Autonomous Community of Madrid

Number of contracts (million)	<b>1.52</b>
Population supplied (million inhabitants)	<b>6.57</b>
Supply coverage (percentage of inhabitants)	<b>97 %</b>
Municipalities supplied by Canal de Isabel II	<b>174</b>
Population served in sewer management (million inhabitants)	<b>5.79</b>
Coverage of sewer management (percentage of inhabitants)	<b>85 %</b>
Municipalities with sewer management	<b>135</b>
Population served in wastewater purification (millions of inhabitants)	<b>6.77</b>
Coverage of wastewater purification (percentage of inhabitants)	<b>99.87 %</b>
Municipalities with purification management	<b>179</b>



# 1.1 Our business: the integrated water cycle

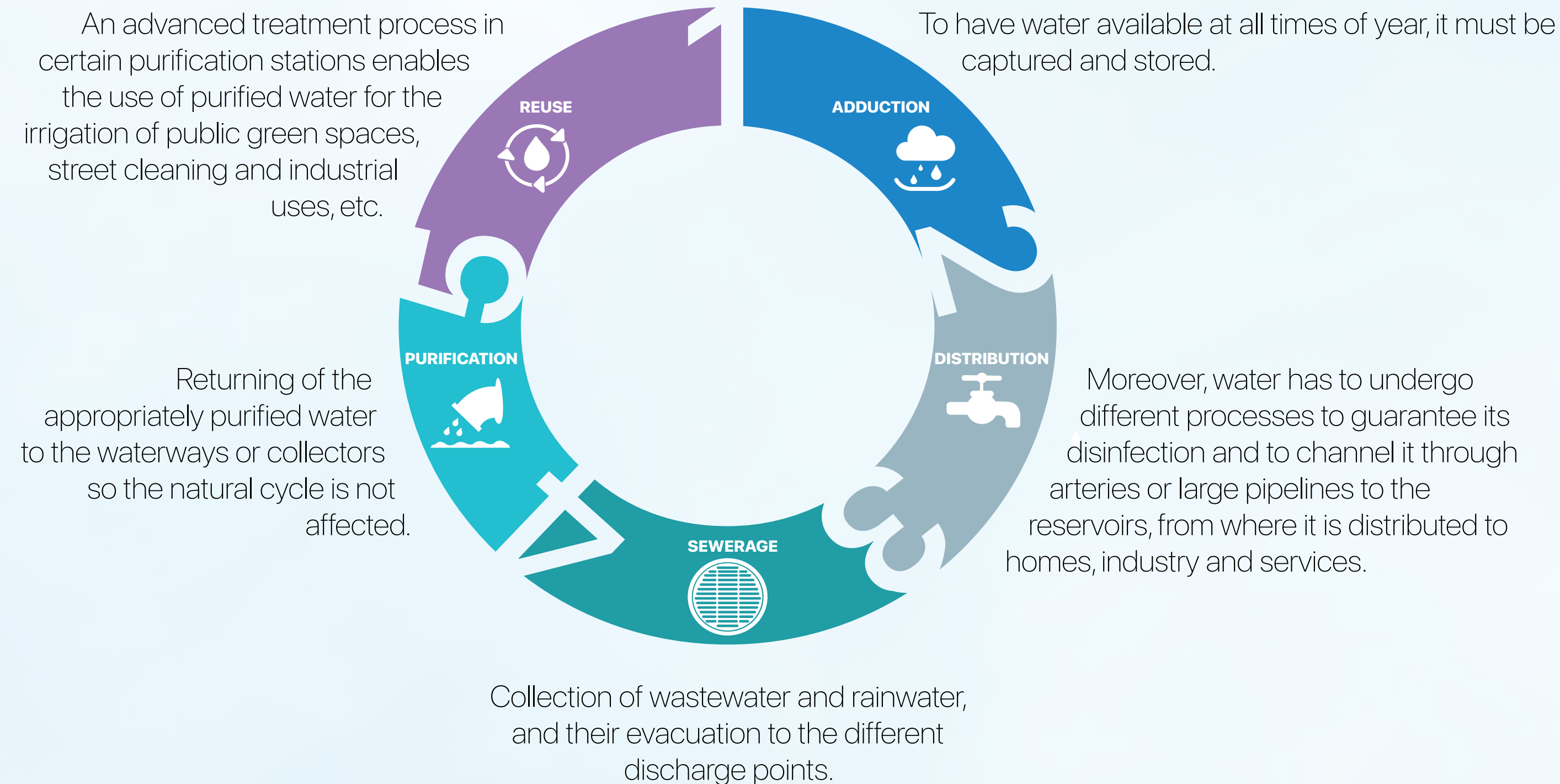


# 1. 1. Our business: the integrated water cycle

GRI 102-2

**The mission of Canal de Isabel II is the management of the integrated water cycle in the Autonomous Community of Madrid.**

The cycle consists of two major phases, **supply** and **sanitation**, corresponding to the actions needed to deliver drinking water to consumers, and to the collection and treatment of wastewater. A third phase could be added to this cycle: the **reclaiming** of this wastewater through its proper treatment to guarantee its sanitary characteristics, and which can be used for the watering of gardens, street cleaning, watering of sports areas and even for industrial use. Canal de Isabel II currently manages all of the above-mentioned phases and stages.



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



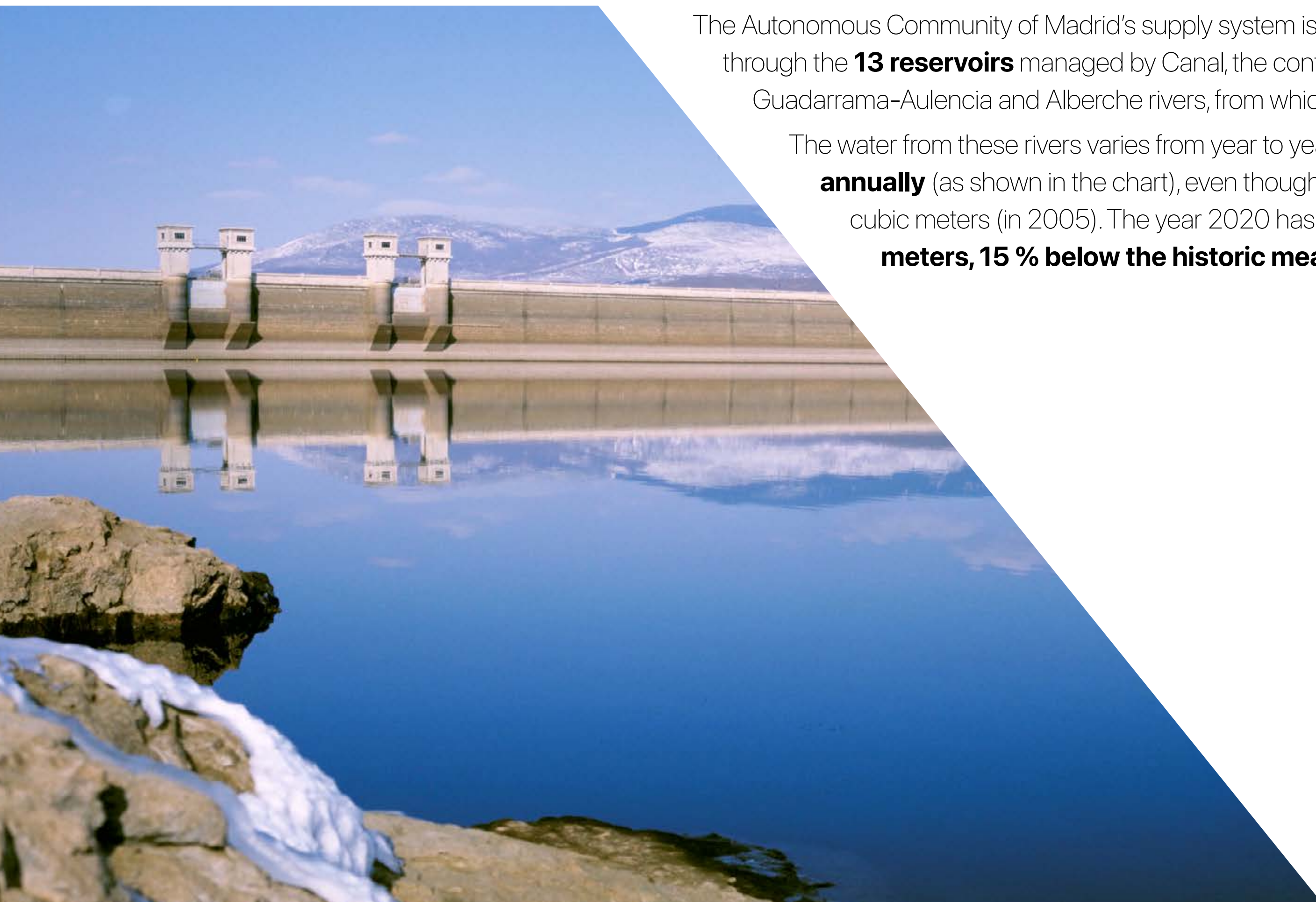


# 1. 1. Our business: the integrated water cycle

## 1.1.1. Supply: adduction (catchment and treatment)

GRI 303-1

303-2



The Autonomous Community of Madrid's supply system is primarily based on the catchment of surface water, taking advantage, through the **13 reservoirs** managed by Canal, the contributions from the Lozoya, Jarama-Sorbe, Guadalix, Manzanares, Guadarrama-Aulencia and Alberche rivers, from which more than 90 % of the water supplied is sourced.

The water from these rivers varies from year to year. The mean contribution stands at **757.7 million cubic meters annually** (as shown in the chart), even though it reached 1,756 million cubic meters (in 1941) and 237.7 million cubic meters (in 2005). The year 2020 has been classified as **dry**, with a contribution of **646.59 million cubic meters, 15 % below the historic mean.**



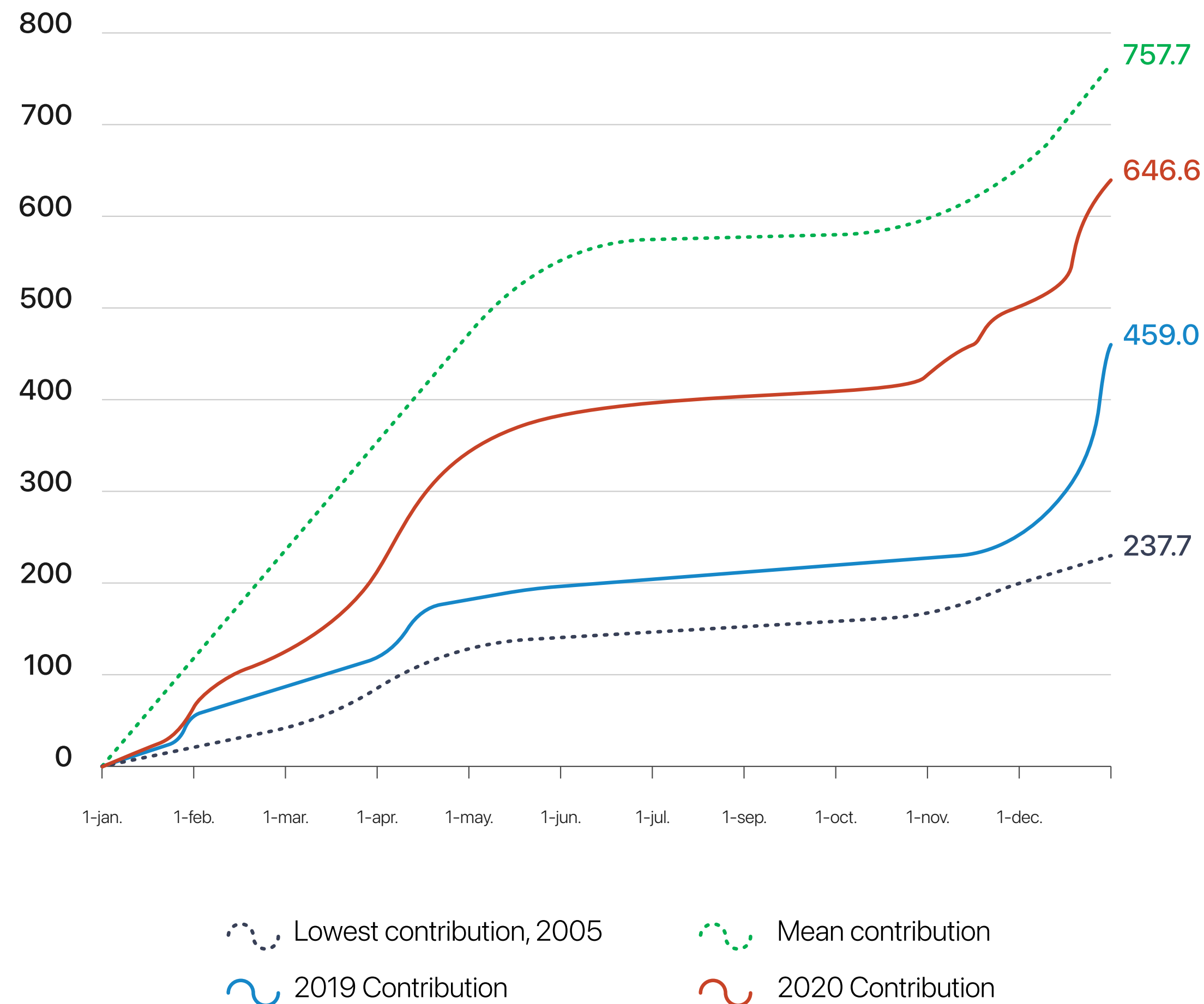


# 1. 1. Our business: the integrated water cycle

## 1.1.1. Supply: adduction (catchment and treatment)

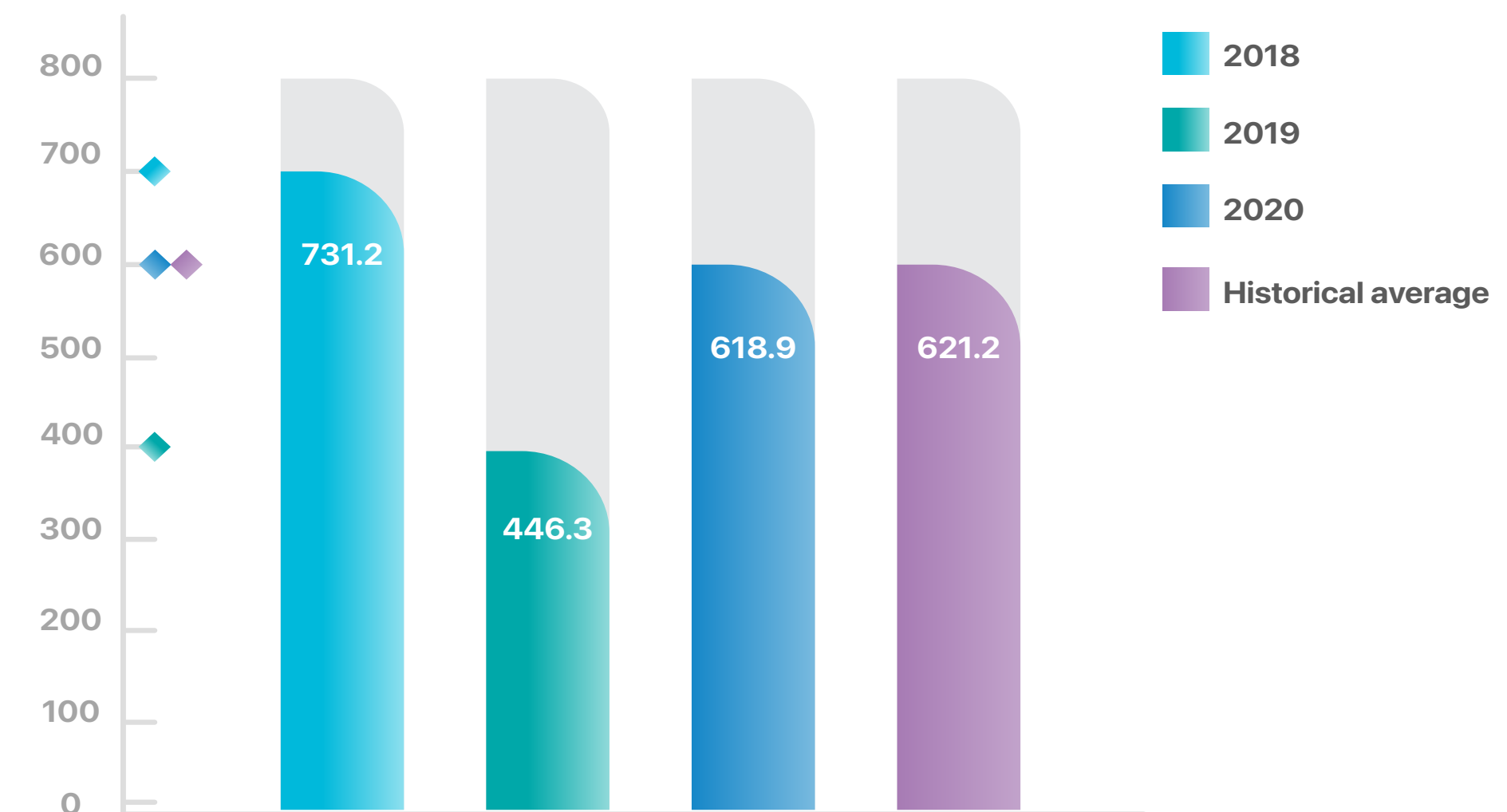
### Cumulative natural contributions

(million cubic meters in one year)



### Precipitation recorded in Canal reservoirs

(annual liters per m<sup>2</sup>)



**Rain precipitation** in dams in 2020 has been very similar to the historic mean of **621.2 liters per m<sup>2</sup>**.



# 1. 1. Our business: the integrated water cycle

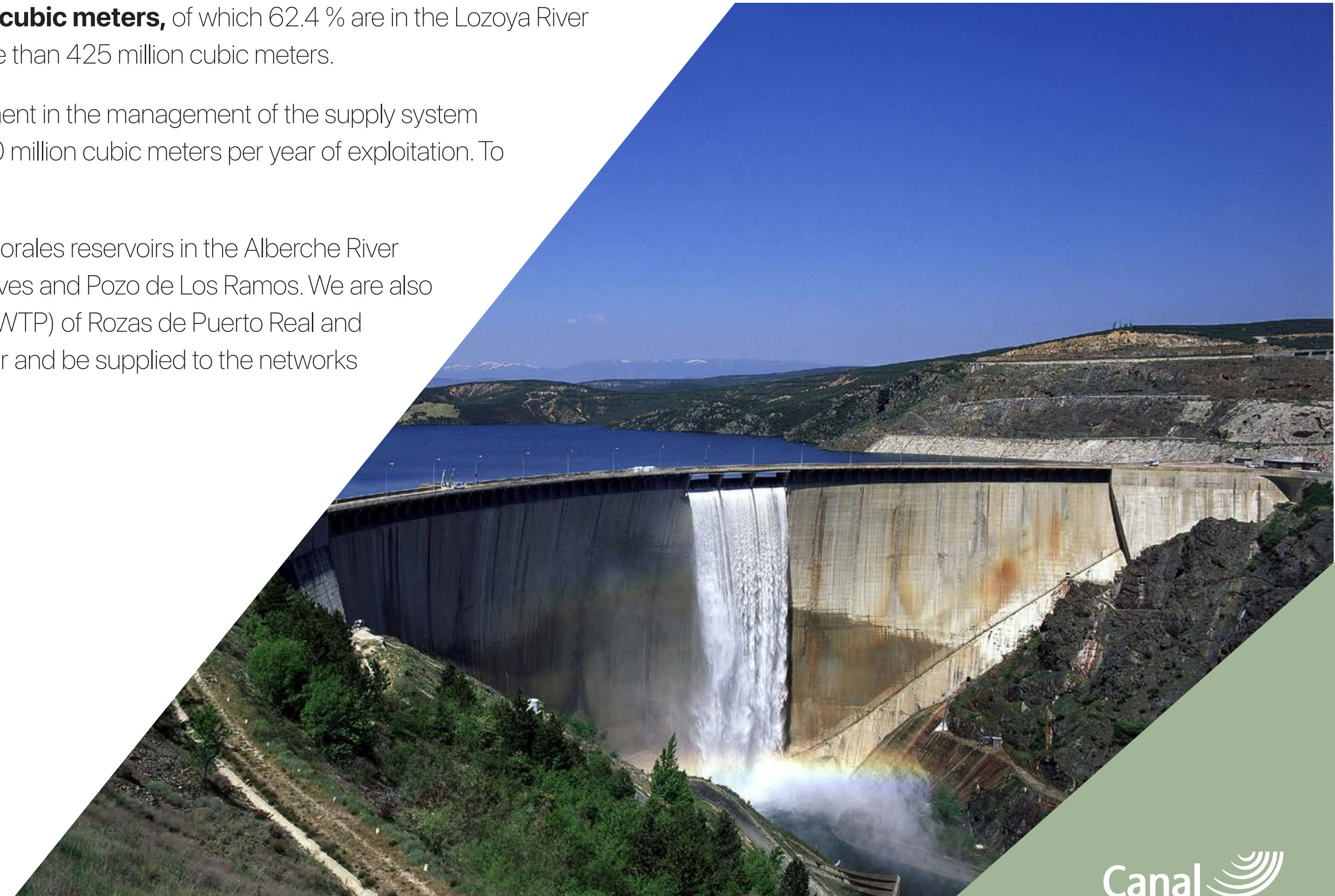
## 1.1.1. Supply: adduction (catchment and treatment)

For more information on our  
reservoirs and catchment, see  
[our web](#)

The **13 reservoirs** managed by Canal have a total storage capacity of **943.51 million cubic meters**, of which 62.4 % are in the Lozoya River basin. The primary reservoir in this region is the **El Atazar** reservoir, with capacity for more than 425 million cubic meters.

The **catchment of groundwater**, as support for the surface water supply, is a key element in the management of the supply system during periods of drought or scarce water resources, and is capable of providing up to 90 million cubic meters per year of exploitation. To guarantee this volume, we have **78 operational wells**.

Moreover, Canal has the ability to **transfer water** from the San Juan, Picadas and Los Morales reservoirs in the Alberche River basin, and from the Guadarrama and Sorbe Rivers through the irrigation dams of Las Nieves and Pozo de Los Ramos. We are also able to offer supply from the San Juan reservoir to the Drinking Water Treatment Plant (DWTP) of Rozas de Puerto Real and to the DWTP of Pelayos de la Presa. Finally, water can also be collected from the Tajo River and be supplied to the networks once it has been treated in the Tajo DWTP.



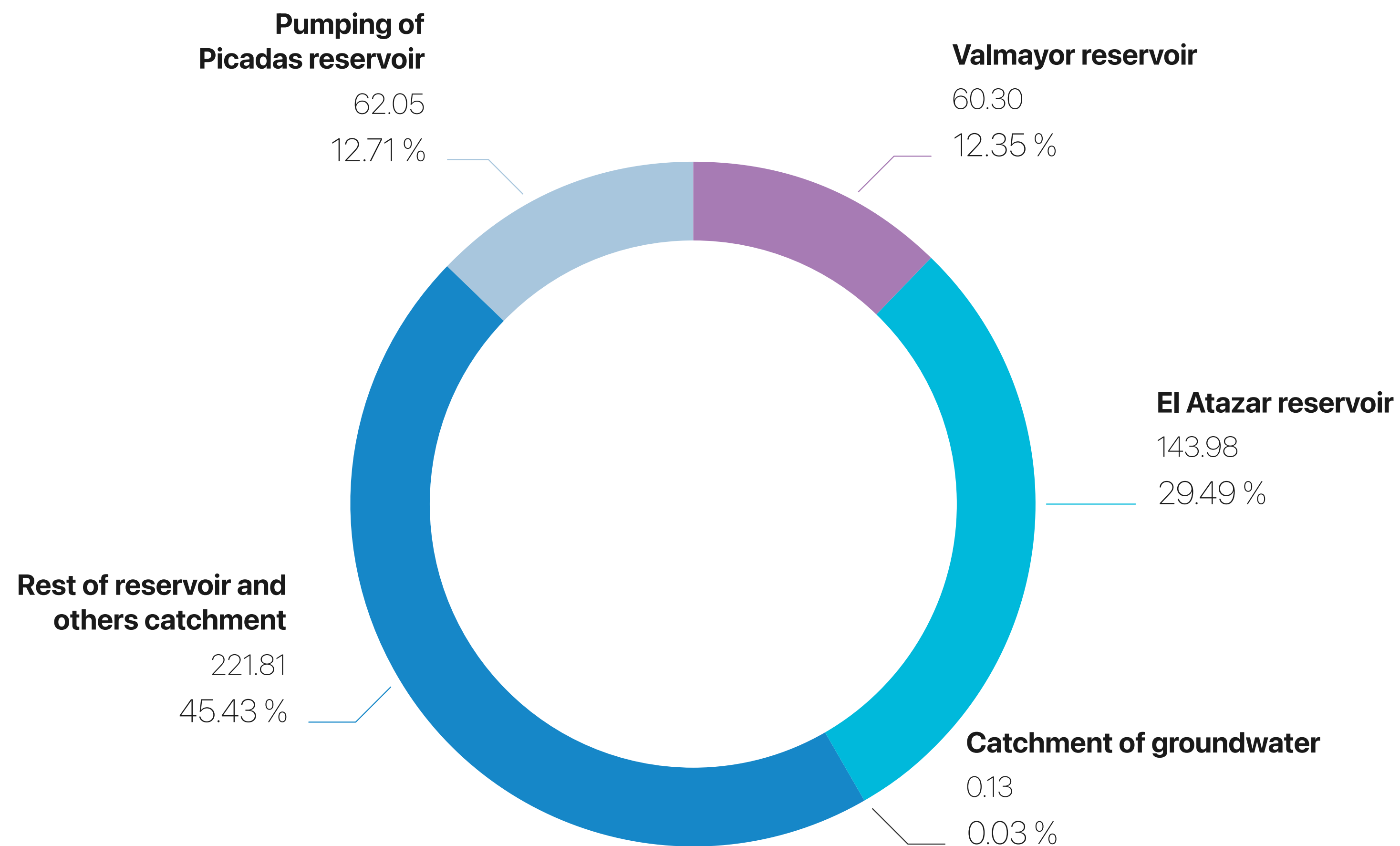


# 1. 1. Our business: the integrated water cycle

## 1.1.1. Supply: adduction (catchment and treatment)

### Source of water for consumption in 2020

(cubic hectometers and % of total)



The total volume of water diverted for consumption increased to a total of **488.27 million cubic meters** in 2020, **3 % lower** than the volume in 2019 and **1 % lower** than in the mean of the last five years.



# 1. 1. Our business: the integrated water cycle

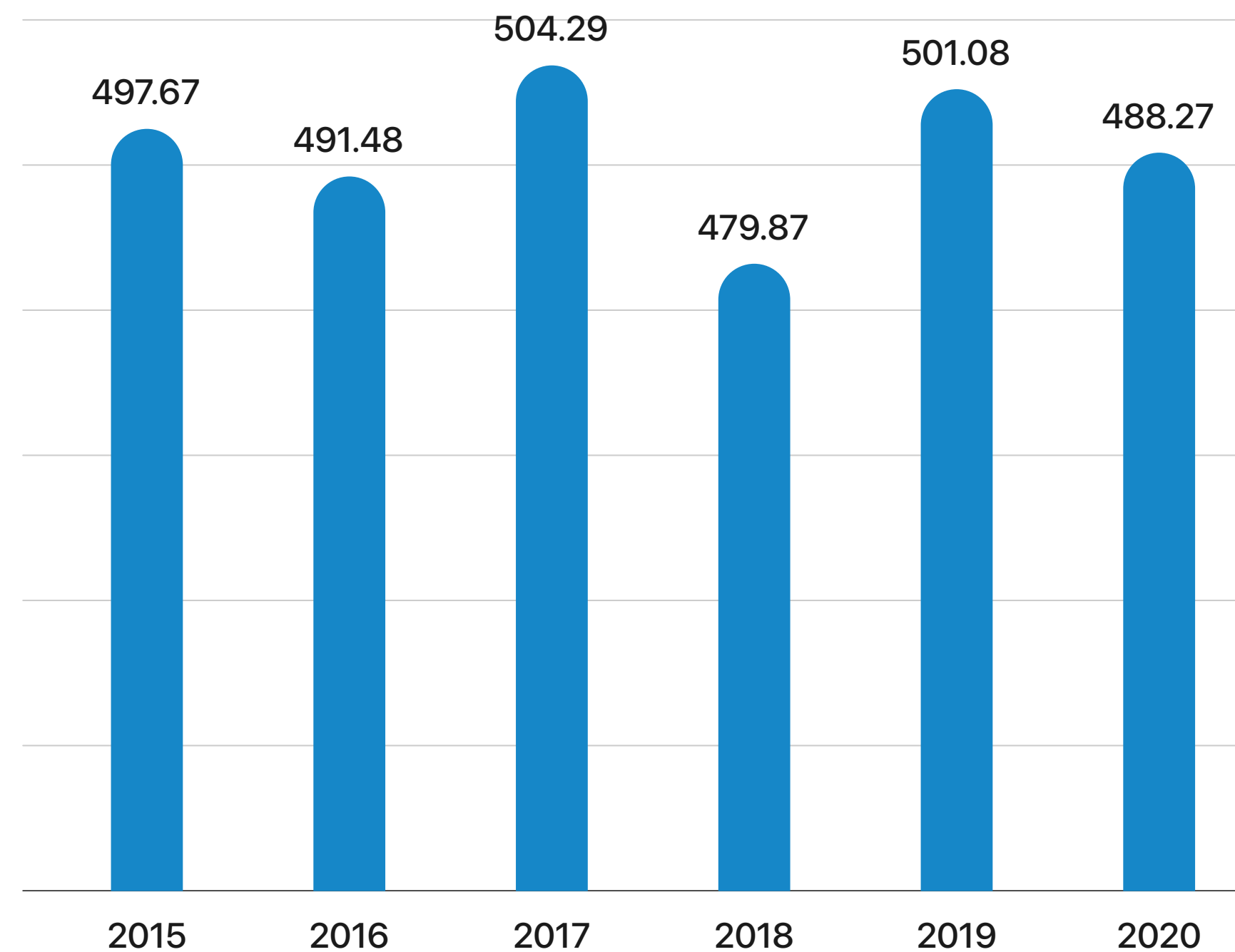
## 1.1.1. Supply: adduction (catchment and treatment)

For more information on our treatment plants, see [our web](#)

From all the catchment options available, Canal obtains the resources that are subsequently sent to the treatment plants, through a network of large channels and pipelines of raw water that, at year-end 2020, had a length of 259.47 kilometers.

Canal de Isabel II manages **14 Drinking Water Treatment Plants (DWTP)** with a total nominal capacity to treat 4.55 million cubic meters daily.

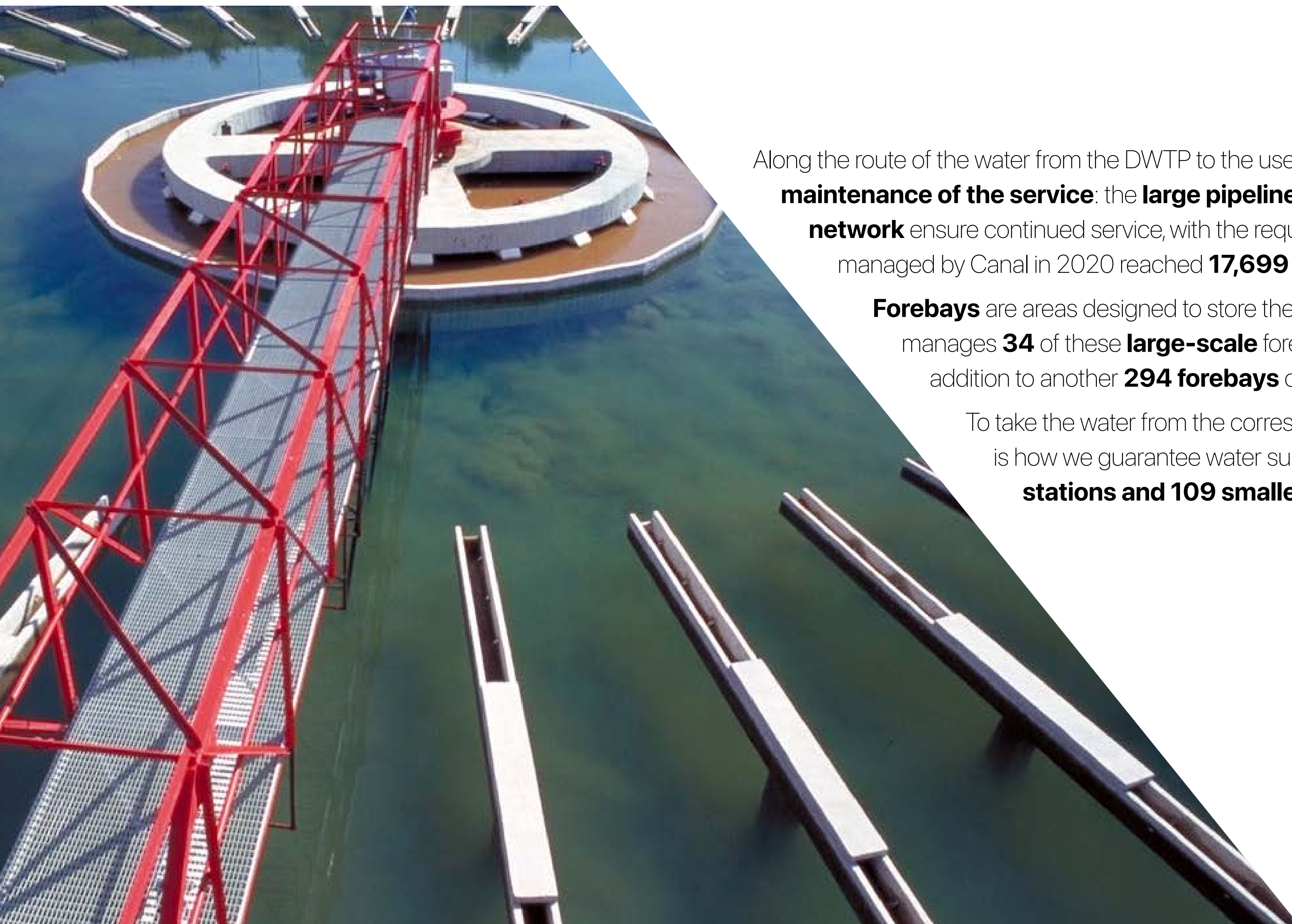
**Water for consumption** (million m<sup>3</sup> yearly)





# 1. 1. Our business: the integrated water cycle

## 1.1.2. Supply: distribution of drinking water



Along the route of the water from the DWTP to the user's faucet, we have multiple facilities that guarantee the **maintenance of the service**: the **large pipelines, forebays, lifting stations** and the **distribution network** ensure continued service, with the required pressure and quality. The total length of the networks managed by Canal in 2020 reached **17,699 kilometers**.

**Forebays** are areas designed to store the water to supply the population. The company currently manages **34** of these **large-scale** forebays, with a total capacity of 3.3 million cubic meters, in addition to another **294 forebays** of a smaller size.

To take the water from the corresponding forebays and lift it to a higher elevation, which is how we guarantee water supply in more elevated areas, Canal has **22 large lifting stations** and **109 smaller lifting stations**.

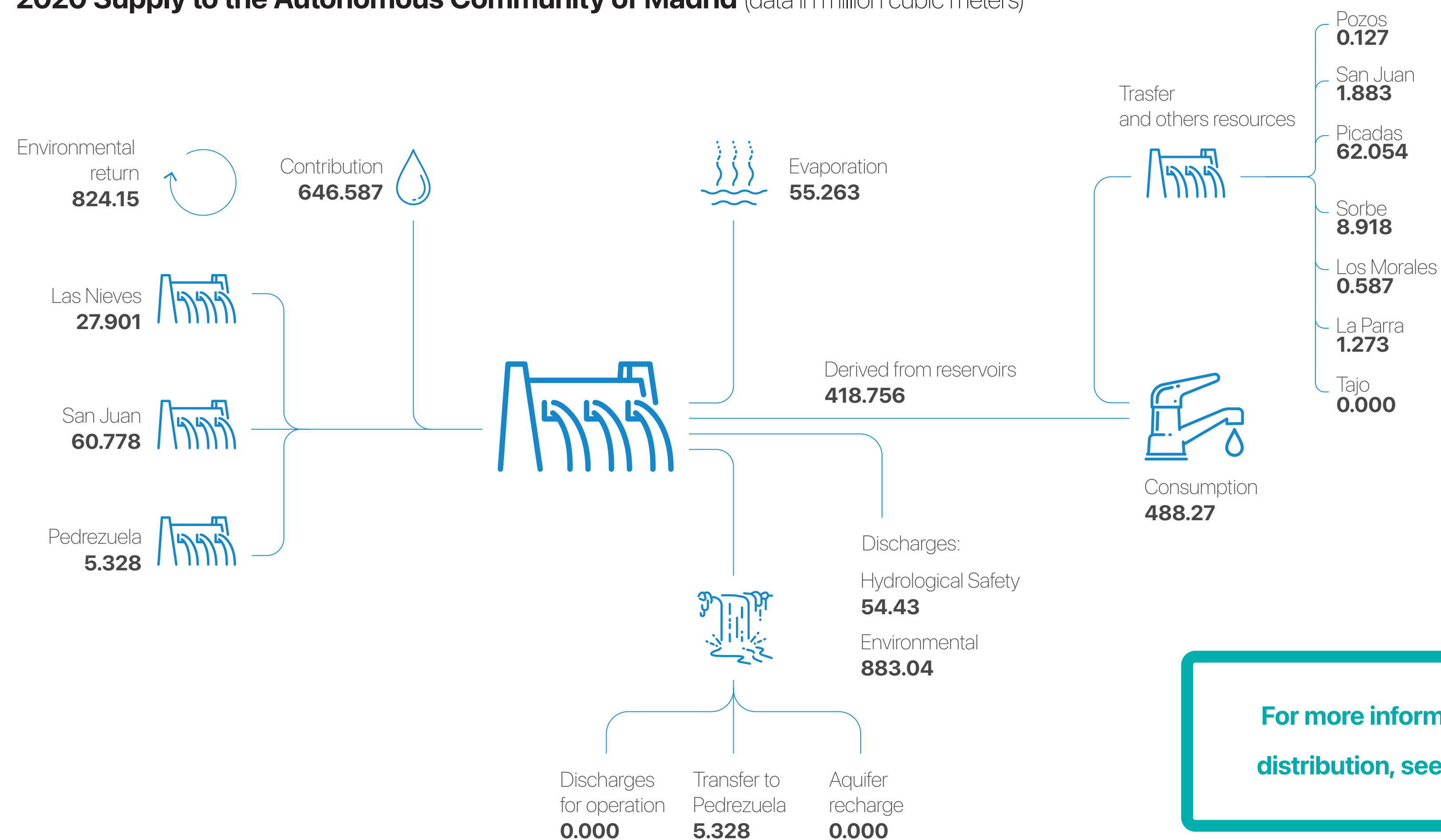




# 1. 1. Our business: the integrated water cycle

## 1.1.2. Supply: distribution of drinking water

### 2020 Supply to the Autonomous Community of Madrid (data in million cubic meters)



For more information on  
distribution, see [our web](#)



# 1. 1. Our business: the integrated water cycle

## 1.1.3. Sanitation: sewage and urban drainage

The collection of wastewater and rain water and its transport to the treatment plants is the objective of the **sewage and urban drainage networks**. As of 31 December 2020, Canal performed the maintenance of these networks in **135 municipalities**, collecting wastewater from **5.79 million inhabitants**.

The total length of the municipal networks managed stands at **14,689 kilometers of sewers**. Likewise, Canal manages **870 kilometers of supra-municipal sewers and emissaries**, pipelines that collect and transport wastewater from the municipalities to the corresponding WWTP.

Other important facilities managed by Canal are the **133 Wastewater Pumping Stations (WWPS)**, whose mission is to lift wastewater when its transport to the WWTP cannot be done by gravity alone. In addition, **65 facilities called storm tanks and laminators** are also managed, with a total capacity of 1.48 million cubic meters, whose purpose is to prevent flooding, as well as to retain the first rainwater, which is the most contaminating, thereby minimizing its effect on riverbeds.



# 1. 1. Our business: the integrated water cycle

1.1.3. Sanitation: sewage and urban drainage

1.1.3.1. Sanitation: wastewater purification

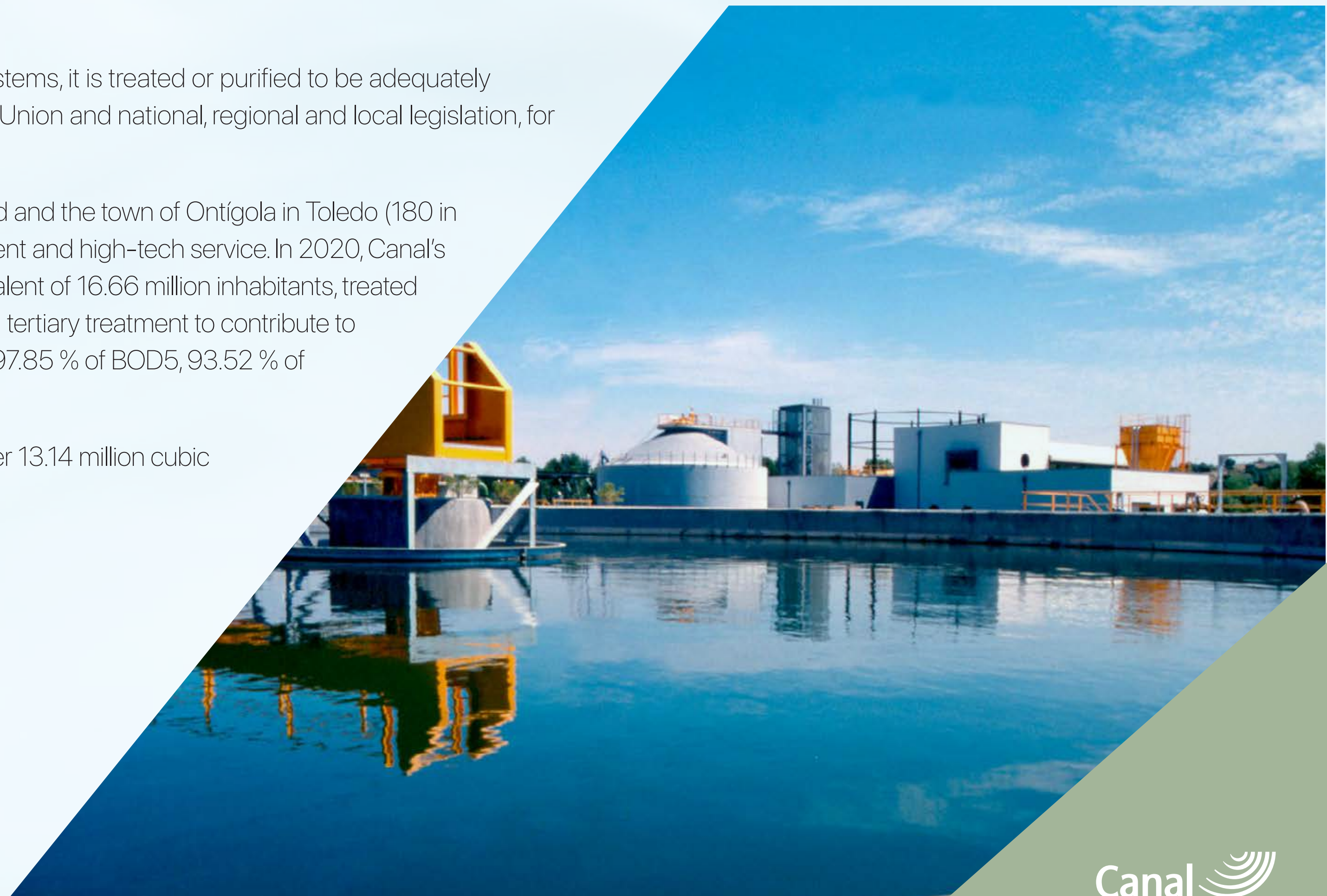
## GRI 306-5

Following the collection and transport of wastewater through the town and city sewer systems, it is treated or purified to be adequately returned to its natural waterways, under the standards of quality set out by the European Union and national, regional and local legislation, for subsequent use.

At Canal, we perform this work in all municipalities in the Autonomous Community of Madrid and the town of Ontígola in Toledo (180 in total) and have excellent infrastructure to be able to render a continuous, high-quality, efficient and high-tech service. In 2020, Canal's 157 Wastewater Treatment Plants (WWTP), with a nominal treatment capacity of the equivalent of 16.66 million inhabitants, treated and discharged into rivers a total of 465.68 million cubic meters of wastewater (112.79 with tertiary treatment to contribute to the improvement of river quality) and were able to eliminate 96.42 % of suspended solids, 97.85 % of BOD5, 93.52 % of COD, 91.43 % phosphorus and 67.13 % of the nitrogen it contained.

In addition to the treated water discharged to rivers, in 2020, Canal's WWTP treated another 13.14 million cubic meters that were diverted for reuse.

For more information on sewer  
and treatment management,  
[see our web](#)



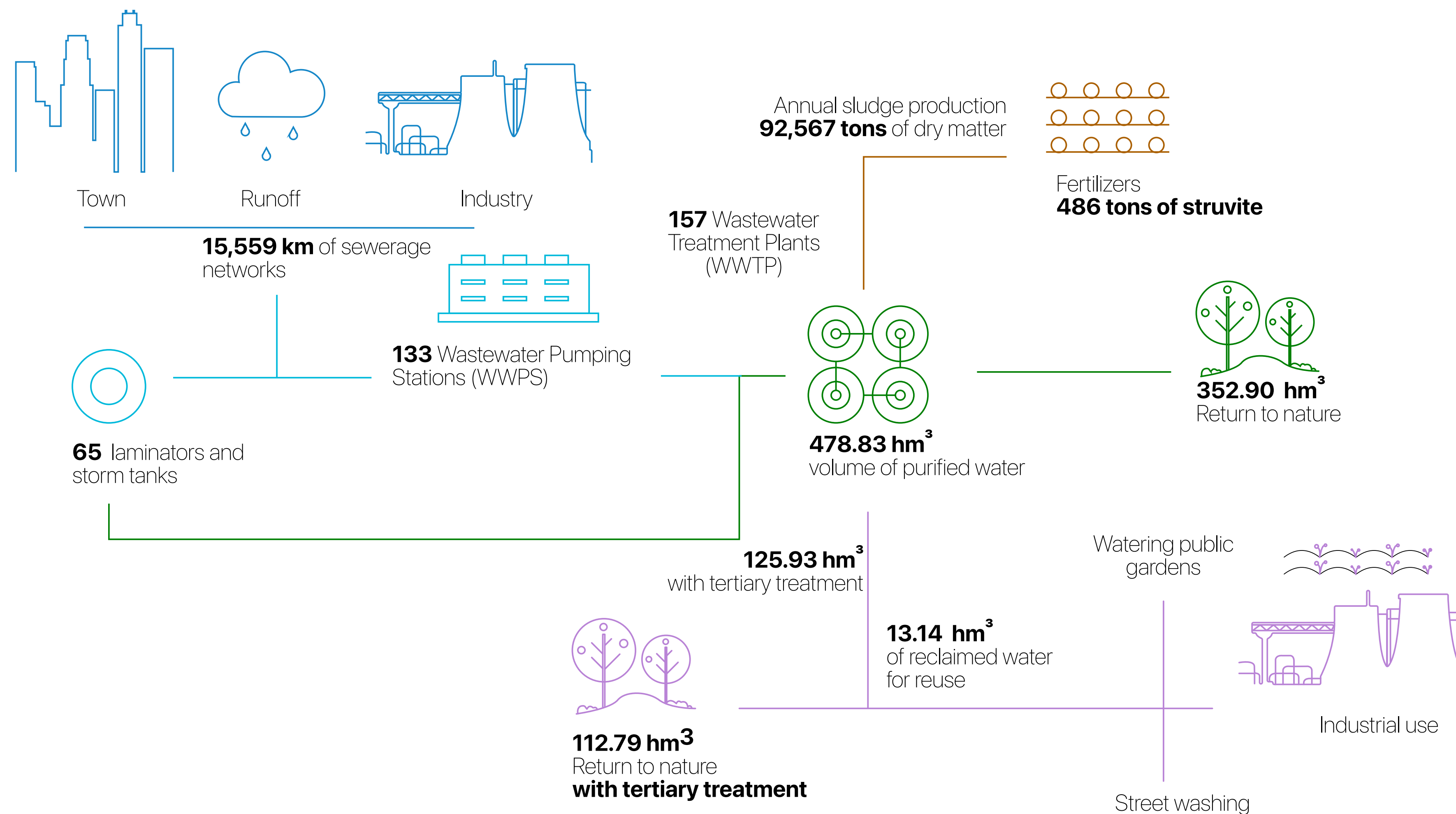


# 1. 1. Our business: the integrated water cycle

1.1.3. Sanitation: sewage and urban drainage

1.1.3.1. Sanitation: wastewater purification

## 2020 Sanitation in the Autonomous Community of Madrid





# 1. 1. Our business: the integrated water cycle

## 1.1.4. Reclaiming of treated wastewater for reuse

GRI 303-3

Canal de Isabel II considers the reuse of treated wastewater to be an essential component in the integrated management of the resource, and it contributes to the net increase of water availability in the region. For that reason, in recent years, Canal has bolstered its reclaimed water distribution activity at an increasing rate for facilities not requiring drinkable water, especially for the purposes of **street cleaning, watering of public parks, golf courses** and even for **industrial use**.

At year-end 2020, Canal has **32** reclaimed water production plants (tertiary treatments) with capacity to produce **318,806 cubic meters daily** and with a **656-kilometer network** for reuse that had supplied a total of **13.14 million cubic meters of water** to the **25 municipalities** with this service to water 370 green zones. This number will continue to grow in coming years with the signing of new reclaimed water supply contracts.

For a better idea of the value of reuse, with the reclaimed water produced by Canal, **2,915 hectares** of which 789 are located in **11 golf courses**.



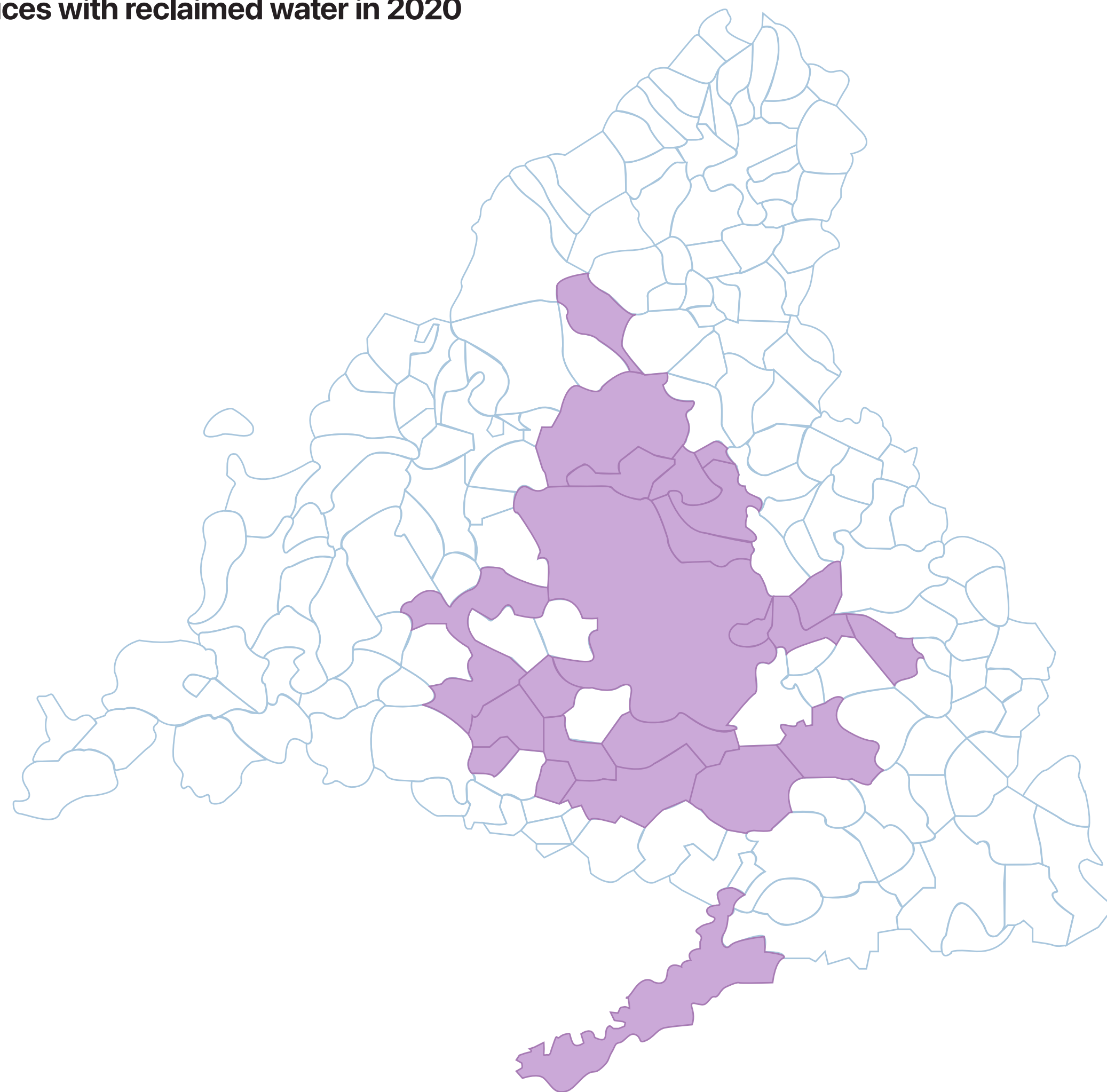


# 1. 1. Our business: the integrated water cycle

## 1.1.4. Reclaiming of treated wastewater for reuse

### Municipalities with reuse services with reclaimed water in 2020

Alcobendas  
 Alcorcón  
 Aranjuez  
 Arganda del Rey  
 Arroyomolinos  
 Colmenar Viejo  
 Coslada  
 Fuenlabrada  
 Getafe  
 Humanes de Madrid  
 Madrid  
 Majadahonda  
 Meco  
 Miraflores de la Sierra  
 Móstoles  
 Parla  
 Pinto  
 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



For more information on  
 the reuse of wastewater,  
 see [our web](#)





## 1.2 Organization of our company

The corporate organization and governing bodies of Canal de Isabel II are in full compliance with their requirements corresponding to their legal status as a Public Limited Company (Plc.) since its creation in June 2012.





# 1. 2. Organization of our company

1.2.1. Shareholders

GRI 102-5	102-18	102-19	102-20	102-22	102-23	102-24	102-25	102-26	102-31
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The share capital of the Canal de Isabel II Public Limited Company (Plc.) is represented by 1,074,032,000 ordinary shares with a nominal value of one euro each.

The creation of the Corporation was authorized through an agreement of the **Governing Board of the Autonomous Community of Madrid on 14 June 2012**. In turn, the issue of shares to the **111 town councils** that form the Corporation’s shareholding was finalized in 2012, in line with agreements with said town councils. With the 2018 approval of Act 8/2018<sup>1</sup>, new town councils will be able to join Canal’s shareholding in the future.

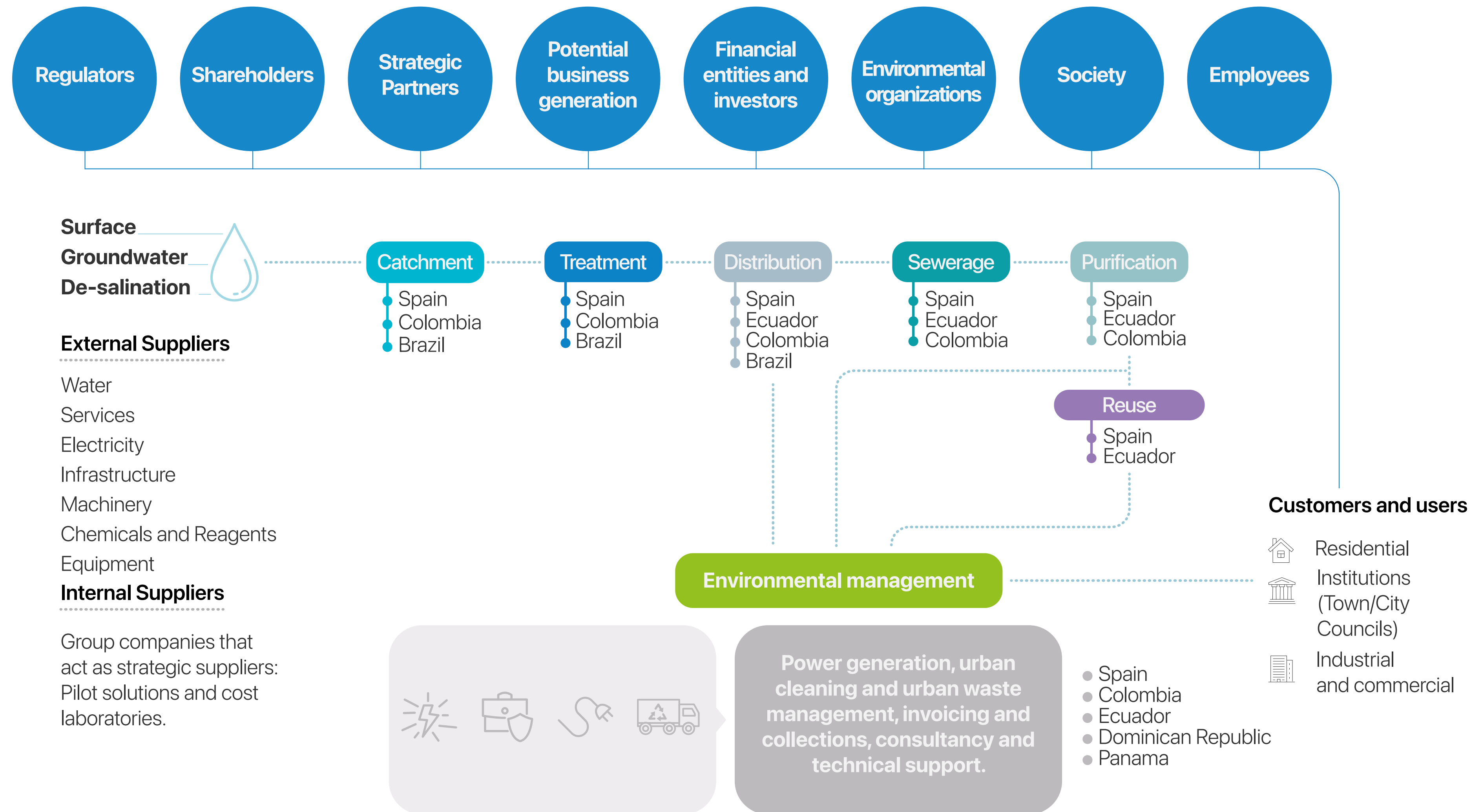
<sup>1</sup> LEY 8/2018, de 26 de diciembre, de modificación de la Ley 3/2008, de 29 de diciembre, de Medidas Fiscales y Administrativas, para la garantía del carácter público de Canal de Isabel II [The Fiscal and Administrative Measures Act to guarantee the public nature of Canal de Isabel II]





# 1. 2. Organization of our company

## 1.2.1. Shareholders

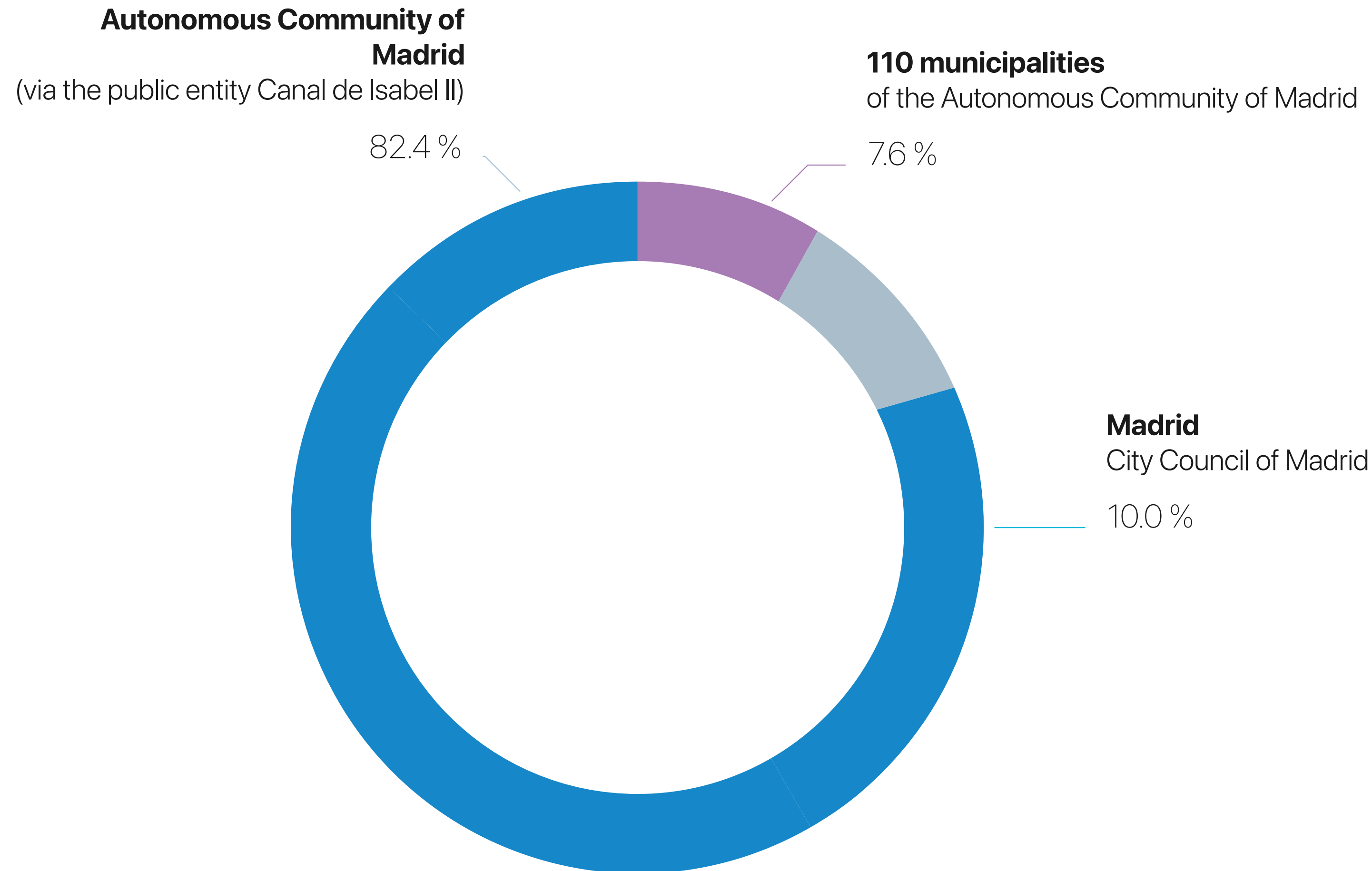




## 1. 2. Organization of our company

### 1.2.1. Shareholders

#### Canal's shareholders as of 31 December 2020



At year-end 2020, the 111 town councils forming Canal de Isabel II's shareholding reached a total of **6,088,261 inhabitants**, in other words, **89.80 %** of the population of the Autonomous Community of Madrid (92.49 % if we exclude Alcalá de Henares).



# 1. 2. Organization of our company

## 1.2.2. Governing bodies

### GRI 405-1

The Corporate Governance decision-making bodies at Canal de Isabel II are the **General Board**, made up of all company shareholders, and the Board of Directors.

Corporate posts cannot be occupied by individuals deemed incompatible per the measures and conditions set out in Act 14/1995 of 21 April 1995 of the Autonomous Community of Madrid, Article 213 of Royal Legislative Decree 1/2010 of 2 July 2010, approving the consolidated text of the Capital Companies Act and other applicable legislation.

The Board of Directors generally holds meetings on a monthly basis or as called upon by its Chair.

### Board of Directors at year-end 2020

Ms. Paloma Martín Martín – *Chairperson*

Mr. Mariano González Sáez – *Proprietary Director*

Mr. Guillermo Hita Téllez – *Proprietary Director*

Mr. Jacobo P. Martínez Pérez de Espinosa – *Independent Director*

Ms. Lourdes Vega Fernández – *Independent Director*

Mr. Antonio Javier Cordero Ferrero – *Independent Director*

Mr. Pascual Fernández Martínez – *Vice Chairperson and Managing Director*

Mr. Francisco Muñoz García – *Proprietary Director*

Mr. Jaime Sánchez Gallego – *External Director*

Ms. Alicia Muñoz Lombardía – *Independent Director*

Mr. Jaime Garía-Legaz Ponce – *Independent Director*

Ms. María del Carmen Tejera Gimeno – *Company Secretary*



# 1. 2. Organization of our company

## 1.2.2. Governing bodies

Though Canal is not a publicly traded company, it is an issuer of non-convertible fixed income securities on a regulated market. In addition, one of the priority lines of action of the Board of Directors is to foster good governance, and it submits to the CNMV Good Governance Code of Listed Companies as the guiding document for our business.

At year-end 2020, Canal had 5 independent directors (41.7 % of the total), in compliance with Recommendation 17 of the Good Governance Code that indicates that, for companies that have a shareholder controlling more than 30% of the share capital, like Canal de Isabel II, S.A., the minimum number of independent directors should be at least one third of the total.

Moreover, in line with Royal Legislative Decree 1/2010 of 2 July 2010, approving the consolidated text of the Corporations Act and the company's bylaws, the regimen on commissions of the Board of Directors contained, respectively, in Articles 529l and 529m of the Corporations Act are also applicable to Canal de Isabel II, S.A. as an **issuer of securities** other than shares that can be traded in official secondary markets.

At year-end 2020, the Board Committees were the **Audit Committee** and the **Appointments and Remuneration Committee**, presided over and primarily made up of independent directors.

### Composition of the Audit Committee

Chairperson: Mr. Antonio Javier Cordero Ferrero (*independent*)

Member: Mr. Jacobo P. Martínez Pérez de Espinosa (*independent*)

Member: Mr. Jaime Sánchez Gallego (*external*)

Member: Mr. Jaime García-Legaz Ponce (*independent*)

### Composition of the Appointments and Remuneration Committee

Chair: Mr. Jacobo P. Martínez Pérez de Espinosa (*independent*)

Member: Mr. Antonio Javier Cordero Ferrero (*independent*)

Member: Mr. Jaime Sánchez Gallego (*external*)

Member: Ms. Lourdes Vega Fernández (*independent*)

Member: Ms. Alicia Muñoz Lombardía (*independent*)



# 1. 2. Organization of our company

## 1.2.2. Governing bodies

The **General Shareholders Meeting** determines the number and appoints the members of the Board of Directors. At year-end 2020, there were 12 Board Members, in addition to a Secretary (non-member), leaving one post to be filled in the year 2021.

The duties of the Shareholders Meeting, among other powers legally attributed to it, include **approving the company's management**, approving the accounts for the previous fiscal year and deciding on the **allocation of profits**. Since its creation in 2012, and until 2020 (including the complementary dividend paid in 2020), Canal de Isabel II has paid out a total of 1,273.49 million euros: 1,049.35 went to the Autonomous Community of Madrid, 127.35 to the City Council of Madrid, and 96.79 to Canal's other shareholder municipalities. This represents a contribution of 36.82 euros per inhabitant in the 111 shareholding municipalities.

Among the main agreements adopted in the two general meetings held in 2020, the following stand out:

- » Examination and approval of the Company's **Individual Annual Accounts** (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Annual Accounts) and the Directors' Report for 2019.

- » Examination and approval of the **Consolidated Annual Accounts** of the Company and its Group (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Consolidated Accounts Statement) and Consolidated Management Report (including the Non-financial Information Statement) for 2019.
- » Examination and approval of the **Non-financial Information Statement** included in the Consolidated Directors' Report of the Company and its Group for 2019.
- » Approval of the Company Directors' management.
- » Approval of the Distribution of Profits.
- » Establishment of the number of members of the Board of Directors (12).
- » Appointment of three new members (independent members) of the Company's Board of Directors.

For more information on the members of the Board of Canal de Isabel II, please see [our web](#)





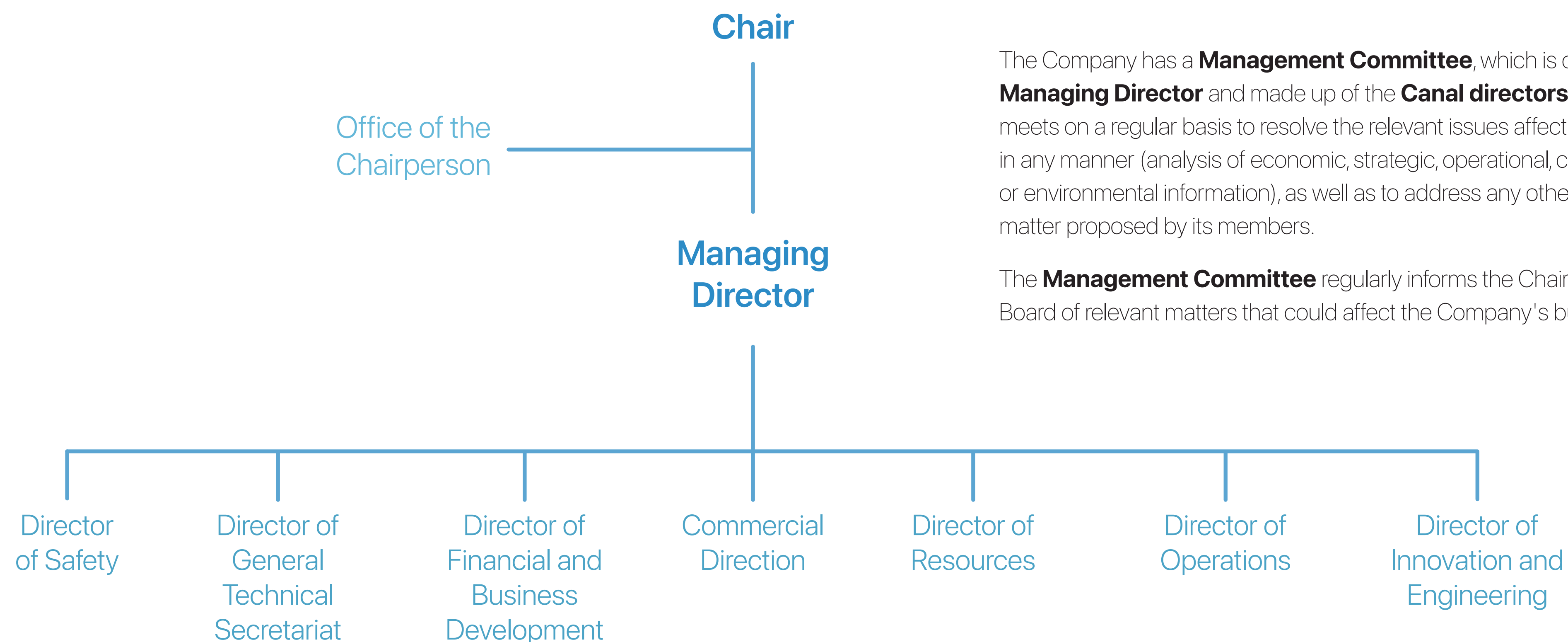
# 1. 2. Organization of our company

## 1.2.3. Organization and executive management

GRI 102-31   102-32   103-3

For more information on our organization and the members of the Management Committee of Canal de Isabel II, please see [our web](#)

Our organization has a structure composed of different divisions, subdivisions and departments. At year-end 2020, the organization chart in effect at the management level was as follows:



The Company has a **Management Committee**, which is overseen by the **Managing Director** and made up of the **Canal directors**. The Committee meets on a regular basis to resolve the relevant issues affecting the company in any manner (analysis of economic, strategic, operational, commercial and/or environmental information), as well as to address any other substantial matter proposed by its members.

The **Management Committee** regularly informs the Chairperson of the Board of relevant matters that could affect the Company's business.





# 1. 2. Organization of our company

## 1.2.4. Other Committees and Commissions

As noted above, the **Audit Committee** is made up of four directors, all of whom are independent or external. The **Appointments and Remuneration Committee** is also made up of four independent directors and one external director.

In addition to the committees mentioned, Canal also holds meetings of 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** and the **Strategic Plan Monitoring Committee**, to name a few.





## 1. 2. Organization of our company

### 1.2.5. Status of the 2018-2030 Strategic Plan

GRI 102-21	102-31	103-32	102-33	102-34	103-2	103-3
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The **Canal 2018-2030 Strategic Plan** is a living and inherently flexible tool, a lever of Canal's sustainability strategy to achieve the **Sustainable Development Goals**. Thanks to the **participatory nature** of the Plan since its design and inception, as well as the constant improvement it openly welcomes, it contains a system for monitoring and controlling the quarterly results, as well as a continuous strategic review process, which involves our entire organization.

The implementation of the Strategic Plan involves the launching of **cross-cutting projects** involving professionals from different departments of the company, thus creating an ad hoc cross-sectional structure in charge of the implementation of the plans and actions of each strategic line that overlaps Canal's formal, hierarchical structure.

Each one of the **10 strategic lines** is directed by a member of the Management Committee and coordinated by a Line Coordinator, who, in turn, leads those responsible for the plans and specific actions associated with their line. Furthermore, the **Strategy Implementation and Monitoring Office**, an **internal team** specifically formed with the mission of promoting, coordinating and facilitating the implementation of plans and actions, monitors all the objectives of the lines and plans, while also supporting decision-making.

Moreover, and in line with the participatory nature of the Plan and to continue upholding a work scheme that favors the contrast with society, in 2020, the **materiality matrix** has been updated. Thanks to the study conducted, we were able to analyze and move forward with a model that serves as a meeting point between Canal and the different social and professional groups.

### Structure of the Canal de Isabel II 2018-2030 Strategic Plan





## 1.3 Our stakeholders





# 1. 3. Our stakeholders

GRI 102-13

102-21

102-40

102-42

102-43

Canal de Isabel II considers continuous contact with our stakeholders to be essential. With them, and thanks in part to their direct participation in the entire Strategic Plan design process, we make specific daily commitments that we recognize as part of our responsibility as a public company. Our main stakeholders include:

- » **Regulatory bodies:** The European Union, the Ministry for the Ecological Transition and Demographic Challenge, the Tajo Hydrographic Confederation and the Ministry of Health.
- » The **Government of the Autonomous Community of Madrid, the Assembly of the Autonomous Community of Madrid**, and the six parliamentary groups represented in it (PSOE, PP, Ciudadanos, Más Madrid, VOX and Unidas Podemos parties).
- » Our **shareholders**: the Autonomous Community of Madrid and the 111 town councils that form part of our shareholding.
- » **Customers and users:** The town and city councils of the municipalities we serve, as well as domestic, commercial and industrial customers and users; large customers such as 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, EBC and IWA).
- » **Society** at large, 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 managing 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 the protection and improvement of our environment.



## 1. 3. Our stakeholders

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 very fluid contact through our numerous commercial offices and phone campaigns. Moreover, we have a customer satisfaction survey through which we contact customers to find out their opinion on our services.
- » **Employees:** We maintain a permanent relationship with employees through personal contact and new technologies. One 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.
- » **Suppliers:** we also maintain constant and fluid contact with our suppliers. Daily, through their phone, email 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.
- » **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 this 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.
- » With the **rest of our stakeholders** (regulators, strategic partners, business generators or society at large) relations are continuous, constant and increasingly intensive. Our intention is to continue to deepen our relationship with all our stakeholders, intensifying contact with them. We are convinced that we will only achieve our goals if we all work in the same direction.

To open up said participation started 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.






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.





# 1. 3. Our stakeholders

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

Communication channel	Internal communication	External communication	Communication channel	Internal communication	External communication
Personal or on-site 	Meetings. Training and awareness-raising. Leisure and sport activities for employees and their families.	Corporate headquarters. Commercial customer service offices. Customer service. Customer Ombudsman. Organized tours of facilities. Educational campaigns (Canal Educa). Recreational and sports areas. Participation and organization of conventions, forums and other gatherings. Fundación Canal activities. General Shareholders Meeting. Shareholder service office.	Phone, fax, email 	Phone, fax, ordinary mail. Suggestion box.	Customer service hotline. Supplier service hotline. Educational initiative contact phone. Messages on the invoice.
			Media: TV, press, radio, etc.... 		Press releases. Media announcements. Online press room. Awareness-raising campaigns for society at large. (Taking care of water). Canal de Isabel II blog.
Internet 	Corporate website, Intranet and R&D+i blog	Online customer service office. Corporate website. Transparency portal. Shareholder portal. Canal Educa website. Canal Voluntarios website. Fundación Canal website  Canal on YouTube. Canal on Instagram. Canal on LinkedIn. Canal on Facebook. Fundación Canal social networks. Canal de Isabel II mobile application for Android and iOS.	Publications/Technical reports 	Internal reports and memos  In-house magazine for employees.	Sending of personalized information to the customers.  Canal de Isabel II Sustainability Report. Corporate publications. Fundación Canal publications. R&D+i workbooks. Canal&tú magazine.





## Canal and COVID-19



## 2. Canal and COVID-19

GRI 102-15

### Canal de Isabel II's actions in the fight against COVID-19

Canal de Isabel II is a public company with more than 150 years of water management experience. Since its creation in 1851, Canal has had one fundamental mission: to **guarantee water supply** to the people of Madrid. Throughout this long journey, which has not always been easy, we have had to face tough times: revolutions, wars, accelerated demographic growth, financial crises, extreme droughts... Yet still, we have always been able to supply our citizens with the life-sustaining resource that is **water**.

Since the start of 2020, the COVID-19 pandemic, which has been the most important challenge faced by humanity in decades, has called us to do everything possible to guarantee the essential services we provide, adapting our management and operations to the major challenge at hand.

Luckily, Canal has had action protocols in place for crisis scenarios that, in the case of the current pandemic, allowed us to start implementing concrete measures even before the official declaration of the State of Alarm by the Government of Spain. By 25 February, the Safety and Health Committee had already prepared an initial set of preventive measures. Days later, the Business Continuity Committee started arranging the company's joint response.

Thanks to these initial steps, on 2 March 2020, a Coronavirus Monitoring Committee, also known as the "Crisis Committee" was created. This Committee implemented a contingency plan to prevent the risk of infection among our workers and to guarantee the essential services of water supply and treatment.

With the objective of protecting everyone's health, we continued to work, and decided, from the start, to provide information to our workers on a daily basis; reinforce the cleaning and disinfection of the workspaces; implement **work-from-home**, taking into consideration family-work situations; provide personal **protective equipment** to employees; cancel events and meetings; organize essential staff in pods; **halt water shut-offs** and meter reading, limiting visits to emergency malfunctioning; and to **close commercial offices**, replacing face-to-face customer service with online and phone contact.



## 2. Canal and COVID-19

On 14 March 2020, the day the State of Alarm was declared, we had more than **1,350 employees** sufficiently equipped to provide their services using remote working tools. Moreover, we were ready to have **300 essential workers** on home reserve for the operation. Since then and up to this day, we have made countless decisions to be able to guarantee service continuity and prevent the propagation of the virus in our workforce and in society in general.

Furthermore, considering the major social and economic impact of the healthcare crisis, as a socially responsible company, we created a new regimen of water bill rebates to ease the burden on individuals and entities most severely impacted by the crisis. And to be able to absorb this high volume of requests (more than 27,000 as of late July) we reinforced our workforce dedicated to processing this financial aid.

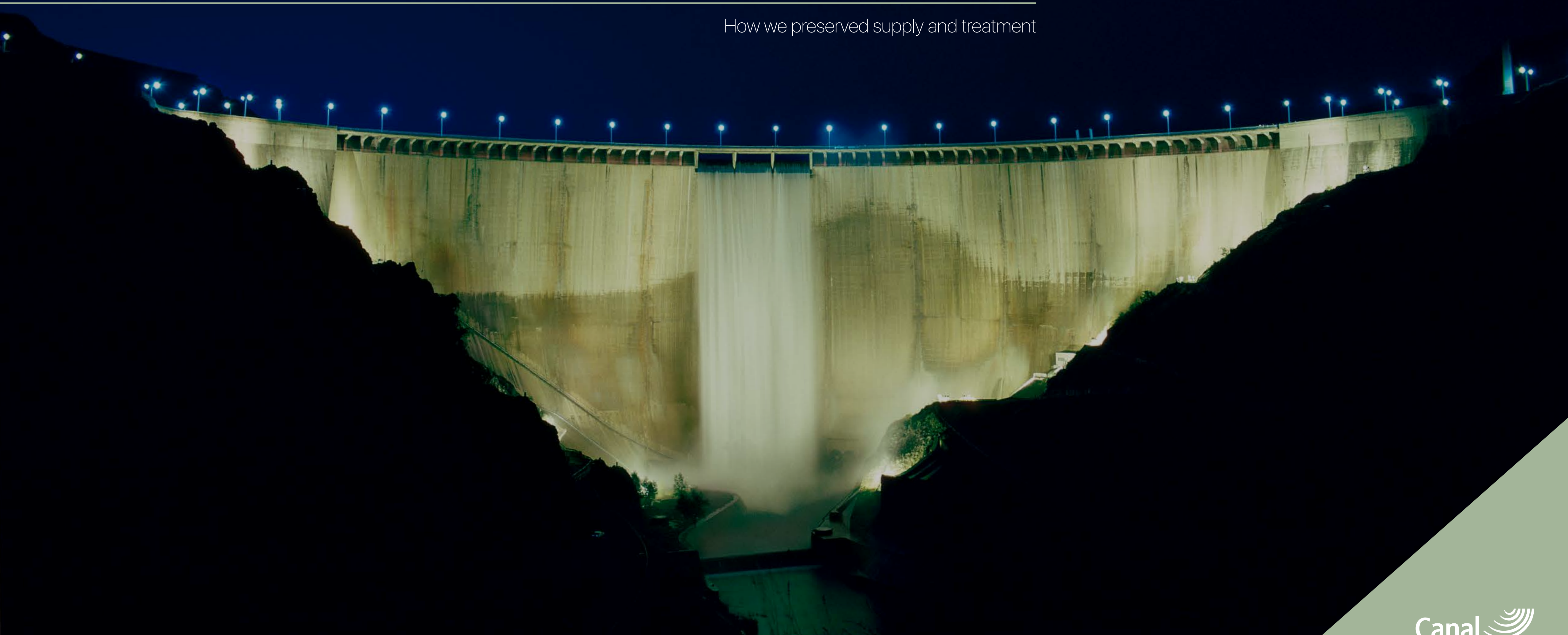
Likewise, our capacity to produce bottled water for emergency situations has allowed us to distribute 137,500 liters of water in jugs and bottles to hospitals, medicalized centers and to other entities, like the military.

Finally, we have worked together, sharing information and knowledge about COVID-19 management, with other companies in the sector, Spanish and international, with industry associations and with multiple work groups. This has made it possible to re-main aware of the best practices that have been developed and to be able to share our own experiences.



# 2.1. Guaranteeing the continuity of the service

How we preserved supply and treatment





## 2.1. Guaranteeing the continuity of the service

On 2 March, we at Canal de Isabel II established a Crisis committee to address the potential repercussions of the pandemic. This committee, made up of some of the individuals with the greatest responsibility and knowledge in the company, established two priorities on the day it was formed:

- » To protect our employees' health.
- » To guarantee the water supply.

With these two fundamental matters marking our mission, we implemented a **Contingency Plan**.

One of the primary objectives consisted in adapting operations and maintenance of our infrastructure to the new situation, by adjusting the protocols of thousands of our workers. Against this backdrop, we decided to move our Control Center to the homes of over 50 workers, from where we continue managing any incidents 24 hours a day.

The success of this unprecedented operation was thanks, in large part, to the company's efforts over the years in equipping its facilities with the capacity to be controlled remotely. In this way, the automation of our operations, one of our most significant strategic objects, has emerged as a decisive factor in our fight against COVID-19 and to guarantee that all individuals enjoy peace and prosperity in 2030.





## 2.1. Guaranteeing the continuity of the service

### Contingency Plan

**REDUCTION OF FIELD PERSONNEL** We implemented WFH for all workers whose presence in the plants was not essential. We suspended all non-essential activities and studied the minimum needs of each facility.

**ORGANIZATION BY PODS AND SHIFTS** We established different work groups ensuring that, in shift changes, there would be a 15-minute interval so that no two pods crossed, and for the cleaning teams to be able to disinfect the entire workspace.

**BACK-UP PERSONNEL** We guaranteed the presence of back-up pods in home reserve available to substitute another pod in the event of any COVID-19-positive cases. Any time a worker presented symptoms, both the worker and his/her coworkers were put in isolation.

**SUPPLYING TEAMS WITH PERSONAL PROTECTIVE EQUIPMENT** We provide personal protective equipment (PPE) to all workers whose presence in the facilities is essential.

**PROVISION OF PERSONAL VEHICLES** We assign a personal, disinfected vehicle to each worker who needs one for their work. This is one way in which we prevent the potential spread of infection from sharing an automobile.

**WAREHOUSING OF SUPPLIES** We acquired and stored all the supplies needed for the operation of the plants.

**DEVELOPMENT AND COMMUNICATION OF AN ACTION PROTOCOL** We have drafted a secure action plan, in addition to general operational guidelines against coronavirus.

**ALTERNATIVE PLANS** We have alternative supply plans available in the event of stoppage of any of part of our infrastructure.





## 2.1. Guaranteeing the continuity of the service

### Outstanding actions to guarantee supply

#### Action Committees

Since late February, the Security and Health Committee and the Business Continuity Committee have been meeting to implement preventive measures and to guarantee the population's water supply. In turn, a COVID-19 Crisis Committee was created. With this organizational structure in place, we began our work in several significant aspects:

- » The versatility of the plant managers.
- » Stocking of reagents.
- » Supply alternatives from other plants in the event of stoppages in certain facilities (tried and tested in previous years).
- » The possibility of confinement and WFH for Control Center workers.
- » The increase in mask supply.

#### Contingency reserves

In the first weeks of March, a contingency reserve consisting of 300 workers who stayed home was created with the intention of offering support to the approximately 1,000 employees who continue to work in supply continuity and treatment.

#### Stocking of reagents

On 12 March, foreseeing what could happen, we commenced the procedures and contacts to guarantee the supply of reagents in the plants that need them.

#### Action protocols

At the start of the State of Alarm, an initial version of two important documents was approved: the Coronavirus Action Protocol and the Coronavirus Operations Guide with General Extraordinary Measures. These documents will continue to be updated throughout the different phases of the State of Alarm.

#### Wastewater analysis

After being able to maintain the service with its full range of guarantees throughout the period of confinement, at the request of the Ministry of the Environment, Spatial Planning and Sustainability and Ministry of Health, an early SARS-CoV-2 surveillance system in wastewater was developed.





## 2.2. Protecting our employees' health

How we have protected our employees from the virus





## 2.2. Protecting our employees' health

The COVID-19 pandemic is a crisis that has put the spotlight on people. For the first time, we had to face the real risk of our teams falling ill and not having sufficient staff to oversee the supply of drinking water and the treatment of wastewater.

For that reason, since day one, our priority has been to see to the health of our workers. First, out of conviction, because, in a company like Canal, our workers are the number one asset; and, as a result, because only with their performance can we guarantee the essential service we provide society.

For that reason, we launched a plan so that everyone whose presence in the plants was necessary would have the equipment and protective measures necessary to carry out their work with minimal risk.

At the same time, we started work from home (WFH), with a major reinforcement of our communications network. In just ten days, we equipped **1,500 WFH** stations for those who could work from home. Having overcome the most difficult times of the crisis, in this gradual return to normal, we have been testing employees who have started to work from the office again.

In addition, we have intensified the cleaning measures of the offices and work stations. Finally, new entrances and exits to the facilities have been incorporated, as have new parking spaces to encourage the use of private transportation and reduce the use of public transportation.





## 2.2. Protecting our employees' health

### Important actions for protecting the health of our employees

#### Work From Home

Since 11 March, the WFH modality was launched, prioritizing people with a medical risk or family needs; and in under a week, the company had 1,500 people working remotely. Furthermore, a special authorization was provided for the workers who did need to commute to work.

#### Work pods

In certain critical facilities, like laboratories, working group pods were created to prevent contact between them and to prevent shifts in staff. Particularly important is the case of the Control Center, which was moved entirely into the homes of those who normally work there to maintain the service and to protect the health of dozens of professionals.

#### Cleaning and disinfection

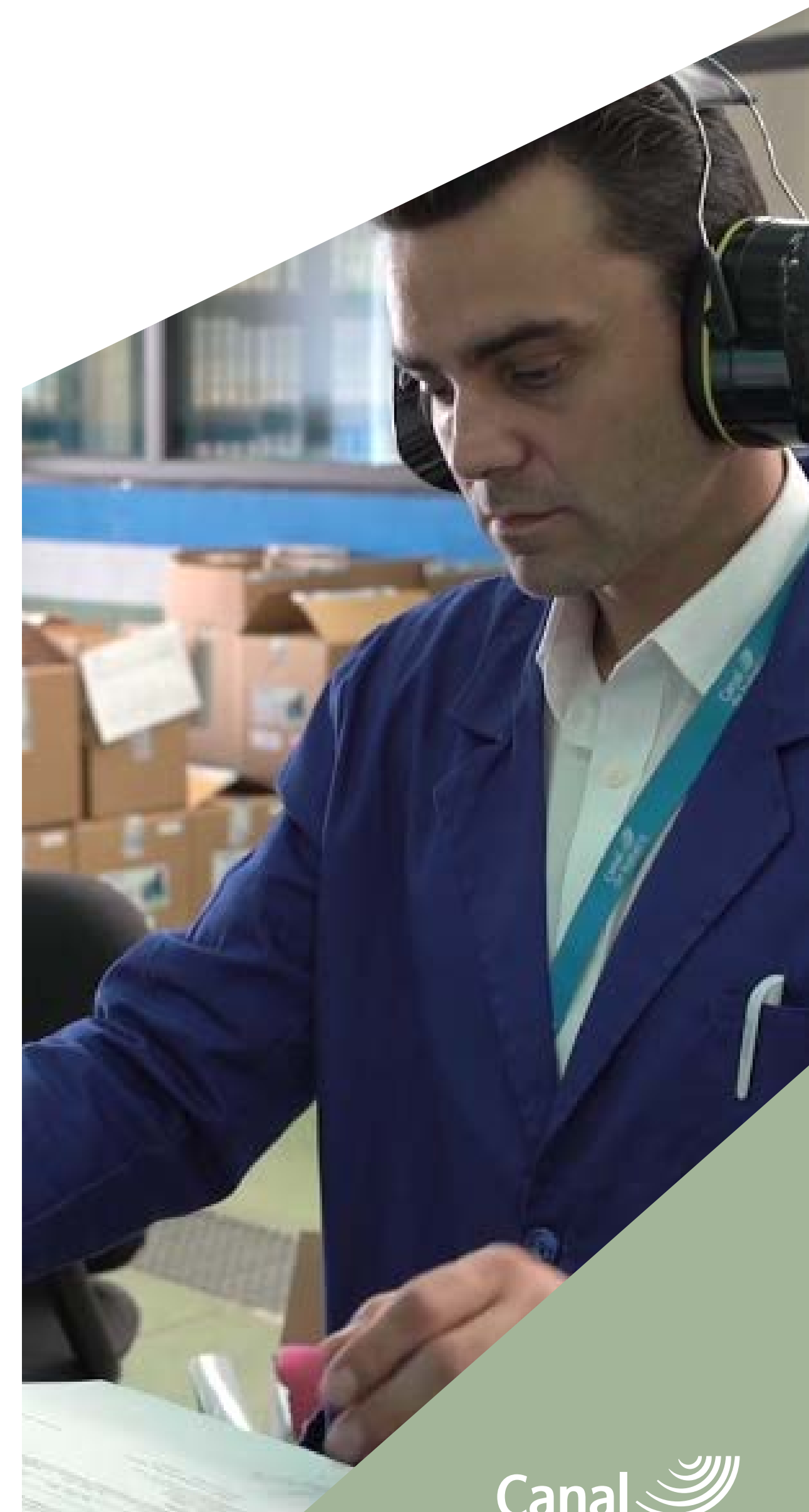
Cleaning measures were intensified in common areas, vehicles and work stations since the very start of the health crisis.

#### Masks and PPE

Despite the difficulties in supply, on 19 March, we received the first FFP2 masks and prioritized their distribution among the services per the Prevention Area's criteria. As of that date, we will continue receiving personal protective equipment until our stocks are more than sufficient.

#### Acquisition of serological tests

On 15 April, the Medical Service started the proceedings to acquire rapid serological tests. We started performing the tests in the different work centers, beginning with those workers who have tested positive, to check their efficacy.





## 2.3. Meeting our clients' expectations

How we have worked to stay close while keeping our distance





## 2.3. Meeting our clients' expectations



At Canal de Isabel II, we have always been motivated by one fundamental premise: being there for our customers and meeting their expectations, regardless of the situation.

For this reason, we closed our commercial offices for several months to reduce contact between people, doing our best to protect people's health. However, we did not let this circumstance impact the service we give our users.

During the months with the strictest confinement, we reinforced our remote customer service offering, so that phone lines and online services were equipped to handle the volume, and they became the communication alternatives for customers.

The most important aspects of these actions include the following three:

- » We increased our call center staff by 25 people.
- » We enabled an interactive voice response (IVR) service specifically to manage water bill rebates.
- » We developed and informed our professionals with a customer service guide so that all proceedings covered in this exceptional period would be resolved in the best way possible.

The measures adopted and the efforts made in this key facet of our business have had positive returns. As an example, the percent response to calls related to the new rebates stands at 97 %.



## 2.3. Meeting our clients' expectations

### Top actions for meeting our clients' expectations

#### Prioritized phone customer service

On Wednesday, 11 March, an early decision was made to only offer in-person customer service to customers with an appointment. All customers who had an appointment scheduled were called to see if it would be possible to resolve their matter by phone. Two days later, all customer service offices were closed, and all customer service became remote.

#### Discontinuation of water shut-offs

Prior to the declaration of the State of Alarm, all water shut-offs and on-site meter readings were halted.

#### Call center reinforcement

In mid-April, the call center staff was reinforced and a specific option was created in the toll-free hotline to provide users information on the water bill rebates.

#### Meter reading

On Monday, 20 April, meter reading that had been halted since 17 March partially resumed, for cases in which private areas do not need to be accessed. Also, new supply connections were also restarted, subject to the restrictions and conditions imposed by the town councils.

#### Appointments

On 24 June, appointment-only customer service at the José Abascal customer service center resumed, with the office adapted to the new healthcare and safety conditions. One week later, this was repeated in the ten peripheral customer service offices. Regardless, phone and online customer service continues to be encouraged.





## 2.4. Demonstrating our commitment and responsibility

How we have worked to stay close while keeping our distance



## 2.4. Demonstrating our commitment and responsibility

The COVID-19 healthcare crisis has led to an economic and social crisis in which countless people have been at serious risk of not being able to meet their basic needs. Aware of this reality and conscious that the service we offer is critical to human life and to containing the pandemic, we have worked to support society during these difficult times.

First and foremost, we at Canal de Isabel II have worked to respond to this situation of need by approving an aid and rebate program for individuals affected by the ERTE furloughs, as well as for the self-employed and companies impacted by the crisis.

At the close of 2020, more than 25,000 companies, self-employed workers and individuals had benefited from our rebates, totaling more than €4.5 million, with retroactive requests for this aid from our Online Office being accepted until May 2021.

On the other hand, during the confinement, no water shut-offs were performed, so that nobody was left without water when they needed it most.

Finally, we boosted our plans for calls for tender to actively participate in the recovery of the region's development and to continue to be a driving force for the economy of the Autonomous Community of Madrid.



## Bottled water for hospitals

Since 2013, Canal de Isabel II has had a bottling plant in the Colmenar Viejo DWTP that produces five-liter jugs of water to supply areas with water supply incidents. However, it also has capacity to make individual bottles. In this exceptional period, this service has been even more relevant than ever.

With the bottling plant functioning at 100 % capacity, we were able to supply bottles and jugs of water to 25 hospitals in the Community of Madrid, in addition to 1,500 water coolers and 1,000 jug racks. In total, we distributed 137,500 liters of bottled water.

Several of our professionals who work in the plant even volunteered to work on weekends to maintain the bottling rates. This applaudable effort, without a doubt, has been in recognition of all the healthcare professionals and other essential workers who have been on the front lines during the hardest times of the pandemic.



## 2.4. Demonstrating our commitment and responsibility

### Actions demonstrating our commitment and responsibility

#### Water for healthcare services

On 19 March, we started bottling and distributing the first batches of bottled water for the healthcare services of the Autonomous Community of Madrid and other institutions, like the military. We continued to provide this aid throughout the entire healthcare emergency and distributed, in total, 175,000 half-liter bottles, 10,000 five-liter jugs, in addition to 1,500 dispensers and 1,000 jug racks.

#### Water bill rebates

The month of April kicked off with the approval of extraordinary rebates on the water bill. Users eligible for these rebates include those affected by ERTE, companies and sectors whose business activity has suffered, as well as facilities enabled for healthcare or funeral services.

#### Aid for the self-employed

On 6 April, rebates were also applied to the water bills of self-employed individuals. Shortly after, all of these social aids were announced and massively publicized to increase their scope.

#### Collaboration with Samur Social

On 25 May, we made a delivery of water jugs and dispensers to Samur Social.





## 2.5. Keeping society at large informed

How we transmit our recognition to the public



## 2.5. Keeping society at large informed



During this period of crisis, we also increased our communication campaign performance. And in these times, it became more necessary than ever to communicate empathetically.

Because even when we were confined, it was the time to stick together. **"You bring the soap, we'll bring the water"** was the first message we wanted to send to the public at the start of the pandemic. Because we knew that it was (and continues to be) absolutely essential to maintain proper hygiene: with just tap water and soap, we are able to reduce infections. We would also like to take this opportunity to clear up any question about the quality of our resource.

With **"Madrid, we applaud you"**, we seek to applaud and recognize the solidarity, efforts and exemplary behavior of the people of Madrid during the home confinement period.

The **"Count on your water"** campaign, in turn, was a great measure for spreading awareness of the social aids adopted and offered by the company. This is how we made sure relevant information like the offer of rebates on the water bill got to the interested public.



## 2.5. Keeping society at large informed

### Top actions for keeping society informed

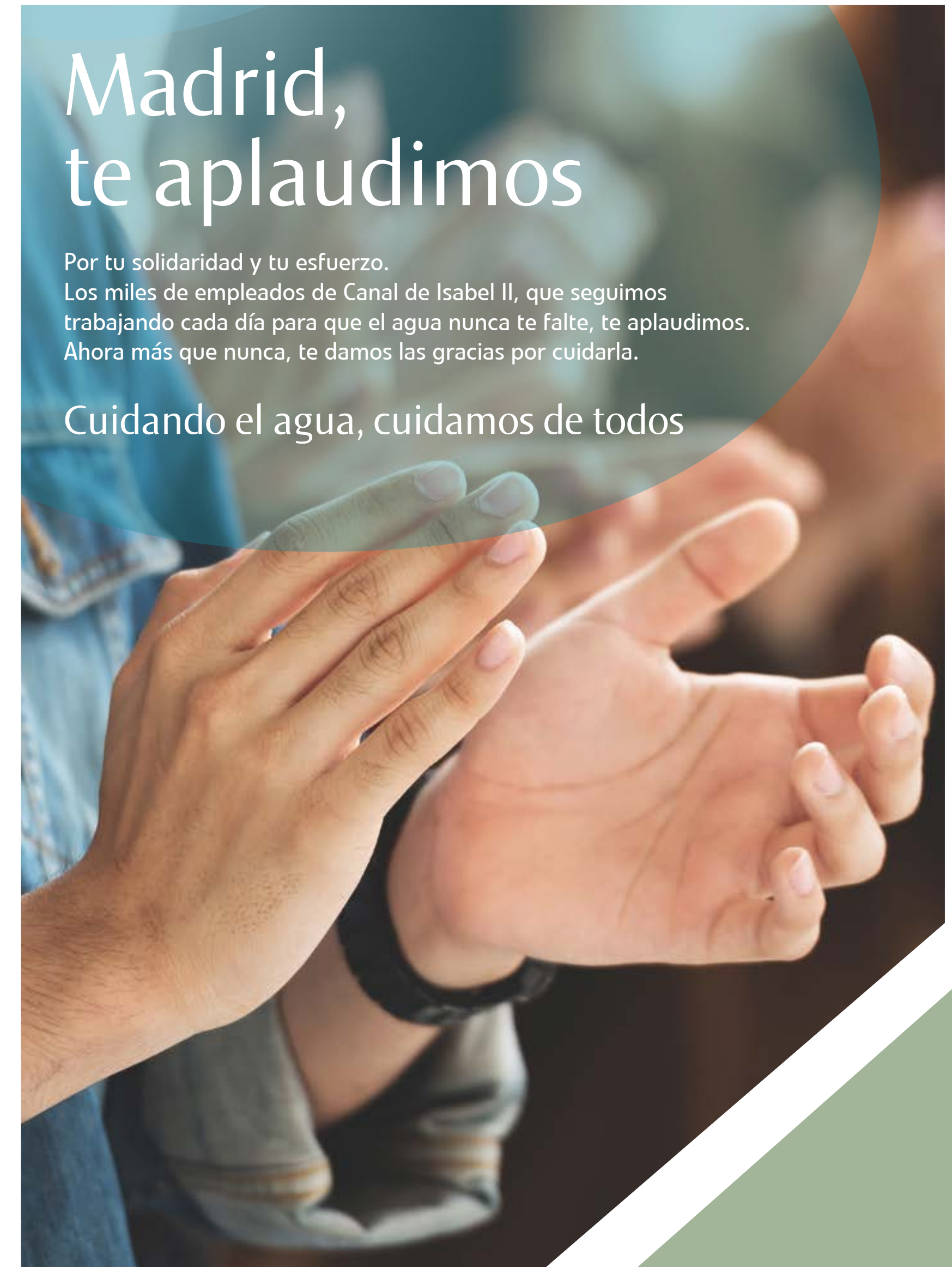
#### Communication campaigns

In the first weeks of confinement, several consecutive communication campaigns were launched:

**“You bring the soap, we’ll bring the water”**, where we presented the measures taken in the framework of the healthcare crisis, while also encouraging frequent hand washing.

**“Madrid, we applaud you”**, which recognized the solidarity exemplified by the population in the fight against COVID-19.

**“Count on your water”**, whose objective is to spread awareness of the social rebates offered on the water bill.





## 2.6. Lessons learned



## 2.6. Lessons learned



- ✓ The capacity for foresight in all measures adopted has been key in minimizing the impact of this crisis.
- ✓ Seamless communication both externally and internally, has been fundamental to keeping employees and users informed of all the measures taken.
- ✓ Having an Information and Communications Technology (ICT) infrastructure that is sufficiently flexible and equipped has made it possible for us to offer support to the more than 1,500 employees who were working from home.
- ✓ The return to normal must be gradual, organized and progressive, offering the utmost guarantee of safety for our employees coming back to work (testing, intensive cleaning, PPEs, etc.).
- ✓ The adequate management of Personal Protective Equipment (PPE) stock has been fundamental in guaranteeing the safety of workers in their job posts.
- ✓ The level of automation of processes and business activity has helped guarantee service continuity without exposing our staff to the physical risks of the virus.
- ✓ Collaboration and support for the most vulnerable groups through social rebates will help mitigate the economic effects of the pandemic.







## Our performance in 2020 and challenges in this decade of action



# 3. Our performance in 2020 and challenges in this decade of action

**The 2030 Agenda Sustainable Development Goals have been ever present in our management since the launch of the Strategic Plan in 2018 and will set out, until 2030, Canal's roadmap to fulfill its strategy and address the challenges currently posed by the management of a basic resource for life, like water.**

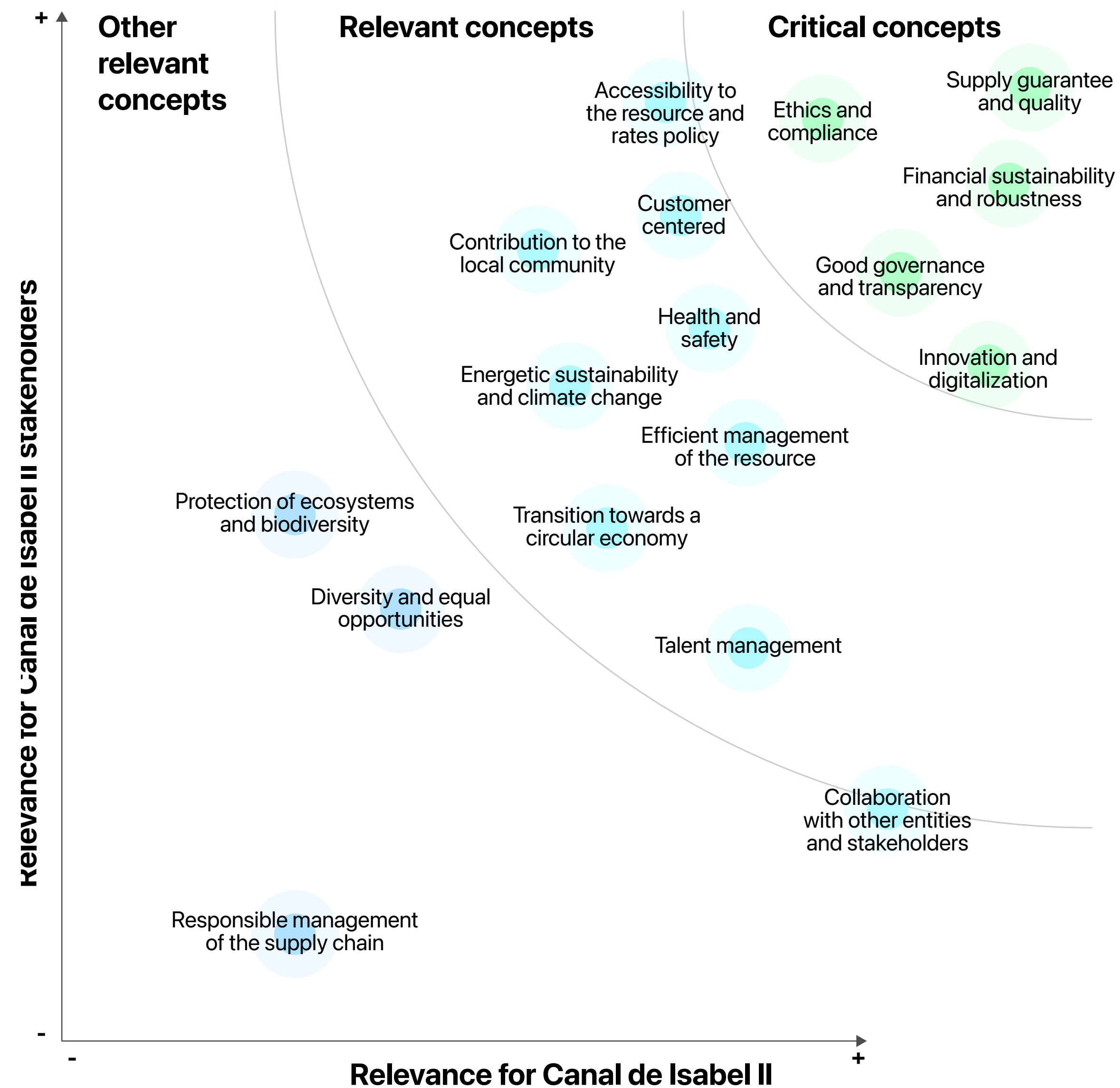
Throughout 2020, COVID-19 has significantly impacted our operations and has forced us to adjust and adapt some of our objectives to the new conditions imposed by the pandemic. However, what has happened has not affected the primary indicators we set out to achieve by the year 2030. Canal's major challenge in this **Decade of Action**, to use the United Nations' term, is to consolidate itself as a benchmark company in terms of Sustainable Development, by launching all the actions and measures planned per its 2018-2030 Strategic Plan. These actions range from the **circular economy**, the fight against **climate change**, the protection of biodiversity and caring for the **environment**, among others.

In this regard, and in line with last year's report, we present the advances achieved in the different Sustainable Development Goals, grouping together the most relevant matters to Canal's stakeholders. To this end, and to generate and optimize the greatest impact possible, in 2020, we analyzed and evaluated, with our stakeholders, our company's **priority goals**. In this materiality analysis, we also considered the significant impact the COVID-19 pandemic has had not only on Canal's operations in the Autonomous Community of Madrid, but throughout the country where we operate, as well as in the Latin American countries that have also been severely affected by coronavirus.

Thanks to the revision of our **materiality matrix**, in the following sections, we present Canal's performance in each of the SDGs in a year of transparency and communication, as a company committed to the environment, economic growth and the generation of social value everywhere we operate.









The stakeholders are decisive in making our attainment of the SDGs real and effective. Thanks to our participation in work groups with other sector companies at the European level, as well as workshops with our own employees and shareholders, we have updated our materiality matrix in line with the **Sustainable Development Goals**, considering those on which we have the greatest impact.

The role of water as a driving force towards attaining the SDGs fully contributes to the sustainable development of the rest of the axes for action due to its impact on hygiene, health, education, equality, lifestyle and food. Water is a vital resource for sustainable development and, for this reason, has become one of the pillars of the United Nations 2030 Agenda.

Canal's strategy in the Autonomous Community of Madrid to fulfill the United Nations 2030 Agenda goes beyond attaining the Sustainable Development Goals directly related to Canal's business activity. As a public company rendering an essential service and thanks to the cross-cutting nature of water with the rest of the SDGs from the very start, Canal de Isabel II has established a nexus with the 17 SDGs through the roll-out of the 10 strategic lines of its 2018-2030 Plan, working together and in line with the guidelines of the Autonomous Community of Madrid.

Thanks to our continued efforts in the 10 lines of work in our Strategic Plan, these 17 objectives can be linked transversally, through the more than 45 plans and 100 actions implemented since its launch. All of these advances are monitored on a quarterly basis using the more than 50 indicators developed to measure the degree of compliance, which are aligned with the UN indicators for the 2030 Agenda.

This measurement of Canal's contribution to the SDGs is carried out using a monitoring tool that allows us to consult, in real time, our degree of fulfillment of each SDG based on the associated performance indicators.



# OBJETIVOS DE DESARROLLO SOSTENIBLE





All of these results are published on Canal's website every quarter, and reports are prepared with the main achievements and advances in each one of the actions making up Canal's Strategic Plan. In addition, this commitment to the SDGs also translates into a part of Canal staff salaries, as they are linked to fulfillment of the objectives of these plans.

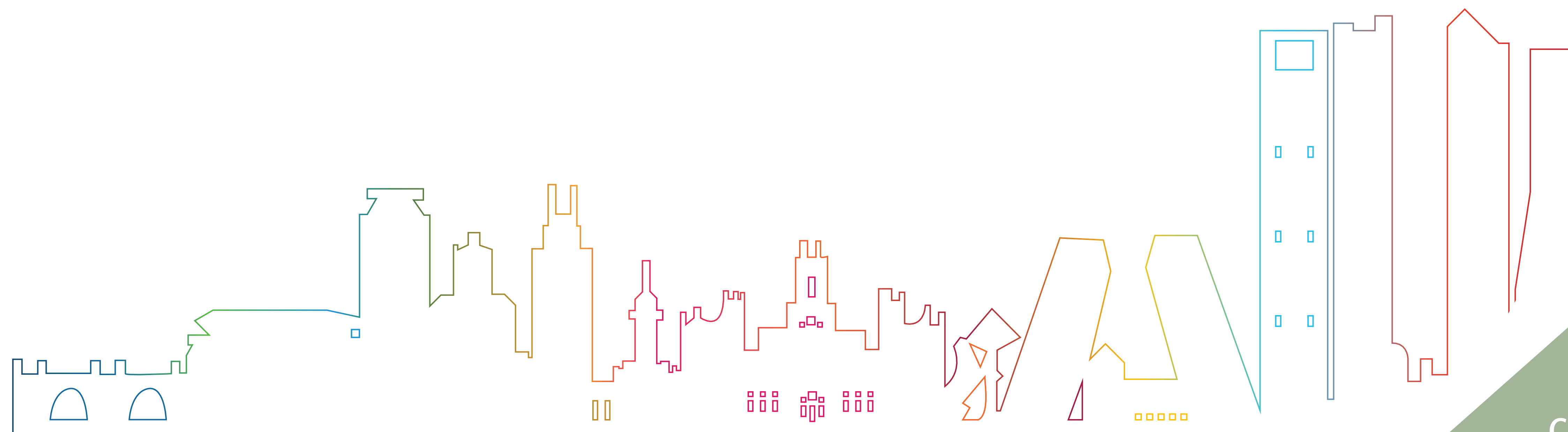
Keeping the rest of the SDGs in mind, we have established the goals and objectives for each one and have selected the appropriate indicators for their monitoring that form part of Canal's **2018-2030 Strategic Plan**. The entire process culminates with the regular reporting of quarterly results on the advances

made in each of the objectives, available on our [website](#).

Finally, the outbreak of **COVID-19** has been an additional, unexpected, **challenge** for all companies. At Canal de Isabel II, we addressed the pandemic, from the start, with the objective of guaranteeing the health and safety of the workers, in addition to guaranteeing the water supply to all of the people of Madrid. From the sustainability standpoint, this situation has further reinforced the importance of Sustainable Development Goals like **Good Health and Wellbeing (SDG #3)** and **Clean Water and Sanitation (SDG #6)**. To that end, we not only adopted all the necessary measures to guarantee service throughout these

months, but we also implemented new actions, like the **VIGÍA early alert system** for the detection of the virus in wastewater of the Autonomous Community of Madrid, with 289 sampling points spread throughout the sanitation network, representing the largest roll-out of its kind in Spain.

Canal de Isabel II is definitively taking on this decade with a focus on its responsibility to make the 2030 Agenda a reality by combining efforts to accelerate compliance with the 17 Sustainable Development Goals. The following sections present Canal's 2020 results in each of the SDGs.





# SDG 6 Clean Water and Sanitation



The primary responsibility of Canal de Isabel II is to guarantee the present and future water supply for all of 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.







# SDG 6 Clean Water and Sanitation: water as the leading driving force of the Sustainable Development Goals

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

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

### GRI 201-2

In the case of the Autonomous Community of Madrid, we are already suffering from some of these risks. This is shown, for example, by the reduction of more than 20 % 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 in the Autonomous Community of Madrid has increased from 5.74 million inhabitants in 2005 to 6.56 million inhabitants in 2020; which represents an increase of more than 14 % 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 reclaimed water for compatible uses.

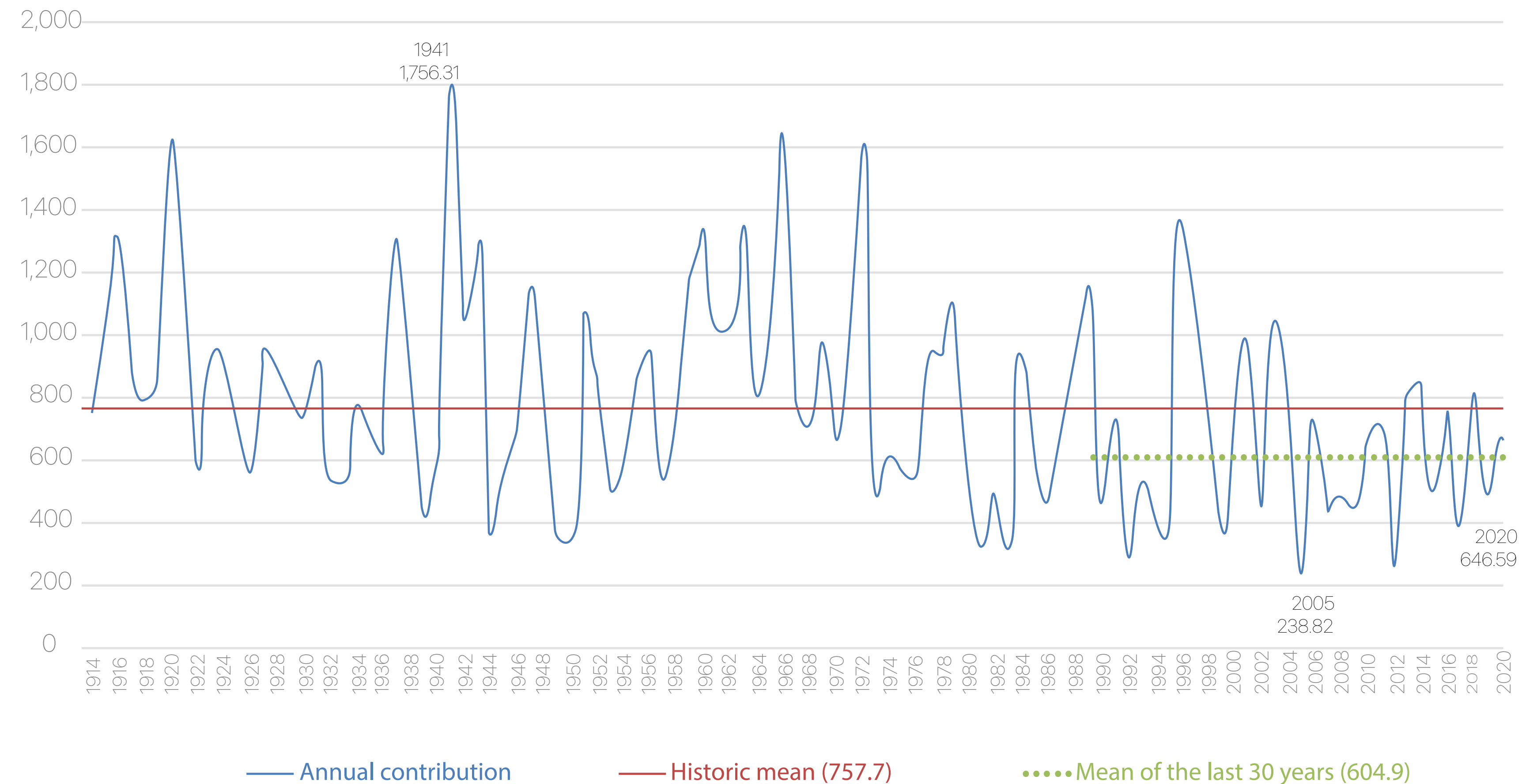






## SDG 6 Clean Water and Sanitation: water as the leading driving force of the Sustainable Development Goals

**Natural contributions of rivers to Canal reservoirs, 1914-2020** (millions of cubic meters per year)





## Alternative supply sources

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.

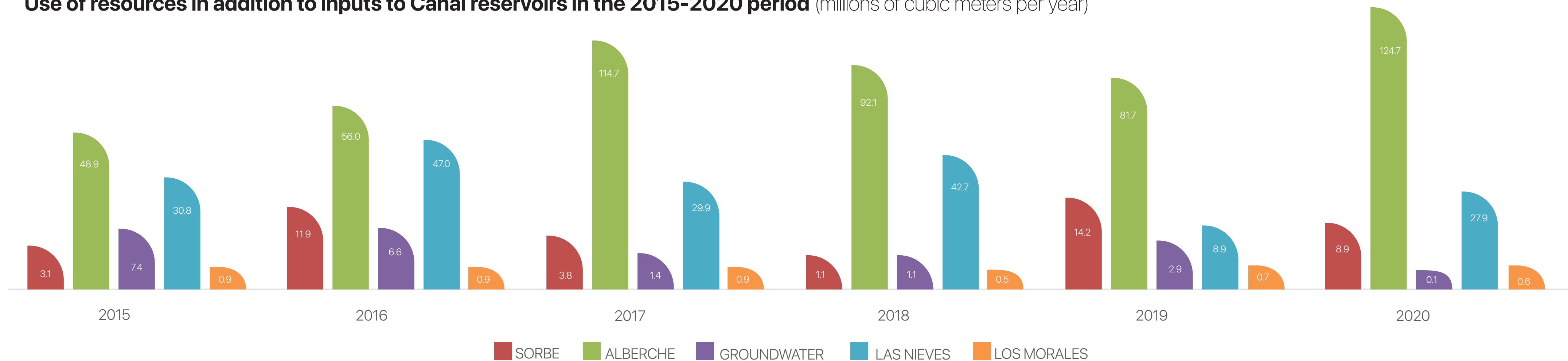
Canal also has the possibility of obtaining **groundwater** through its 78 wells, a strategic reserve for drought situations.

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 **Tajo DWTP**, which since 2010 has made the river's resources available to the inhabitants of Madrid thanks to the most advanced technologies.

All these actions allow us to improve **communication between the supply systems** of the Autonomous Community of Madrid, improving the flexibility of the system's operation and our ability to guarantee water availability for users. In 2020, a particularly dry year, the volume diverted from other catchments was 73.31 million cubic meters, 26 % more than in 2019 (57.35 million cubic meters).

**Use of resources in addition to inputs to Canal reservoirs in the 2015-2020 period** (millions of cubic meters per year)





## Reuse Plan: The definitive alternative

GRI 301-2

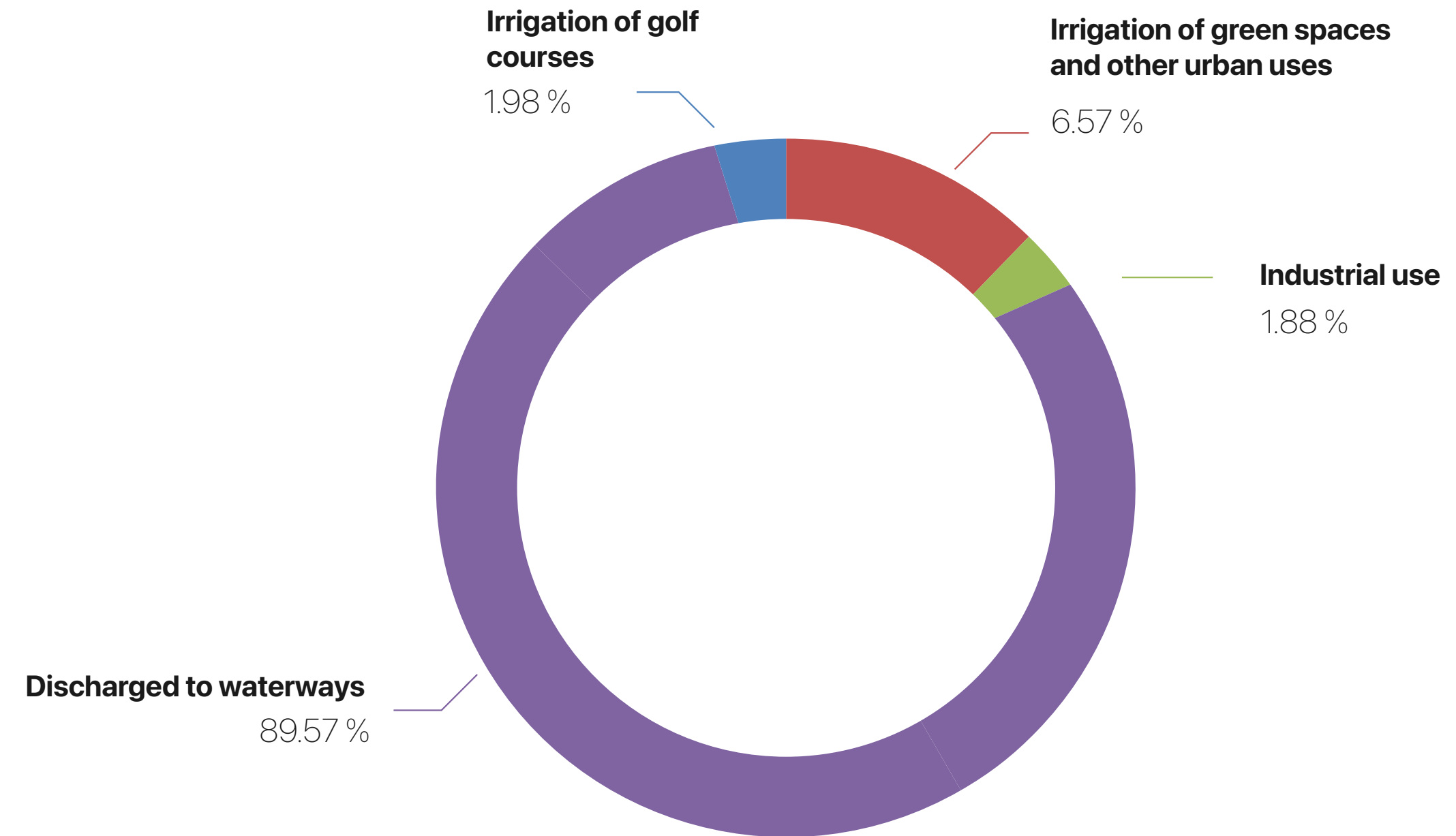
301-3

303-3

Reclaiming wastewater for its subsequent reuse is one of our greatest challenges for the future. Thanks to reclaiming, 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.



## Distribution by uses of reclaimed water produced



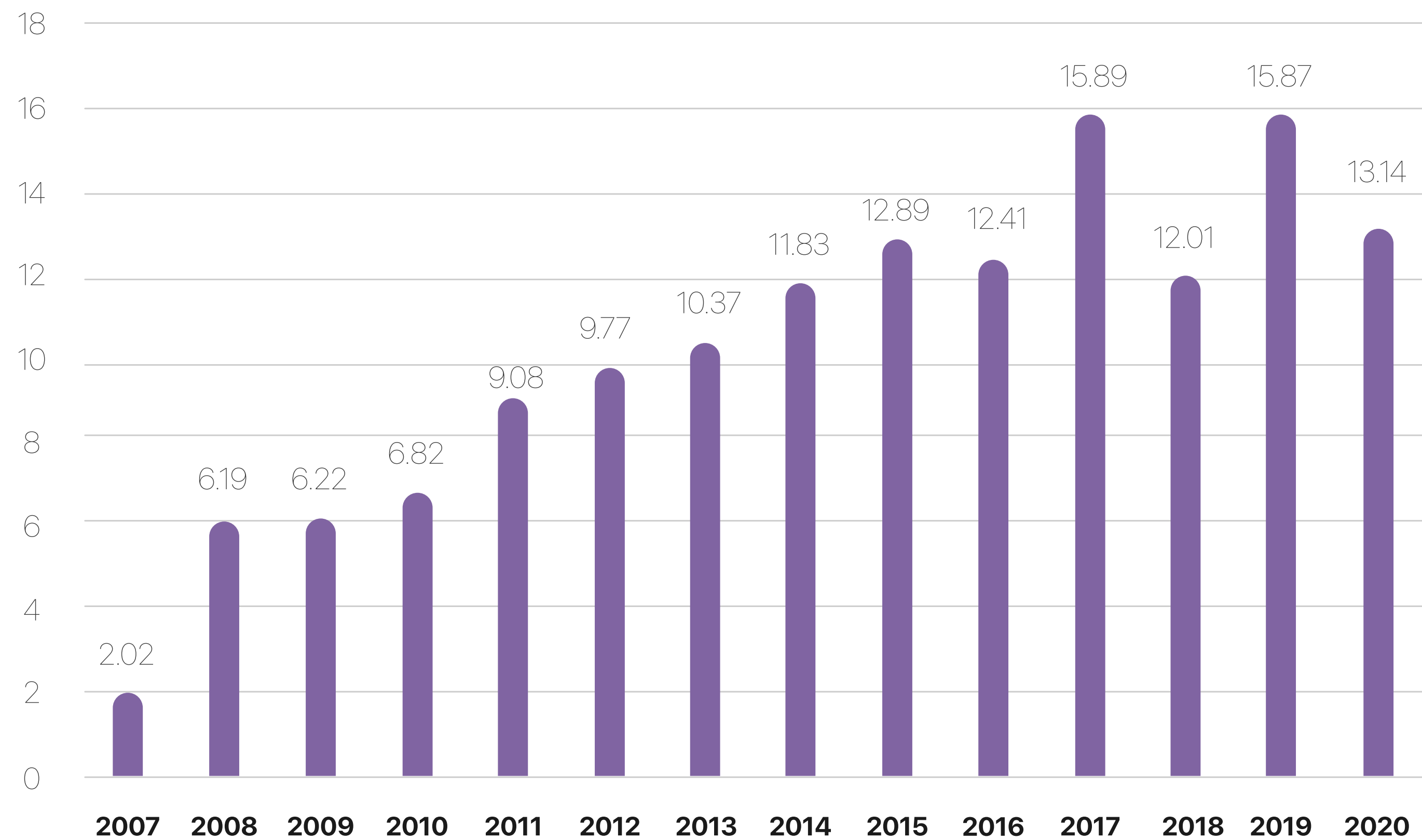
By the end of 2020, Canal managed 32 reclaiming plants, 656 kilometers of reuse networks and 64 reclaimed water deposits. With these infrastructures, 25 municipalities and 11 golf courses were supplied with reclaimed water.

In 2020, we reclaimed a total of **13.14 million cubic meters** of water for subsequent reuse, 17 % less than in 2019.



### Annual production of reclaimed water for reuse

(millions of cubic meters)





## The fight against fraud

Canal has a specific area dedicated to **combating water fraud**. The task of detecting fraud involves various phases, the final result of which is in many cases channeled 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.

Throughout 2020, as a result of the work carried out, fraud involving more than 1.97 **million cubic meters of water** has been detected and almost **277,804 euros** have been collected through its proper management. Furthermore, 422 fraudulent connection convictions have been handed down and 284 contracts have been negotiated and signed to regulate fraudulent situations.



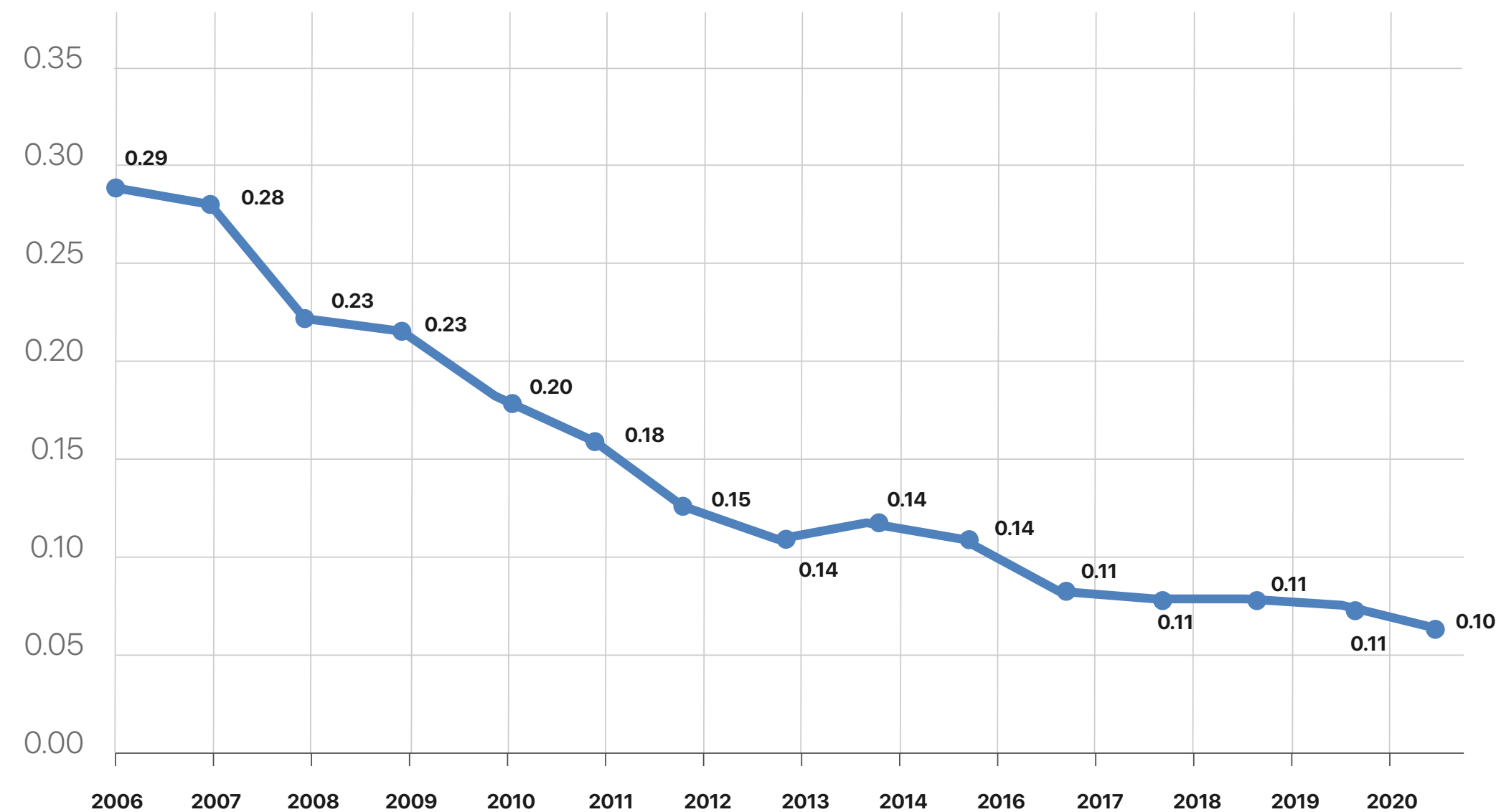
## Our network's efficiency

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 leaks registered in distribution and connections, and in breakages.

The policy of renewing and improving the distribution network, which in the last three years has meant an average renewal of **134 kilometers per year** (63.30 in 2020), aims to minimize water loss 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 15 years, with a 67 % **reduction in pipe breaks**.

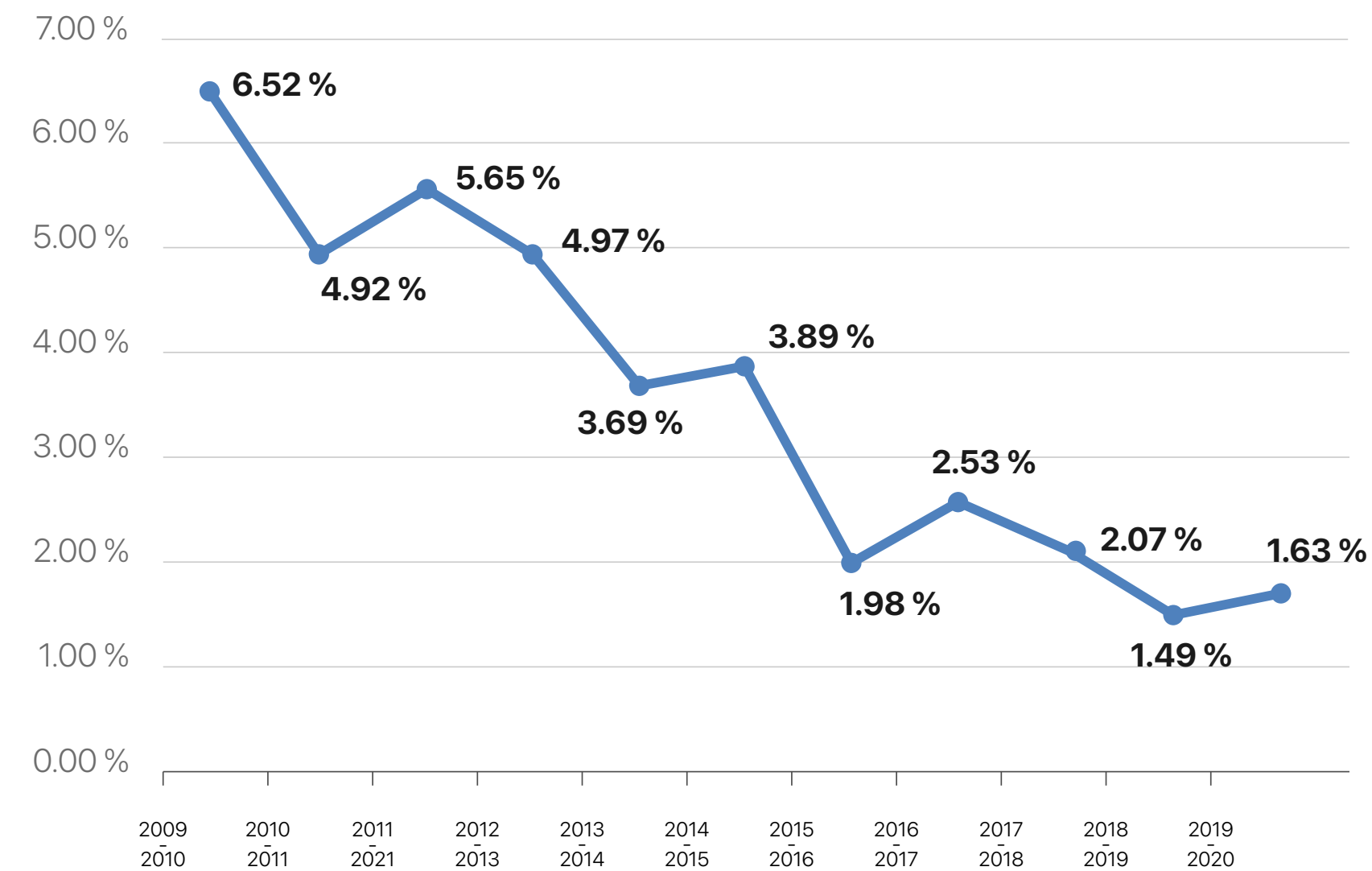
### Network breakage rate

(number of breaks per km of network per year)



### Hidden losses in the distribution network

(Percentage of water diverted for consumption per hydrological year)



All this despite the growth of the network and the addition in 2012 of networks from new municipalities with poor conservation.

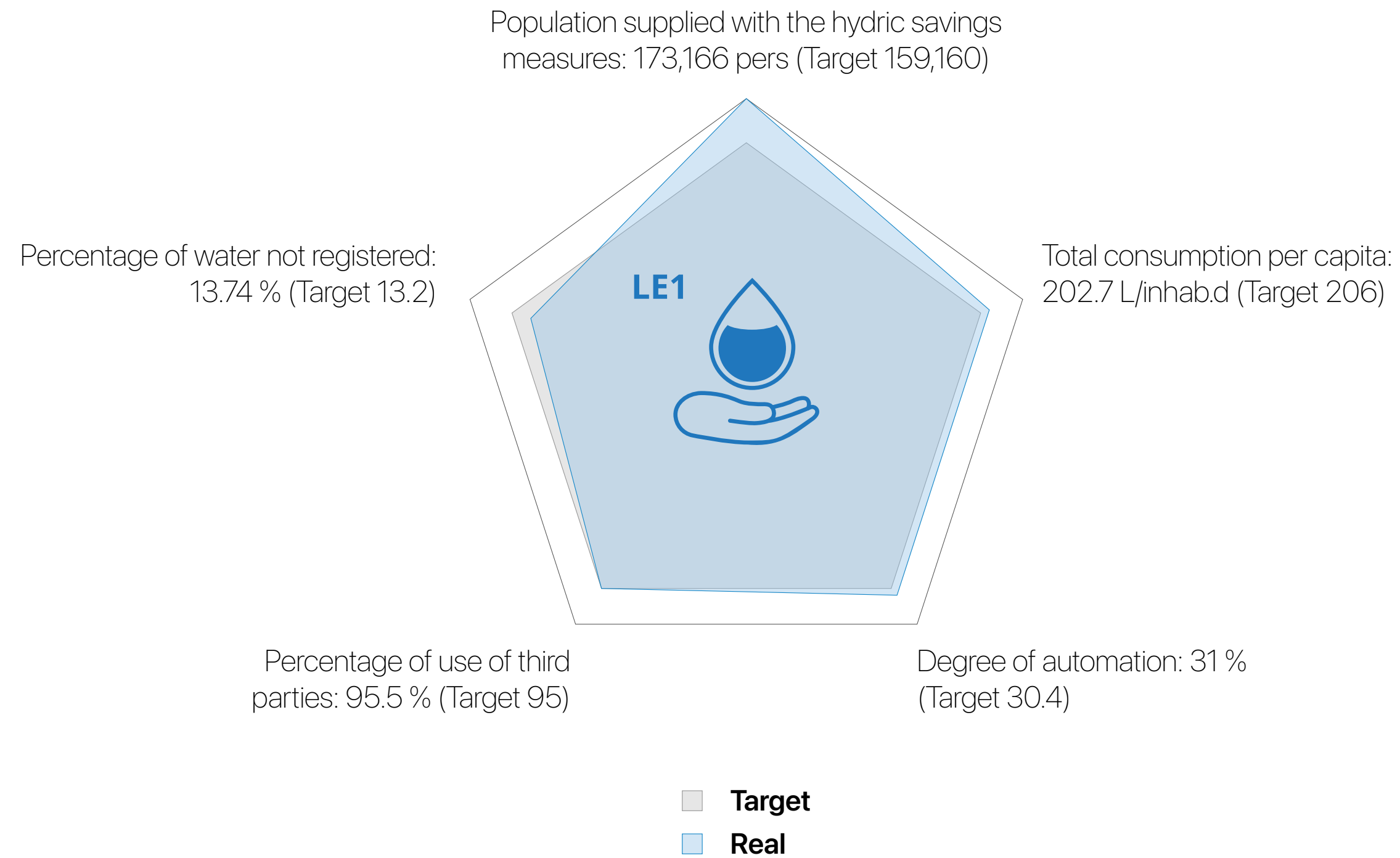
The results of all the efficiency efforts made by Canal are reflected in the available data on the efficiency of Canal's network. In this way, actual losses in treatment and distribution caused by leaks, breaks and malfunctioning in the supply network, as well as hidden losses due to measurement errors, fraud and unmeasured consumption, have been reduced in recent years.

The self-consumption of water needed to provide the service to Madrid residents throughout the 2019/2020 hydrological year was 3.34 million cubic meters, 0.68 % of the water diverted for consumption by Canal.



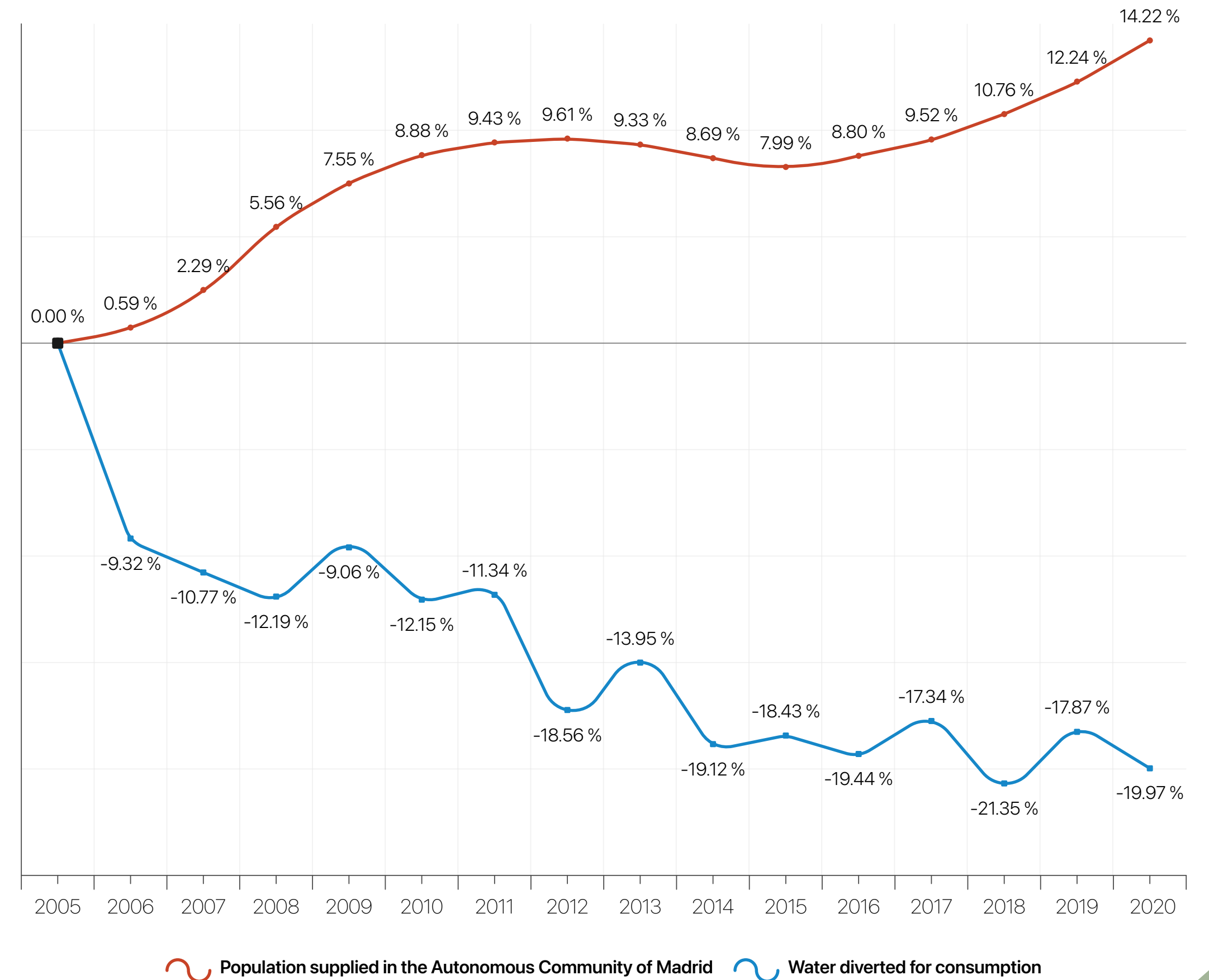


## Status of Strategic Line 1



## Evolution of the use of the resource vs population supplied in the Community of Madrid

(in % compared to 2005)





## COVID-19 in Brazil: how coronavirus has affected our operations

Brazil is one of the countries hardest hit by the pandemic (third highest in number of cases, only behind the United States and India). The SARS-CoV-2 virus was recorded for the first time in Brazil on 26 February 2020. Nearly eleven months later, the number of COVID-19-related deaths exceeded 200,000 people.

From the early days of the pandemic, Emissao and Fontes da Serra adopted urgent measures to fight coronavirus. They implemented work from home measures for all office positions in R o de Janeiro and Bah a, the cities where the company headquarters are located.

On the other hand, the number of operative personnel and workers in the field were reduced to the absolute minimum. Moreover, training was provided on how to implement protocols for preventing infection, with instructions on how to keep spaces well ventilated and on the proper use of masks, gloves and hand sanitizer. All workspaces continue to be disinfected every 2 hours, and hand sanitizer is given to everyone.

Operationally speaking, in-person customer service was halted until mid-July and replaced with email and phone contact only (3 additional phone lines, including WhatsApp, were made available). In-person customer service was resumed with occupancy restrictions to prevent crowding. All water shut-offs were halted, per government decree.





# Guaranteeing quality: the best water in Spain

The quality of the water Canal de Isabel II provides to the people of Madrid is one of the defining characteristics of the Autonomous Community of Madrid.

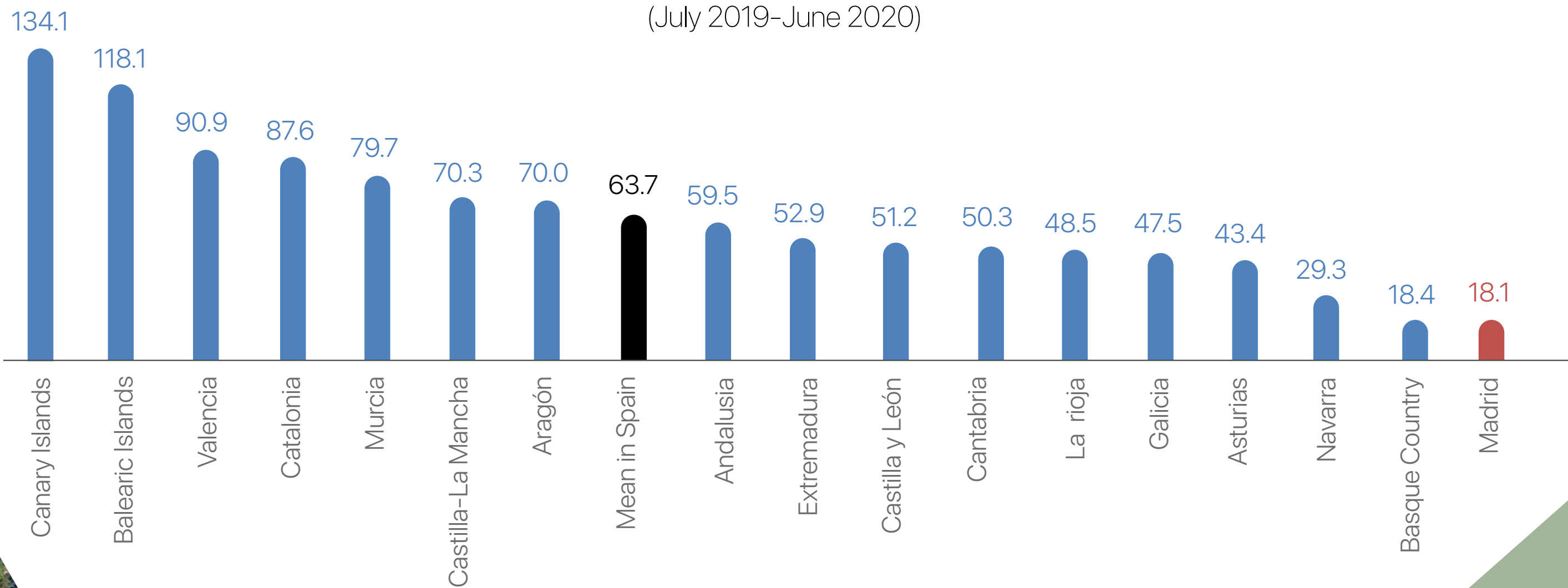
Madrid's water quality is known all around Spain to be one of the best. Thus, bottled water consumption in the region (18.1 liters per inhabitant and year) is 72 % lower than the Spain mean (63.7 liters per inhabitant from July 2019 to June 2020).

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



Consumption of bottled water in homes in liters per inhabitant per year

(July 2019-June 2020)



Source: Ministry of Agriculture, Fishing and Food (2020)



## Guaranteeing water quality

### GRI 416-1

With the aim of guaranteeing water safety, Canal has established a monitoring program extending from the point of origin of the supply to its delivery to the consumer.

Analyses corresponding to the **water supply monitoring and quality control program** are carried out in five laboratories integrated in the Sub-directorate of Water Quality and in another twelve integrated in the Treatment Areas. The determinations made at these labs 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 WWTP and the quality of reclaimed water for the irrigation of green spaces.

In 2020, Canal de Isabel II carried out over **3 million water quality samples** and analyzed more than **21 million analytical controls** to ensure the quality of service. This means running more than **9,000 checks per day** and **42 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 focused on the analytical characterization of the resource, in compliance with the environmental conditions for groundwater established by the Autonomous Community of Madrid.

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

## Monitoring distributed water

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

- **Systematic program** on entering and exiting the DWTP, header and regulating tanks, and official sampling points located throughout the network.

- **Auxiliary program** without an established schedule for addressing claims and specific studies.

The manual sampling system is complemented by a network of **65 Automated Surveillance Stations (EVAs, in Spanish)**, installed at the outlets of DWTP, 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 Control Center through Canal's communication network.

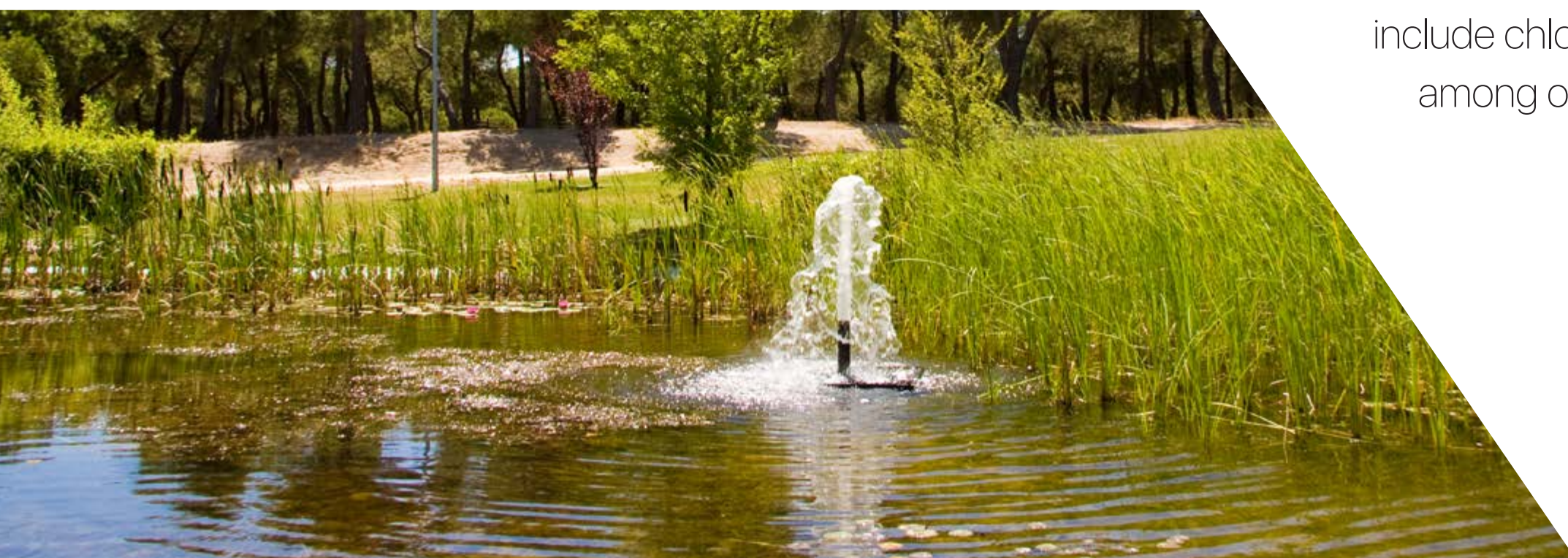
The parameters that we measure in the EVAs are chosen specifically for their importance with respect to the **diagnosis** of water quality. Their number is being increased through a multi-year program. The analytical determinations in all the EVAs include chlorine, ammonium, nitrites, pH and conductivity,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

## Surveillance of wastewater and reclaimed water

Canal de Isabel II also manages the quality control of **purified effluents** in WWTP and the quality of reclaimed water for irrigation of green spaces 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 meters and is equipped with a physical-chemical laboratory, a microbiology laboratory, an organic contaminants analysis laboratory and a metal and solid analysis laboratory, an incubation room and a data and microscopy room, among other facilities. Furthermore, we have another three laboratories for analyzing wastewater in some of our WWTP.

Our surveillance program allows us to maintain a continuous alert system through a network of **Automated 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.





## Compliance with current regulations on water for consumption

In 2011, Canal was first certified by the National Accreditation Body (ENAC) according to the **UNE-EN ISO/IEC 17025** standard for the performance of physical-chemical and microbiological analyses, from the Central, Povéda 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 reclaimed water.

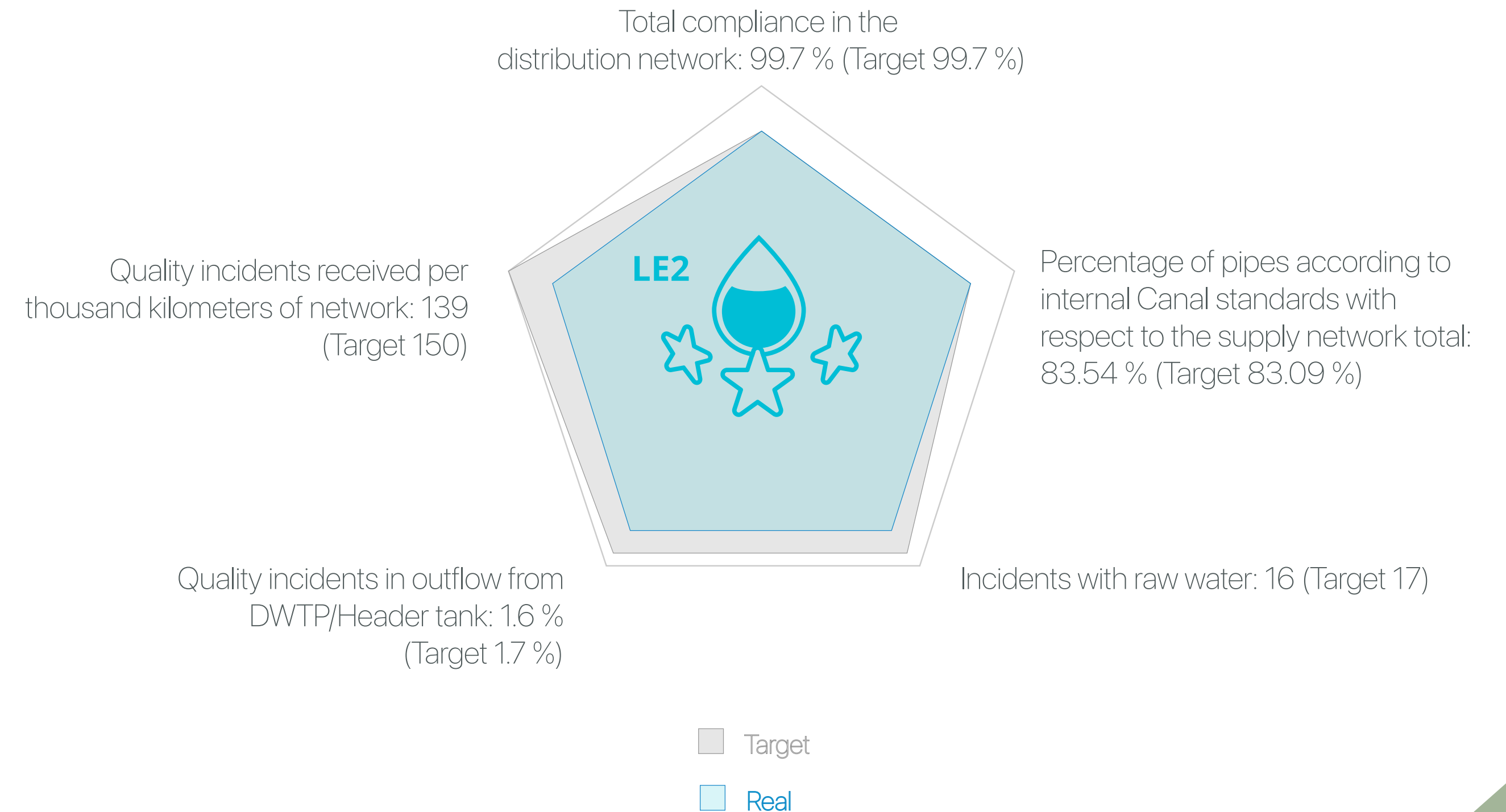
In addition, all of Canal's laboratories and EVAs are included in the scope of application of the quality and environmental management systems implemented in the company and have been certified, since 1997, according to the **UNE-EN ISO 9001** and **UNE-EN ISO 14001** standards.

Our most recent incorporation was in 2017, with the entry into service of the new Collado Villalba laboratory for analyzing drinking water, in order to reinforce the control of drinking water in the northwest region of the Autonomous Community of Madrid.

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

In 2020, the degree of compliance of the distributed water, in percentage of samples that meet the standard on total samples analyzed for the self-control protocol, was **91.90 %**.

### Status of Strategic Line 1





## ASAA: fighting the virus in the region of Colombia with the scarcest water availability

**Avanzadas Soluciones de Acueducto y Alcantarillado - ASAA S.A. E.S.P.**, is the company responsible for water supply and sewer management in the Colombian city of Riohacha, the capital of the Department of La Guajira, the rural area with the lowest rate of water coverage and shortest period of water continuity (only 9 hours per day) in Colombia.

The company supplied, at year-end 2020, a total of **234,286 inhabitants** (equivalent to the population of La Coruña, for example), and Canal holds 32.50 percent of its shares, the District of Riohacha 20 percent, and small shareholders hold the rest.

In 2020, the company faced the challenge of continuing to guarantee the supply of water to a population with a high percentage of human settlements, areas where the number of cases of coronavirus multiplied due to the conditions in which the population lives.

Thanks to ASAA's efforts and the collaboration of various entities and private companies, under the common framework of **"Guajira Azul"** led by the nation's government, measures were being taken prior to the outbreak of the virus that made it possible to have alternative mechanisms in place to reinforce water supply during the pandemic, thus minimizing the health risks of the inhabitants of the region.

With the implementation of its own drinking water distribution model, through the installation of public sinks, the most vulnerable inhabitants of the rural areas of La Guajira were ultimately able to maintain the supply of water, an essential resource for guaranteeing nutrition and hygiene during a pandemic.





## Service continuity: Reliable service 24/7

Canal must guarantee the security and safety of the service that enables the continuous supply of water to all of the people of Madrid and secures their wellbeing. To this end, we have equipped 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 Community of Madrid, Canal de Isabel II must guarantee the management and control of the security of all its facilities and offices.

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

## Operational security

### GRI 410-1

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

By the end of 2020, there were 438 people working in the area of security at Canal de Isabel II, monitoring our 1,104 different facilities throughout the territory of the Autonomous Community of Madrid. As of 31 December 2020, we had 106 established fixed surveillance posts and 25 external security and safety patrols in place, capable of increasing surveillance coverage should the need arise. All security personnel have been trained in the fundamental rights of citizens, as required by the regulations in force.

In 2020, the existing coverage of **electronic security** systems was extended to include closed circuit television surveillance (16 % more than last year), intrusion detection systems and card and electronic key access control to multiple facilities (12 % more than last year). Our closed-circuit television (CCTV) systems already manage 892 cameras; many of them perform automated supervision without human intervention, increasing operator efficiency and responsiveness.





## Self-protection of buildings and facilities

In 2020, 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 11 Self-Protection Plans.

The implementation of the **Self-Protection Plans** is organized on two solid pillars: 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 2020, 75 evacuation drills were carried out.

## Protection of customer and supplier data

### GRI 410-1

Canal de Isabel II continues the continuous improvement and reassessment process to ensure that all processes and procedures are in accordance with the indications of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and Organic Act 3/2018 of 5 December 2018 on the Protection of Personal Data and Guarantee of Digital Rights.

In this sense, with the stated objective, data protection principles continue to be implemented in the different processes and procedures, applying technical, organizational, training and legal measures. In 2020, 58 data protection rights were exercised, data protection clauses were incorporated into 197 contracts and 6 suggestions and complaints regarding data protection from customers and integrated water cycle users were resolved. Likewise, specific data protection training was given in the onboarding sessions for new employees in the Organization.

Furthermore, as a result of the Ruling of the EU Court of Justice of 16 July 2020, contracts that may involve international transfers of personal data to providers found in third countries that do not have a level of data protection equivalent to that of the European Union are being **reassessed**. In this scenario, the legal regimen legitimizing each international transfer of data is analyzed, and the adoption of contractual, technical and organizational measures is proposed.





## Security in information systems and business continuity

In matters of information security, we at Canal seek to achieve a greater **degree of maturity** in the management of cybersecurity, 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 are working to increase **levels of cybersecurity** by taking into account the nature of this technology and its specific requirements, strengthen prevention and detection systems against cyberattacks 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.





# SDG 13 Climate Action

The environment is in Canal de Isabel II's DNA. As managers of an essential life-sustaining natural resource and as the players responsible for water treatment and adequate discharge into fluvial channels of wastewater from more than 6.7 million people, it's only fitting. Therefore, conservation and protection of the environment is part of our mission and is one of the primary duties in Canal's day-to-day work. In the future we want to take a step beyond legal compliance in our commitment to the environment.





## SDG 13 Climate Action: Taking care of the planet

### How have we adapted?

#### GRI 201-2

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.

We at Canal de Isabel II must involve ourselves in this concern about the future sustainability of our supply model and, for this reason, we are working both in the area of **mitigation** and **adaptation** to be prepared to face the adverse effects that climate change may cause.





# Our Greenhouse Gas Emissions (GHGE)

GRI 305-1	305-2	305-3	305-4	305-5
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In 2020, according to estimates, greenhouse gas (GHG) emissions amounted to **171,331 tons of CO2 equivalent**. This represents a slight increase of our total GHG emissions compared to the previous year and is due fundamentally to the fact that, though all the energy purchased in the electrical network has guaranteed renewable origins and, therefore, zero tons emitted, the increase of the thermal sludge drying activity entails a greater natural gas consumption.

The only two Canal facilities subject to regulations on **greenhouse gas emission rights** are the **Wastewater Sludge Treatment Unit of the WWTP with cogeneration of Loeches**, (UTL) and the **WWTP Sur Thermal Sludge Drying Plant**. Both facilities in 2020 offset their emissions by providing the Emission Rights National Registry the equivalent of **96,917 tons of CO2**.

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 **70 %** of the total in 2020. 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 fleet of vehicles.

- Since 2018, there have been 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 30 % of our emissions in 2020 and include emissions associated with commuting by Canal employees from their homes to the company's workplaces.



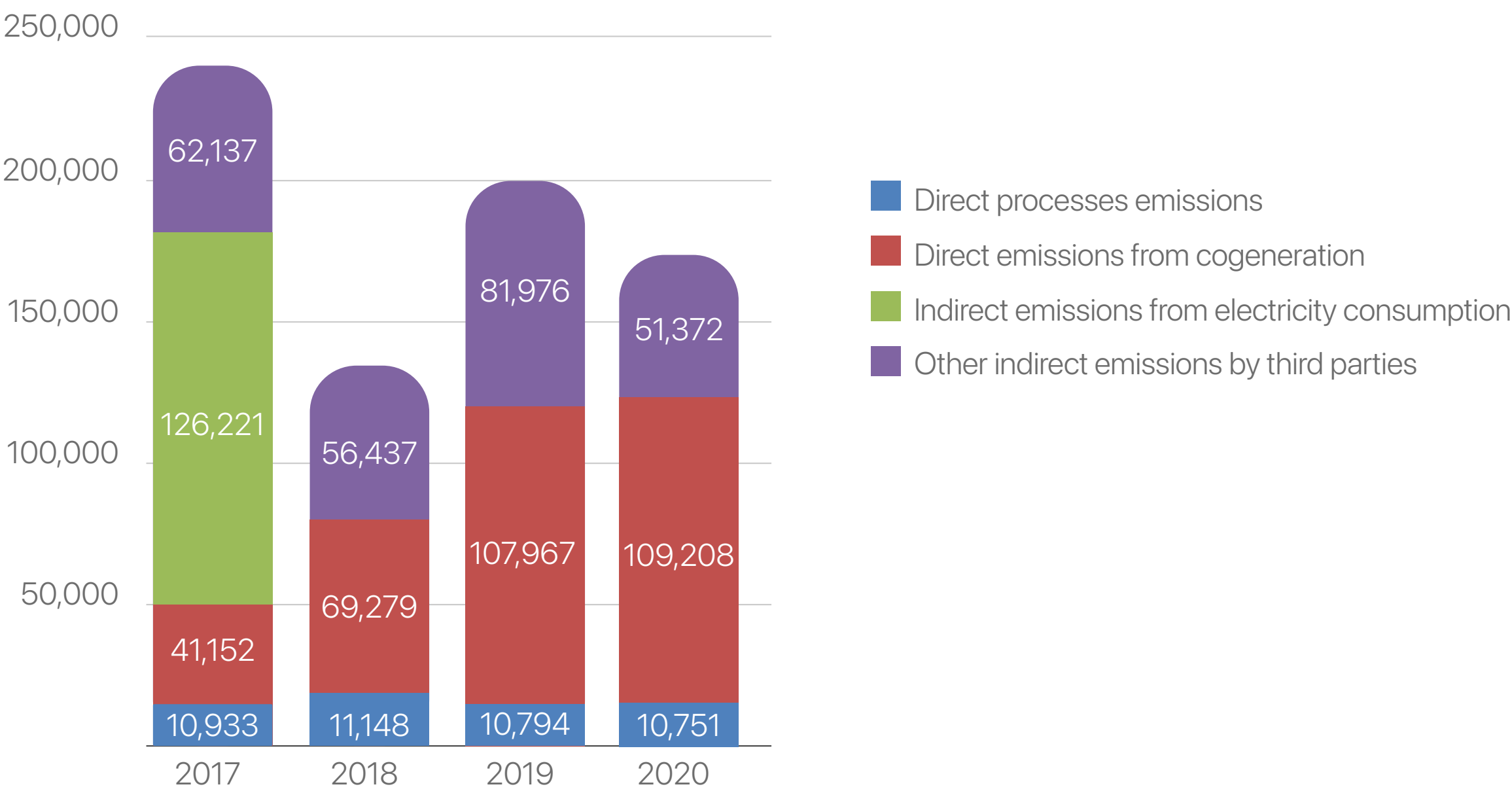
# Our Greenhouse Gas Emissions (GHGE)

GRI 305-5

In terms of **specific emissions** in 2020, **0.177 kilograms of CO<sub>2</sub>** equivalent were recorded for each cubic meter managed , down 15 % from last year.

Historically, 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 has focused 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 since 2018 had guaranteed renewable origins, which, combined with our own generation, makes our emissions associated with electrical consumption (scope 2) zero tons.

Greenhouse gas emissions by source in tons of CO<sub>2</sub> equivalent



2 Sum of the water divert



## Atmospheric emissions

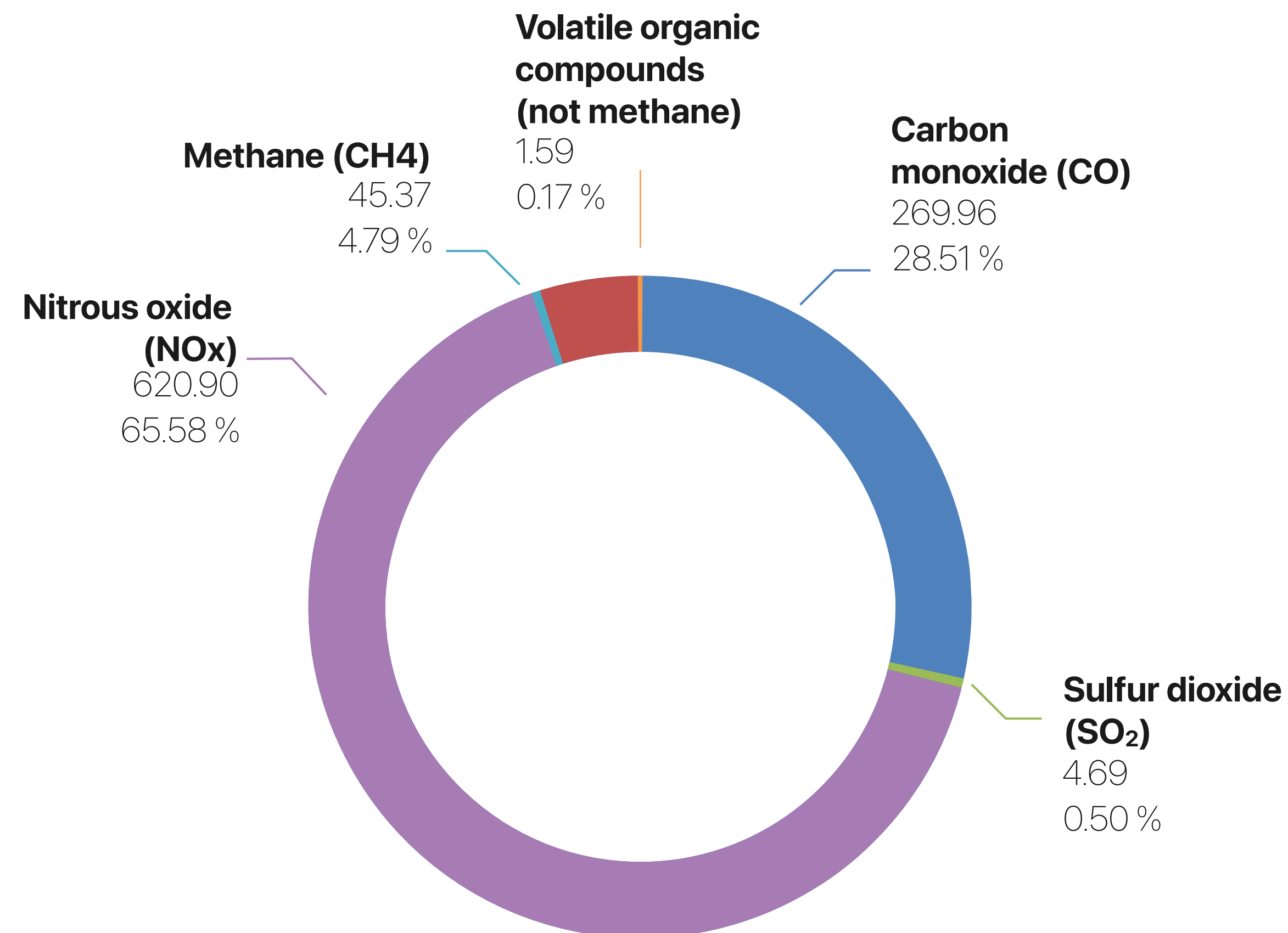
### GRI 305-7

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

- Emissions associated with the **composting processes of sludge** from our WWTP.
- 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.
- Exhaust gas emissions from our **725 vehicles and machines**, which in 2020 have covered a total of **9 million kilometers**, as well as diesel used in certain processes.

### Distribution of emissions into the atmosphere (except CO<sub>2</sub>) in 2020

(tons per year and % of total)





## What is our mitigation plan?

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 efficient water use

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

### Reforestation actions

In the 2020 fiscal year, Canal planted **19,895** plants, trees and shrubs, more than twice the amount from last year. The development of new plantations and sowing 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 transportation

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

### Sustainable mobility

Canal promotes low CO<sub>2</sub> emission rates in its vehicle contracting tenders. One of the most important factors for awarding contracts are the CO<sub>2</sub> 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. In 2020, we continued the renovation of the Canal de Isabel II vehicle fleet with the gradual change from cars with low eco-efficiency, to newer, much more eco-efficient units and even to units that are 100 % electric with 0 emissions.

In the past year, among other units, a total of **69 100 % electric vehicles** have been incorporated and **337 charging stations** have been installed for this type of vehicle, preventing the emission of **200 tons** of CO<sub>2</sub> into the atmosphere with the renewal of our fleet.

### Search for energy efficiency

Since 2010, various plans have been developed for energy improvement in Canal. The focus of these plans is the search for efficiency in energy management from an integral point of view (operational, technological, economic and environmental), promoting coordination between the different areas of the company.

In 2020, we launched the **Canal de Isabel II Integrated Energy System (SIEC)**. The aim of this platform has been to integrate information from the energy division with that of integrated water cycle operations in a common database to feed applications that help in the decision-making in energy efficiency, purchasing and management of electrical energy contracts and investment in renewable energy.

In the coming years, we will continue to improve the quality of the data represented by the SIEC, the number of reports and analyses carried out by the work team will increase, and energy efficiency measures will be promoted based on these analyses.



## Biogenic and prevented CO<sub>2</sub> emissions

(tons)

	2018	2019	2020
Biogenic emissions	99,699.00	100,594.18	93,844.35
Prevented by self-production of electricity	25,914.44	24,947.14	12,315.74
Prevented by the use of cogeneration plants	53,289.65	70,026.97	51,902.74
Prevented by the purchase of electricity from guaranteed renewable sources	72,123.41	74,550.53	48,937.40
Prevented by the use of hybrid vehicles	29.95	19.90	19.90
Prevented by the use of electric vehicles	10.88	117.96	6.30
<b>Total biogenic CO<sub>2</sub> emissions and prevented CO<sub>2</sub> emissions</b>	<b>251,067.33</b>	<b>271,256.69</b>	<b>207,066.43</b>

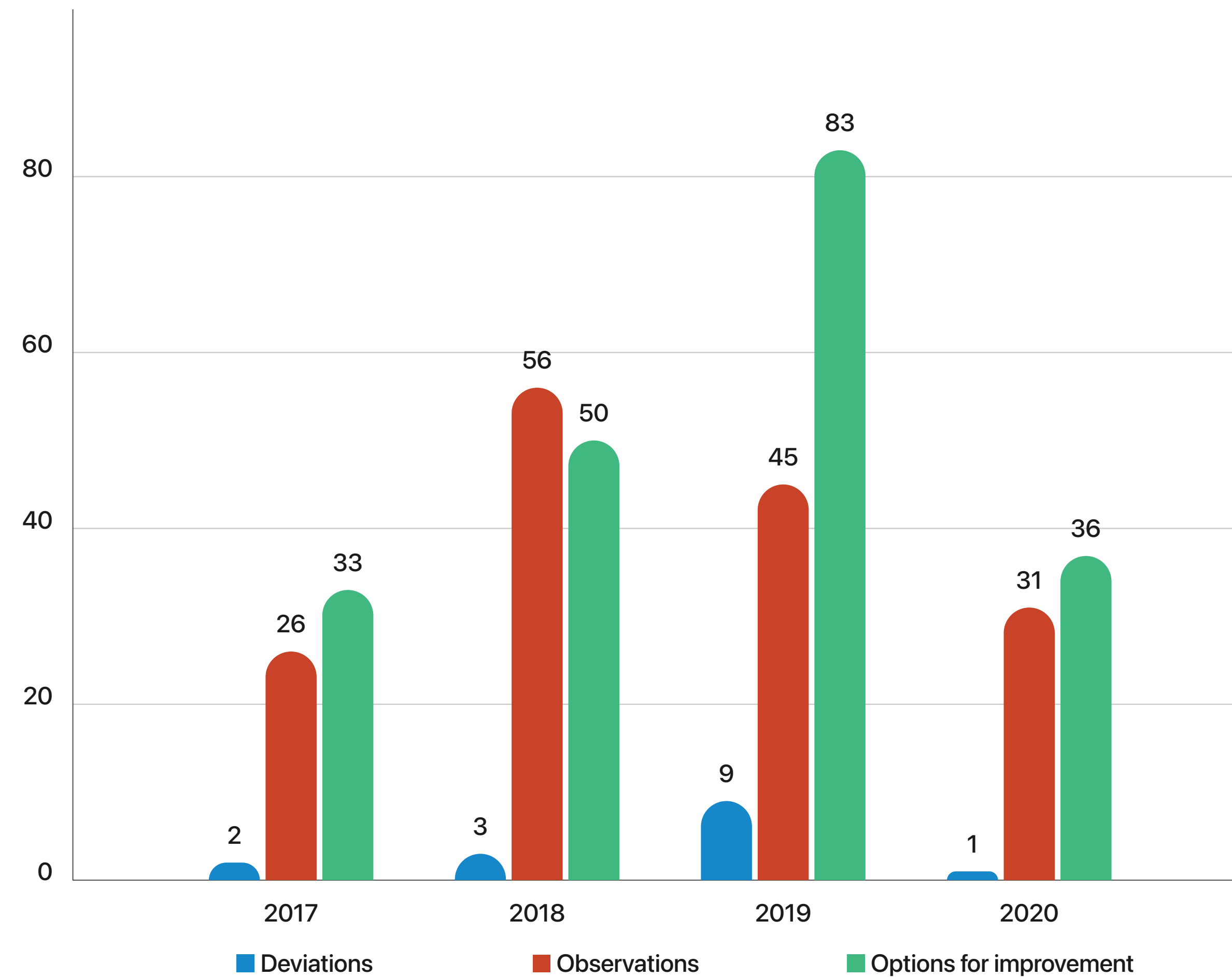


## Management systems

**GRI 101-11** **103-2**

Canal de Isabel II develops all its activities taking into account its Management System Policy (quality, environment, and health and safety). To ensure compliance, our Management System is certified according to the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. In May (remote) and July (on site) 2020, an external entity carried out the audits for renewal of our Quality and Environmental certifications, with favorable results for the development and continued improvement of said System. At the same time, the external audit for the first follow-up of the Occupational Health and Safety certification was conducted, with the same result.

### Result of the internal audits performed in the Management System





## Management systems

**GRI 101-11** **103-2**

The Management System Sub-Committee, as the specific body that directs and drives the System, is responsible for its monitoring, coordination and decision-making. All of the company's management participates in this Committee.

The document base of the Management System, on 31 December 2020, consisted of 540 documents including the Management System Manual and Prevention Plan, general procedures, technical instructions and standard operating procedures. In 2020, changes have been made to 99 System documents.

In the scope of the Management System, Canal has made progress in the last few years in defining process architecture (Process Management, Business Architecture and Digitalization project) within the strategic action called "Process Re-engineering" and in connection with the "Digital Transformation" Plan. In 2020, the preliminary study of the company's macroprocesses was performed, and sessions with managers have started in an effort to identify and complete the macroprocesses obtained in the preliminary study.

Likewise, a pilot program has been launched on the process for the Macroprocess of Hydraulic Construction and Infrastructures to validate the BPM:RAD methodology, a streamlined method for

lifting processes for subsequent implementation in the implementation of the rest of the processes.

Finally, a test has been performed to assess the suitability of using certain information technology applications to support the business architecture and process management.

Likewise, the implementation of process improvement methodologies has been consolidated (LEAN, etc.). Some of the projects completed in 2020 with these methodologies have been: new hires, expropriation management, debt management (legal), assignment and unassignment of goods and rights and pluriannual investment planning. Furthermore, the structure of "Liaisons for Improvement" (18 people) has been consolidated, with each person appointed by the different Directors to act as promoters and coordinators of these improvement projects within their divisions. In late 2020, the course on Lean Office was presented. Its concept was designed to boost autonomy in the development of this type of project. The course is set to be in place in the first half of 2021.



# Prevention at the source of potential adverse impacts

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

Our environmental management system contemplates the principle of continuous improvement of our performance, and includes among its objectives the prevention and minimization 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 Act 2/2002 on Environmental Assessment of the Autonomous Community of Madrid and other applicable legislation (notably, Act 21/2013 of 9 December 2013, on Environmental Assessment). In addition to the aspects of the natural and physical environment, these assessments analyze

the social and economic aspects and, if necessary, any significant impacts on local communities.

In 2020, a total of 16 projects from the Sanitation and Purification, Supply and Building areas were submitted for **environmental impact assessment**, and no environmental impact statement was issued by the administrations throughout the year.





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

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 Correction and mitigation of environmental impacts
Reservoirs	Reservoir protection plans Monitoring of the ecological quality of the reservoir environment Dam emergency plans Maintenance of ecological flows
Wells	Sustainable exploitation of groundwater resources
DWTP	Efficiency in the handling and reduction of rejections and losses

Processes/Facilities	Actions to prevent environmental impacts
Deposits and networks	Continuous quality monitoring Sectorization and network pressure control plan
Drinking water distribution networks	Renovation of networks Unbilled water reduction plan New technologies in networks plan
WWTP and WWPS	Improvement of purification systems and increase of effluents with tertiary treatment Implementation of National Water Quality Plan Discharge of excess reclaimed water from tertiary sources to waterways Monitoring of discharges Sludge reuse with cogeneration Reclaimed wastewater reuse plan Electric power generation from biogas
Sales and support processes management	Water conservation communication campaigns Virtual office and e-billing 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



Prevention and communication about the environmental aspects of our operations

GRI 413-1

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.

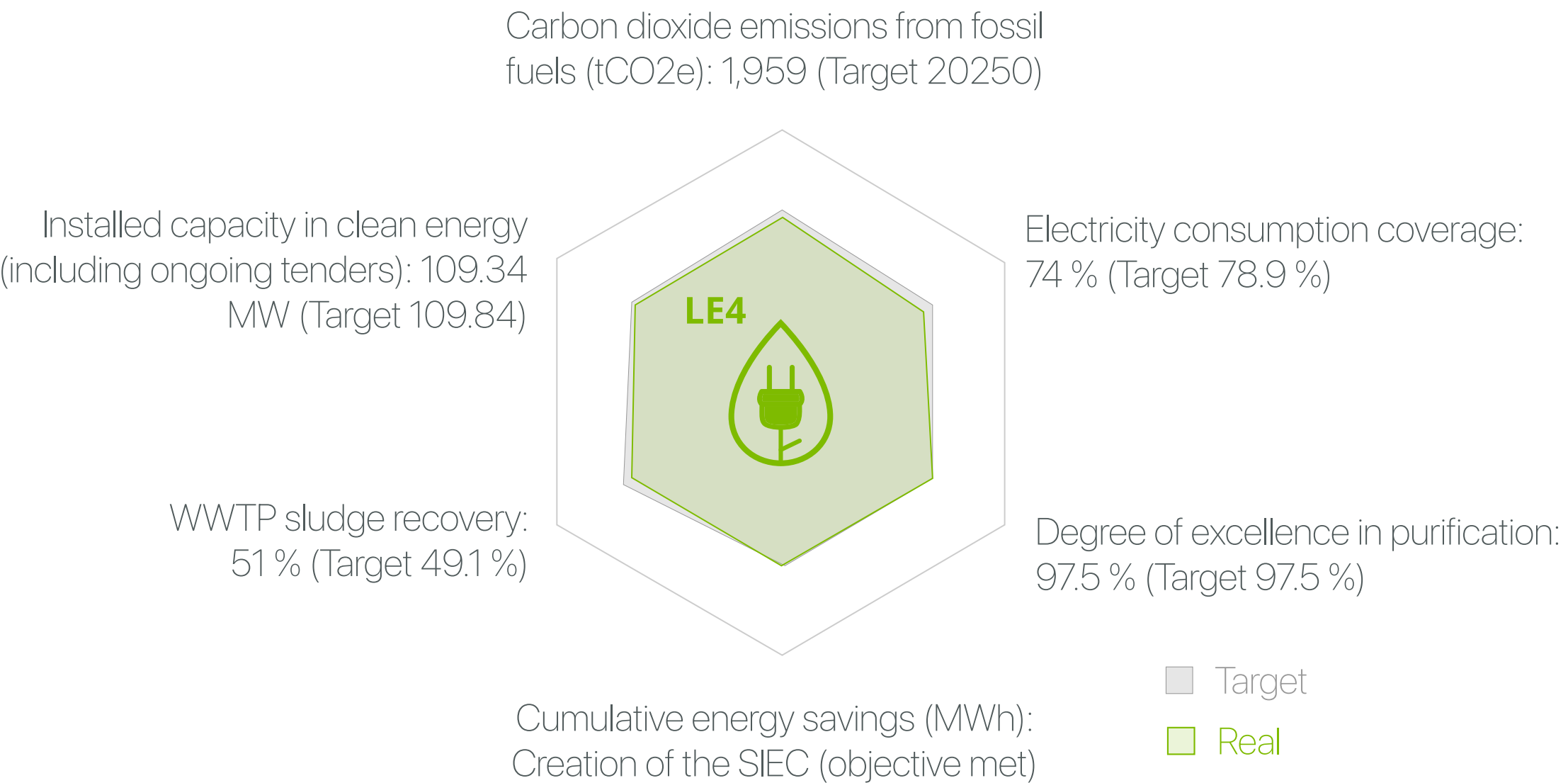
The centralized management of the company's waste and the control of its emissions is carried out by the Environmental Management Subdivision, while the control of discharges and the quality of WWTP effluents is the responsibility of the Water Quality Department. Furthermore, channels of communication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

In the case of the execution of projects subject to the administrative **environmental impact assessment** proceedings, there are always bilateral communications between the regional environmental government office and our company, with a view to requesting and providing sufficient documentation for the proper classification 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.

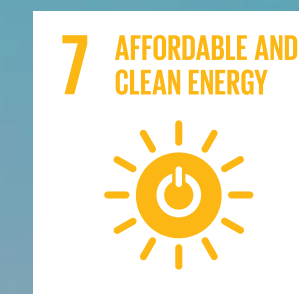
Although Canal de Isabel II has taken out an **environmental liability policy** for possible damage that may be caused to third parties or the environment as a result of its activity, any penalties that any regulatory body may impose as a result of non-compliance in this area are expressly excluded from the coverage.

Status of Strategic Line 4





# SDG 7 Affordable and Clean Energy



Our commitment to renewable energy







## SDG 7 Affordable and Clean Energy: our commitment to renewable energy

### Energy consumption

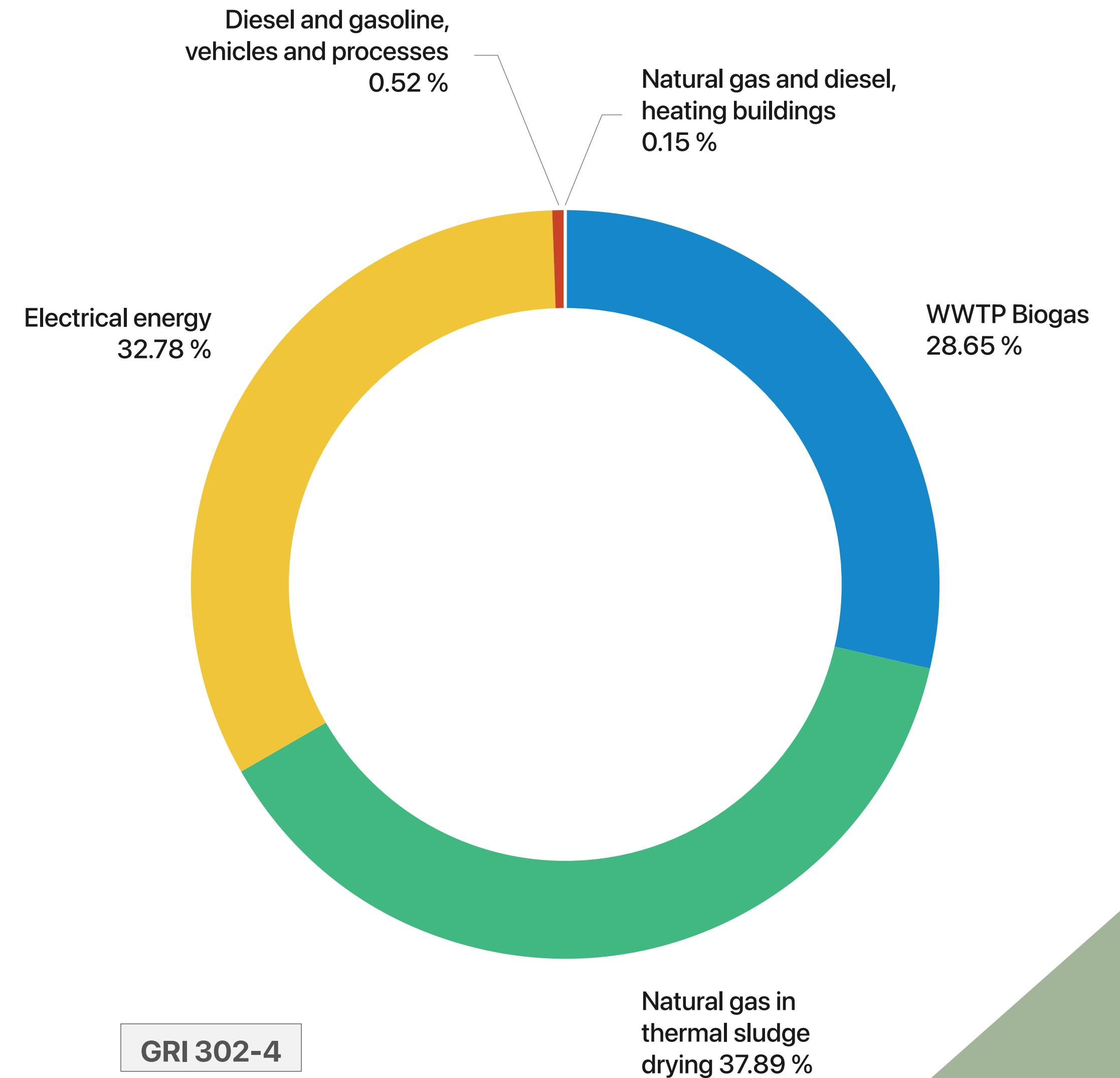
GRI 302-1

Canal de Isabel II needs to consume vast amounts of energy to carry out all its processes. This energy comes from diverse sources, but is primarily electric.

In 2020, the **direct consumption** of energy from different sources for the functioning of facilities and Canal's operations was **5,116,826 gigajoules**, corresponding to 33 % of electricity consumption and 38 % to natural gas used in **thermal drying of WWTP sludge**.



### Percent distribution of energy consumption

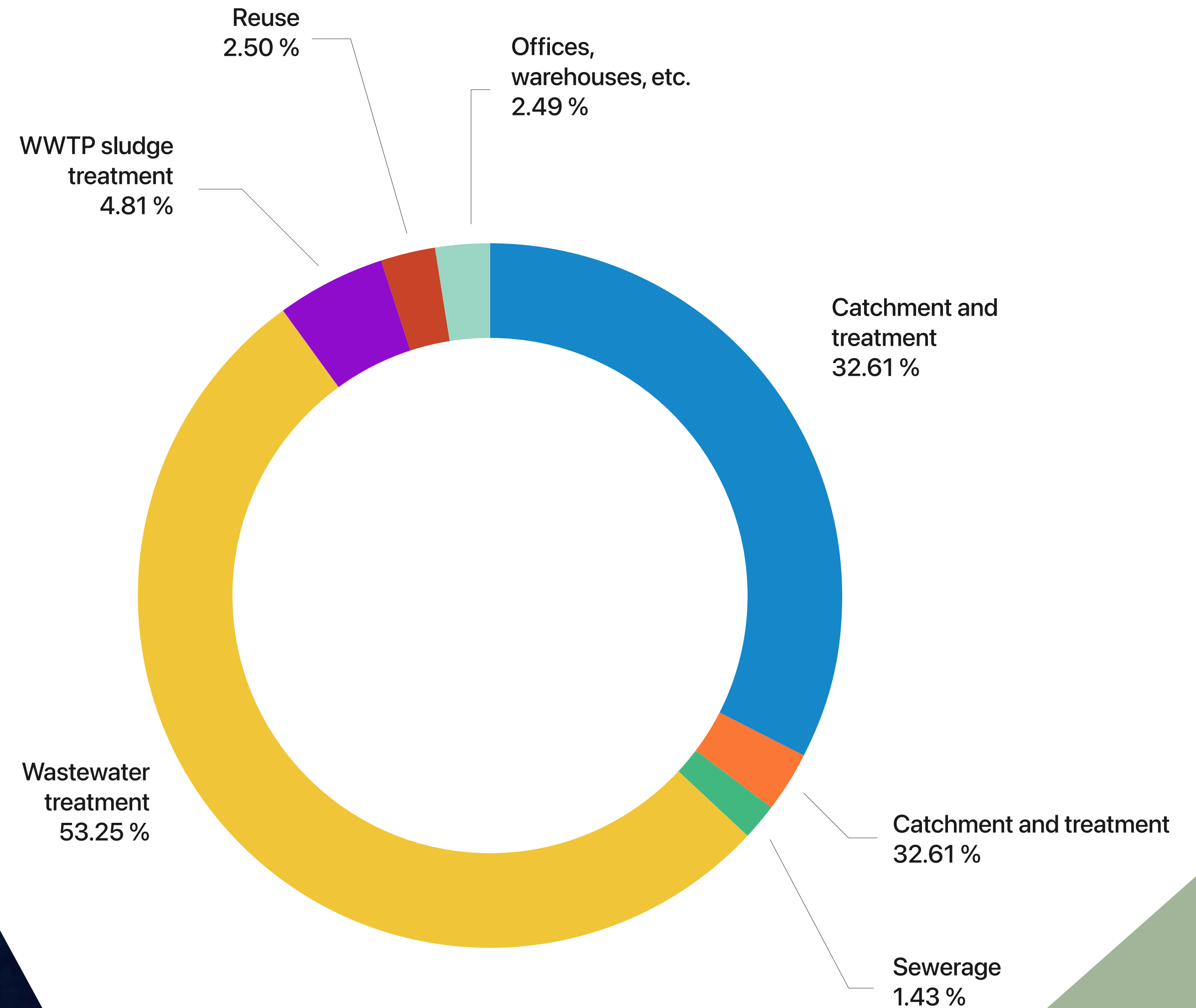


GRI 302-4



The 2020 data indicates that **electric power consumption** was 9 % higher than in 2019. This increase is due primarily to the increased activity and to the exploitation adaptations required due to the circumstances of a hydrologically dry year.

### Percent electric power consumption per integrated water cycle activity in 2020

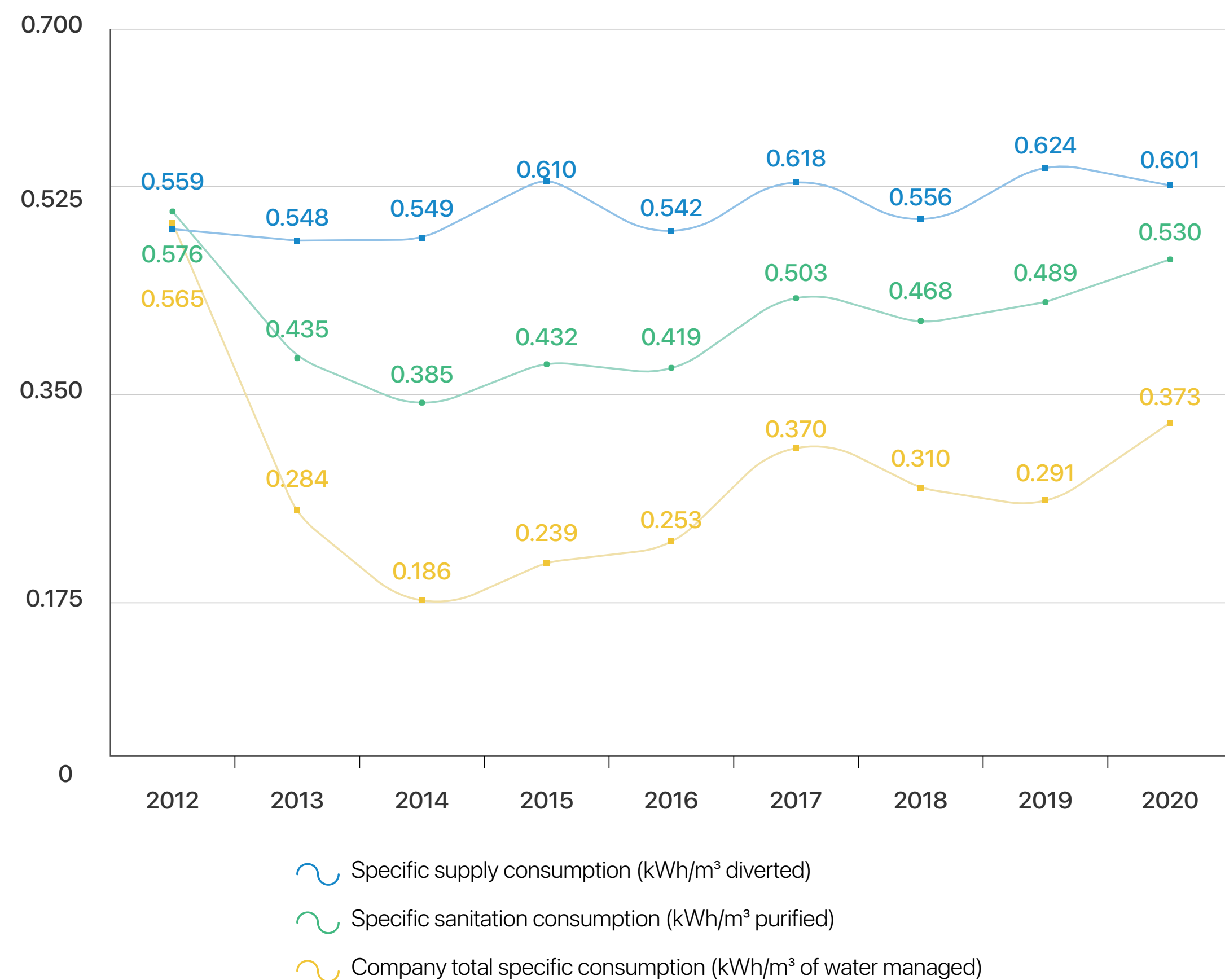




## GRI 302-3

In terms of specific electricity consumption, the data varies 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 lifting mechanisms, with which energy consumption almost doubles. The specific consumption recorded in recent years is as follows.

### Specific consumption per integrated water cycle activity (kWh/m<sup>3</sup>)





## Generation of clean energy

### GRI 302-3

Aware of the importance of our energy consumption, in recent years, Canal has developed **power generation** initiatives through processes synergistic with water management. At the end of 2020, we were the company with the **highest installed electric capacity** for power generation in the Autonomous Community of Madrid, with a total of 107.64 megawatts.

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 2020, 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.
- **16 WWTP** equipped with motor-generators and turbines using the biogas produced in purification processes, with a total installed power of **26.00 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 WWTP 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 WWTP with **photovoltaic solar panels**, with a total installed power of **0.33 megawatts**.

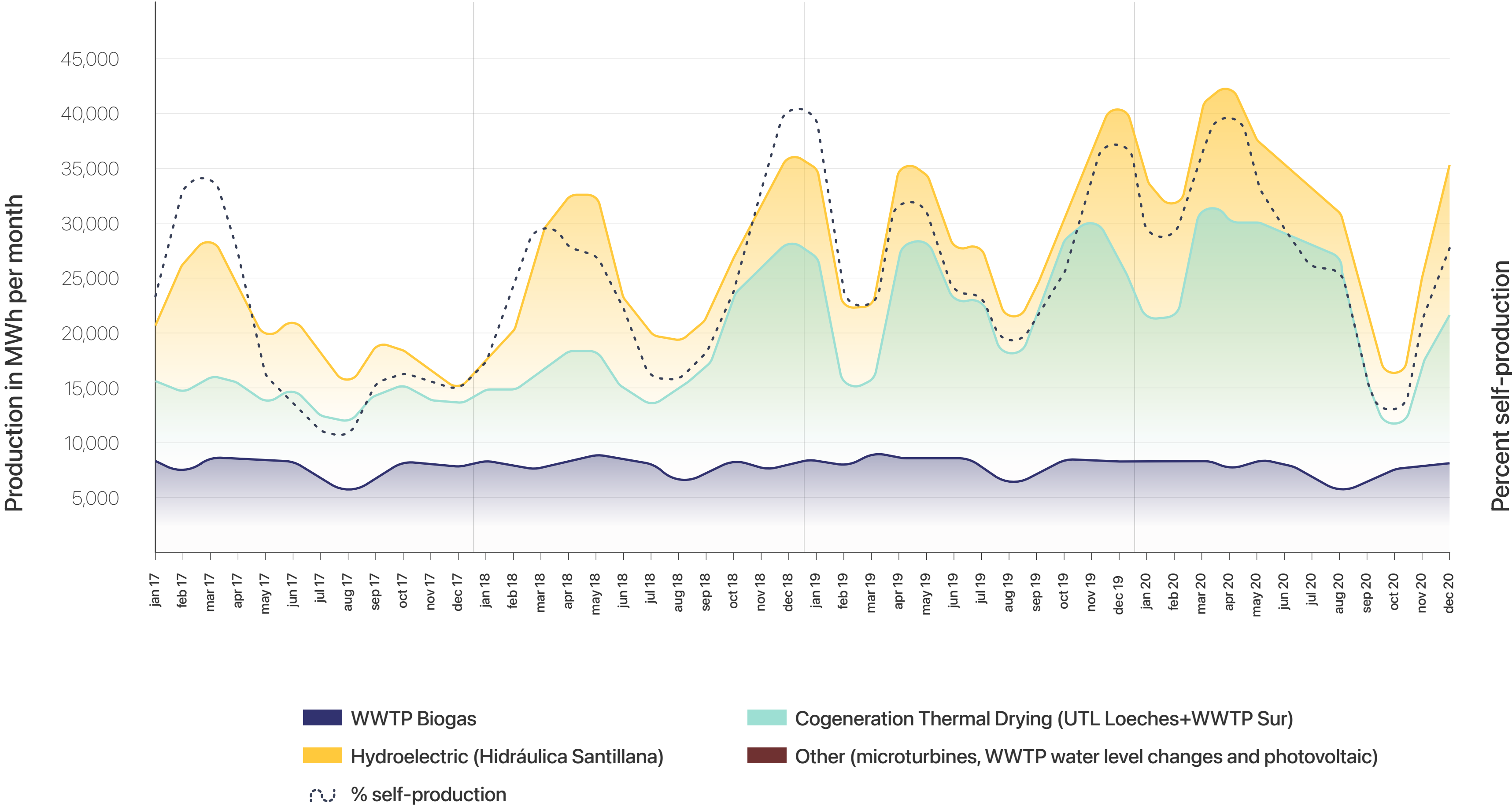
Thanks to the energy generated in processes associated with both supply and sanitation, Canal has a high degree of **electrical self-supply**. In 2020, considered a dry year, the electricity generated reached **378.80 million kilowatt hours**, equal to **74 %** of total consumption.

The generation of electric energy by Canal has managed to avoid the emission of **26 thousand tons of CO<sub>2</sub>** in 2020, and by purchasing energy with a 100 % renewable guarantee of origin, **85 thousand tons of CO<sub>2</sub>** have been avoided.



Production and electrical self-production (GWh yearly / %)

2017	2018	2019	2020
Production: <b>242.7</b> GWh	Production: <b>312.2</b> GWh	Production: <b>364.0</b> GWh	Production: <b>378.8</b> GWh
Consumption: <b>485.8</b> GWh	Consumption: <b>459.2</b> GWh	Consumption: <b>470.3</b> GWh	Consumption: <b>512.2</b> GWh
% Self-production: <b>50.0 %</b>	% Self-production: <b>68.0 %</b>	% Self-production: <b>77.4 %</b>	% Self-production: <b>74.0 %</b>





## Hidráulica Santillana: a motor of 100 % renewable energy

Hidráulica Santillana S.A. was acquired in 1965 by Canal de Isabel II from the company with the same name. The company split in 1995, separating the activities related to the integrated cycle (for which Hispanagua was created) from those of power generation, which is the main activity of Hidráulica Santillana at present. The company is wholly owned by the Canal de Isabel II business group.

Hidráulica Santillana activity involves the generation of hydroelectric power through the exploitation of nine plants with a power of 35,52 MW that take advantage of the waterfalls in Canal de Isabel II reservoirs in the Autonomous Community of Madrid. Of these nine plants, eight are owned by Canal, and one by Hidráulica Santillana itself.

In 2020, hydroelectric power production reacted 93.17 million kW, of which Canal and HS have consumed 19 % (17.73 GWh), leaving the rest to the power grid (75.44 GWh).





# SDG 12 Responsible Consumption and Production



Moving towards a circular economy





## SDG 12 Responsible Consumption and Production: moving towards a circular economy

### Use of reagents

#### GRI 302-3

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

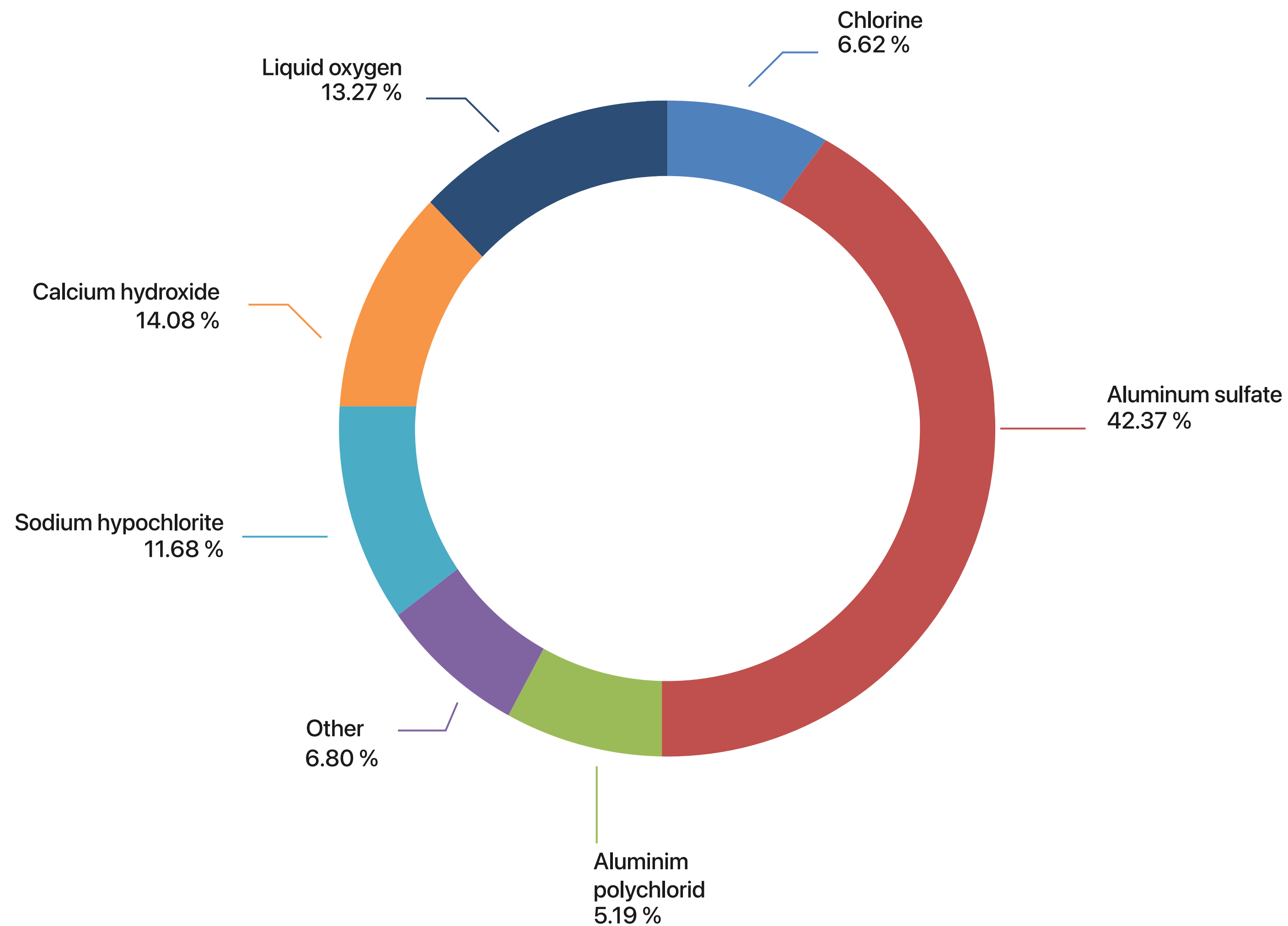
The main materials that Canal consumes are the reagents used in drinking water treatment plants (DWTP) and wastewater treatment plants (WWTP).

In 2020, total reagent consumption was **59,295 tons**. Of these, **28,884** were allocated to the treatment of drinking water; in addition, **33,411 tons** have been consumed in wastewater treatment.

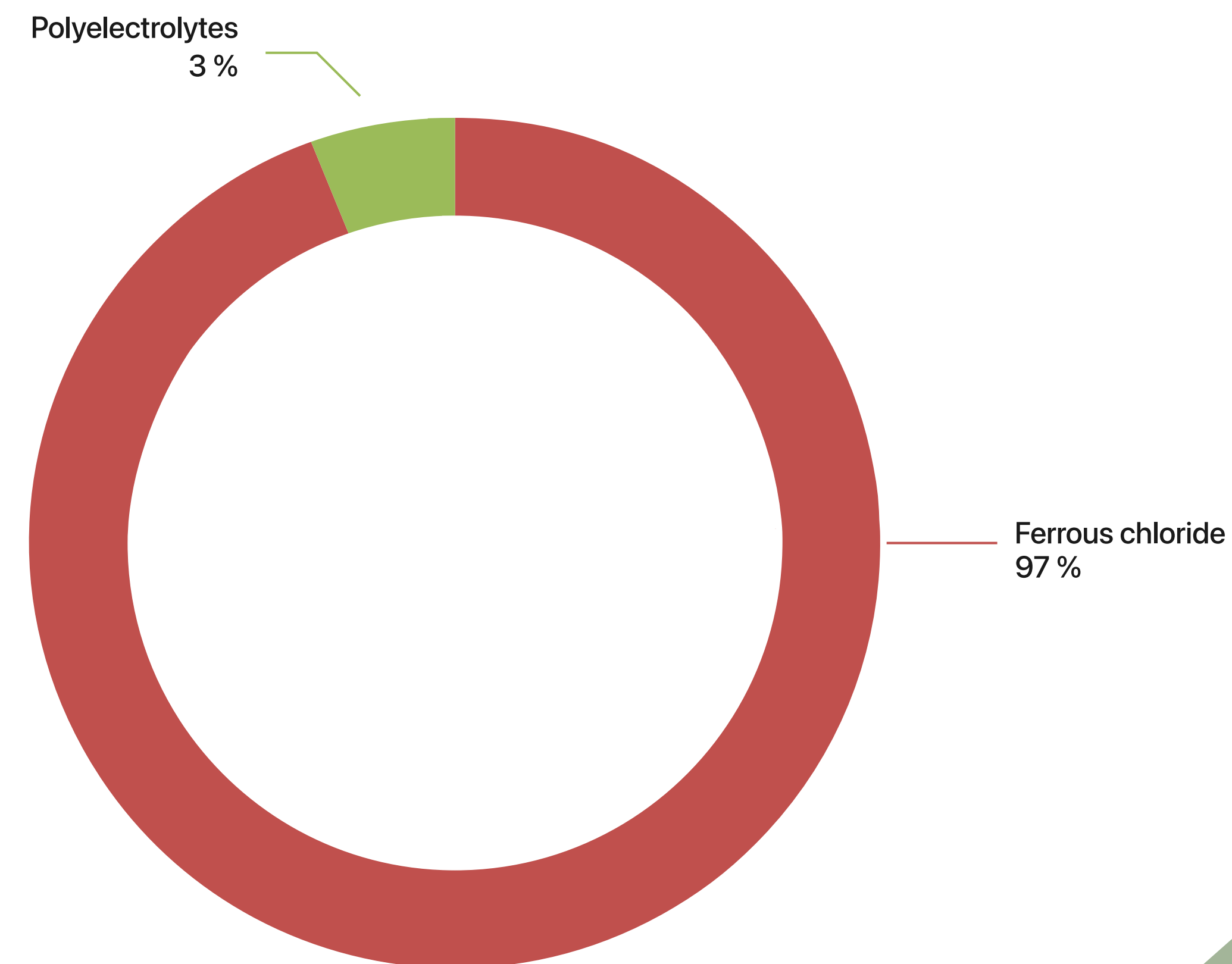




### Consumption of reagents in DWTP



### Consumption of reagents in the treatment of drinking water





## Paper consumption

GRI 301-1

301-2

Canal keeps **reducing paper consumption** as a quality and environmental objective, establishing years ago a set of policies for printing and document management, as well as continuous monitoring by those responsible, which have resulted in a **cumulative 25 % reduction** in paper consumption in the last 5 years.

Of the **12 tons of paper** used internally in the company in 2020, **61 %** has been **recycled paper**. The company maintains its firm objective of reducing paper consumption in internal administrative tasks, and we have been able to reduce paper consumption in this work by 5% since 2019.

Furthermore, the printed documents sent to customers, mostly invoices, were made through a FSC (Forest Stewardship Council) certified service provider, which guarantees the use of paper produced by means of responsible forest management. In 2020, **107 tons of paper** were used for these **mailings to our customers**.

## Water consumption

GRI 303-1

Apart from the water that we distribute as part of the supply processes, the water consumption registered to **perform our processes** (i.e. self-consumption) has reached 3.52 cubic hectometers of water in the 2019-2020 hydrological year. This figure corresponds to 0.72 % of the water diverted for consumption in the same period.





## Wastewater treatment

### GRI 306-1

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

In 2020, these plants have treated and discharged to waterways **465.68 million cubic meters of wastewater**, equivalent to **95 %** of the water diverted for consumption. The quality of the effluents treated in the plants managed by Canal maintains the high standard that characterizes the system. Additionally, the plants treated another **126 million cubic meters** for its subsequent reuse, including reclaimed water that we discharge to rivers in order to improve their quality, which reached **113 million cubic meters**.

The wastewater treatment plants are located in the basins of different rivers across the Autonomous Community: Alberche, Aulencia, Cofio, Guadalix, Guadarrama, Guatén, Henares, Jarama, Lozoya, Manzanares, Perales, Tajo and Tajuña. However, not all of them carry out every one 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 dumping. The types of processes followed in the purification even determine the physical appearance of the facilities. Canal's WWTP currently have a design capacity of **16.66 million equivalent inhabitants** and can treat a daily flow of up to **2.38 million cubic meters**.

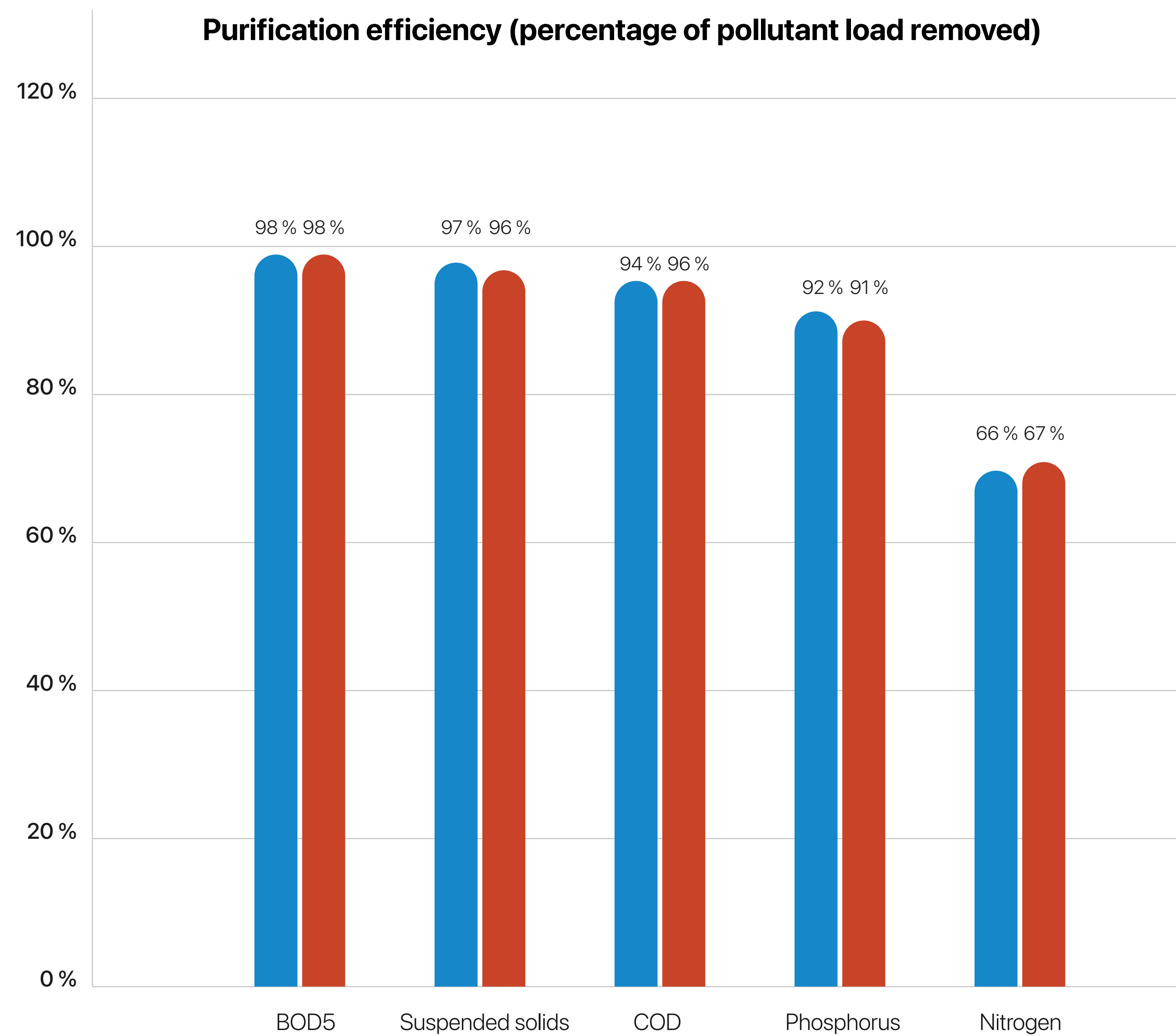
In order to ensure compliance with phosphorus removal requirements, we have made

the necessary adaptations to the treatment plants included in our Nutrient Elimination Plan (nitrogen and phosphorus) from 2010 to the present day. The objective of this Plan is to comply with the Water Framework Directive as regards water discharge conditions in sensitive areas (almost the entire Community of Madrid), which is included in the National Water Quality Plan. The Autonomous Community of Madrid, thanks to Canal de Isabel II's treatment and purification infrastructure, is one of the regions that treats all the urban wastewater from the municipalities it's entrusted with.

Since 2015, Canal has been developing its Plan for complying with WWTP discharge authorizations, aiming to ensure compliance with at least 80 % of the samples taken for self-monitoring in WWTP, 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 WWTP
- » Modification, extension or new construction of WWTP
- » Reduction of relief flows in dry weather







## Wastewater treatment

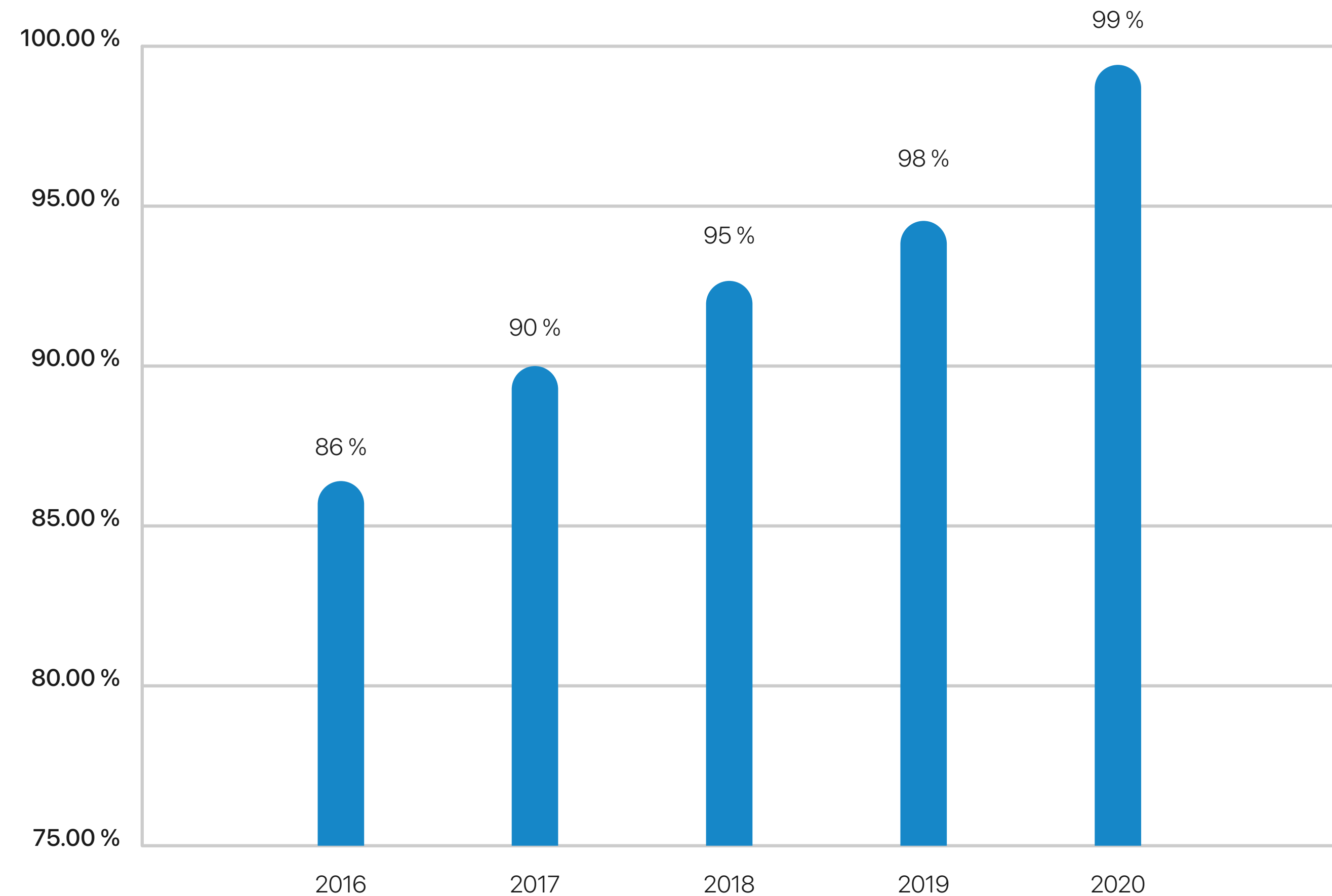
### GRI 306-3

In 2020, we have continued the development of the actions envisaged in the National Water Quality Plan, which, in compliance with the EU Water Framework Directive 2000/60/EC, the treatment plants must have the processes necessary to eliminate phosphorus and nitrogen. This obligation has required us to make a set of investments to equip our plants with advanced treatments to eliminate those substances. The most significant works performed in 2020 include the expansion of the WWTP Casaquemada and the start of the extension of the WWTP Arroyo de la Vega.

As a result of the Canal's commitment to quality and the environment, the compliance percentage of our samples has increased 15 % with respect to the total samples taken in the WWTP.

In the normal functioning of the facilities, Canal's activities do not discharge any chemicals. Thus, throughout 2020, there was no notable incident in this regard.

### Compliant samples from WWTP (%)





## Waste management

GRI 301-2

301-3

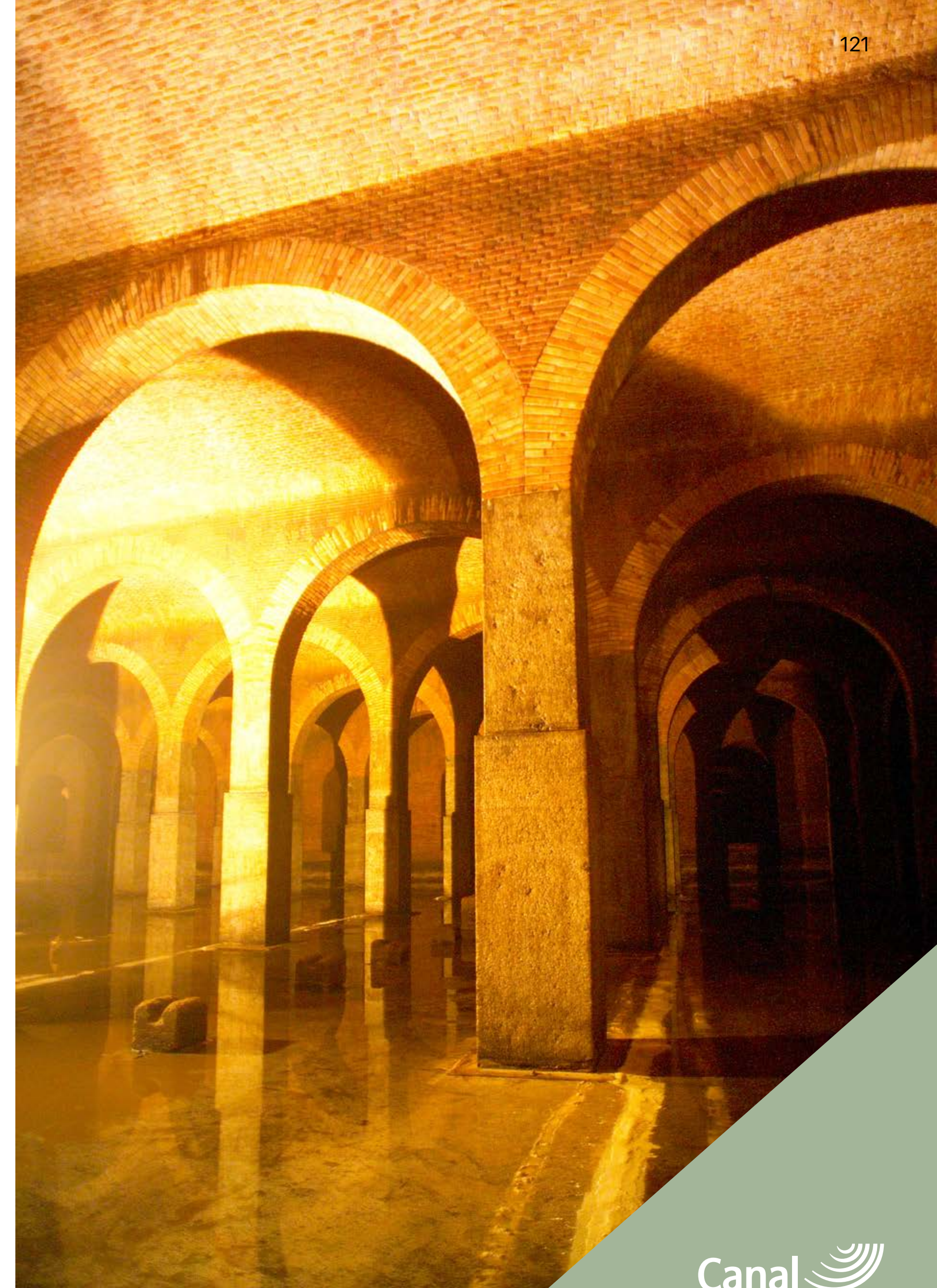
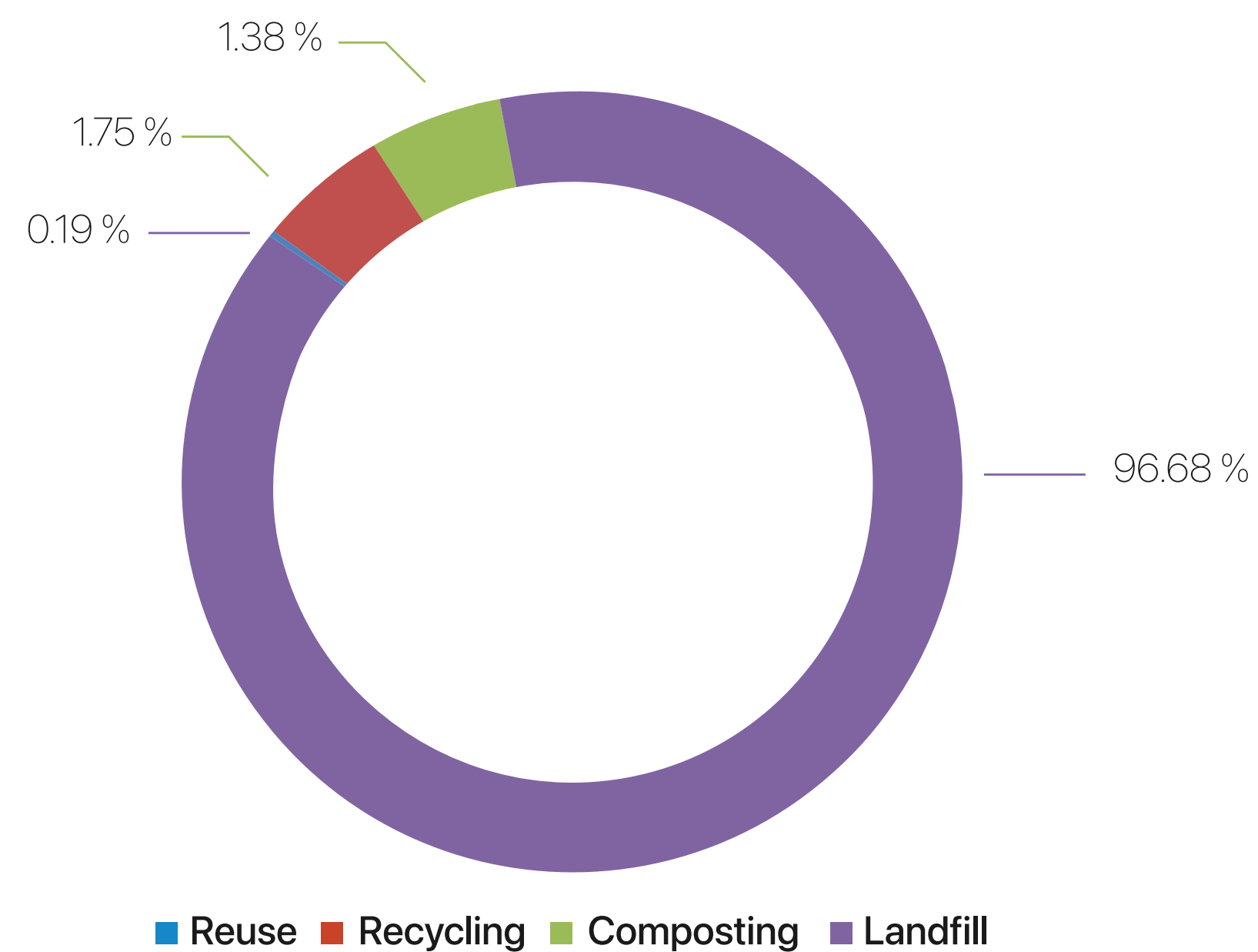
301-4

The control of waste management at Canal's production centers and assembly points is based on the correct **separation of waste** at source and is complemented by the monitoring of the collection routes, scheduled every two weeks 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 allocated for **reuse or recovery**.

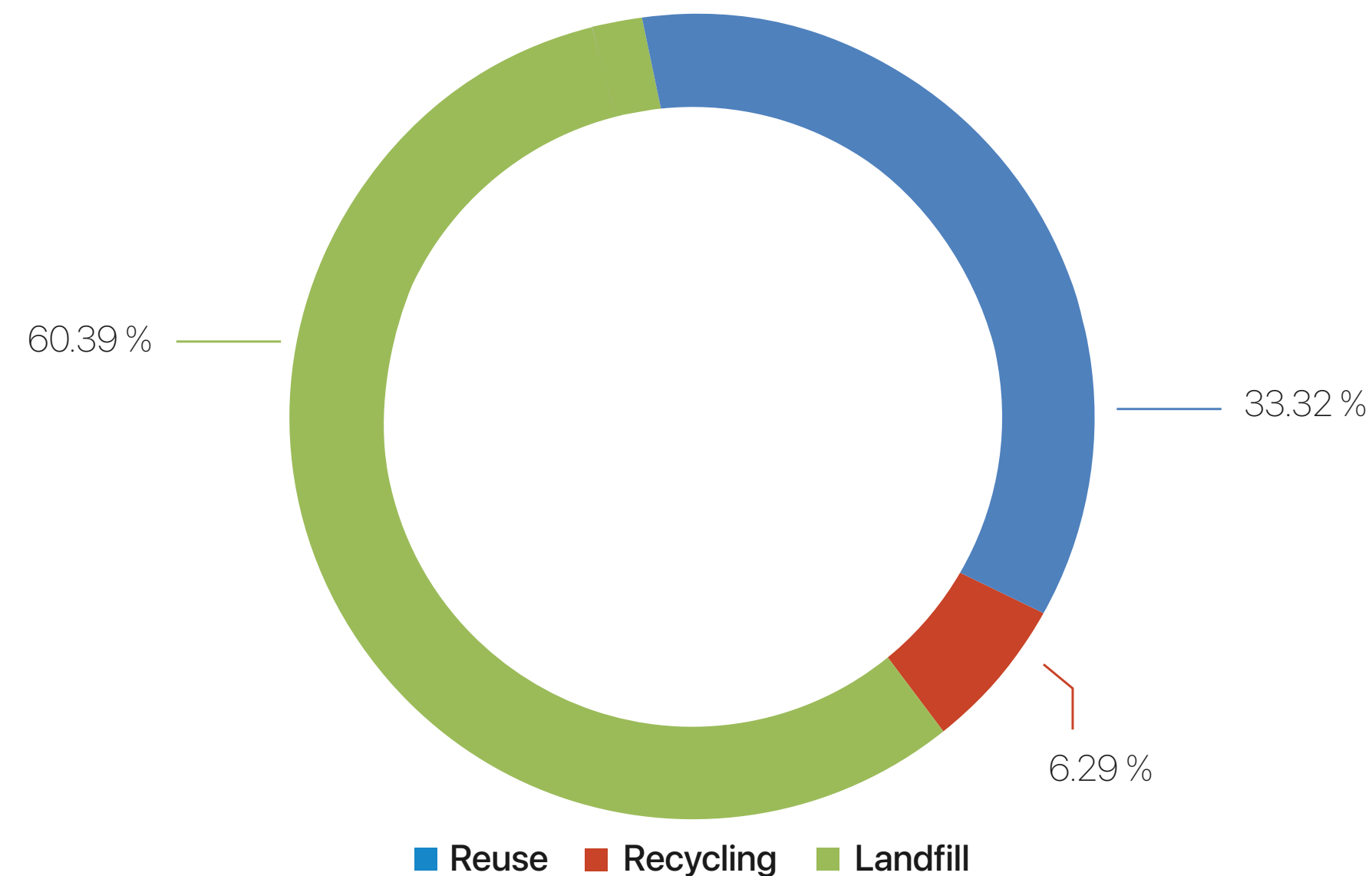
GRI 306-2

### Final destination of non-hazardous waste in 2020





## Final destination of hazardous waste in 2020



In 2020, a total of **32,907 tons of non-hazardous waste** were generated and managed, including **31,142 tons of pre-treatment waste** from the WWTP and WWPS. Also noteworthy are construction and demolition waste (153 tons) and waste from pruning parks and gardens (460 tons) used in the Loeches WWTP sludge composting and thermal drying plant with co-generation as a structuring material for composting. A total of 56 tons of paper and cardboard have also been managed.

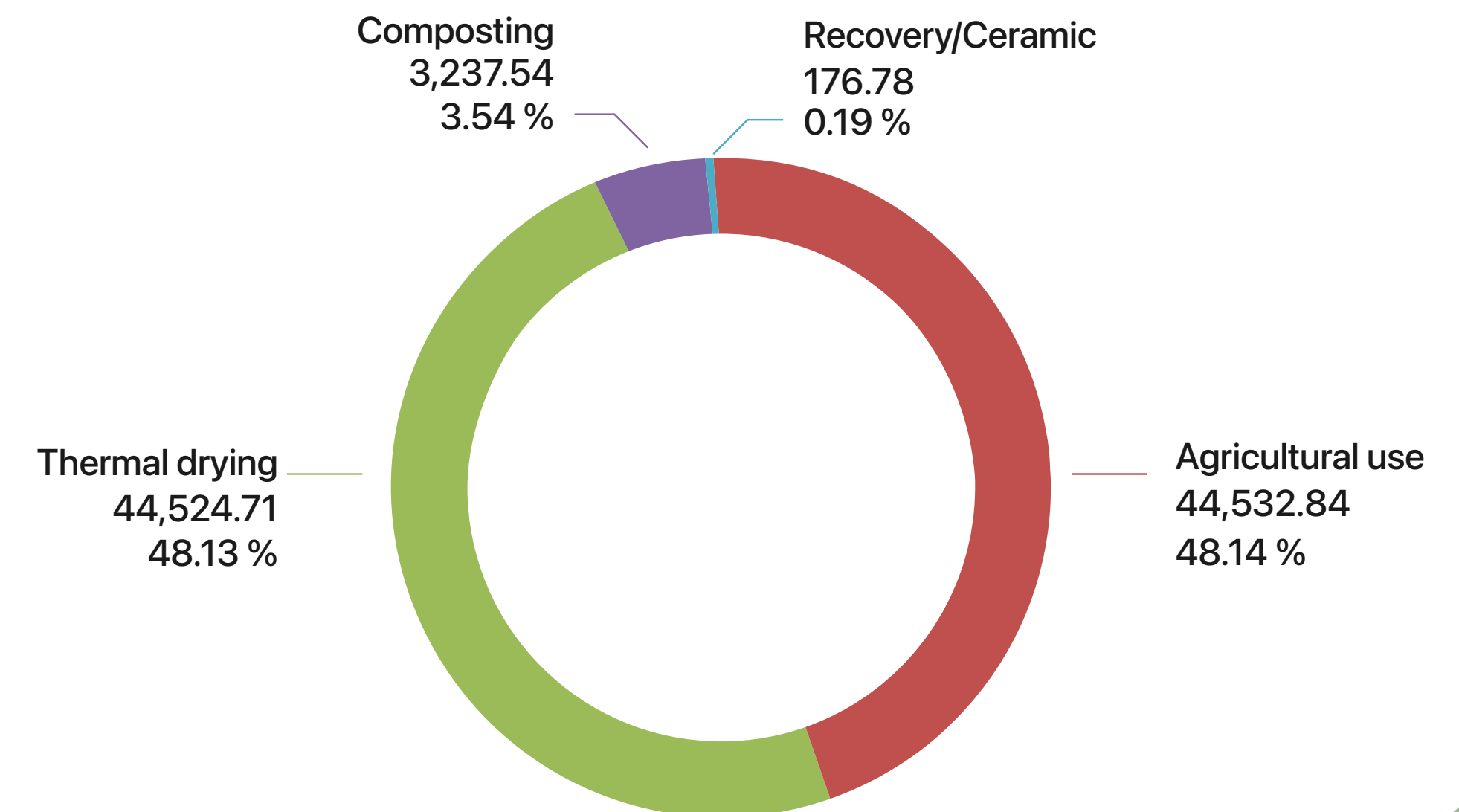
With regard to hazardous waste, **360 tons** were generated in 2020. These include **112 tons of laboratory waste** and 120 tons of motor oils and lubricants.

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 DWTP, a total of **22,439 tons** in 2020, and the sludge generated in the treatment of wastewater at the WWTP, **411,527 tons**.

The final destination of dehydrated sludge from WWTP is, for the most part, agricultural use. Of the total **92,567 tons of dry matter sludge** produced in 2020, 177 tons of sludge have been sent to the cement plant and 59.5 tons to a landfill/dumpsite. In 2020, the **Loeches Sludge Treatment Unit** and in the **Sur WWTP**, a total of **44,525 tons** of sludge have been processed.

## Final destination of WWTP sludge in 2020

(tons of dry matter and % total)



In the case of the **WWTP sludge** in 2020, the destination was agricultural use 100% of the time (**3,635 tons of dry matter**).



## Management of noise and odors

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

Since 2004, Canal has had a program in place to control noise levels generated by our facilities that may disturb the population or in areas of special sensitivity. In 2020, the number of controlled facilities was 261, with a degree of compliance of 100 %, according to the criteria established in the company's internal regulations, which is more restrictive than current legislation on noise.





## Canal and the Circular Economy

Environmental conservation and preventing the depletion of the natural resources are clear objectives at Canal de Isabel II. We are committed to the three R's: reducing, reusing and recycling, and obtain alternative, recyclable and reusable products from the waste we receive in our purification facilities. Reusing all of these products is part of our strategy for promoting a Circular Economy, that also allows us to make progress in the decarbonization of our activity.

At Canal, waste has transformed from a problem into an opportunity. It is no longer the final link in the chain, but an intermediate step to making way for new raw materials and energy sources. Therefore, the wastewater treatment plants are able to recover and transform waste, and extract from it fuel, fertilizers, compost, reclaimed water or electrical or heating power. To this end, we have incorporated different technologies in recent years.

- » We currently have the largest struvite production plant in the country. It is located in the WWTP Sur, where, on a daily basis, they produce two tons of the so-called "white gold" from the waste. Its name comes from its high phosphorus content, which is an essential life-sustaining element that is not renewable or replaceable. Struvite is one of the byproducts obtained from water purification. The phosphorus present in liquid waste can be crystalized in a controlled manner and be used as high-quality fertilizer. In 2020, we produced 486 tons of this fertilizer.
- » The agriculture industry benefits two-fold from the treatment of wastewater. The dehydrated sludge extracted from waste also acts like an organic fertilizer and improves the structure of agricultural soil, where it can be applied to benefit harvests. In 2020, we produced more than 44,500 tons of sludge treated using the thermal drying process.
- » Another important use of sludge from wastewater is for power generation. The sludge where pollutants concentrate and that are removed from wastewater are treated in large digesters until they produce a highly versatile renewable energy, called biogas, whose heating power makes it possible to obtain heat, electricity or fuels for vehicles.

Canal de Isabel II obtained more than 51 million cubic meters of biogas in 2020. From this gas, we generated more than 92 million kilowatt hours in the 16 power generation facilities in the waste water treatment plants, the equivalent of the annual electricity consumption of a population like that of Valdemoro, with more than 75,000 inhabitants.

- » The potential of biogas does not simply lie in power generation. Biogas is made up of 65% methane and 35 % in CO<sub>2</sub>. If we remove this CO<sub>2</sub>, we can transform it into biofuel and use it in vehicles, a process we are testing in three of our purification facilities: La Gavia (Vallecas), Butarque (close to Perales del Río) and Viveros (Puerta del Hierro). There we have installed the so-called "gasification plant" where more than twenty automobiles can refuel with biomethane, a zero-emissions fuel with vast heating power. With all the fuel pumped into vehicles there, we could take 40 to 45 trips around the world. The vehicles that use biogas do not emit particles of sulfur dioxide and their CO<sub>2</sub> emissions are null, since this biogas, being of human origin, does not have a greenhouse effect. Moreover, its use reduces both the nitrogen oxides released (85 % less) and acoustic emissions (50 %).
- » However, in addition to taking advantage of the elements contained in wastewater, we can also recover the water itself and give it a second life. Aside from subjecting it to a purification process to release it back into the waterways, it can undergo a tertiary treatment that makes it suitable for uses that do not require maximum quality. In this way, reclaimed water takes some of the pressure off of drinking water since it can be used for watering green spaces and golf courses, street cleaning and even industrially. In 2020, we produced 126 million cubic meters of reclaimed water in our 32 tertiary treatment facilities. More than 13 cubic hectometers of that reclaimed water was used for the watering of more than 2,900 hectares of 25 municipalities in the region thanks to a 656-kilometer distribution network.



## Compliance with environmental legislation

### GRI 306-3

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 2020, only **28 sanction proceedings** were opened by the Tajo Hydrographic Confederation, the vast majority of which are linked to involuntary discharges of wastewater from our 157 WWTP. 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 **144.79 thousand euros** the end of 2020.





# SDG 15 Life on Land



Protecting biodiversity







## SDG 15 Life on Land: protecting biodiversity

### Presence in protected spaces

GRI 304-1

304-2

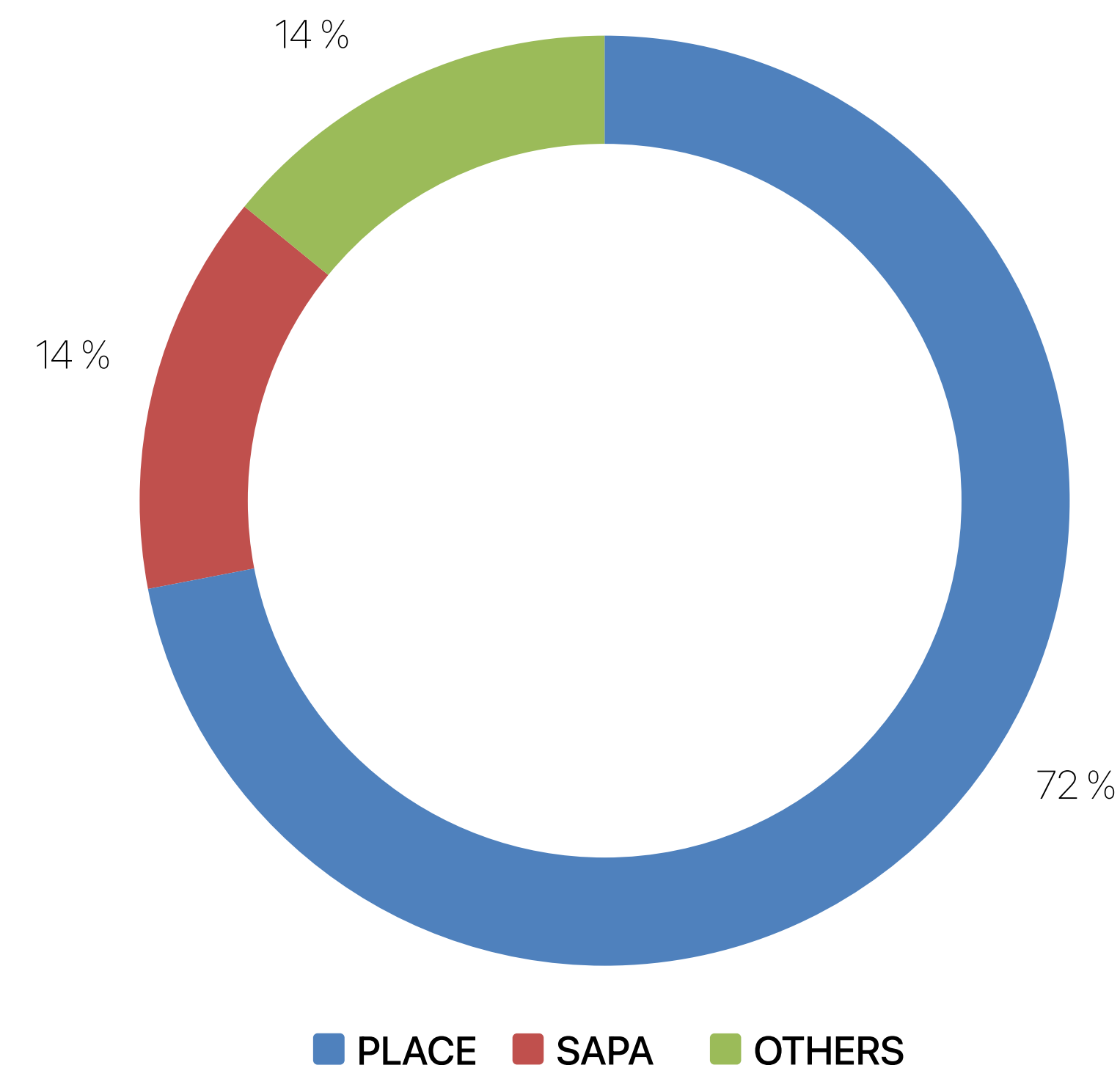
The location of our reservoirs in the middle and upper basins of the rivers and in places that were originally sparsely frequented has boosted the local ecosystems associated with water and has welcomed, as far as bird life is concerned, the emigration of species that have been displaced by the progressive 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 sociocultural values.

Thus, for example, in the Catalog of Reservoirs and Wetlands of the Autonomous Community of Madrid, drawn up in accordance with Act 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 **6,433 hectares** in 2020. It represents 57 % of the total area occupied by Canal facilities, **14 %** of which were **Special Avian Protection Areas (SAPA)**.

### Distribution of the area occupied by Canal facilities in protected spaces in 2020

(% of total)



■ PLACE ■ SAPA ■ OTHERS

See the Catalog of Reservoirs and Wetlands of the Autonomous Community of Madrid [here](#)



## Protected species present

### GRI 304-4

In the vicinity of the Canal's facilities are high-value plant species that are included in the Regional Catalog of Endangered 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 Catalog of Plant Specimens and Singular Stands of the Autonomous Community of Madrid, there are 3 unique tree specimens located on land owned by the Company, which are:

**In the category of notable trees:** a specimen of *Morus alba* (Valdehondillo mulberry tree), in El Vellón.

**In the category of outstanding trees:** two specimens of *Avies numidica* (Algeria fir) and one *Cedrus deodara* (deodar cedar) in the gardens of Santa Lucía in Torrelaguna.

## Plant heritage conservation

### GRI 304-3

Canal de Isabel II annually carries out a series of conservation and improvement works on the green spaces in order to achieve an optimum level of **maintenance of the extensive plant heritage**, both in the areas included in its facilities and in the areas open to the public for use and enjoyment, such as the Tercer Depósito Leisure and Sports Center, 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. Furthermore, since launching our 2018-2030 Strategic Plan, we're opening our facilities to the public; for example, the new park in Ríos Rosas, and the one in Bravo Murillo, both located at our headquarters.

**Spontaneous vegetation was cleared** for fire prevention in a total of **465 hectares** in 2020. 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 2020, **reforestation work** was done, planting a total of **19,895 plants, trees and shrubs**.



## Ecological flows

With the approval of Royal Decree 270/2014 of 11 April 2014 on the Hydrological Plan for the Spanish part of the Tajo 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 2020, 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 **68.63 million cubic meters**.

## Expenditure and investment in environmental management and activities

### GRI 201-1

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 (purification expenses), Canal allocates other economic resources to voluntary aspects of environmental management. These resources amounted to **40.9 million euros** in 2020 and represent 17 % of the total expenditure associated with environmental management (a total of **234 million euros in 2020**).

The main items of voluntary expenditure include the **thermal drying of sludge from the WWTP**, which accounts for 62 % of the total, followed by reuse (21 % of the total).

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 2020, the investments made by Canal de Isabel II with an environmental objective amounted to **7.93 million euros**.





# SDG 14 Life Below Water



Sustainability on the island of Lanzarote







## SDG 14 Life Below Water: sustainability on the island of Lanzarote

### Presence in protected areas

The island of Lanzarote, with nearly 846 square kilometers and a landscape that looks more like the moon than the rest of our planet, is one of the driest areas of Spain. However, it was one of the first places in the world to be declared a Biosphere Reserve in its entirety.

Since 2013, **Canal Gestión Lanzarote**, the Canal de Isabel II subsidiary in Lanzarote, has been operating the integrated water cycle on these islands where resource scarcity has historically been a struggle for its inhabitants, who have managed to make up for this deficit through their efforts. Homemade collection systems and taking advantage of runoff are some examples of ingenuity and savings in the first region to have a desalination plant more than fifty years ago.

Canal's project on these islands is now in its eighth year, during which time it's developed and undertaken important investments that have contributed not only to improving the quality of service but also to caring for the environment and protecting biodiversity on an island where sustainability is part of its DNA. Our responsibility, as in all other places where we operate, is to return to the environment, in this case the ocean, a resource that we obtain directly from the sea. The protection of the islands also includes caring for marine life, where the wealth of species and the seabed of Lanzarote are a very important attraction for tourism.

Over the past decade, scientists who have dived into its waters have discovered new, previously unknown species of mollusks and sponges. These findings have made the island's coastline a place of great scientific interest.

Canal Gestión Lanzarote helps protect underwater life with tertiary treatment processes, which in 2020, reached 98 % of the treated water, improving the water returned to the sea in the best conditions through its underwater outlets. The **reuse** of water on the islands also supplies the agricultural sector, sustainably guaranteeing harvests. The energy efficiency achieved in the desalination process is another measure being implemented to achieve a 100% sustainable management model in line with what is also known as "Tierra del Fuego".





## Fighting COVID-19 on the island of Lanzarote

Canal Gestión Lanzarote is the most recent Spanish subsidiary of the Canal Group, responsible for the production, supply, sewerage, purification and reuse on the islands of Lanzarote and La Graciosa since 2013, through a contract granted by the Lanzarote Water Consortium.

After the first positive cases of COVID-19 were detected on the island, on 10 March 2020, Canal Gestión Lanzarote created a Surveillance Committee in order to carry out the development and planning of measures, both preventive and organizational, to implement during this exceptional period in the fight against coronavirus, in line with the guidelines set out by the different government entities. To this end, a contingency plan was developed with the measures to adopt according to three scenarios designed based on the number of positive cases on the island and in the company.

During the State of Alarm period decreed by the central government, as of 16 March, all Customer Service staff began working from home, fielding customer requests by phone, email and the virtual office, until the commercial offices reopened on 22 June. These locations and the offices were equipped with the necessary protective elements (plexiglass dividers, signage, hand sanitizer, occupancy control, mandatory mask usage, etc.), and in-person customer service was by appointment only, as managed through the virtual office.

Moreover, with regard to its customers, Canal Gestión Lanzarote carried out targeted communication campaigns through the press and online to spread awareness of hygiene measures and to acknowledge the efforts of society at large and its employees, and all water shut-offs were discontinued as of the publication of the Royal Decree-Act 8/2020 of 17 March 2020. Afterwards, in the “new normal” period, Canal Gestión Lanzarote decided to maintain the measures regarding household rates, maintaining them to date.

With regard to other social initiatives, we should mention that, during confinement, Canal Gestión Lanzarote collaborated with the shipment of tanks to vulnerable people and groups with, through centralized applications through the Ministry of Social Affairs of the regional government of Lanzarote, channeled through the Water Consortium.

Moreover, and despite the difficulties mentioned, Canal Gestión Lanzarote renewed its ISO 9001 and 14001 Quality Certifications in 2020.





# SDG 11 Sustainable Cities and Communities



building a "Smart Region"





## SDG 11 Sustainable Cities and Communities: building a "Smart Region"

The assumption of these activities under a supra-municipal perspective generates economies of scale and synergies in the operation, which entail important advantages for municipalities.

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 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.





New relations with the municipalities of the Autonomous Community of Madrid

Strong **relationships with the municipalities** is a matter of **special importance for Canal de Isabel II**, as this facilitates the provision of an efficient and quality service to all citizens. For this reason, throughout 2020, Canal de Isabel II held many meetings with the different municipalities in the Autonomous Community of Madrid, mainly to improve their sewerage networks.

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 town council.

Through these agreements, Canal supplied water in 2020 to a total population of **6,556,593 inhabitants** in 174 of the 179 municipalities of the Autonomous Community of Madrid. This population equals 96.71 % of the population registered in the region on 1 January 2020.

With regard to sanitation services, at the end of 2020 Canal managed the sewerage system for 135 towns and cities in the Autonomous Community of Madrid, with a total population of 5,785,475 inhabitants, which means that it has provided this service to 85.33 % of the region’s population. In water purification, Canal has served **6,771,172 inhabitants** in 179 municipalities, practically 100 % of the region’s population.

In addition, by late 2020 the Canal system supplied water to eight bordering municipalities belonging to Castilla-La Mancha (Valdesotos, Valdepeñas de la Sierra, Tortuero, Uceda, Pióz, Pozo de Guadalajara and Ontígola) and Castilla y León (Navahondilla). The population supplied in the bordering municipalities in 2020 is 13,286 people. In the case of Ontígola (Toledo), Canal has also provided wastewater treatment services to its 4,540 inhabitants.

Services provided by Canal de Isabel II in the Autonomous Community of Madrid	Any supply service	Sewerage	Purification
Number of municipalities served	174	135	179
Population served	6,556,593	5,785,475	6,771,172
Coverage in the Autonomous Community of Madrid	97 %	85 %	100 %

The most common type of agreement signed by Canal with the municipalities of the Community of Madrid 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 Community 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.

Apart from the management agreements, Canal also signs other agreements with the town councils covering **specific issues**.



## Canal de Isabel II in Cáceres

Since 2015, Canal de Isabel II also has a delegation in the city of Cáceres, in the Autonomous Community of Extremadura, where it provides services to 2 municipalities in the province of Cáceres: the city of Cáceres and Monroy. With a population supplied close to 98,000 people, in Cáceres, Canal has applied a Contingency Plan to maintain the water supply to the city of Cáceres in sufficient quantity and quality in line with the immediate reporting in the media in the event of a disruption in supply, justifying the event and estimated time until its resolution. The purpose is to prevent situations of panic that would be generated by the lack of drinking water with the city in lockdown, even when this absence is isolated to a particular area and considered a “normal” incident.

Moreover, given the hydrological circumstances of the city, the maintenance of the pumping operations from Almonte was included as a priority, since it was foreseeable that supply could be compromised in summer if there was no major rainfall in spring.

In order to guarantee the water supply service and management of its treatment, organizational measures similar to Canal de Isabel II were encouraged, such as the separation into fixed groups of workers to prevent contagion, keeping certain staff at home to keep part of the workforce isolated and available. One important advantage that allowed us to react as quickly as possible was the daily reporting from the Canal de Isabel II headquarters in Madrid.

To protect the health of the workers, two full blood tests were performed for the entire workforce: the first was in June, as soon as rapid serological tests became available, and the second coinciding with the annual physical performed by the company. In the event of suspected infection, the pertinent tests were performed and preventive isolation measures were implemented.

The cleanliness of the facilities was also reinforced with the party contracted for this service, and an intensive cleaning protocol was developed for spaces that were the site of potential infection.

In terms of the plexiglass dividers at customer service desks, they were likely the first in Cáceres to be used, as they were made by our own staff.

Customer service coverage during lockdown was fully diverted to phone and email channels, and then to two days a week, by appointment only, as of 8 June (Tuesday and Thursday), and this latter schedule is the same at present. We are working exhaustively with the Town Council to launch the virtual office, which will facilitate the management of all types of procedures. As in the Canal de Isabel II headquarters, all water shut-offs due to defaulted payments were halted.





## 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 bodies of water in good condition.

The objective of urban drainage networks is to collect wastewater and domestic, industrial and runoff water for subsequent transport to treatment plants. Canal is responsible for maintaining municipal networks in the **135 municipalities** with which it has signed agreements. By the end of 2020, these networks reached **14,689 kilometers**. 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 **870 kilometers of supra-municipal sewers** and outlets.

As previously mentioned, Canal has **133 wastewater pumping stations (WWPS)**, which elevate the water to allow its transport to the WWTP, 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 meters** of the first rainwater, which is the most polluting, are retained.





## Ensuring sewer management and urban drainage

The maintenance work carried out by Canal consists of **monitoring** the networks, **inspecting and cleaning the pipelines**, cleaning the scuppers, cleaning the occasional spills, resolving each warning and incident in the network, and carrying out any required conservation and improvement works in the network. 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 recent years, and given the poor state of the network in some municipalities, Canal has promoted the preparation of **diagnostic studies** of the networks and the development of **Master Sanitation Plans** for these municipalities. Our goal is to ensure that all municipalities have their own specific Master Plan.

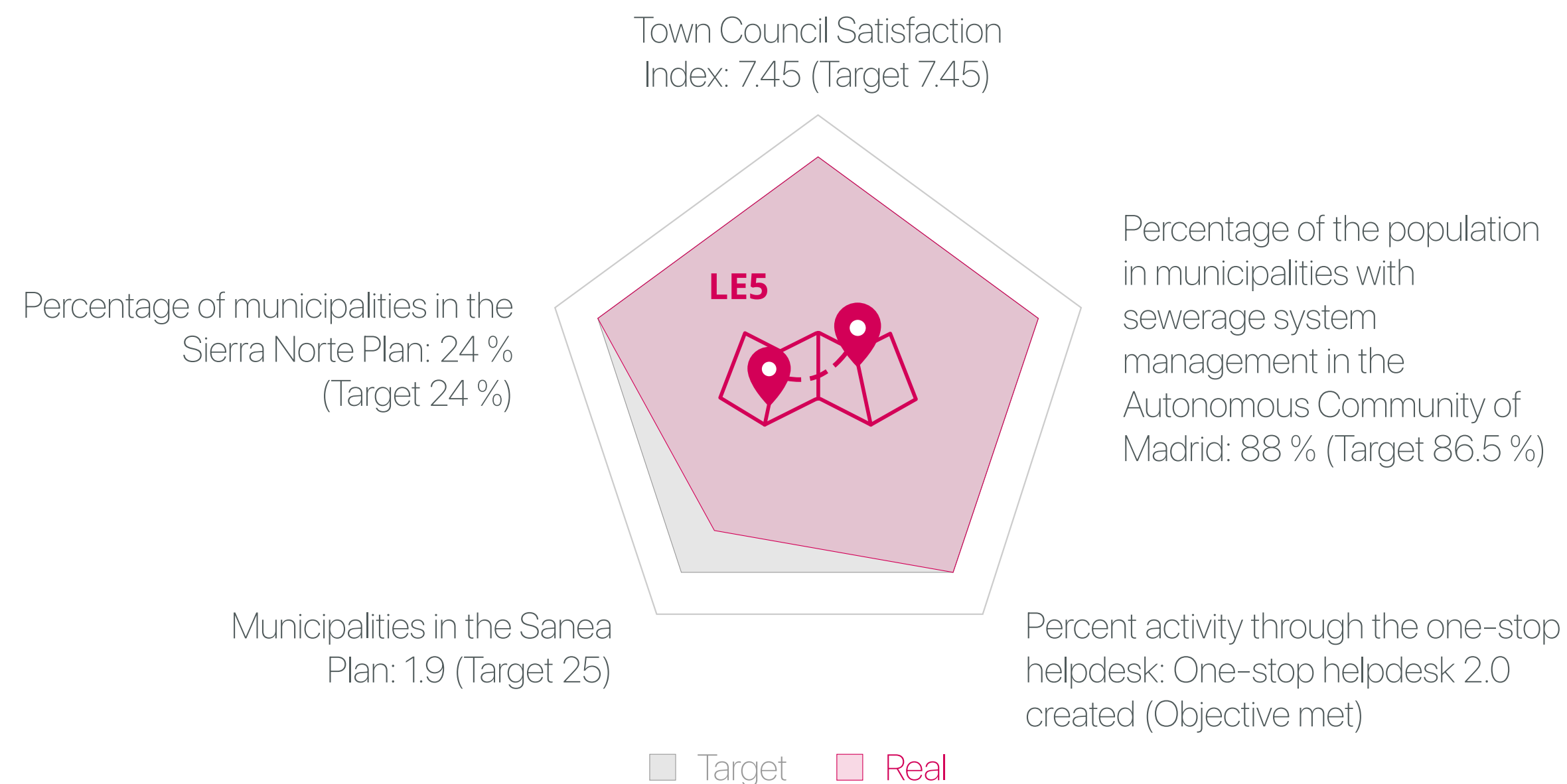
In 2020 we have continued delivering sewerage plans to the municipalities. These actions will lead to an improvement in the network, a significant reduction in discharges and, in turn, to an

improvement in the receiving waterways while reducing the risk of flooding in the municipalities under management.

Regarding the renovation of sewerage networks, in 2020 a total of **42.25 kilometers** were renovated.

In addition, in the field of urban drainage, work continued on the advanced system for urban drainage management.

### Status of Strategic Line 5





# Committed to our customers

Customer and user satisfaction is 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 an swift, simple way. To this end, our company has equipped itself with the means and resources that make our commercial work one of the best ranked within the sector in Spain.

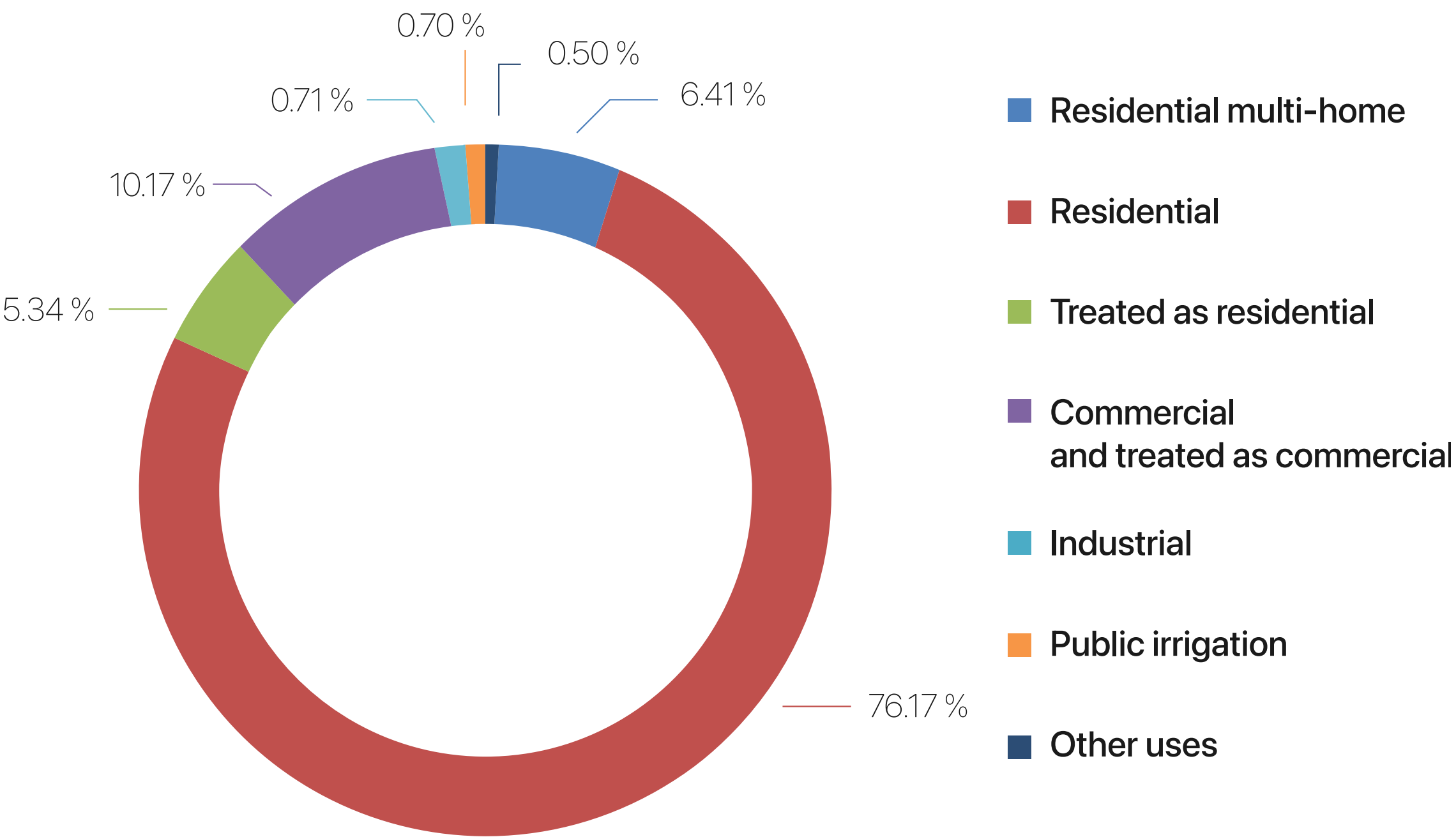
## Our customers in the Autonomous Community of Madrid: contracts and population served

In 2020, Canal de Isabel II reached **1,524,878 active contracts** with customers, a **1.3 % increase** compared to 2019.

Through these contracts, Canal supplied water in 2020 to a total population of **6.56 million inhabitants** in 174 of the 179 municipalities of the Autonomous Community.

With regard to **sanitation services**, at the end of 2020 Canal managed the sewerage system for 135 municipalities in the Autonomous Community of with a total population of **5.79 inhabitants**, which means that it has provided this service to **85.33 %** of the region's population. In water purification, Canal has served **6.77 million inhabitants** in 179 municipalities, practically 100 % of the region's (99.87 %) population.

Types of contracts with customers in 2020

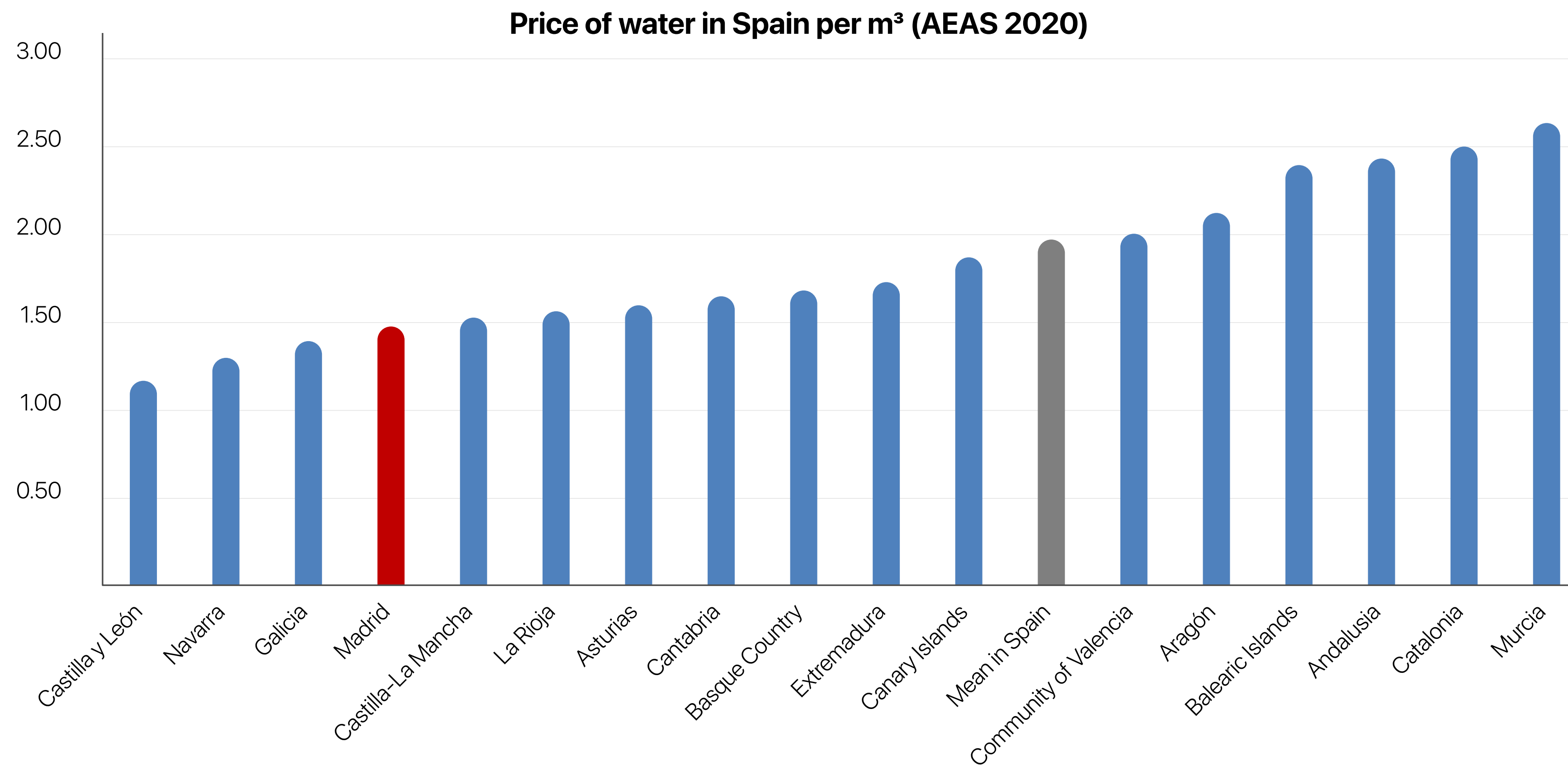




## Customer rates and invoicing

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

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





## Customer rates and invoicing

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

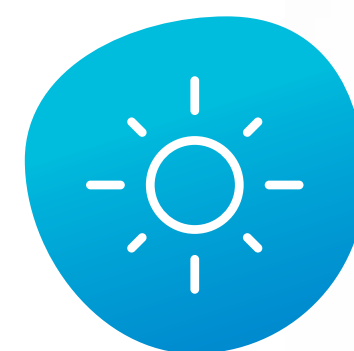
In recent years, Canal's pricing policy has been characterized by its moderation; rates have been frozen since 2015. However, the cumulative increase of the Consumer Price Index (CPI) in the 2015-2020 was 4.2 %.



**PROGRESSIVE  
AND REWARDED**



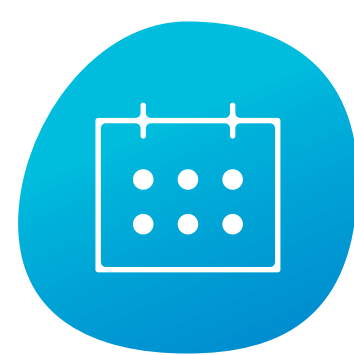
**DIFFERENTIATED**



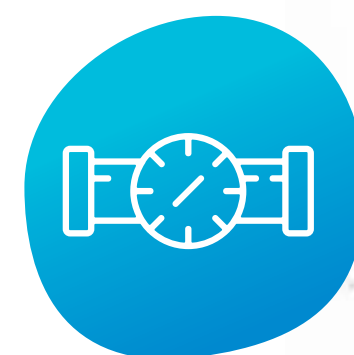
**SEASONAL**



**COMMITTED TO THE  
ENVIRONMENT**



**BILLING  
BIMONTHLY**



**BINOMIC  
STRUCTURE**





## Actions to guarantee correct billing to the customer

Canal 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 2020:

**Meter reading:** Canal made more than 8.14 million readings on 1.59 million meters. The percentage of estimate-based bills issued when obtaining the meter reading was not possible was only 4.70 %.

**Audits and consumption analysis:** 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 that helps in the revision of consumption presenting significant variation. When significant variations are detected, customers are alerted in order to prevent any possible internal leaks in their property.

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

In order to ensure its correct operation, we have a Volume Meter Verification Laboratory that meets all the requirements to ensure that its verifications and certificates have the required quality and recognition by national and international authorities. It is accredited by ENAC as a test laboratory for meter verification and, since 2011, holds flow meter verification accreditation.

The meters are checked at the following levels:

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

In 2020, a total of **2,112 meter checks** and **4,896 technical inspections** of the set of measures were performed in the metrology laboratory. Moreover, 80,336 meters were **renovated through maintenance and campaigns**. **New contracts** have entailed the installation of 22,556 meters.





## Customer and user support

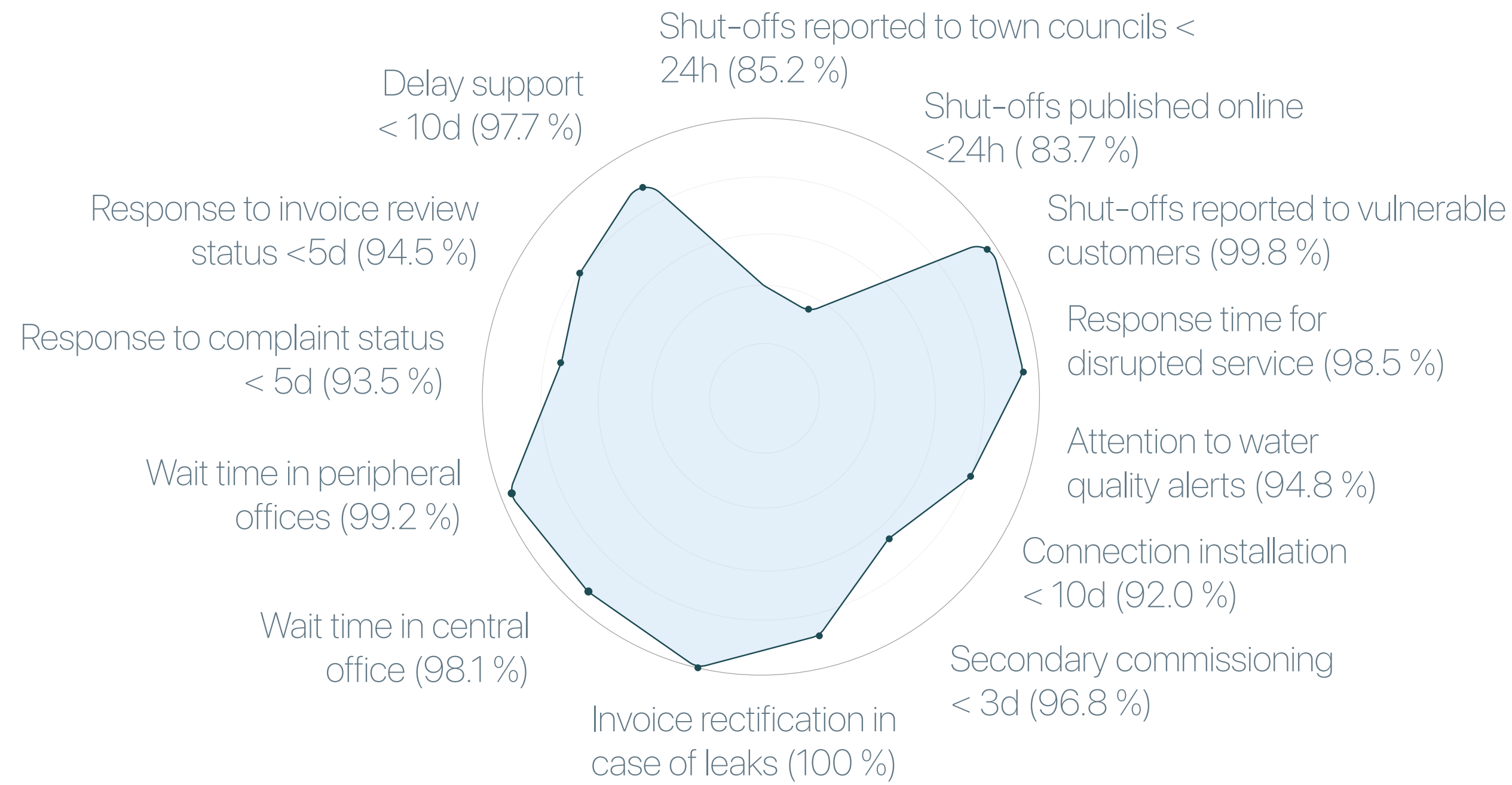
**GRI 102-43** **102-44** **103-2**

Canal's main objective is to provide the best possible service to its users, the citizens of the Autonomous Community of Madrid. The company has an ISO 9001 certified quality system, and as part of our policy of maintaining the quality of the services we provide, specific commitments have been made to customers that Canal published in 2019 in its first **Charter of Commitments** to its customers with the aim of adapting to their needs and requirements and which extends and improves its previous letter of services. The public company

assumes a total of 10 commitments to offer clear, transparent solutions to the needs of the users. Failure to comply with any of them may result in automatic compensation ranging from 30 to 420 euros.

We have completed this first year with the new Charter of Commitments with a **high level of compliance**:

### Compliance with the Charter of Commitments in 2020





## Customer communication channels

We are a company committed to our environment and sensitive to the demands of our 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 main communication channels available to our customers and users include:

- **Telephone assistance.** The channel that is most used by customers, who can opt to be attended by specialized agents or use automatic solutions to handle their inquiries. In 2020, Canal handled more than **1,108,683 customer calls**.
- **Customer service centers.** We have a network of 11 customer service centers strategically distributed throughout the Autonomous Community of Madrid, where any request related to commercial management can be resolved. These centers continue to be a basic channel that generates confidence in certain customer groups. In 2020, **42,636 people** were served at these centers.
- **Website, virtual office and the Canal app for smartphones 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 2020, this platform recorded **7.85 million** interactions.
- **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.





## Dominican Republic: customer service during the pandemic

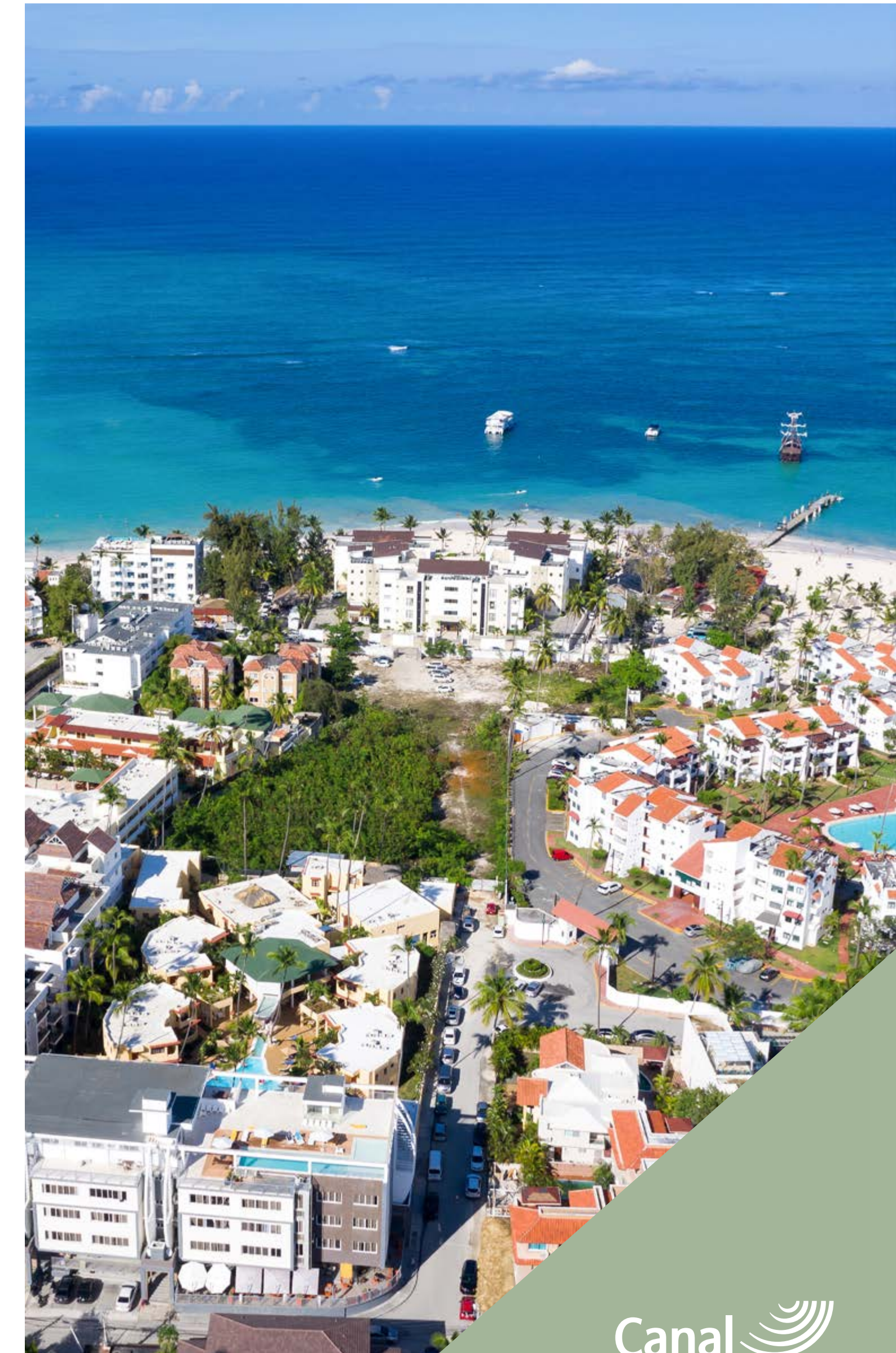
In March 2020, the first case of coronavirus was confirmed in the Dominican Republic, and the State of Emergency was declared, with a series of measures to limit the spread of the virus. This included closing borders, and all commercial activity was halted.

AAA Dominicana, the Canal Group company in the Dominican Republic, given its activity, which includes the commercial management of water services and meter supply and installation in the western area of the city of Santo Domingo, serving a population of nearly 5 million inhabitants, it was necessary to temporarily halt all non-essential activity, and work shifts had to be reorganized and staggered, and technologies were used to minimize direct contact, including WFH for helpline staff.

Of the measures taken to continue offering service and proximity to the customers, shut-off activities were discontinued from March to October for commercial clients, which are still in place today for residential customers, and mass communication efforts were carried out through text messaging, email and social networks to provide information on payment options, electronic payment channels and sending of bills. In this regard, domiciled payments and payments through alternative channels were implemented, such as Caasdweb, Telepago or the online Banking System, to pay from home.

The reopening of commercial offices was staggered, and the hours were in compliance with government guidelines, increasing the physical space between employees and customers through the use of dividers at the teller desks, limiting access to users and social distancing, and even thermometers, hand sanitizers and mandatory mask use.

Furthermore, 2020 marked the conclusion of the **Plan for Marginalized Areas**, launched in July 2019 and focused on massive updates and incorporations of the lowest income and most vulnerable sectors of the city of Santo Domingo, and the company's Corporate Social Responsibility (CSR) Program was launched, with activities like those recognizing the National Day of the Tree, and the CAASD-Móvil app was released that, in addition to providing a channel for payments, also gives the customer direct contact with Commercial Management through the suggestion box and integrated claims system.

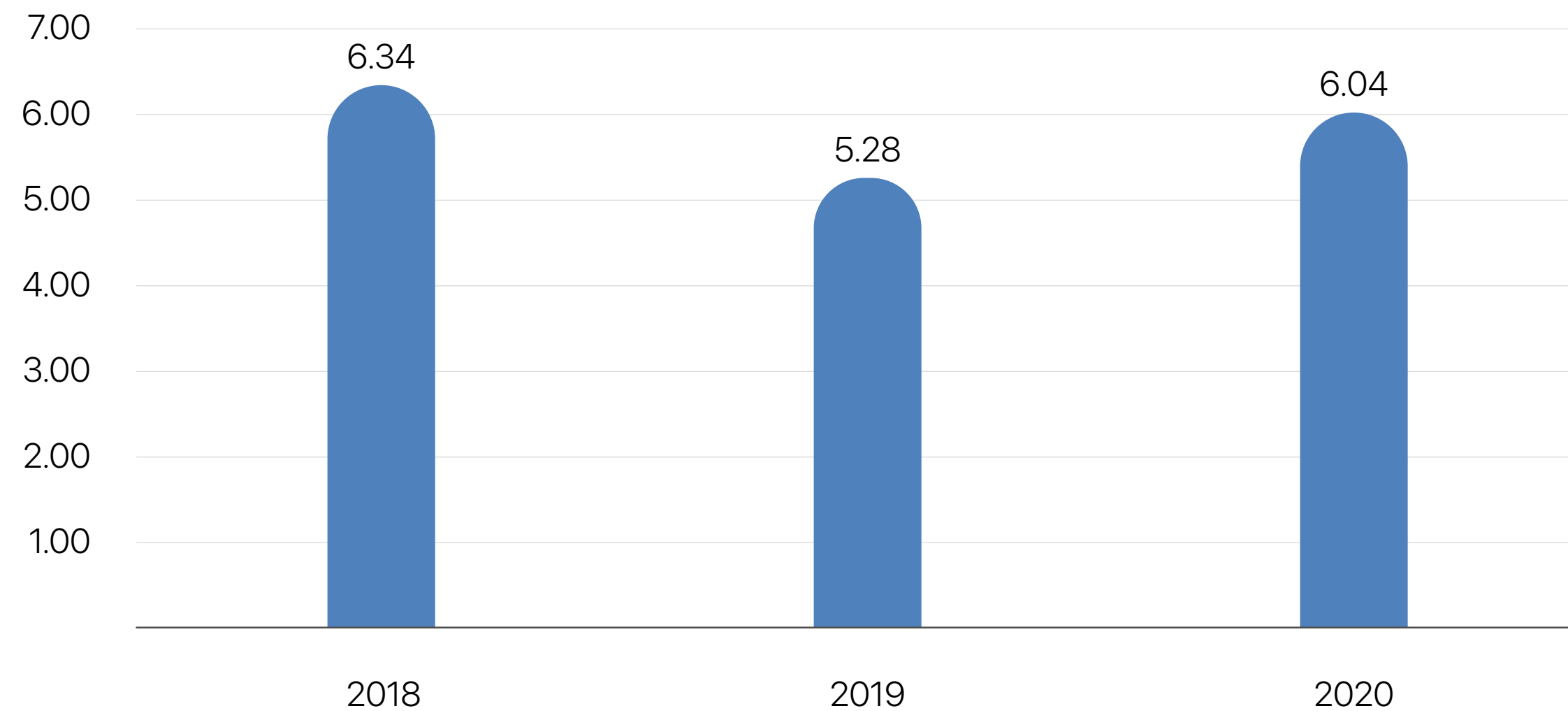




## Suggestions and claims handling

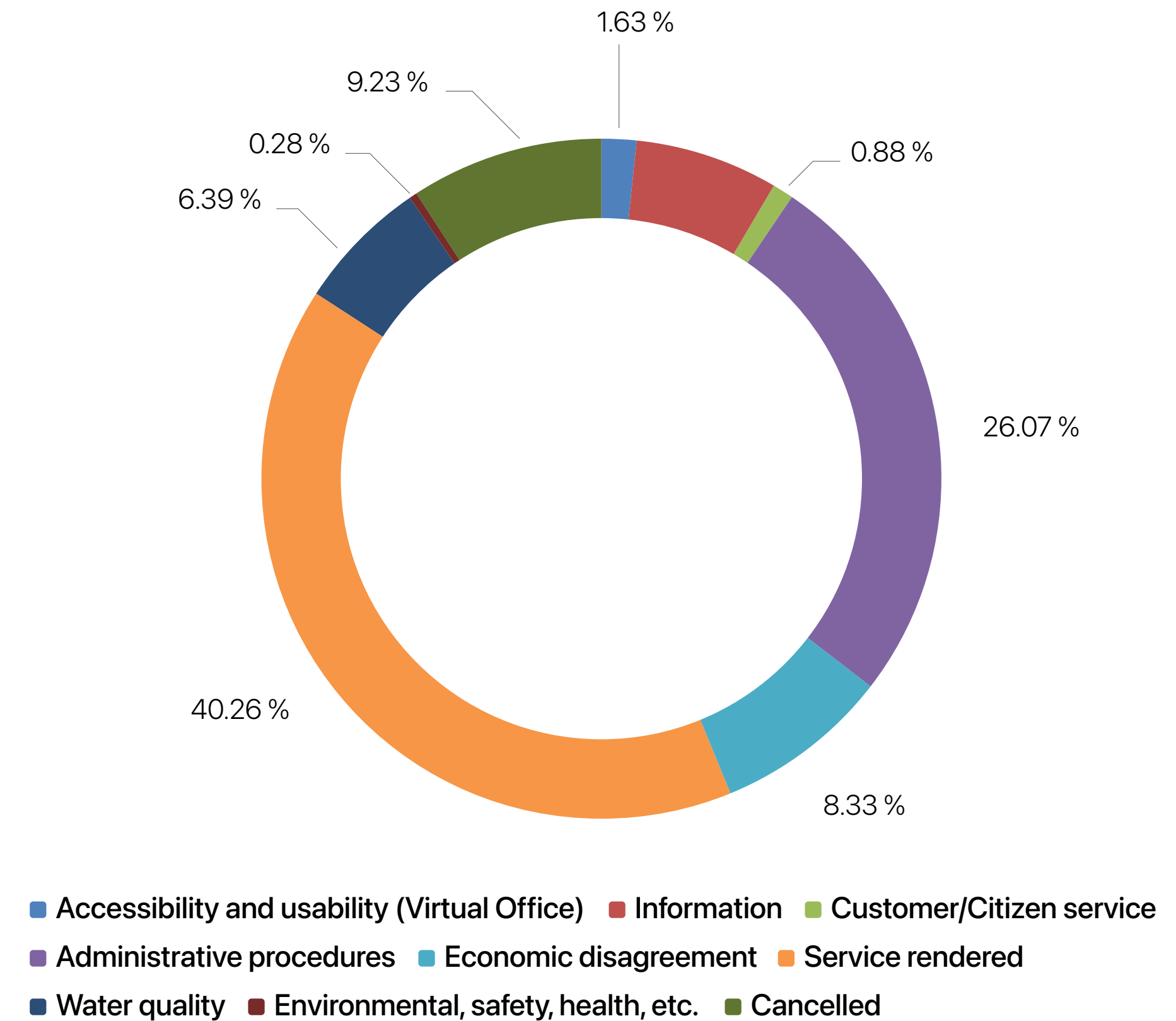
Canal de Isabel II has a complete system for receiving and handling customer suggestions, complaints and claims regarding billing. In the case of complaints received, in other words, those disagreements related to the service provided to the client, our **Complaints Office** is in charge of personally managing each of them. Through a reference number assigned to the complaint, the client can follow up on it throughout the process. A total of **9,213 complaints** were received in 2020, that is, **6 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**



The causes of these complaints were distributed as follows:

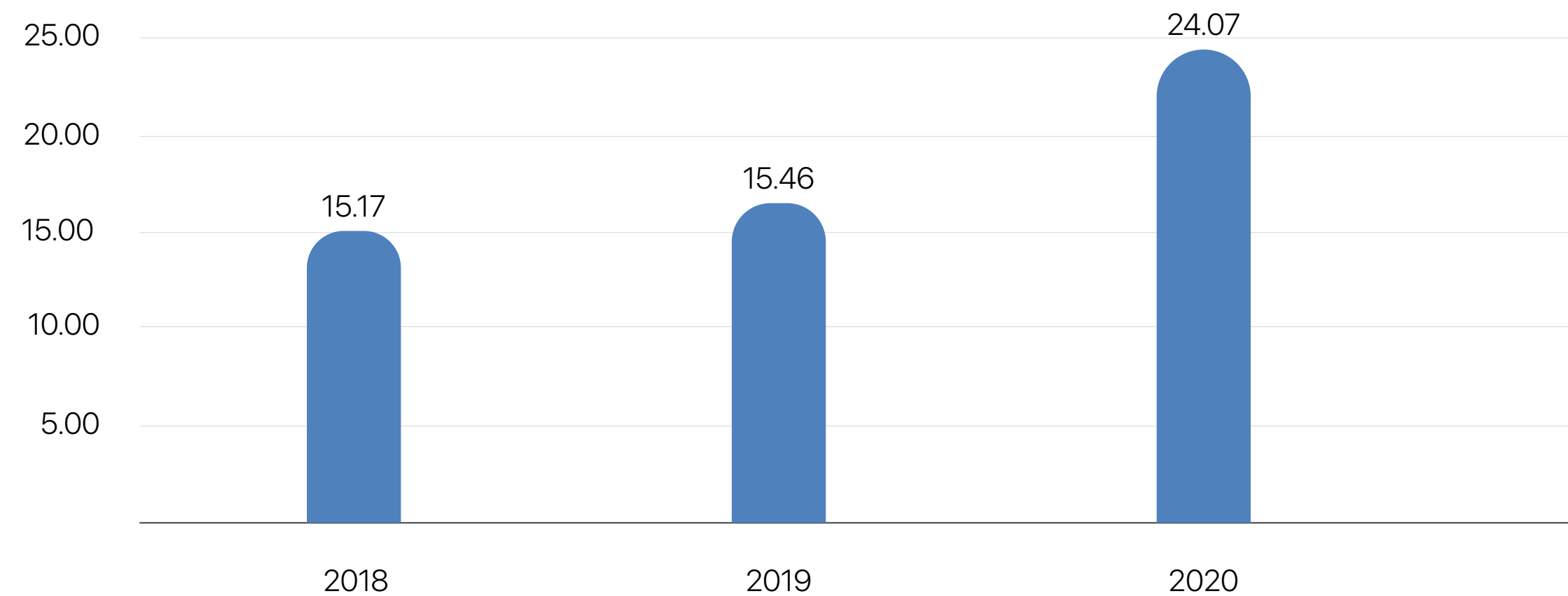
**Reasons for the complaints received**





The number of **claims received** regarding the invoice increased by 58 % compared to 2019, reaching **36,707**. This amounts to 24 claims per 1,000 customers, and only 0.41 % of invoices issued over the year (more than 9 million). A total of 77 % of the claims were resolved favorably for the customer.

### Claims per year per 1,000 customers

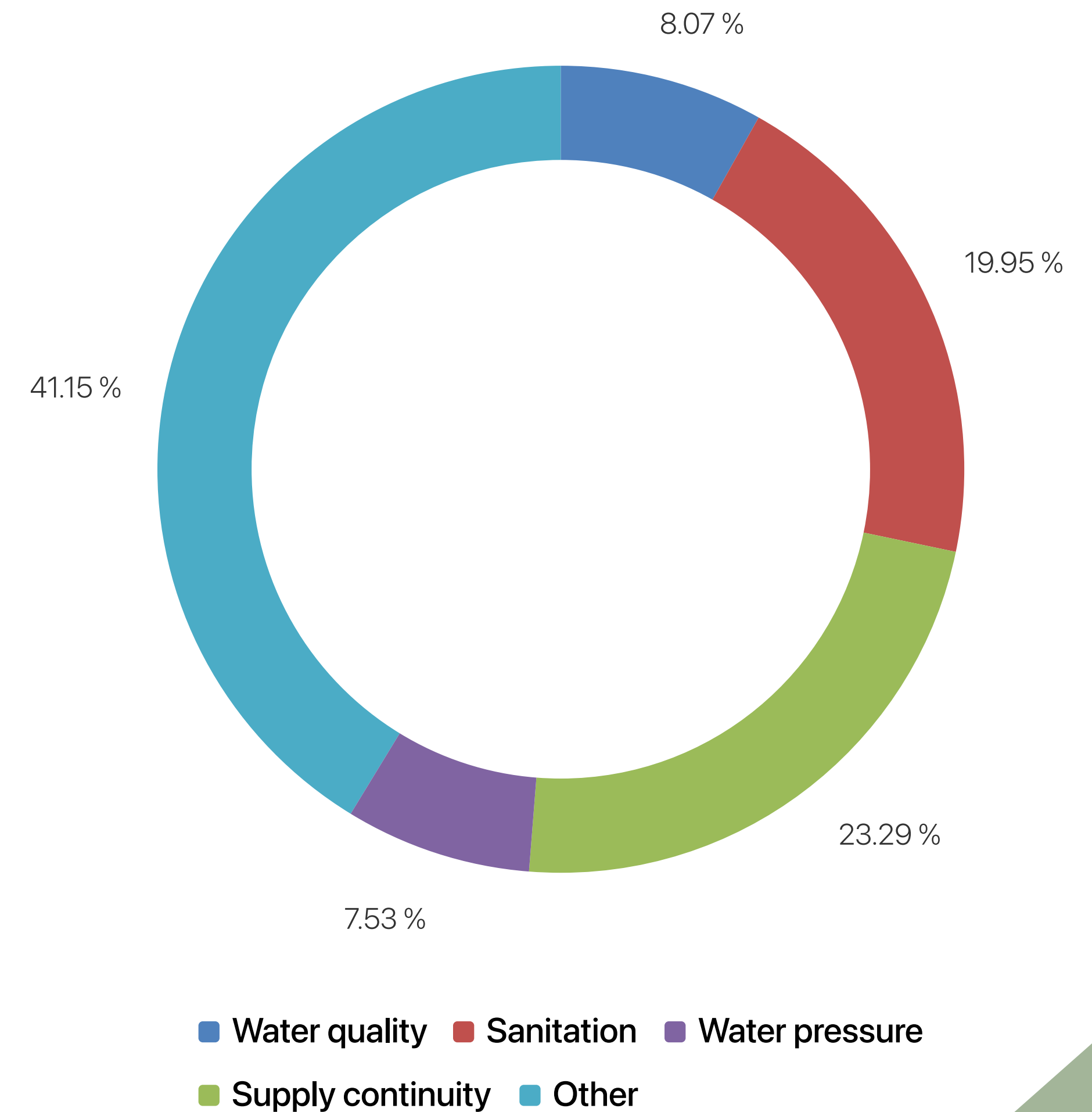


Both billing claims and general complaints have a **maximum processing time of 30 days**, with 81 % and 80 % compliance, respectively, in 2020.

In addition to the claims and complaints received in the commercial circuit, Canal has a **service for addressing incidents** related to the provision of the different services. In 2020, a total of **126,780 reports** related to different incidents (quality, sewerage, continuity of supply, water pressure and other causes) were received. The number of incidents decreased by **6 %** compared to 2019.

### Incident reports by type

(percentage of the total)





## GESTUS

GESTUS is a Canal Group company in Latin America whose business activity is the full provision of services involving collections, commercial, operational and/or technical management to public services companies and other entities, also including meter reading and printing and mailing of invoices.

The company, domiciled in the city of Barranquilla, has been heavily impacted by the pandemic, since Colombia has been one of the countries hardest hit by COVID-19: 11th worldwide in number of cases and 12th in the number of deaths.

Given the healthcare situation, the company opted for WFH and a biosafety protocol regimen to minimize the risk of infection between the people whose work is done in situ, in either an office or in the field.

The measures included signage with recommendations for employees, cleaning and disinfection of the work stations, provision of Personal Protective Equipment, hand sanitizer, body temperature control and monitoring of workers' health, generating daily surveys on the presence of symptoms.

Also, taking into account the possibility of not renewing its contract with Triple A in Barranquilla in 2020, the company generated a cash flow projection that allowed Gestus to become economically self-sufficient despite the circumstances. Some of the decisions made included the reduction of staff and selling off of company equipment and vehicles.

Also, it has been working on attracting new business through its participation in tenders with organizations in different parts of the country. Currently, the company is pending the finalization of one of these tenders, which represents a major opportunity to keep progressing in the acquisition of new contracts that allow them to continue to be self-sustainable and grow within the target market.





## The Customer's Voice at Canal

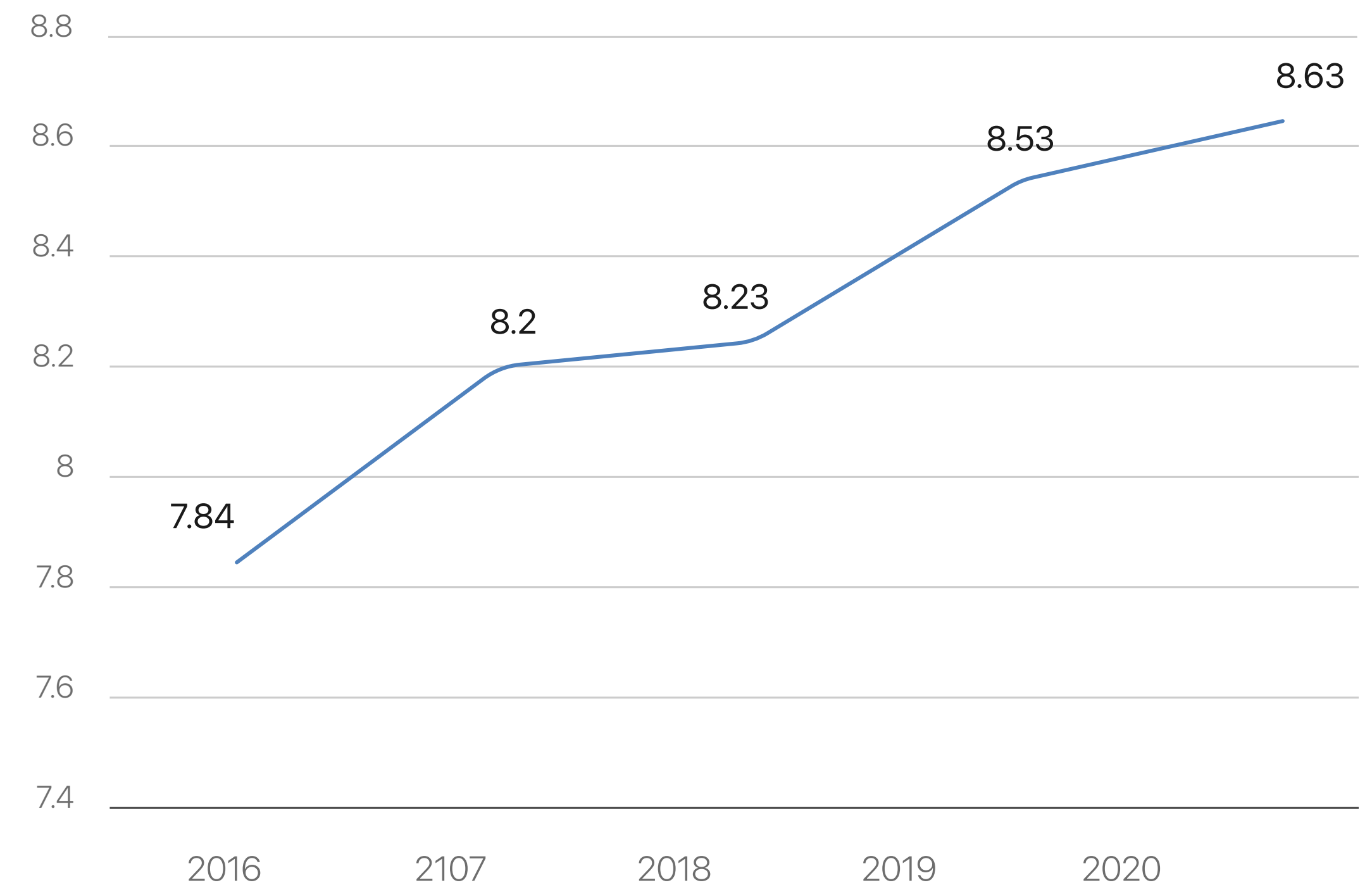
GRI 102-43 102-44

Canal de Isabel II has positioned itself among the companies that recognize their customers and users' needs, so that our actions meet, and even exceed, their expectations. The **Customer Experience** is the sum of all personal experiences, whether emotional or rational, that an individual has when dealing with Canal de Isabel II at any time in their life cycle as a customer or user. The aim of placing the customer at the center of the organization, to get to know and involve them in the design of our processes and services, is already a reality. This culture seeks to provide desired experiences, in accordance with the brand promise and to generate memorable emotional impacts on customers that will improve their perception of Canal de Isabel II.

Canal's customer satisfaction and expectations model based in the Customer Experience makes it possible to evaluate the quality of service we give to the population. However, the satisfaction scores have been higher than expected: we had intended to go up to 8.57 in 2020, but the projections have been significantly exceeded, as we ended the year with **8.63 out of 10**.

### Evolution of the customer satisfaction index

(score from 0 to 10)





Some actions during 2020 we can highlight:

- » **The extension of the “customer voice” measurement program**, which has consolidated its second measuring environment and has launched the parametrization of two more fields. Therefore, in the first half of 2021, we will be measuring customer satisfaction in real time through the following transactions:
  - › Claims
  - › Supply contracts
  - › Actions in the customer's property
  - › Sanitation contracts
- » **The roll-out of Close the Loop**, the essence of the measurement system, since with this measurement system, we manage the individual cases of dissatisfaction, and, in turn, the implementation of improvements in processes, making it clear to our customers that we are listening to them and will take their opinions into consideration.
- » **The parameterization of the Text Analytics tool**, whose implementation will be finalized in 2021, and will represent a major qualitative leap in the interpretation of the customers' voice, when their opinion reaches us.
- » **The continuity of the relational studies**, which measure the opinion trends, together with the conduct of in-depth studies to analyze different processes and events, such as contract procedures, what our customers want to know, the impact of our communications campaigns, and society's perception of a water-sensitive region.
- » **The development of the “Experience Guide”** which, during 2021, will be used as an internal companion tool to help our colleagues in the front office to more effectively empathize with the customer.
- » **The customer's bond with the company**, the moments experienced with us and our internal processes have been made possible through the implementation of a Blueprint Service, through which we have brought both worlds together and implemented a wide range of improvements.

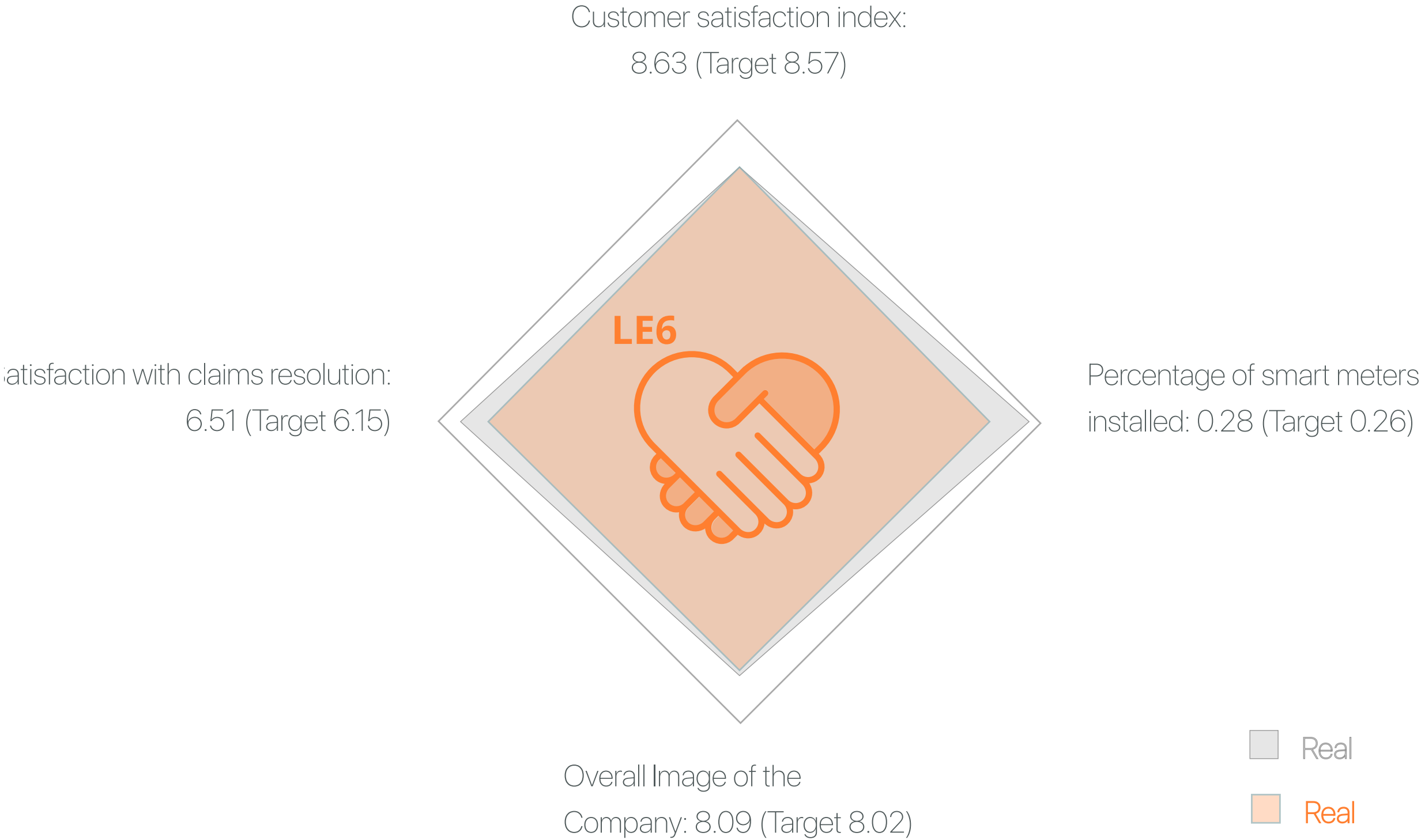




In order to provide information more continuously, the measurement program continues to grow, so we are more and more aware of our customers’ needs. All this information is analyzed to carry out different actions. These actions range from small gestures to changes in procedures, as we are convinced that every bit counts, even simply asking the customer about the company, about how we do things, **contributes to improve outcomes and their opinion of us.**

The information provided by relational studies is constant, and fortunately, continues to grow, thereby giving the customer the opportunity to voice his or her concerns. Already focusing on certain more important transactions, the opinion associated with a specific customer experience makes us focus on improving these moments of more impact or closeness. And, finally, in-depth studies allow us to ratify or establish future strategies, or to better understand matters of interest or events being assessed. Definitely, they help us activate the levers that allow us to improve our work and the perception society has of our work.

Status of Strategic Line 6





## Amagua: serving our customers in Ecuador

On 29 February, the first confirmed case of COVID-19 was found in Ecuador. Immediately following the increase of cases in the country, as well as in Latin America and the world, on 12 March 2020, the national government decided to implement a series of measures after declaring a Healthcare Emergency in the country and decreeing mandatory quarantine that would last 60 days.

In Samborondón and Daule, municipalities in Ecuador, **Amagua C.E.M.** is responsible for the supply of drinking water, sewerage system management, wastewater treatment and reuse of reclaimed wastewater for a total population upwards of 200,000. More than 50,000 families enjoy first-class service thanks to the personalized management that includes home assistance for plumbing repairs, cleaning and disinfection of wells, glass repair, electricians and even locksmiths.

To maintain all these services afloat despite the healthcare crisis, a COVID-19 protocol was developed including subcontracted staff, through which a series of measures was taken. This included a monthly provision of personal protective equipment, the monitoring of collaborators diagnosed as vulnerable (due to preexisting conditions), referring them to specialists and, where necessary, having them work from home. Body temperature is monitored daily with the implementation of a biometric system, and transportation capacity was reduced, making use of Company vehicles for travel, as well as limiting the number of people in common areas. An oxygen concentrator and tank were acquired to be available in the event of emergency, as well as medicines commonly used for the treatment of COVID.

On a monthly basis, COVID-19 testing is performed with the local laboratories for all of our collaborators and contracted staff routinely in contact with others in their work. In the event of positive cases, they are isolated and

given the support to carry out their medical treatment and follow-up with the Company Doctor during a quarantine period. Amagua covers the cost of the precautionary tests performed on its collaborators and those needed until the disease is overcome.

Customer service for claims and complaints was not affected, since a protocol was in place in the offices, which limited occupancy to 1 person per procedure, limited occupancy in the service and payment desk modules, mandatory mask wearing and body temperature monitoring. Likewise, the use of technological tools was boosted to prevent the interposition of SQR in person, as well as the use of phone numbers, emails, pay buttons, etc. It also bolstered the Chatbots project available online.

In line with the law, during the pandemic there were no service shutoffs for properties that had defaulted on payments, and flexible, personalized payment plans were offered in the following months. Moreover, during the pandemic, people who had issues with their service were provided water tanker service.

To build awareness among users, a "Protected 2021" calendar was given to promote the adoption of biosafety measures to prevent the spread of COVID-19. Promotion and dissemination actions were also taken to help prepare the population during this healthcare crisis.

In addition, negotiations were entered with the water provider for the sale of a greater flow and the commissioning of works for a new pipeline to increase pressure and flow in sectors with low pressure issues. In this period, the GIS project was also completed and launched.



## Our remote meter reading plan

Our objective is to give our customers more efficient, hands-on management. The implementation of smart meters that incorporate the latest technologies will allow us to obtain new services for our clients and new utilities for Canal, based on the advanced processing of meter data.

In **100 % of the Autonomous Community of Madrid**, we want to install meters with the latest technology, in both the accuracy of the water consumption measurements and communications of the information provided by the same. The technological revolution, as well as the evolution of the Internet of Things (IoT) in the future, will change our relation to the services and companies that provide them.

Applications are being designed and developed which will help to improve our quality of life, and which in the majority of cases we are not yet able to visualize. What is clear is that this revolution in the our sector will revolve around the use of **smart meters (smart metering)** and the massive analysis of the information they make possible. This plan will place us at the European forefront of our sector in exploiting information on water consumption. In 2020, the percentage of meters with remote meter reading technology with respect to all meters was **0.28 %**.

In 2020, considering the exceptional situation caused by COVID-19, it was difficult to make significant advances in the roll-out of new equipment, and the project focused on maintaining existing devices, replacing or repairing any with any malfunction, thereby allowing us to build our knowledge of the type of work that will be essential in the future when we have the whole system in place.





## The absorption of Hispanagua

Until October 2020, Hispanagua, S.A.U. was a Canal group company dedicated to the construction, maintenance and exploitation of water management infrastructure, supporting the management of Canal de Isabel II.

Hispanagua became a **Public Limited Company (Plc.)** in 1995, with the purpose of supporting Canal de Isabel II in the construction, maintenance and exploitation of infrastructures related to the management of the water cycle, including new connections, installation and upgrading of meters, inspections and reports and network service repairs. Canal had been commissioning the management of this type of work for some time, and the effective term of some of these commissions recently expired, and for legal reasons, could not be prolonged.

On 21 October 2020, the Canal de Isabel II Board of Directors approved the initiation of the merger to absorb Hispanagua, the company in which it was a shareholder. This process involved the integration of all of Hispanagua's workers into Canal de Isabel II, in addition to all of its goods and property. The legal and administrative procedure will be carried out during the coming months, and during this period, the service rendered by Hispanagua and its workers will continue as normal.





# SDG 16 Peace, Justice and Strong Institutions



The company of the people of Madrid





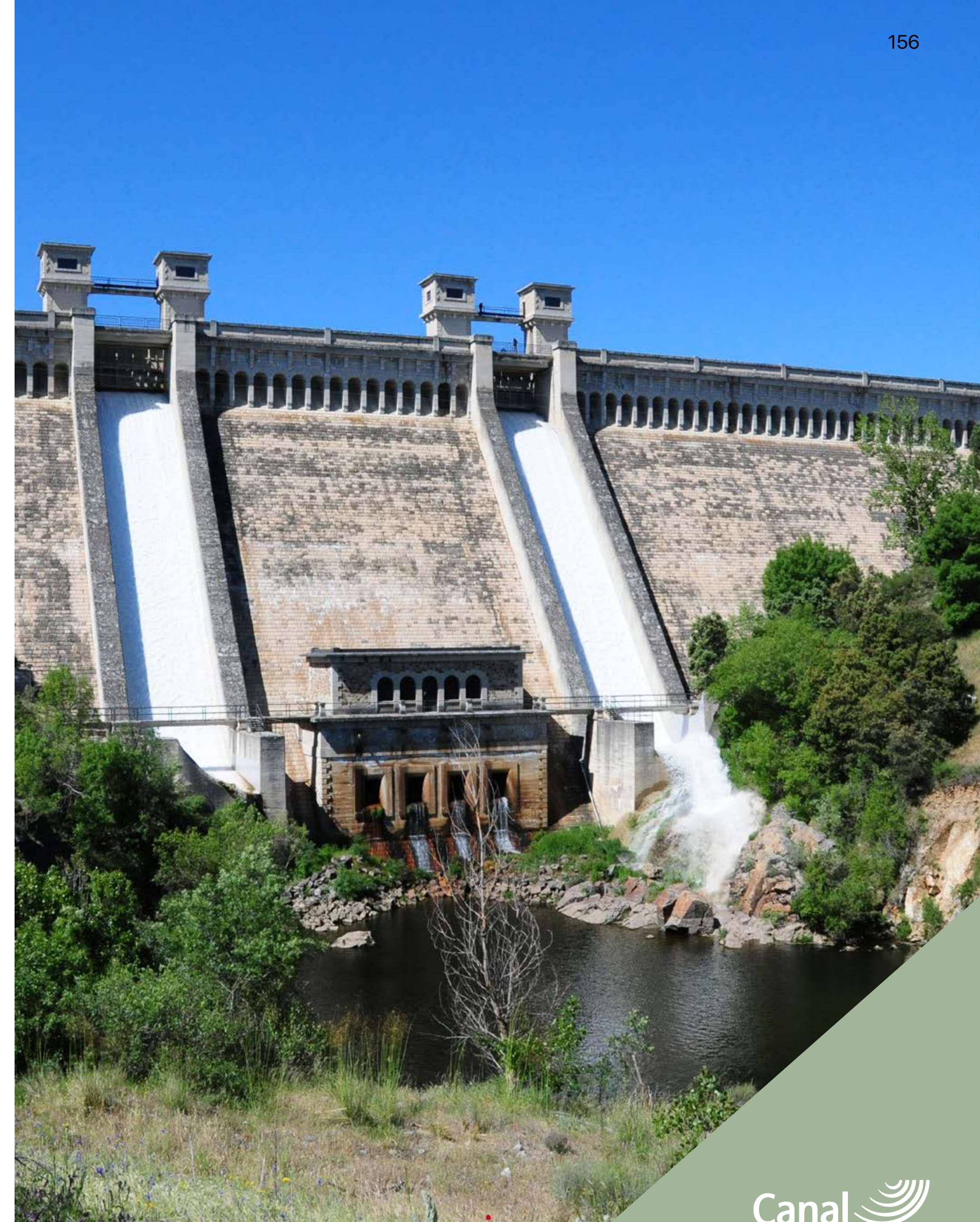
## SDG 16 Peace, Justice and Strong Institutions: the company of the people of Madrid

**By virtue of being a public company and providing an essential public service, Canal de Isabel II has the obligation to demonstrate excellence and rigor in corporate governance and the behavior 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 organization 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, Risk Management and Internal Control Subdirectorate**, and since 2019, it has a **Compliance Subdirectorate**, 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.





## Relations with Public Administrations and management transparency

GRI 102-17

In general, Canal's relationship with the Public Administrations can be divided into three levels:

- » **Town/City Councils** of the municipalities where we provide our services.
- » **Autonomous Communities** where we operate the service, especially the Autonomous Community 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 the Group, they help us to understand the main concerns regarding responsibility, solvency and sustainability.

The response to these requests is made through Canal's **Managing Director** to the Ministry of the Environment, Spatial Planning and Sustainability, from which they are forwarded to the Assembly of Madrid.





Requests for Information by the Assembly of Madrid to Canal de Isabel II (2016-2019) and breakdown of consultations by parliamentary group in 2020

Type of Request and Acronym

	Request for Information	Question with written reply	Oral question in Committee	Oral question in Plenary Session	Appearance Examination	Questioning	Non-Legislative Proposal	Legislative Proposal	Annual Sum	Parliamentary Group	Requests
	PI	PE	PCOC	PCOP	C	I	PNL	PROL			
2017	361	59	0	16	12	0	2	1	451	Socialist Parliamentary Group	393
2018	224	52	2	11	6	0	1	1	297	Más Madrid Parliamentary Group	23
2019	145	40	1	2	2	0	3	0	193	Unidas Podemos Parliamentary Group	7
2020	385	26	14	3	1	0	1	0	430	VOX Parliamentary Group	6
										Popular Parliamentary Group	1
										Ciudadanos Parliamentary Group	0
										TOTAL	430

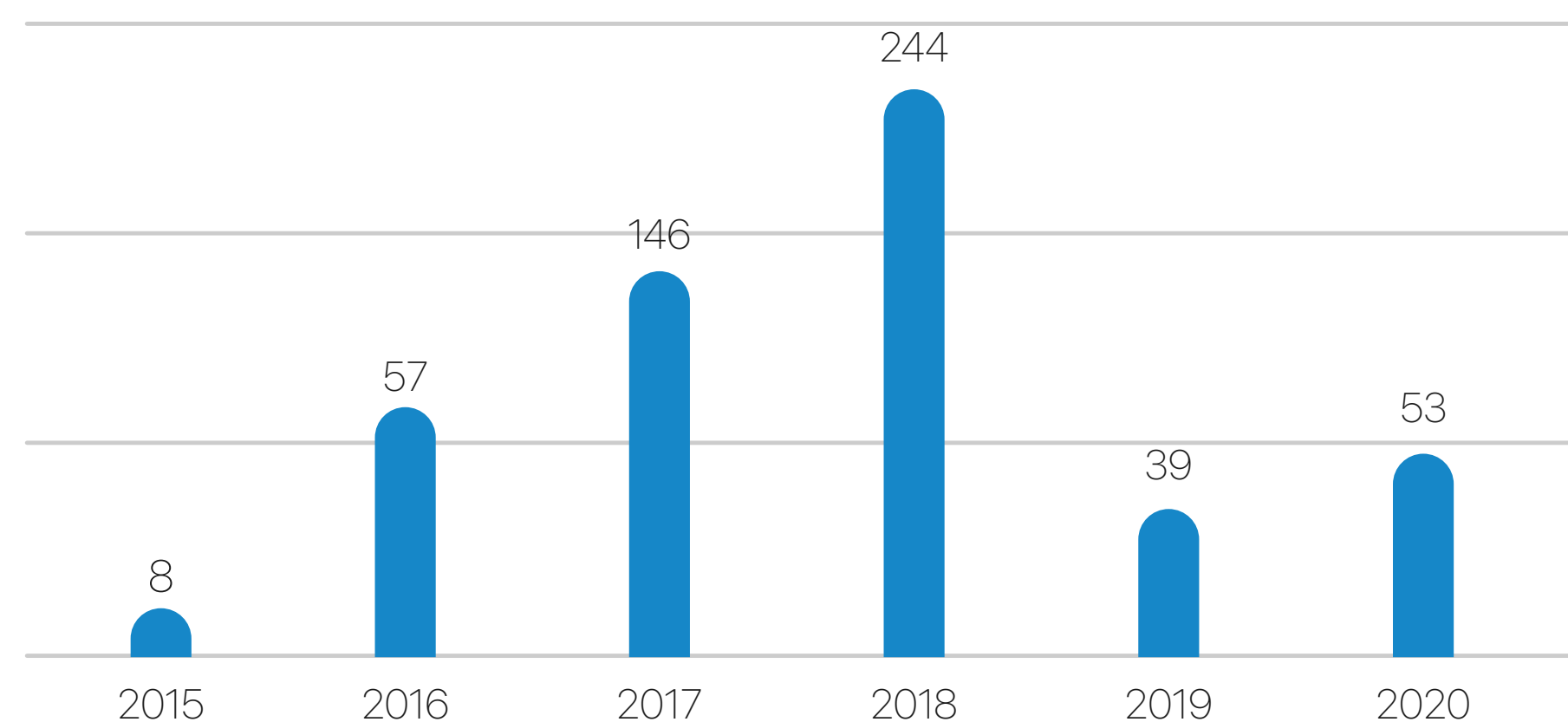




## Relations with Public Administrations and management transparency

In addition, we at Canal have established an electronic communication channel through the Canal website for receiving and answering queries from the public. On this platform, and in compliance with the provisions of *Ley 10/2019, de 10 de abril, de Transparencia y Participación* [the Transparency and Participation Act] of the Autonomous Community of Madrid and in *Ley 19/2013, de 9 de diciembre, de Transparencia, Acceso a la Información Pública y Buen Gobierno* [the Transparency, Access to Public information and Good Governance Act], 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 ([Transparency Mailbox](#)).

### Number of requests received annually in the Transparency Mailbox



From its implementation on 28 October 2015 and until 2020, the inbox of Canal's Transparency Portal has handled a total of **547 requests**.

Of all of them, 98 % were accepted for processing, only rejecting 11, 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 the laws (only 2 % of the total).

Of the accepted 55 % are communications that, given that they are complaints, claims, requests for meetings, acknowledgments, comments or invitations, among others, which have other channels for their resolution, such as the Virtual Office for customers, and they do not comply with transparency laws, and, for this reason, 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 229 requests addressed and were mainly requests for information.

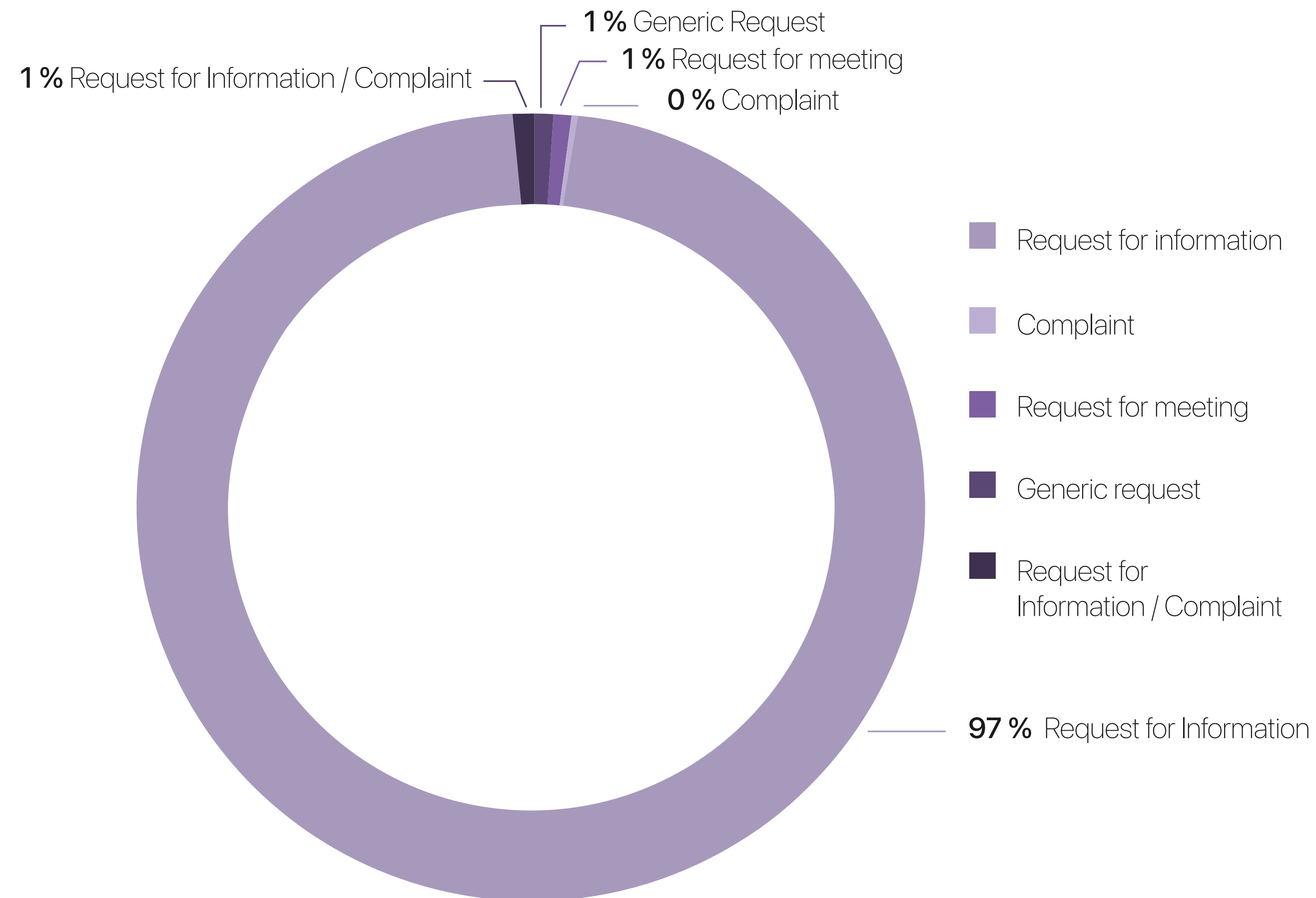
Regarding response time, 90 % of the requests were answered in under a month, almost 67 % in under 5 days.

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



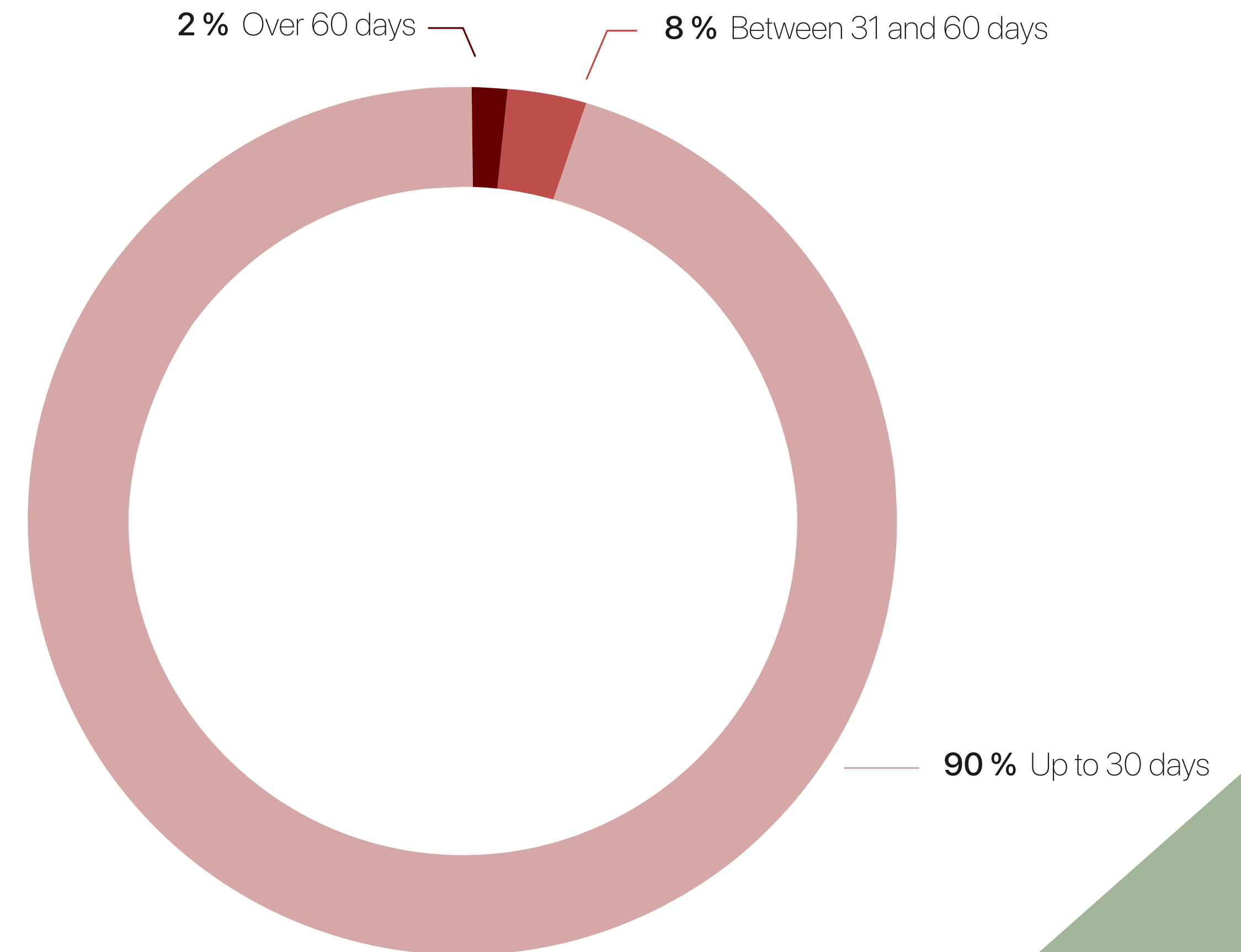
## Relations with Public Administrations and management transparency

**Categories of requests addressed**



**Transparency Portal response time (2015-2020)**

(2015 - 2020)





## Other audits of our management

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

The company's external control mechanisms include:

- » **Chamber of Accounts:** Audits the economic-financial activity of the Public Sector of the Autonomous Community of Madrid.
- » **External auditor** (AUREN): Issues a report on the true and fair view of the Non-Financial Information (NFI) Statement.
- » 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 Community of Madrid.
- » The **Court of Auditors, the Spanish Inland Revenue Service and the European Court of Auditors** in European-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 Community of Madrid.

The internal control mechanisms include:

- » The Internal **Audit, Risk Management and Internal Control Subdirectorate** carries out specific analyses on company practices.
- » We have a **Risk Management system** and **corporate controls**.
- » Our Contracting Branch ensures the correct application of tendering procedures.
- » We have a mandatory **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 authorizations**.
- » The **SAP R3** system has automated controls on payment authorizations.
- » Implementation of the **Internal Control System for Financial Information (SCIIF)**.
- » The **Compliance Branch** that analyzes compliance risks, in particular those that have to do with the criminal liability of legal persons.





Corporate Governance in Canal de Isabel II

GRI 102-11	102-16	102-17	103-2	205-1	205-2	205-3
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Internal Code of Conduct and Ethics and Compliance Committee

The Code of Conduct, approved by the Board of Directors of Canal de Isabel I, expresses the company’s commitments to best practices in ethics, integrity and transparency. It also outlines the behaviors that the company expects from its employees, management and administrators, and which extend to our contractors, suppliers and all those linked to us.


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:** For our employees, and in our relationship with third parties, including public administrations, we have a policy of not accepting gifts or special attention.
- 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 minimize the environmental impact of their actions. If environmental impacts occur, they ensure that protocols are activated quickly so that they can be corrected immediately.





A background image showing a group of business professionals in a modern office setting. Two men in suits are in the foreground, looking at documents and smiling. Other people are visible in the background, also engaged in work.

Canal de Isabel II, Sociedad Anónima, has an Ethics and Compliance Committee whose functions, beyond promoting the dissemination, awareness and compliance with the Code of Conduct, is the supervisory and controlling entity for Crime Prevention, as required by the Criminal Code regulating the criminal liability of legal entities.

The Ethics and Compliance Committee has met remotely, due to the COVID-19 situation, on the dates scheduled for its ordinary meetings. At these sessions, in addition to promoting initiatives to improve ethics and integrity in our organization, the elements of our crime prevention model were also reviewed.

Likewise, and with the experience acquired at Canal de Isabel II, practices are being implemented to improve the ethics and integrity of different companies of which the Canal Group is a shareholder, located in Spain.



The composition of the members of the Ethics and Compliance Committee is established in its operating regulations, which were approved by the Board of Directors of Canal de Isabel II, S.A. on 8 May 2019. The members of the Ethics and Compliance Committee, in the year 2020, were as follows:

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 and values, to submit suggestions, or to report, in good faith, possible violations that they may have observed. To do so, they can contact our Ethics Line ([linea.etica@canal.madrid](mailto:linea.etica@canal.madrid)). Reports are treated with the necessary confidentiality, as established in the response protocol regulating the processing of notifications or consultations submitted to the Ethics and Compliance Committee.

Periodically, the company reviews the contents of the Code and develops the policies, processes and controls that are necessary, not only to comply with the legal requirements, in terms of transparency and the securities market, but also to reinforce the commitments to ethics, integrity and transparency inherent to the organization.

## Ethics and Compliance Committee

<b>Chairperson</b>	Director of Resources
<b>Member</b>	Director of Operations
<b>Member</b>	Deputy Director of Heritage
<b>Member</b>	Commercial Director
<b>Member</b>	Financial and Business Development Director
<b>Member</b>	Deputy Director of Compliance

Canal's Code of Conduct is  
available by clicking [here](#)





## Compliance and Crime Prevention Policies

The Canal de Isabel II, Board of Directors approved, on 28 February 2018, the Compliance Policy applicable internally and to all parties and persons associated with the company. The Compliance Policy is intended to detect and manage the compliance risk, not only with the regulations applicable to the organization, but also with internal regulations, and to those regulations to which the company voluntarily adheres.

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. This policy was reviewed by the Canal de Isabel II, Board of Directors on 20 January 2020.

Also, Canal de Isabel II, has a compliance function in place since 2019 to reinforce the organization's three lines of defense and improving the control systems already in place.

With regard to the Crime Prevention Policy, which was implemented as a result of the Criminal Code reform in 2015, it 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 supervisory and control body referenced in the Criminal Code reform was defined.

**Canal's compliance and  
crime prevention policies are  
available [here](#)**





### Internal Control Systems for Financial Information (SCIIF) and Internal Conduct Regulations

One of our objectives is to incorporate best practices in terms of corporate governance, ethics and integrity into our organization. In this regard, Canal de Isabel II has an Internal Control System for Financial Information (SCIIF). This management system, which identifies and manages any financial risks, is fully implemented in the Group's main companies. In addition, and as a result of having awarded bonuses, we have an Internal Conduct Regulation for the Securities Market, with the corresponding Log of Applicable Parties.



## The Inassa challenge in Latin America

The Inassa Group's primary activity is the management of the integrated water cycle and its commercial processes, with the continuous implementation of new developments, technological advances and knowledge, offering its first-class service to more than 24 million people daily in Latin America.

In 2020, the regions where it operates were hit hard by COVID-19, especially Colombia, one of the Latin American countries most affected by the pandemic. To this end, the company implemented a Biosafety Protocol whose primary objective is to anticipate, recognize, assess and control the risks that may affect the safety and health of the working population, in its different business lines and guaranteeing clear provisions in terms of prevention, mitigation and containment of the pandemic.

Since March, in a first phase, 50 % of the staff was sent to work from home, later, this measure was extended to 100 % of the workforce. Likewise, a Pandemic Monitoring and Containment Committee was created that continuously monitors the news and checks the regulations set out by the national government.

In the last quarter, business resumed by shifts with a maximum occupancy of 9 people, for cases in which their physical presence was needed to address isolated requirements. Signage was posted in the work areas and protection equipment was given to office employees.

Moreover, Inassa received the Recognition of a Family-Friendly Company granted by the Másfamilia Foundation, which acknowledges the company's work in the promotion of measures that promote wellbeing and work-life balance of its collaborators and certifies its commitment to the implementation of measures that favor that balance as a priority in its business strategy.





## Compensation and incentives policy

<b>GRI 102-35</b>	<b>102-36</b>	<b>102-38</b>	<b>102-39</b>	<b>404-3</b>
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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 Ley 14/1995 de 21 de abril de Incompatibilidades de Altos Cargos [the Incompatibilities of Senior Officials Act] of the Autonomous Community of Madrid. These per diem fees were set by the Shareholders' Meeting at 600 euros per meeting.

The Chairperson of the Board and all Board Members are considered proprietary by the majority shareholder (the Autonomous Community of Madrid) and do not receive any remuneration whatsoever for their role in the company.

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

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

In 2020, the remuneration corresponding to Canal's Senior Management is published in the Annual Corporate Governance Report that is available on the National Securities Market Commission (CNMV) website.

Similarly, pension commitments to senior management are developed under the same terms and conditions as those that apply to other employees. In 2020, the company did not make any contributions in accordance with the provisions of Ley 3/2014 de 22 de diciembre de Presupuestos Generales [the General Budgets Act] of the Autonomous Community of Madrid since 2015.

## Corporate risk management, audit and internal control

### GRI 102-30

Canal de Isabel II has an Internal Audit, Risk Management and Internal Control Subdirectorate, under the organic auspices of the Managing Director and functional auspices of the Audit Committee. The functions it performs include audits, internal control and risk management.

The Internal Audit, Risk Management and Internal Control Subdirectorate conducts its affairs in line with the International Standards on Auditing (International Professional Practices Framework) and has on its in-house audit staff a Certified Internal Auditor (CIA) who can attest to the excellence of the internal Audit services provided, and also the Risk





Management Certificates (CRMA), granted by the Global Institute of Internal Audit and Internal Control of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

International Standards require that internal audit functions have a quality assurance program and that it is assessed by an independent third party at least every five years. In November 2018 Internal Audit obtained the renewal of the Quality Assessment (QA), with the highest rating of "GENERALLY COMPLIANT", granted by the Institute of Internal Auditors of Spain, confirming the monitoring of the Standards, being one of the only two public sector companies that have this certificate, the other being the CNMV.

### Internal audit activity

During 2020, 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 organization's operations, which constitute a benchmark among Spanish public companies.

On 25 February 2019, the Audit Committee approved the Internal Audit Plan 2019-2021, which determines the projects to be carried out in the coming years. The Plan is based on the company's risks, strategic objectives, the Audit Committee's requests, the interests of the stakeholders 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.

On 24 February 2020, the Audit Committee approved the Annual Internal Audit Plan, which is based on the already-approved 2019-2021 Plan, which includes the audits prioritized by the Audit Committee for 2020.

A total of 207 recommendations were issued. Of them, 174 were finalized by year-end 2020.

### Corporate risk management

Risk Management is a monitoring activity that seeks to keep permanently abreast of any risks that may have a bearing on the strategic targets to be met by the organization.

Canal de Isabel II's Risk Management Policy was revised and approved by the Board of Directors on 30 January 2020, and its proper implementation requires the full involvement of all Canal de Isabel II personnel. Canal de Isabel II conducts its risk management based on the internationally recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, adapted to suit the organization's characteristics.





The risks that may affect the fulfilment of the Company's goals are classified based on the categories used in COSO:

- » **Information Risks.** Those pertaining to information of a financial, non-financial, internal and external nature at the company.
- » **Compliance Risks.** Those pertaining to regulatory compliance. These risks relate to the aim of ensuring that the regulator and society as a whole have the utmost trust in the company's activity.
- » **Operational Risks.** Those pertaining to operational processes at the organization. They relate to processes, persons and services rendered.
- » **Strategy Risks.** Those pertaining to the set of decisions taken by the Company in order to fulfil its mission.

Of these risks, 103 are active, and they have been assessed by the deputy directors, directors and Executive Management on one occasion in 2020, in line with the recommended frequency per CNMV Guide 3/2017. Normally, they are updated twice a year at Canal de Isabel II, but due to the pandemic situation, a COVID-19 Risk Map was created and updated more frequently during this period.

The main risks for the company, in terms of impact and probability, are managed by monitoring the Key Risk Indicators (KRIs) and the effectiveness and design of the controls that mitigate them is maintained by the company's risk managers.

At the end of 2020, 64 risks associated with 222 indicators and 82 controls were being managed.

There is an Operational Risk Map showing the three levels of consolidation (Deputy Directors, Senior Management and Company) and a High-Level Risk Map with the more cross-cutting risks. Due to the healthcare crisis, new risks and an additional degree of detail were incorporated. To that end, an additional Risk Map, the COVID-19 Risk Map, was created, with specific risks and a greater frequency of indicator review. This map was assessed on three occasions during the year.

### Internal Control

Internal Control is, according to COSO, a process carried out by the management and other personnel of an entity, designed to provide a reasonable degree of assurance regarding the achievement of objectives.

In this line, connected to Risk Management, Canal de Isabel II uses controls and/or measures to mitigate or maintain these risks, of which their design and effectiveness is evaluated according to the frequency established with the person in charge. In 2020, 83 design tests and 177 effectiveness tests were launched.

This year, Internal Control, together with the executive management





involved, and in line with the COSO framework, identified cross-cutting controls affecting 3 objectives of the model. Of this work, 25 cross-cutting controls were identified, classified in a matrix by components and principles, which affect the entire organization and on which design and effectiveness assessments have been sent, using the SAP-GRC tool.

Likewise, we have encouraged the areas with specific COSO-model controls (non-cross-cutting) to perform the analysis within their specific objectives.

The Internal Audit, Risk Management and Internal Control Subdirectorate has only assumed the role of facilitator of the loading and launching controls process in the SAP-GRC tool, from the Internal Control System for Financial Information (SCIIF) and the Crime Prevention Model (CPM). This task was entrusted by the Audit Committee to undertake the burden of controls by a single unit.

### Reporting to the National Securities Market Commission (CNMV)

The disclosure of **significant events and other relevant information** is based on the principle of complete information, as well as on the obligation to provide truthful and updated information publicly, in accordance with Securities Market 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 securities market.

During 2020, Canal de Isabel II notified the CNMV of **14 significant events and other relevant information**, which can be viewed on the company's website at the following links:

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

<http://www.cnmv.es/Portal/Otra-Informacion-Relevante/ResultadoOIR.aspx?nif=A86488087%20&fechaDesde=08/02/2020&page=0>





## Status of Strategic Line 7

Business transparency index:  
New starting point (Target met)

Contracts that benefitted from  
COVID rebates: 25,333  
(Target 25,000)

Individuals who benefitted from  
rebates: 252,109 (Target 252,000)

Plan to improve the  
perception of our  
stakeholders: Materiality study.  
(Target met)

Implementation of non-obligatory  
good governance  
recommendations of the CNMV:  
62 % (Target 66 %)



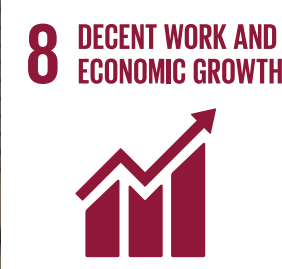
Target

Real





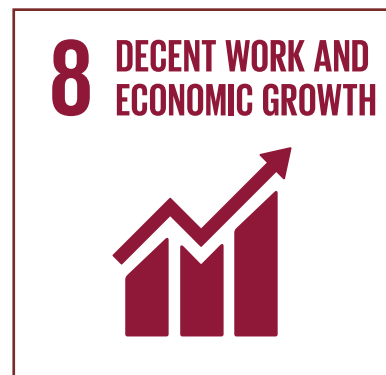
# SDG 8 Decent Work and Economic Growth



Empowering our people







## SDG 8 Decent Work and Economic Growth: empowering our people

GRI 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.

### Structure of the workforce

GRI 401-1

Canal's workforce **has grown 16 %** in the past five years despite the restrictions on hiring established in the general budget laws of the Autonomous Community of Madrid, which prevent indefinite hiring. In 2020, the total workforce of the company (Autonomous Community of Madrid and Cáceres) was **2,924 people**.

Aware of the major importance of reducing the percentage of temporary contracts in the workforce, talent retention forms part of our Strategic Plan, which in 2018 reached nearly 45 %. Guaranteeing the continuity of our professionals and the stability of the workforce is a key element in the quality of the service rendered and medium- and long-term sustainability. Canal has worked in recent years to obtain approval from the Community of Madrid for the calls for new public employment offers. To that end, it approved the coverage of approximately 1,000 positions indefinitely. In 2018, 2019, and 2020, Canal has launched **57 selection processes**, which have resulted in the incorporation of **630 people**, thereby reducing the temporary contract rate to 27 % at year-end 2020. This reduction will continue through 2021 as the hiring processes are approved.





With this plan, Canal hopes to attain a triple objective: **facilitating participation, recognizing the achievements** of all employees, and achieving **greater employment stability**. Furthermore, another of the goals we hope to achieve in this regard is wage harmonization.

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 quota (2 %) will be reserved. At year-end 2020, this percentage was at 3 %.

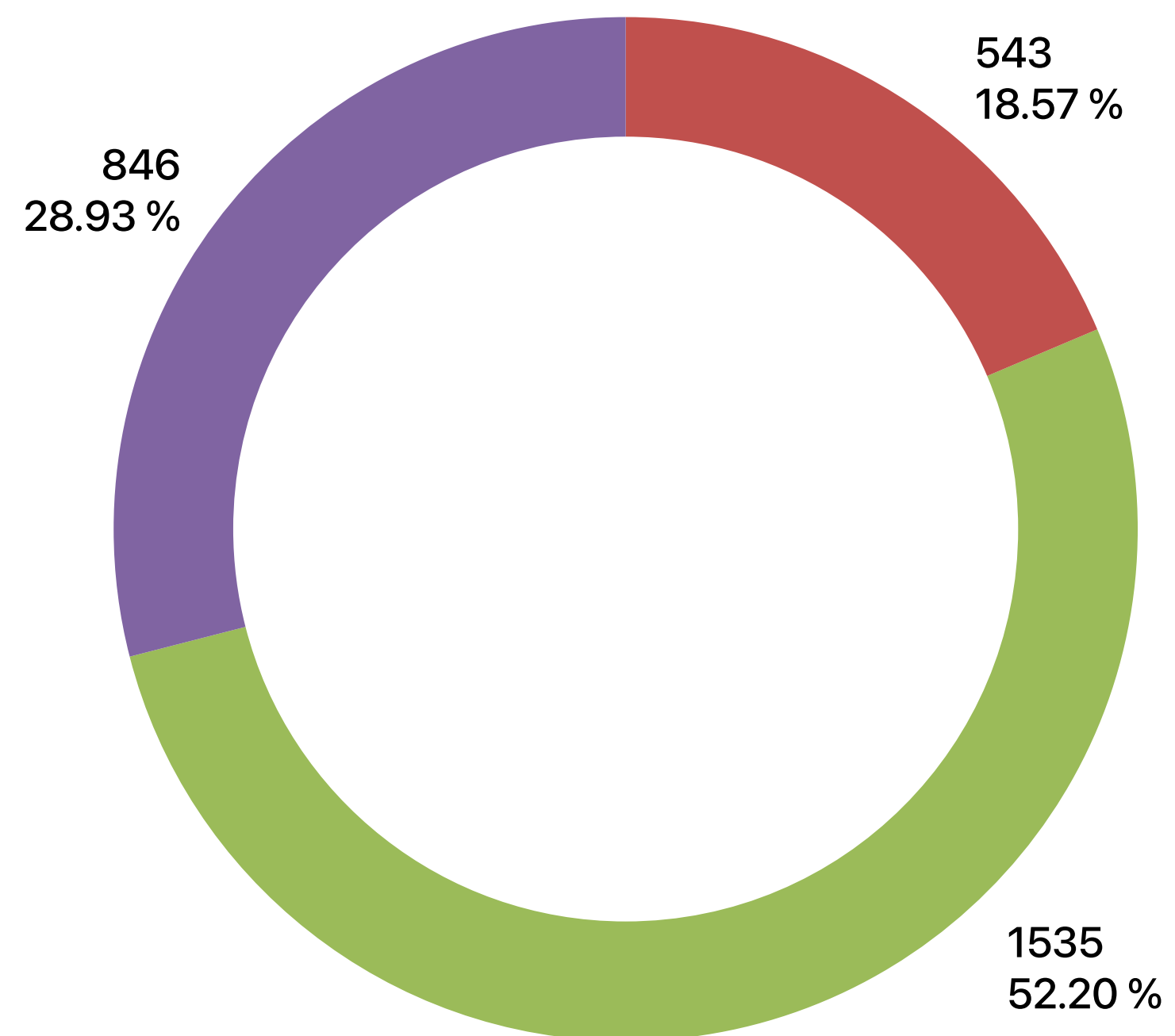
In 2020, the **average age** of the Canal's workforce with the latest additions was **39.5 years**. The average seniority in 2020 was 13.9 years, and more than half of the workforce was between 30 and 50 years old.





### Distribution of the workforce by age

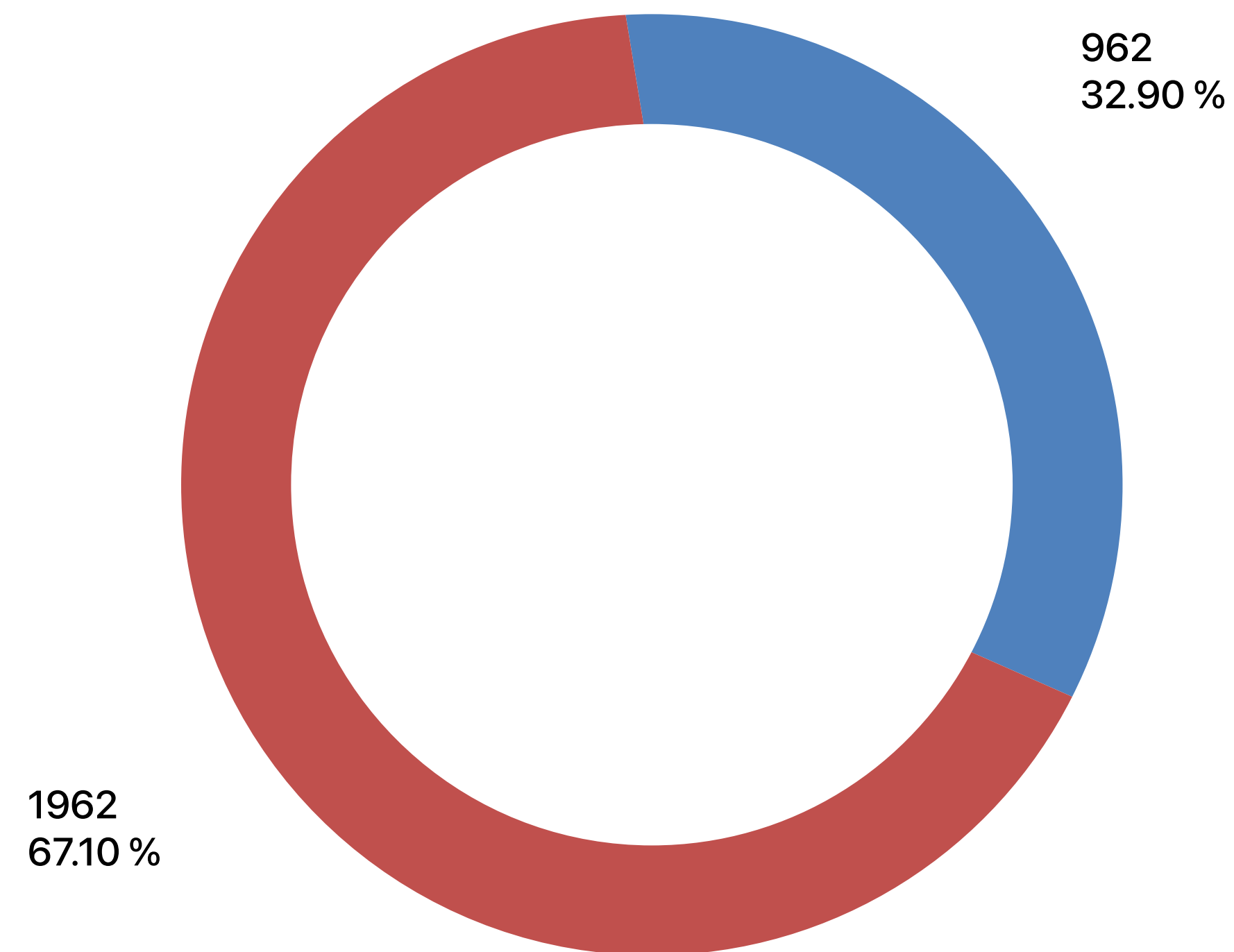
(people and % of the total)



- Under 30 years of age
- Between 30-50 years of age
- Over 50 years of age

### Distribution of the workforce by gender

(people and % of the total)



- Females
- Males





GRI 401-1

Throughout 2020, the company has had a net increase of **78 employees**, with a turnover rate of 2.7 % of employees.

	Total	Male	Female	< 30 years	30 - 50 years	> 50 years	Spanish	Foreign
New Hires Total	420	247	173	228	1180	12	412	8
Total resignations /dismissals	342	207	135	165	119	58	336	6
Voluntary departures	25	13	12	16	9	0	25	0

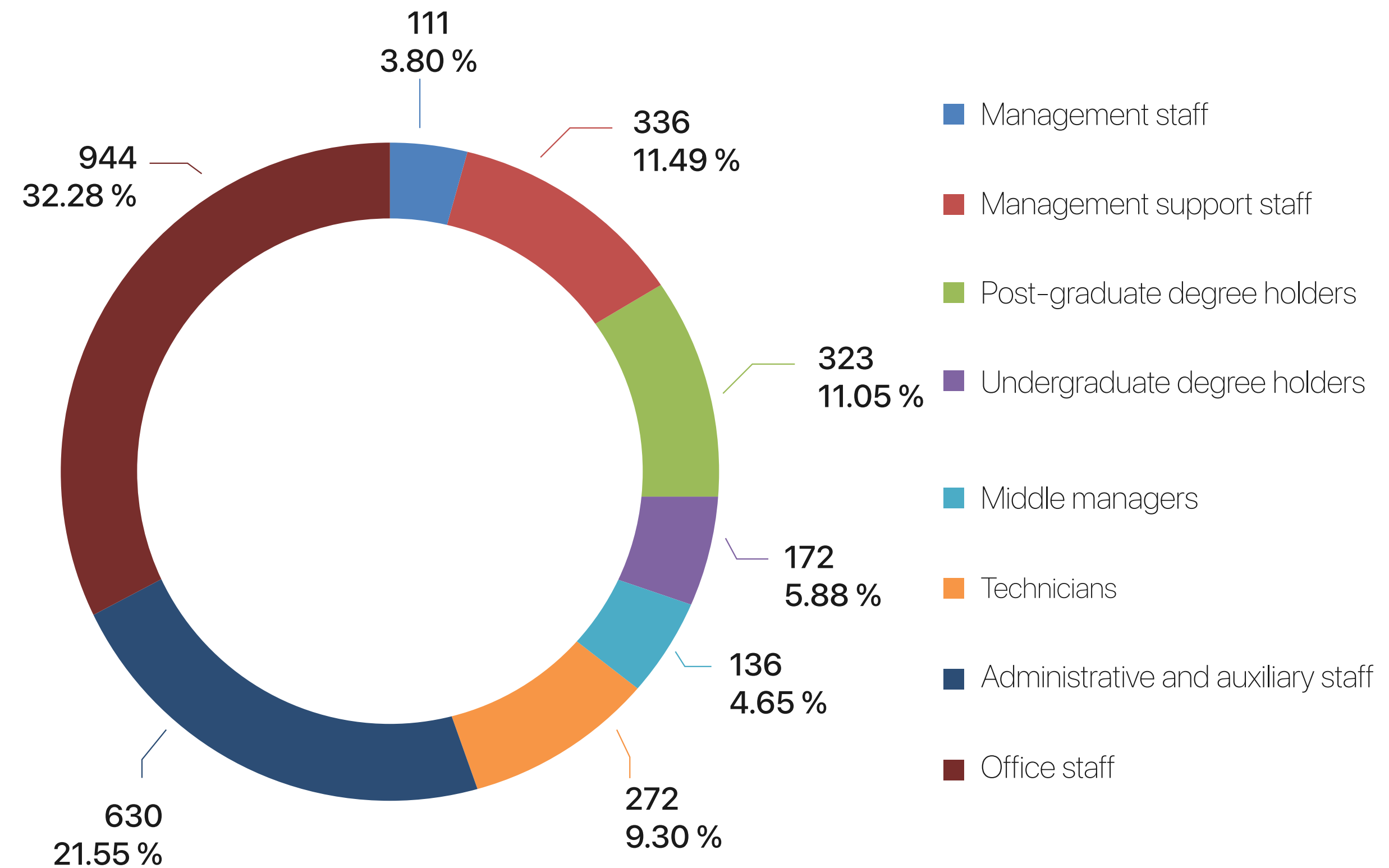






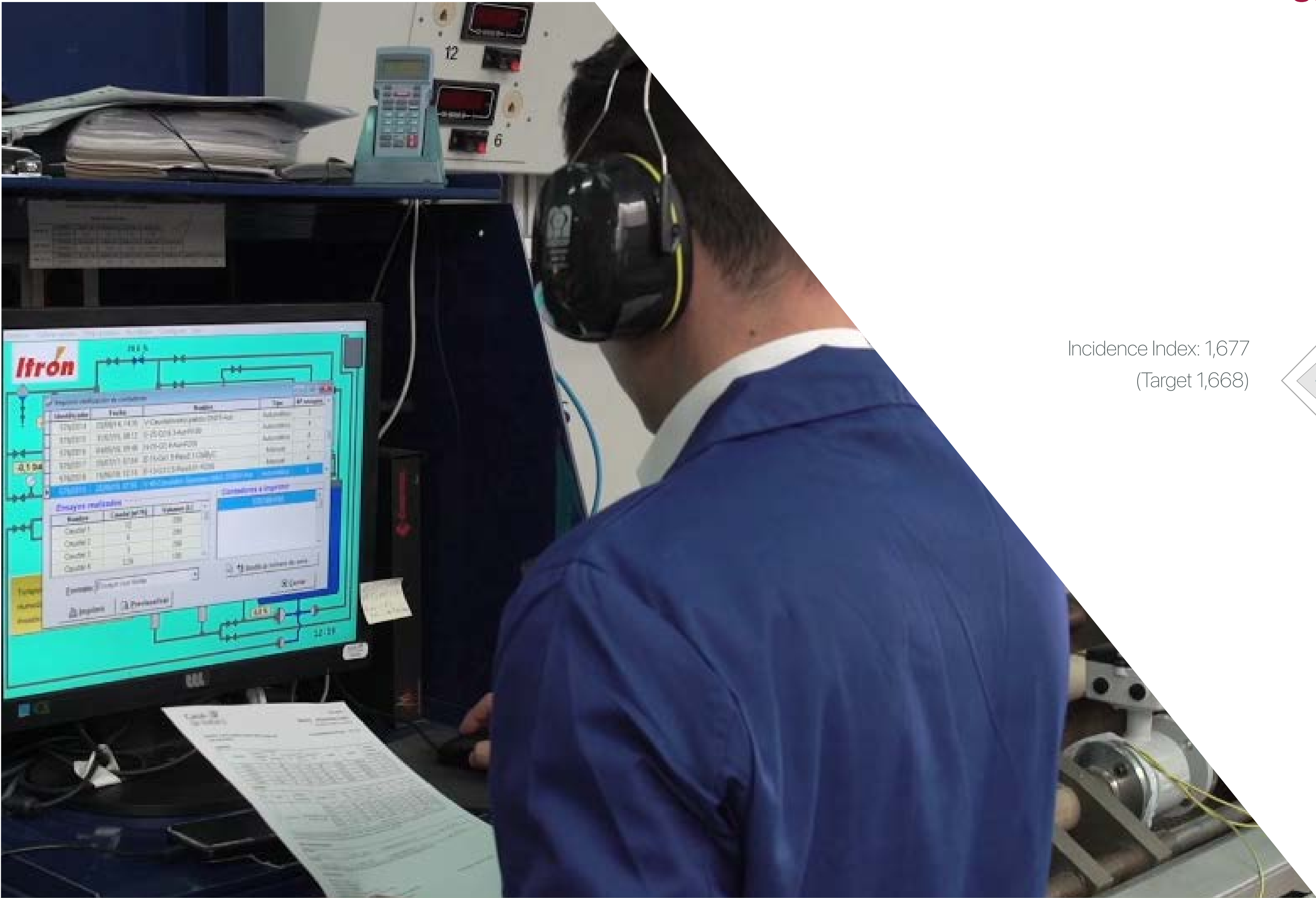
## Distribution of Canal de Isabel II employees by function in 2020

(number of employees and percentage of total)

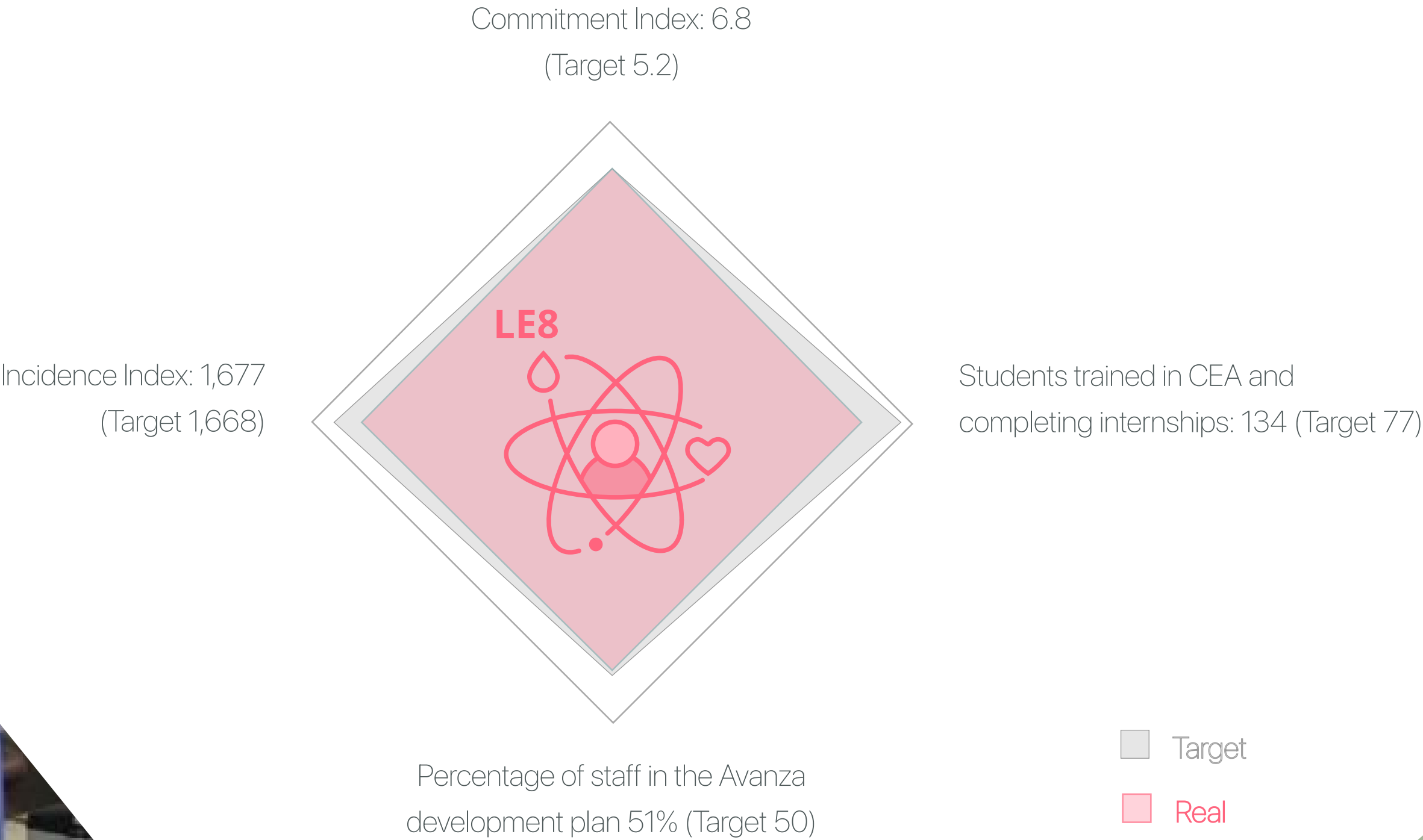


With regard to the **studies** completed by Canal employees, 32 % of Canal's workforce had a university degree at year-end 2020.





Status of Strategic Line 8





# SDG 3 Good Health and Wellbeing



People are important to us





## SDG 3 Good Health and Wellbeing: people are important to us

GRI 403-1	403-2	403-3	403-4
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### Ensuring health and safety for all

Making Canal a safe environment and doing it together is the goal we have set for ourselves. To achieve this, we are counting on the collaboration not only of the areas most exposed to risk, such as the Operations or Innovation and Engineering departments, but also of all Canal employees coordinated from the Prevention area.

In 2020, there was a slight decrease in the frequency of accidents resulting in medical leave, but not in the total accidents. 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 the medical leave. It is also worth noting that no fatal accidents occurred.

Accident indicators	2018	2019	2020
Work accidents <i>in labore</i> (excluding <i>in itinere</i> )	114	96	78
Accidents with leave (excl. <i>in itinere</i> )	56	43	47
Mean duration of the leave (days)	17,75	23,40	20,34
Days lost	994	1.006	956
Accident Frequency Index with medical leave (excl. <i>in itinere</i> )	13,29	9,66	10,24
Total accident frequency index with medical leave (excl. <i>in itinere</i> )	27,06	21,56	16,99
Severity Index (excl. <i>in itinere</i> )	0,24	0,23	0,21
Accident with medical leave incidence index (excl. <i>in itinere</i> )	2.148	1.568	1.677
Fatalities (Number)	0	0	0



In addition, absenteeism decreased to **4.58 %** of hours lost in the total workforce. The procedure for reporting workplace accidents is carried out in accordance with current legislation on the prevention of occupational risks. All accidents are analyzed 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 14,052 hours of training has been given in 2020 to newly recruited workers, promotions, transfers and top-level jobs. Also this year, first-aid training continued to be provided by different work centers.

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 programs and disease prevention programs.

In 2020, due to the COVID-19 pandemic, Canal's prevention service has worked intensively on the drafting and updating of various documents and operational guidelines with exceptional measures against coronavirus to prevent the risk of disease spread, and it has also participated in the drafting of action protocols against coronavirus implemented in the company, including:

- » Coronavirus Action Protocol and Agenda of COVID-19 Measures.
- » Workplace Reincorporation Protocol.
- » Contingency Plan specific to Headquarters and Workplaces.
- » Pandemic risk emergency plans and exceptional measures.
- » Workspace risk assessments.
- » Operating guidelines with general coronavirus exceptional measures on the use of masks and disposable gloves, on work from home and coronavirus home reserve, customer service, healthcare, testing and diagnostics and actions for staff at-risk or especially susceptible to COVID-19, to name a few.

The guidelines and other documents on prevention have been shared and updated through Teams and the prevention page of the corporate intranet.





### Use of personal protective equipment

The health authorities and scientific consensus recommend the use of masks and other specific PPE, based on the tasks performed, as the most effective prevention measure against coronavirus. Mask use is mandatory in Canal de Isabel II workplaces.

To guarantee sufficient stock, Canal de Isabel II's Prevention Service worked with the Buying Division to manage the acquisition of disposable masks and other specific PPE against coronavirus, and actively collaborated in the creation of the required contract documentation, indicating the technical specifications of self-filtering masks, gloves and disposable protection suits, as well as surgical masks, etc.

Specifically, it has participated in the drafting of several contracts that had to be drawn up urgently when the warehouse stock was gravely depleted in the first months of the pandemic.

This deal, with its contracting difficulties inherent to Canal de Isabel II and to the lack of market supply in the first months, has made it possible to provide FFP2 (KN95) masks, surgical masks, disposable gloves, disposable chemical protection suits, splash shields, safety goggles and all the PPE needed to protect our workers.



At year-end 2020, the available stock and evolution of self-filtering masks use throughout the year, since the beginning of the pandemic, was as follows:

PPE	Stock ( 4 January 2021 )	Consumption (March-December)	Mean monthly consumption
FFP2 (KN95) Masks	28,763	98,358	11,535
Surgical Masks	13,387	161,304	19,740



## Organizational measures to increase social distancing and minimize contact

Social distancing is another of the leading, most-effective preventive measures against coronavirus. In 2020, concrete measures to facilitate this distancing were adopted with the participation of the Prevention Service. They include:

- » Immediate, generalized implementation of **work from home** in all business that can be carried out in this work modality. During the periods of highest coronavirus incidence, with the State of Alarm in effect, the limitation on on-site work was stricter. Staff have been gradually returning to the office as permitted by the epidemiological situation.
- » Establishment of organizational measures to minimize the risk of infection in on-site work and carried out by the different Units:
  - › Body temperature checks of customers in the commercial offices.
  - › Flexibility in employee shift start and end, with staggered entry at the offices to avoid crowds on public transportation and in the workplace entryways.
  - › Implementation of shifts for the use of dressing rooms and cafeterias, setting maximum capacity measures.
  - › Adoption of technical and organizational measures such as reworking the floorplan of the spaces and scheduling to minimize contact between people in the workplace.
  - › Improve parking availability to the extent possible at headquarters to encourage workers to use their own vehicles and avoid public transportation.

- › Limiting vehicle capacity to a maximum of two workers, with masks, and relaxing this measure as permitted by the epidemiological reality.
- › Establishment of technical interpersonal distancing measures:
- › Planning of access points to maintain a safe distance of approximately two meters in all entrances and exits.
- › Establishment of entries/exits to prevent employees from coinciding when entering and leaving the company offices.
- › Guaranteeing at least 1.5 meters, to 2 meters where possible, of distancing between workspaces as set out by current standards, when impossible to adopt sufficient organizational measures to prevent workers from coinciding during the shift. Office furnishings have been moved to facilitate this separation, and screens have been installed where necessary.
- › Plexiglass dividers were installed at customer service desks both internally and for the general public.
- › Marking of the floor and signage in entryways to indicate foot traffic patterns in the Headquarters and other work sites to minimize any crossing of path-ways and to ensure a minimum safe distance.

## Ventilation of workspaces

The use of surgical masks in enclosed workspaces also requires adequate ventilation and air renewal systems to minimize the risk of aerosols carrying coronavirus from being inhaled, especially where masks



aren't worn when employees are seated at their own desks. To this end, in 2020, specific measures were taken by the Building Management Area, with the support of the Prevention Department, to improve the ventilation of the offices. These measures include:

- » Frequent ventilation of shared areas used whenever possible to promote air renewal. In this regard, it should be taken into account that this is an exceptional measure in place for coronavirus reasons, as this type of ventilation could affect the thermohygrometric conditions of the property and air quality.
- » Increased air renewal in enclosed workspaces using the available HVAC systems, promoting the entry of outside air per the different types of systems available in the buildings.
- » Reinforcement of the periodic review of air conditioning systems, especially filter and duct cleaning, and increase the frequency of air filter changes.
- » Staggered placement of portable air filtration equipment to improve air quality in heavily occupied or insufficiently ventilated spaces, or in areas without primary air supply or with insufficient supply.
- » Temporary closing of enclosed spaces that cannot be sufficiently ventilated and whose occupancy would entail an unacceptable risk. The prohibition of entry into and use of these spaces was marked by the Prevention Area.
- » Reinforcement of the natural ventilation of buildings during cleaning activities.

## Coordination of Business Activities (CBA)

The progressive restart of work and services contracted with third parties, including construction work, is essential to guaranteeing business continuity, and must be done safely. Canal de Isabel II has taken the following measures to do so:

- » Informing contractors and suppliers of the coronavirus prevention measures to be adopted in Canal de Isabel II workplaces, including construction.
- » Information on Canal's COVID-19 recommendations prior to visits and work by contractors in our workplaces.
- » Implementation of necessary measures to prevent more than one contracted company to be working in the same place in a workplace at the same time to prevent the crowding of workers and potential risk of infection.
- » Necessary instructions to minimize contact between our staff and contractors, as well as requests for the reporting of positive cases for Canal de Isabel II's information and to proceed with the emergency disinfection and tracing of possible sources of close contact.
- » Limitation of in-person meetings and sharing of materials on paper, and encouraging remote means instead.
- » Implementation of body temperature logging of contractors. Informational posters on data protection are also found in all entrances.

## Health monitoring

The coronavirus pandemic has demanded the adoption of reinforced health monitoring measures, paying special attention to particularly vulnerable workers. From the start, coinciding with the first State of



Alarm, with the population in lockdown and a very large part of the workforce working from home or on home reserve, our medical department temporarily discontinued its health examinations and medical consultations to an absolute minimum, prioritizing:

- » Preventive measures against coronavirus.
- » Healthcare for workers.
- » The detection of positive cases and contact tracing, and the drawing up of contracts to acquire test materials.
- » Processing of medical leaves and isolation of workers in contact with positive cases.
- » Monitoring of workers affected by the disease.
- » Isolation of at-risk staff.
- » Support for Units to provide protective and disinfection equipment.

When the healthcare situation stabilized and coronavirus test kits were available, the Medical Service managed their acquisition and tested the entire workforce, including workers from other Canal Group companies.

The workload in the medical department in 2020, due to COVID-19, was extremely high due to all the health monitoring actions it took in the company, in a context that was especially difficult for healthcare workers.

As coronavirus prevention measures were taken, and incidence was maintained at reasonable levels with respect to the general

pandemic situation in the Autonomous Community of Madrid, the health monitoring activities discontinued during periods of high incidence and workload in the Medical Department were resumed, and at-risk workers were invited to come back to the offices. Canal de Isabel II has taken the following measures to do so:

- » Gradually resuming health exams, gynecology consultations, physical therapy and clinical laboratory analysis after its initial discontinuation, following the decrease in the number of serological and antigen tests being performed on workers.
- » Progressive reincorporation of the semi-retired workers until the full incorporation of staff under normal conditions.
- » Progressive reincorporation into on-site work of workers who are pregnant and other vulnerable staff based on an assessment of the risks to which they may be exposed and the preventive measures taken in the workplace.
- » Analytical and diagnostic testing to determined immunity status among workers, taking into consideration re-testing measures after vacations, medical leave or having recovered from coronavirus.
- » Home isolation of staff who had come into close contact for more than 15 minutes with potentially infected colleagues.
- » Analysis of close contacts with COVID-19 cases to isolate them and minimize the spread of coronavirus, notifying the Building Maintenance Area to perform intensive disinfection of workspaces.
- » Periodic monitoring of COVID-19 cases, isolated or confirmed, to assess their course and incidence.



### COVID-19 incidence monitoring at Canal

The first positive cases of coronavirus were recorded on 11 March 2020. Since then, and throughout the year, the number of workers affected increased to a total of 638 affected a year-end, with the number of confirmed, likely, and in-isolation cases fluctuating throughout the months.

The large number of suspected or likely cases that were not ultimately confirmed was due to the fact that, initially, access to tests of active infection (PCR) were not feasible outside hospitals. This discouraged many patients from getting tested, in addition to testing not being performed during the first few months due to the collapse of and lack of means in primary care and hospitals.

Peak incidence of cases took place in March, September and November, as observed in the enclosed charts, coinciding with the two waves of the pandemic to date.

The incidence of confirmed cases at Canal de Isabel II in Madrid as of 31 December 2020 was 4.32 %.

Incidence of confirmed cases =  $\text{Confirmed} / (\text{Mean workforce year}) = 117 / 2709 = 4.32 \%$

If we compare cumulative incidence as of 31 December in the Community of Madrid, which stands at 6 % (414,260 positive cases according to the daily status report), incidence at Canal de Isabel II is lower.

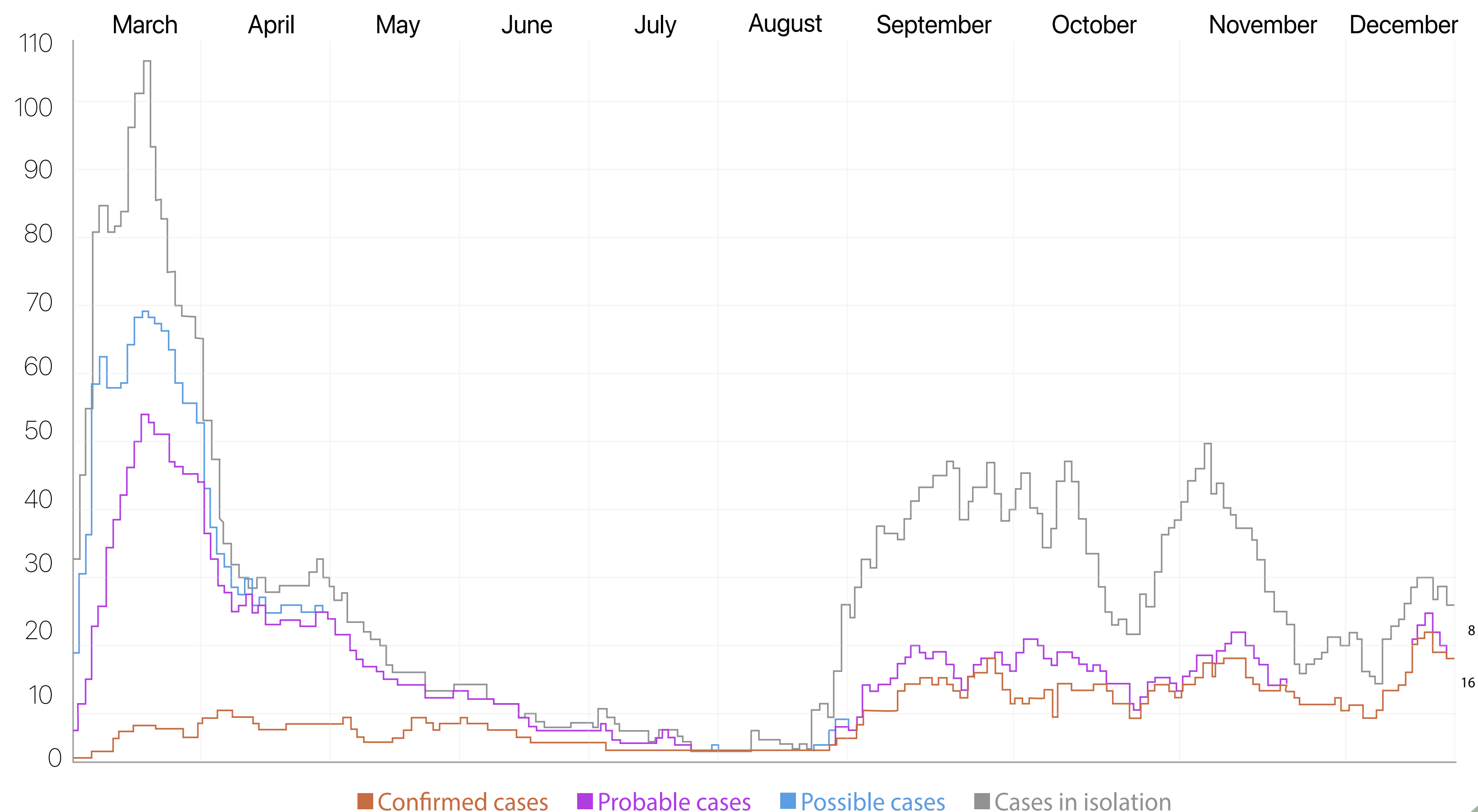


## Daily case evolution report COVID-19 in Canal de Isabel II, S.A.

### MARCH-DECEMBER 2020

As of 31 December 2020, the status at Canal de Isabel II was as follows:

- » 586 recovered and 1 death.
- » 16 confirmed cases, none hospitalized, all at home and in recovery, many asymptomatic.
- » No suspected case due to symptoms pending PCR.
- » 8 cases in home isolation with symptoms following contact with family members or colleagues considered positive.





### ISO 45001 Management System and COVID-19 Safe Protocol audit

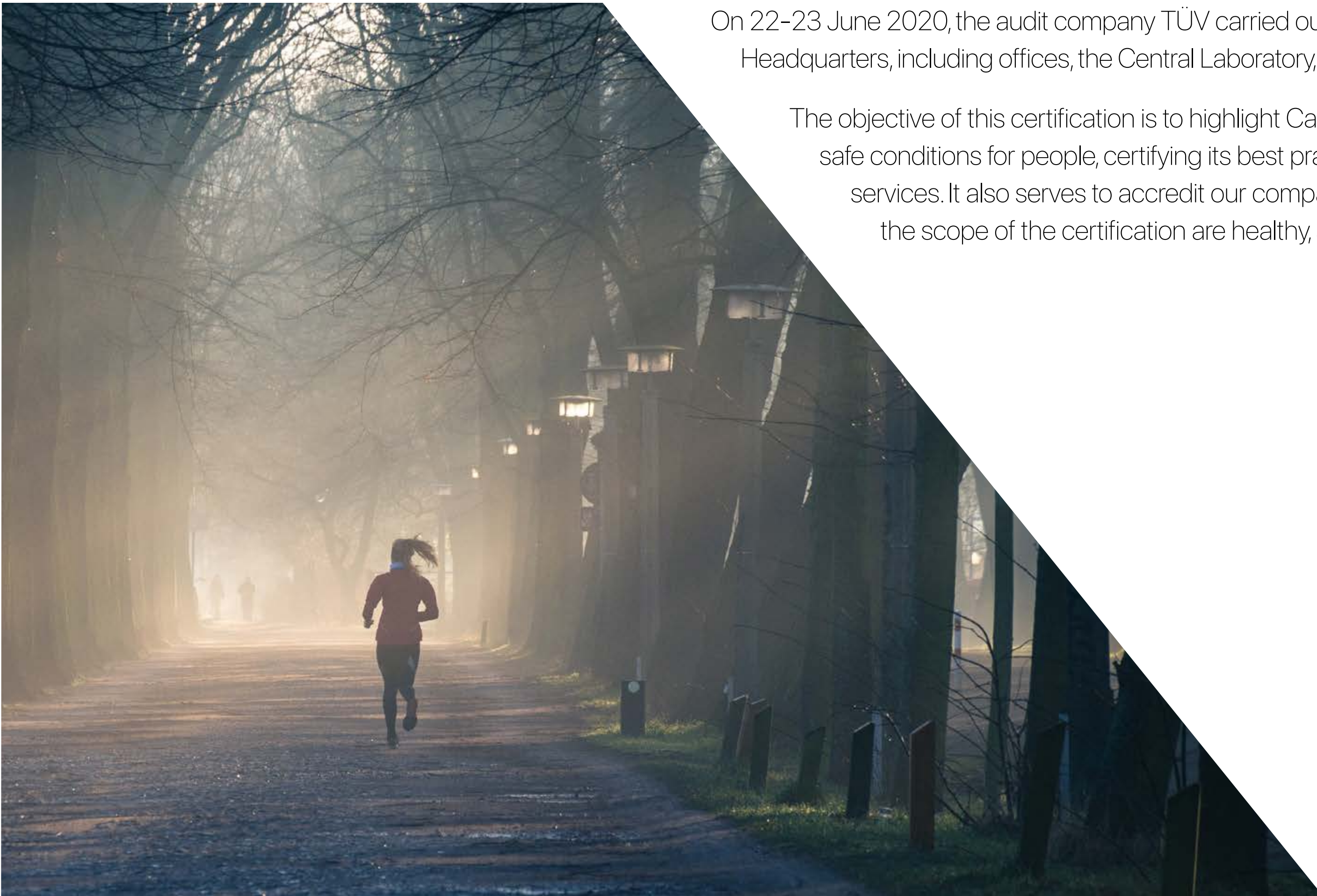
In the months of May and June 2020, the SST Management System follow-up audit was performed at Canal de Isabel II, following its ISO 45001 certification, with a satisfactory result and no non-conformities.

The May audit was done remotely due to the incidence of coronavirus, while in July, it was performed on site.

The strengths detected and comments published from the follow-up audit performed by TÜV in 2020 for COVID-19 management are detailed below:

Also in 2020, a specific Action Plan that included hygiene-health, organizational, risk prevention and health and safety measures to reduce the risk of infection per the COVID-19 SAFE PROTOCOL were implemented, and Canal was certified on 30 June 2020.





On 22-23 June 2020, the audit company TÜV carried out its audit of Canal de Isabel II's COVID-19 protocol certification for its Headquarters, including offices, the Central Laboratory, the fleet of vehicles, cleaning service and business activity coordination.

The objective of this certification is to highlight Canal de Isabel II's major efforts to provide continuity in its services under safe conditions for people, certifying its best practices for coronavirus risk management for company facilities and services. It also serves to accredit our company's implementation of the necessary measures for worksites under the scope of the certification are healthy, safe space for workers and customers alike.



## VIGÍA: a tool to monitor the virus

Under the idea that wastewater provides a photograph of the health status of the population that generates them, and in the middle of the pandemic caused by COVID-19, Canal de Isabel II at the initiative of the Departments of the Environment, Spatial Planning and Sustainability and Health of the Community of Madrid, has launched an ambitious project for the detection, surveillance and visualization of SARS-CoV-2 (the coronavirus that causes the disease COVID-19). This project is the VIGIA System. Since it is a genetic search for the markers that define this coronavirus and not another, and that both the associated analytics and, above all, the tasks of screening and data analysis are complex, Canal had to test a methodology that is consistent and with a sufficient degree of reliability. To do this, preliminary tests were done during a few months. After these initial months, and once a methodology has been developed with sufficient scientific endorsement, VIGIA began to work at full capacity at the beginning of July. The system trace, detection and analysis of traces of SARS-CoV-2 in the wastewater of the Community of Madrid allows, thanks to the information obtained and

once is made available to health authorities, to anticipate between 3 and 10 days to increases or decreases in the number of infections of an area or municipality of the Community of Madrid.

It is important to note that you cannot establish a unique relationship between SARS-CoV-2 value in waste water and the number of people infected, since, on the one hand, the viral load in wastewater depends on various factors such as distance from the sampling point the population and, on the other hand, the viral load of each one of the patients is also not homogeneous. This way, the information reflected in VIGÍA does not show absolute values, but trends.

It is therefore a complementary tool for decision making from the health authorities. Analysis of the results of this work without taking into account medical data is not adequate since the results have to be analyzed with the proper precautions and knowledge in the matter, since the quantification of the presence of SARSCoV-2 in wastewater is affected by multiple factors such as pollution, flows, rainfall, discharges extraordinary events, or the time of data collection, among others.

VIGÍA is the most ambitious wastewater analysis system in Spain and consists of:

- » 289 sampling points.
- » 15,000 km of sewerage network.
- » About 7 million people monitored.
- » Quantification of the presence of SARS-CoV-2 by basin.
- » Normalization of results.
- » Trend analysis.
- » Data screening for quality criteria.
- » Spatial distribution by municipalities and districts.
- » Distributed analysis of results.
- » Comparison tools with health data such as number hospitalized or number of patients admitted to the units of intensive care in Madrid hospitals.
- » Relationship between the raw data associated with river basins sewerage and the different administrative divisions of the Community of Madrid (City Council and districts).



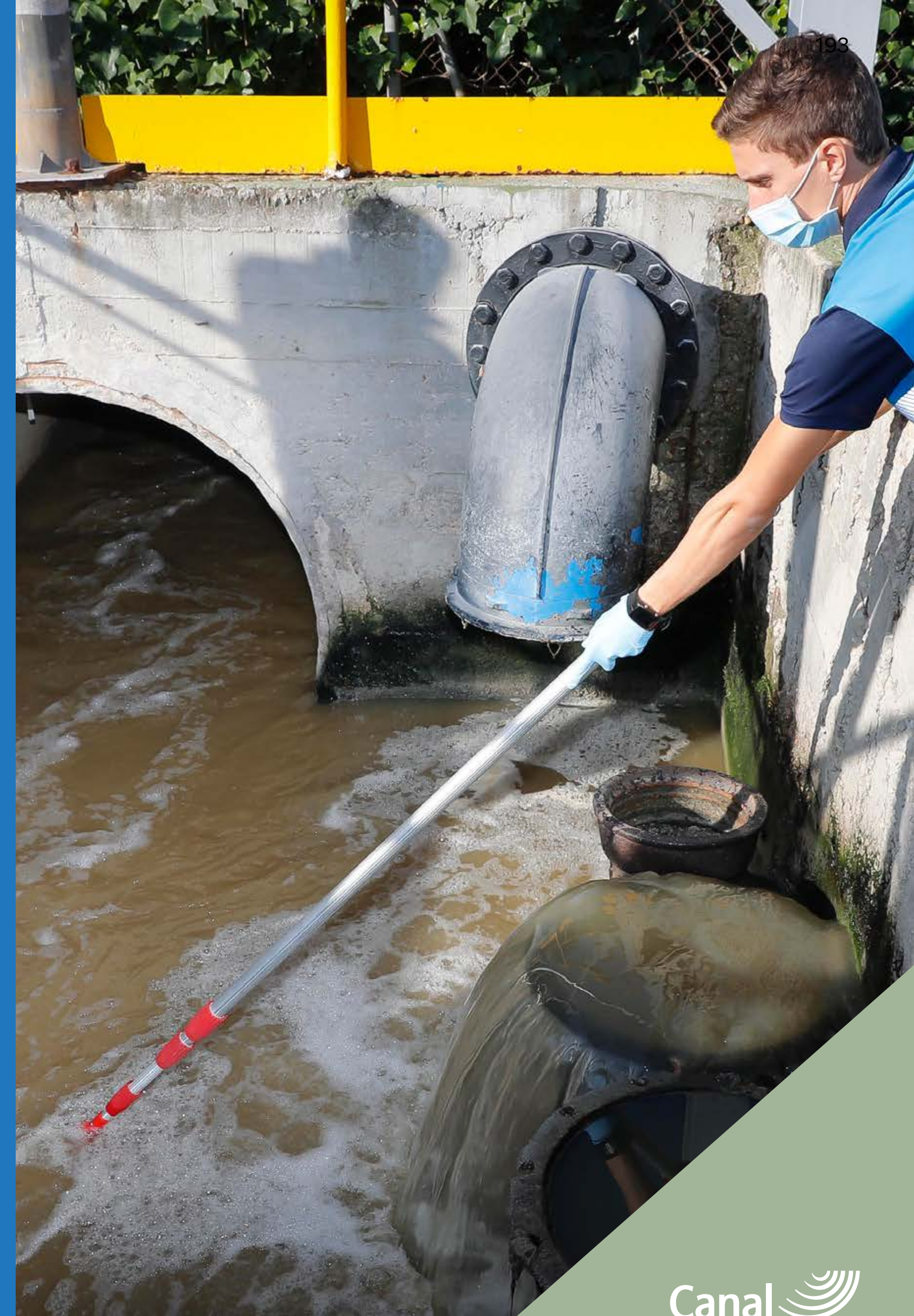


A multidisciplinary team made up of 25 professionals including PhDs in Civil Engineering and Chemistry, pharmacists, Civil and industrial engineers, chemists and biochemists prepare the results of the collected samples and submit them to the Ministry of Health for its interpretation and decision-making, through a complex tool for virus tracking. It is important to note that this project has been carried out, except for the laboratory analysis, entirely with Canal de Isabel II's own resources.

In the computer tool available to the Ministry of Health, it is possible to visualize for each sewer basin or study area the curves showing the evolution of the presence of SARS-CoV-2 since the beginning of the study. Likewise, Canal shares with the health authority a comparison between the curve of accumulated presence values for the Community of Madrid and the data of hospitalizations and patients in ICU, as well as other alert tools. These results can be obtained for the entire region, by municipalities, according to their sewer basins, and check the evolution of the presence of the virus, the amount detected and the moving average.

In addition, Canal de Isabel II has equipped its waste water laboratory in Majadahonda to make it able to carry out the necessary analysis to quantify the presence of remains of virus and, once that the reliability of the method was proved, and after

the pandemic ends, a network of 87 monitoring points will be left permanently as an alert system for possible future pandemics that allow the health authorities to be warned to a possible new infectious vector which could put back the complete surveillance system to work. These same surveillance points may be used for analysis on other aspects (sanitary or not) referring to the existing population in the associated sewer basins.





## Canal Ocio y Deporte. Promoting health through sports

Since 2007, Canal Ocio y Deporte, S.L.U.'s mission is the management of sports facilities by undertaking activities involving the enhancement or use of networks or infrastructures managed partially or in full by Canal de Isabel II, S.A., and specifically the hosting of commercial and sports activities that add value for their users. The soccer and paddle sports activities, which are a reference in Madrid, currently have more than 1,100 students in soccer and paddle schools, as well as many users who rent our soccer fields and paddle courts.

Due to the COVID-19 healthcare crisis, unnecessary customer service was halted, the positioning of the workspaces was changed to guarantee safe distancing, staff were given PPE, and hand sanitizer was distributed for staff and other users of the facilities.

To protect the health of our workers, serological tests are performed and workspaces are cleaned and disinfected

regularly, in addition to an action protocol in place in the event of contagion. We also have a COVID coordinator in constant contact with the healthcare authorities, prevention services and players' federations to field any concerns or questions arising in given situations.

We have reinforced email communication with our users and online announcements to address concerns when not possible to report to the work center. Continuous monitoring of the constantly-updated standards being published has been key to their proper implementation in our facilities.

In order to help us all get through this complicated time, we have made major efforts to personally return money to users for activities they were not able to enjoy due to lockdown. Following the Royal Decrees issued, we have continued paying the wages of all coaches and instructors of Canal Ocio y Deporte activities.

To keep users updated on the status of the facilities and activities, as well as of the COVID-19 protocols in place, we have sent multiple

emails to them while also posting all this information on our website, to minimize the risk of infection. We have also posted signs around the facilities on the importance of hand washing and how to do so correctly, the use of hand sanitizer before and after playing sports, the use of masks in the facilities and when playing soccer.





# SDG 5 Gender Equality SDG 10 Reduced Inequalities



Committed to equality







SDG 5 Gender Equality and SDG 10 Reduced Inequalities: committed to equality

GRI 103-2	401-3	405-1	405-2	406-1
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Equal opportunities for all

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 33 % of the total. The percentage is slightly higher at the management level, with women accounting for 37 % 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 2020, **the company’s minimum wage** was 153 % higher than the interprofessional minimum wage and the minimum wage for internships was 138 %. These percentages have improved considerably after the application of the new company collective bargaining agreement, starting in 2017, which includes a process of homogenizing the salaries of permanent and temporary staff.

The company’s **Equality Plan** was incorporated into the company’s 2016 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 2020 was **46** (16 women and 30 men).

Trade union representation

GRI 102-41
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**The Collective Agreement** agreed upon by the company and the workers’ representatives in 2016 establishes a framework of stable labor 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 service facilitated by development.





GRI102-41	403-1	403-4
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**The Works Council** is the Canal workers' representative body and possesses the functions and powers established by the Workers' Statute, among which those related to monitoring occupational health and safety stand out.

At the end of 2020 it covered **96 %** 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 521 workers were affiliated with the **company's union groups**, which represent 18 % of the total workforce.

### Internal communication

The year 2020 has been marked by the COVID-19 healthcare crisis. The Resources Management has carried out different internal communication actions with the intention of caring for our employees (essential staff and those working from home) and to recognize their work and efforts.

**GRI 401-2**

Communication has been constant and direct. The highest executive from Canal sent a message to all professionals to issue a message of calm in the face of this new challenge. From the start of the healthcare crisis, a corporate memo was emailed (daily, at first, and then weekly and, ultimately, monthly. It is again sent out weekly) to all workers, so they could be informed of any news. Fluid communication has also be maintained through Teams meetings "Lidera Canal", through which the actions, problems and solutions of Canal and its

companies are shared.

The three official lines of communication have been on Teams "Canal Conectados", the website "Canal Contigo" and the "Stream" application for videos.

On 11 March 2020, a public, collaborative and corporate Teams group was created called "Canal Conectados". The objective of its creation has been to directly, sympathetically communicate with all employees during the pandemic, create a sense of union and support among all, and to train us in this new lifestyle and way of working, etc.

Moreover, we have taken this opportunity to tend to other needs in the family and personal levels, offering educational and entertainment content, on internal understanding of the company, etc. through the creation of the different channels: ¡En casa contigo!, Aprendo en casa, Estamos Contigo, Teletrabajo, Aplicaciones 365... and other channels that appeared afterwards based on the needs of the employees and the company.

It should be noted that, at the end of March, we launched the campaign called #UnAplausoInfinito, with which colleagues who were working from home published, on Stream, videos of support and appreciation to those who had to leave the safety of their homes and go out into the field to work, while those workers sent their own videos to share their workdays with others.

On 2 July, we launched a new communication channel, Canal Contigo. A web portal, accessible from any place and any device, to bring all professionals together, especially the staff in the field and employees who don't work at a computer, all company news, novelties and information with functionalities designed to ease the everyday work tasks, clocking in on site or from home, checking payroll statements, the calendar of events, reservoir information, Canal Maps, etc.





In this way, optimizing the digital transformation process, we launched a new communication tool that also helped attain the fundamental tool in the fight against COVID-19, avoiding crowds and physical contact at clock-in stations on entering and leaving the facilities.

And beyond communicating, Canal de Isabel II has also wanted to listen to its professionals to know how they were feeling, their awareness of how to prevent infection, their concerns and any improvements that could be made in the management they were carrying out. Two satisfaction surveys were completed called "Queremos escucharte".

The health and safety of the employees has been our priority this year. Thanks to Prevenblog and the Anti-Covid action guidelines, all employees have been able to learn about all the company's actions and protocols to follow at each work post.

Finally, to foster relationships between employees and to promote the feeling of belonging, we have reinvented and carried out events online. Since Canal Deporte could not be held this year, an online Chess tournament was held, and participants had a wonderful experience.

The Christmas holidays and year-end celebrations were in the form of an online party in which 580 employees and their children connected. The Director of Resources, Pablo Galán, and the Deputy Director of HR, Minerva López, wished everyone a happy holiday season with a video. During the event, there were raffles, prizes, workshops, activities for the kids, and the 12 winners of the coloring contest for employees' children were announced. This year, 200 children participated in the "Essential workers" contest, where we honored all professions that have been essential to us during the COVID-19 healthcare emergency.

It was a difficult year, but also one in which we came together and pulled through as a company.

### Social benefits for employees

GRI 201-3

401-2

In accordance with the budgetary regulations in force in the Autonomous Community of Madrid, the social benefits of Canal employees and subsidiaries in Spain are suspended, including the company's contribution to the employee pension fund. However, a financing system is maintained for transport costs and, in particular, for the acquisition of the Transport Pass in Canal and in the Madrid-based companies of Canal Group.

Employees have the option of taking out a collective medical and dental policy for themselves and their families in advantageous terms, as well as certain discounts and benefits on access to certain sports and recreational facilities.



# SDG 4 Quality Education



Training tomorrow's professionals







## SDG 4 Quality Education: training tomorrow's professionals

GRI 404-1	404-2	403-2	412-2
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### 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. We work to provide continuous development and training to our employees as a key element to gaining their loyalty and preparing them, while reinforcing our **70/20/10 training methodology**. With 70 % of the training focus on the day-to-day tasks of the job, 20% focuses on social and collaborative learning with peers and 10% on training courses, we are working to become an organization whose learning goes beyond training in formal courses.

Throughout 2020, 51 % of employees, a slightly higher percentage than that of 2019, have established a personalized development plan. The plans are made through the **AVANZA** performance management system, which allows us to boost performance and further the growth of our collaborators, and get to know their professional concerns and areas of interest in the development of their professional career. Moreover, we have consolidated formal social learning programs like mentoring and coaching.

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 to promote their future professional development. 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, therefore, heterogeneous. Notably, online training and streaming experienced significant growth in 2020 due to the impossibility of in-person courses due to the COVID-19 safety and health measures adopted.

Together with the training, Canal also designs and implements professional development programs aimed at strengthening leadership skills and competences. These programs combine 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 value-based behaviors worked on in their day-to-day work.

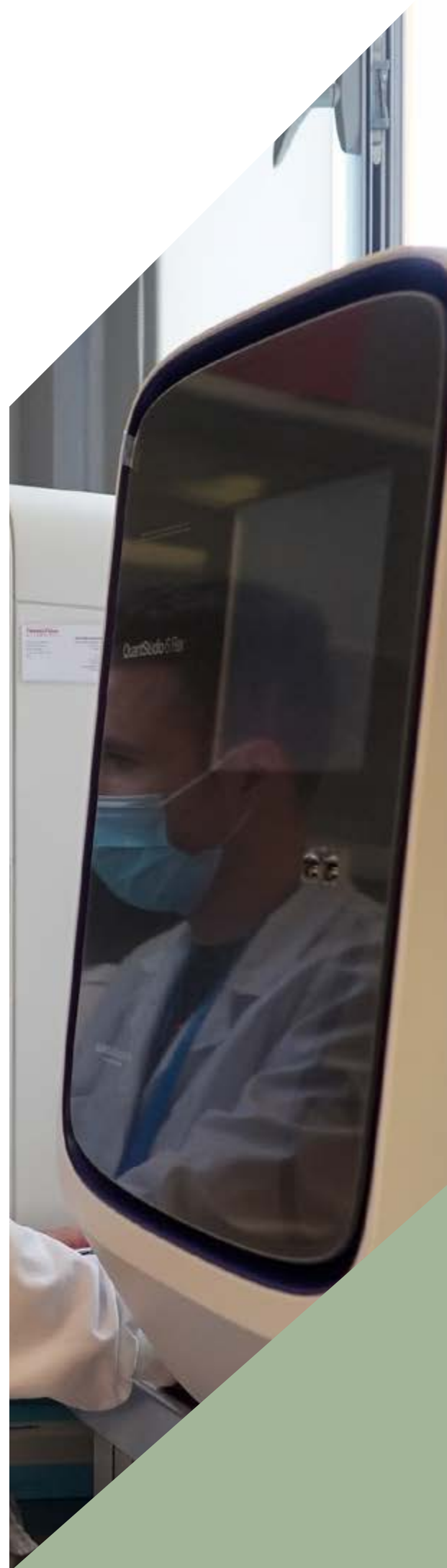
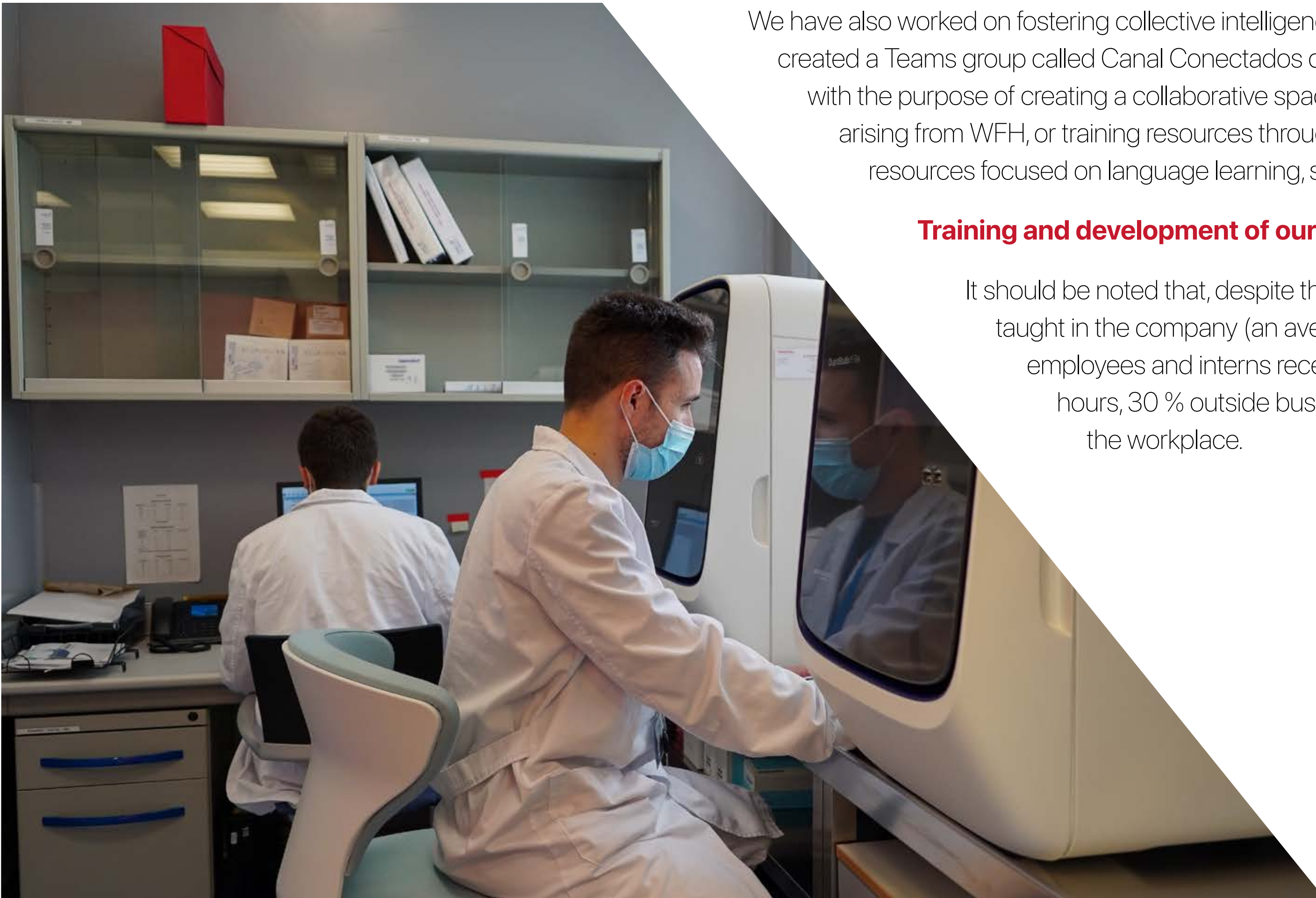




We have also worked on fostering collective intelligence and collaborative culture through groups with 365 technology, created a Teams group called Canal Conectados during the global pandemic. This line of communication was born with the purpose of creating a collaborative space among employees where they could share news, incidences arising from WFH, or training resources through the “#yomequedoencasayaprendo” campaign, in which training resources focused on language learning, skills, emotional management, etc. were shared with the organization.

### Training and development of our employees

It should be noted that, despite the impact of COVID-19, in 2020, a total of **104,765 hours** were taught in the company (an average of 36.44 hours per employee, including interns) and 2,875 employees and interns received training. A total of 51 % of these hours were during business hours, 30 % outside business hours, and the remaining 19 % corresponded to internships in the workplace.





Training and development of our employees

Training per topic	Number of hours
Languages	19,489.00
IT Systems Administration and Management	6,416.50
Quality	1,871.65
Customer and Commercial Relations	2,538.00
Skills/Competence Development	10,256.57
Technical Training	16,557.89
Legal-Economic	4,077.10
Office automation and Software applications	5,390.89
Occupational Risk Prevention	14,051.66
Fight against human rights corruption	454.50
Other + On-the-job internships	23,661.43



Training and development of our employees

Regarding the average hours of training received per the **professional category** of our employees:

Average hours of training	2020	
	Male	Female
Management	46	60
Management support staff	56	61
Post-graduate degree holders	53	56
Undergraduate degree holders	43	48
Middle managers	17	23
Technicians	37	54
Administrative and auxiliary staff	31	33
Office staff	20	20

In 2020, a total of **454 hours** of specific training on the **fight against corruption** were given at Canal.

As in previous years, Canal continues with its policy of collaboration with academic-training institutions to enable young professionals and students to access the business world. To that end, and with the objective of complementing their academic training, we promote different internship programs (GAIA, FCT and Dual FP), through collaboration and educational cooperation agreements. In March 2020, with the announcement of the State of Alarm, Canal de Isabel II and the Fundación Universidad-Empresa made the decision that the students currently in those programs had the option to carry out remote internships if their training project could adapt to that modality, thereby allowing them to continue with their learning and development, despite the unique situation.





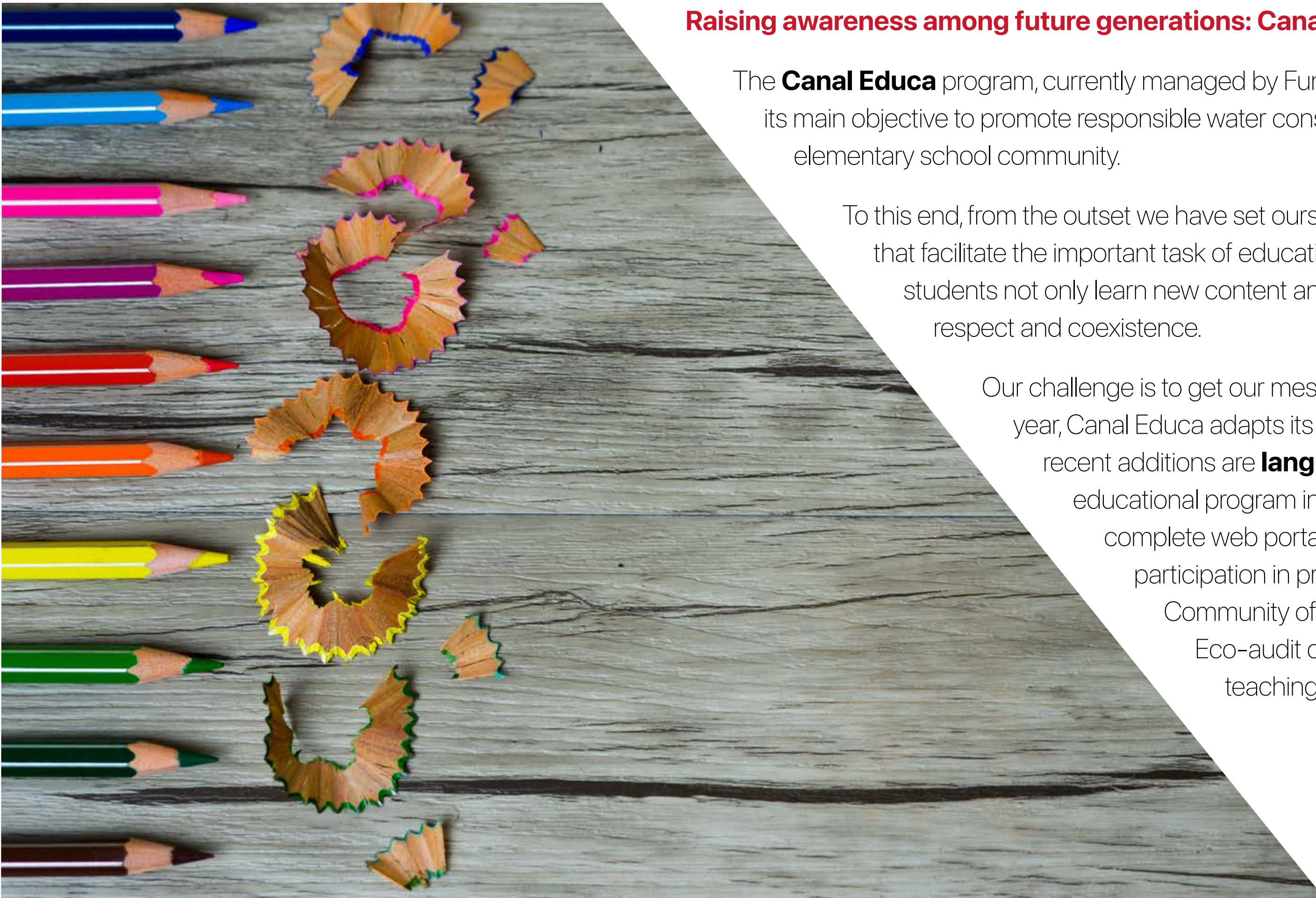


Likewise, with the new Strategic Plan, Canal has wanted to provide a solution to a growing concern: there is a shortage of professionals with expertise in water management, both with respect to Intermediate and Advanced **Vocational Training** and to university postgraduates of all types (engineers, scientists, lawyers and economists). Therefore, the company is developing a Center for Advanced Studies in Water to provide specialized training for future water professionals in Spain and other countries.

In 2020, we have continued with the agreement reached between the Regional Ministry of Education and Research, IES Virgen de la Paloma secondary school and Canal, materialized in the **Center for Advanced Studies in Water** where a total of **134** students have studied the two Dual Vocational Training degrees of the Integrated Water Cycle at IES Virgen de la Paloma since 2018.

Moreover, continuous contact has been maintained with sector companies so that all students, from both training cycles, could complete second-year internships, having reached our objective thanks to the high level of commitment demonstrated by all parties.





### Raising awareness among future generations: Canal Educa

The **Canal Educa** program, 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 in the elementary school community.

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 program of activities and expands its educational offer. Our most recent additions are **languages** and **digital technology**: we offer a large part of our educational program in English; if a center is committed to technology, Canal Educa has a complete web portal where you can access a virtual classroom, which permits remote participation in program activities in educational centers outside the Autonomous Community of Madrid. Furthermore, if the center is committed to sustainability, the Eco-audit of water can be carried out, in which students, teachers and non-teaching staff work together to improve the use of water on school grounds.





In the 2019-2020 school year, our educational program had a total of **28,716 in-person participants**, having allocated **201,888 euros** to all of the activities organized.

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 program newsletter or follow us through our social networks.

You can find more information  
on our educational programs  
[here](#)





# SDG 9 Industry, Innovation and Infrastructure



Towards water management 4.0





## SDG 9 Industry, Innovation and Infrastructure: towards water management 4.0

Since its inception, Canal de Isabel II has been committed to innovation and technological development to meet the challenges posed by the management of the integrated water cycle. We were pioneers in many areas, including remote control, communications and information technology, and today we are one of the companies in our sector that invests most in innovation.

We contribute to the development of R&D+i in our sector

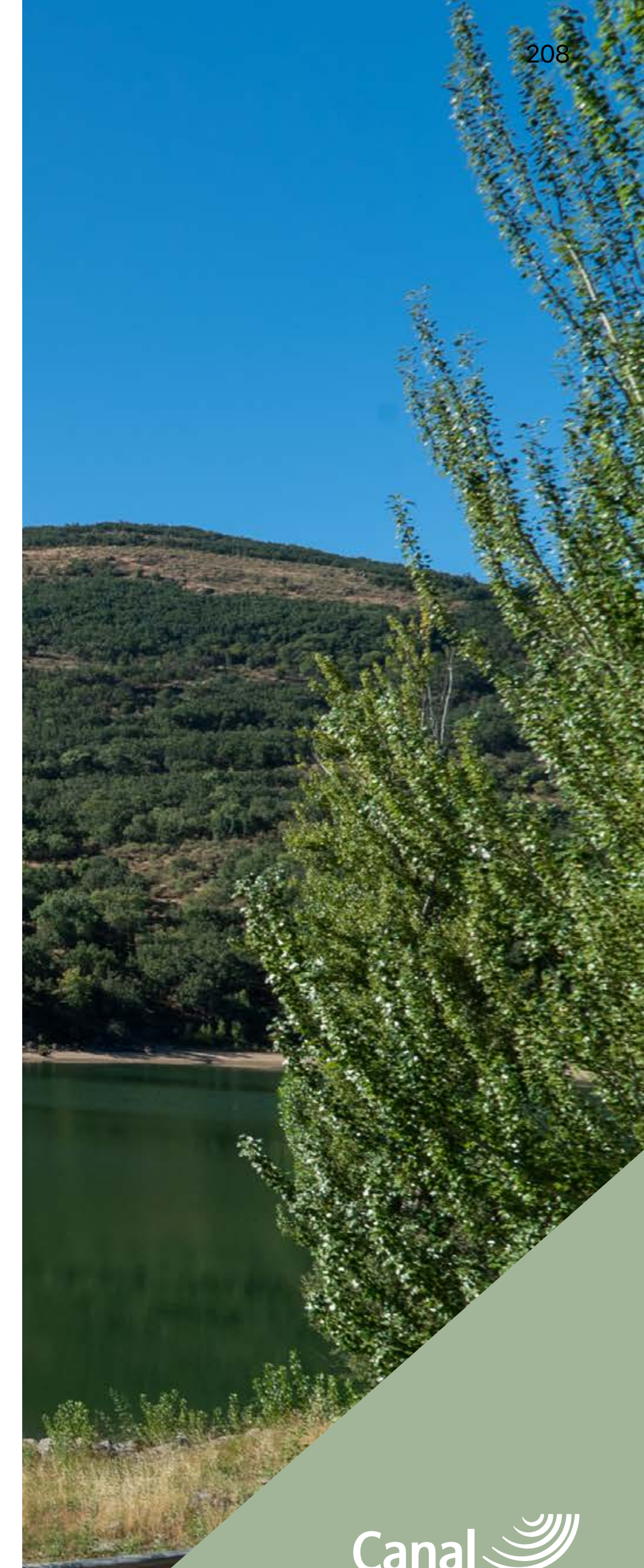
GRI 201-1

The company's innovation effort in recent years is evidenced by its portfolio of **32 R&D+i projects** initiated, ongoing or completed in 2020.

The **R&D+i expenditure budget** in 2020, associated with contracts, agreements and minor expenses, amounted to **one 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 **4.8 million euros**.

The R&D+i projects and agreements can be broken down into the following 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 2020, were the following:

## Projects completed in 2020

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Floating panels in the DWTP decantation purges (shade balls)

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Development of structural behavior models in dams based on artificial intelligence, applied to Canal de Isabel II dam security

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Development of an online monitoring system of motors as predictive maintenance, in Canal de Isabel II facilities

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Design and development of robotic solutions in Canal de Isabel II

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Experimentation with a new lamellar decantation model in accelator and lamellar decanters in the La Jarosa DWTP of Canal de Isabel II

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## Projects ongoing at year-end 2020

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Analysis and assessment of flows in treatment decanters using 3D mathematical models

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Quality analyzer and automatic purger in the distribution network

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Calibration of technical standards for overflow of sanitation systems and of contaminated rainwater runoff

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Canal center for excellence for sustainable urban drainage technique experimentation

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Definition, development and calibration of a new methodology for determining supply provision in the autonomous Community of Madrid

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## Projects ongoing at year-end 2020

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Development of dynamic 3D models for the study of water quality in Canal de Isabel II supply tanks

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Development of remote water meter reading pilots under the nb-iot standard at Canal de Isabel II

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Development of an advanced system for the operational support of the manzanares treatment system, in the Canal de Isabel II network

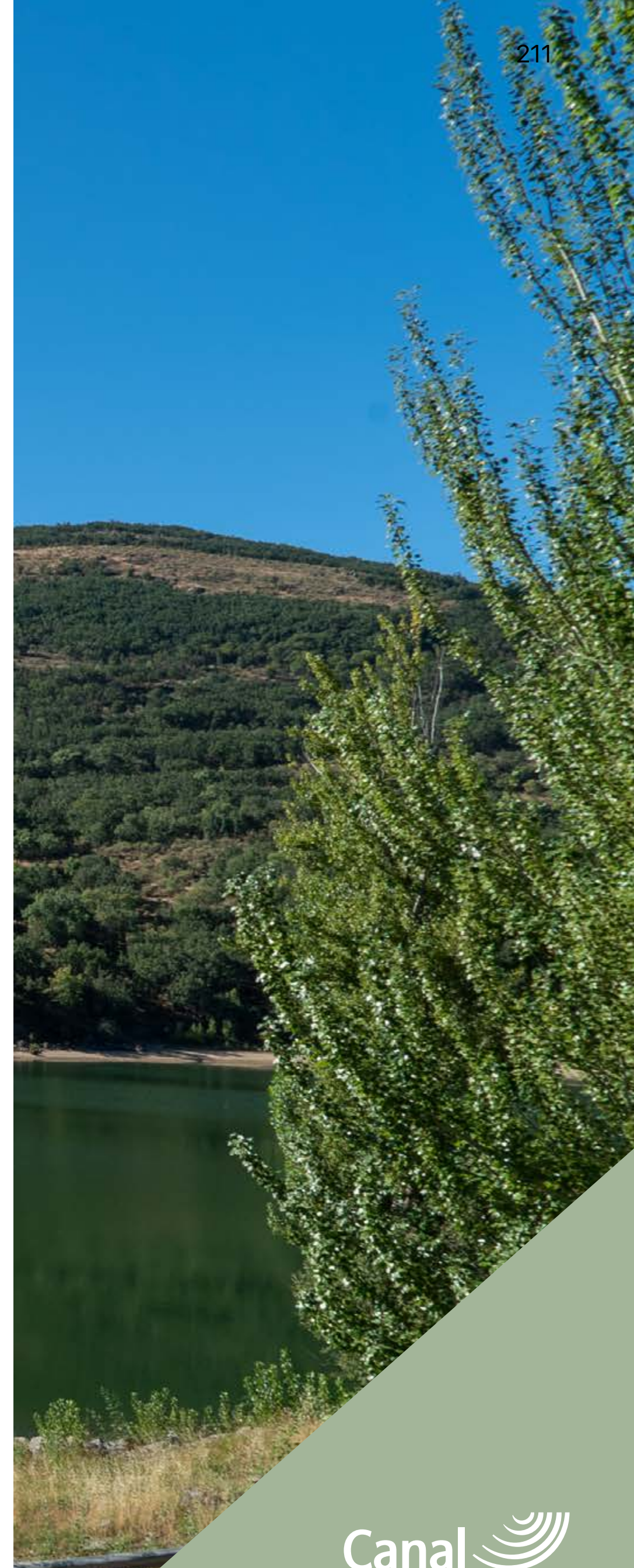
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Development of an artificial intelligence-based system for the identification of microcomponents of water consumption in Canal de Isabel II

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Development of a sanitation gallery inspection system through self-guided drones in Canal de Isabel II

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# Projects ongoing at year-end 2020

Development and calibration of a evapotranspiration calculation tool in reservoirs

Development and validation of genetic algorithms for the optimum placement of sensors in distribution networks

Design and construction of the first public test bench in europe for flowmeters with a diameter of up to 1000 mm

Establishment of resilience levels of the service for different contingencies

Study of the implications of the water-sensitive region concept in the autonomous Community of Madrid with citizen and expert focus group participation, from Canal de Isabel II

Experimental study and modeling of pressure transistors in supply pipelines and their relationship with useful life and deterioration of pipes and facilities





## Projects ongoing at year-end 2020

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Vigía: early alert tool for the detection of Covid-19 in the sanitation network

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Implementation of a technological surveillance model for the development of innovative solutions in Canal de Isabel II areas of operation

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Integration of photointerpretation of satellite images and mathematical models for the optimization of dam management in Canal de Isabel II

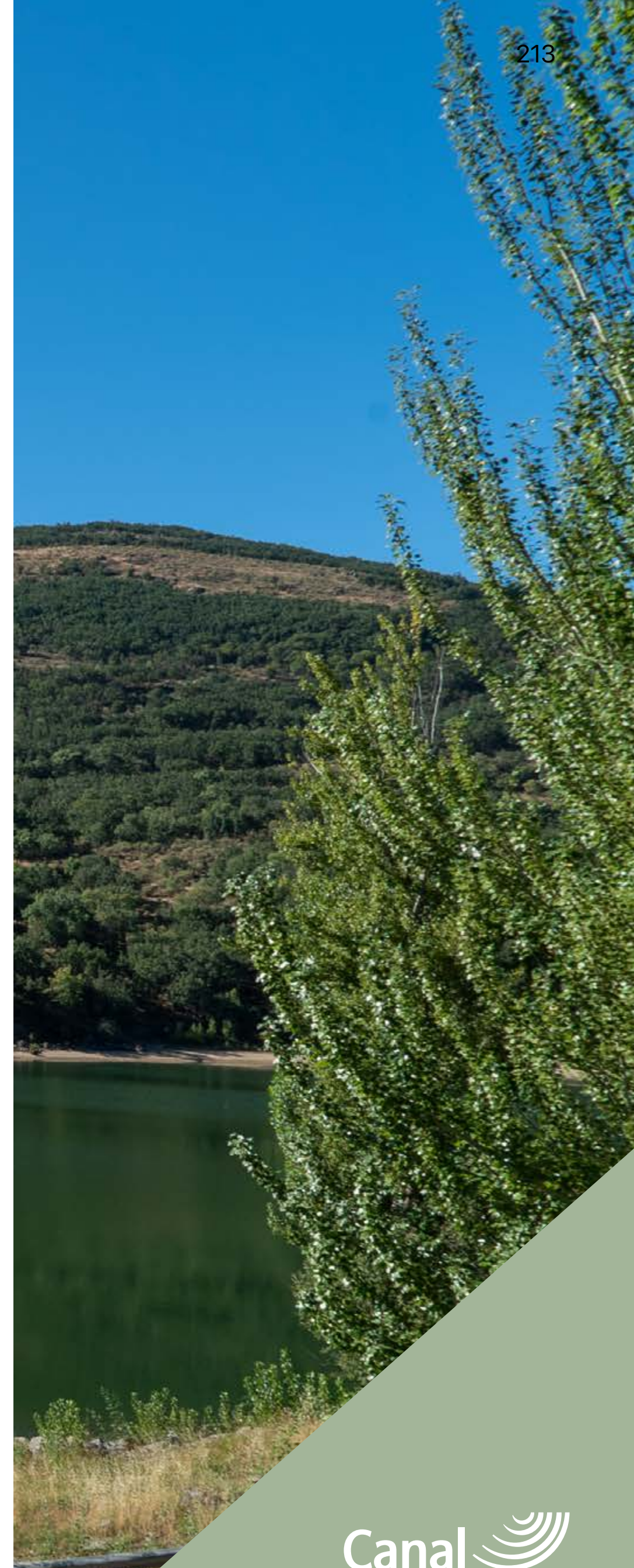
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Life safe\_t\_water: new, one-step water treatment based on a natural polymer

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Life zero waste water: wastewater treatment with positive energy balance, combining wastewater treatment with organic waste

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# Projects ongoing at year-end 2020

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Porous materials for the minimization of chlorates and chlorites in treated water

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New, more precise occupancy method in open channels

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Parameterization of biological reactors using 3D models

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Validation of a new design and manufacturing method for lamella for decantation in drinking water treatment, a to-scale experience in the Majadahonda DWTP

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### We contribute to the development of R&D+i in our sector

The dissemination of the knowledge generated and the results of the most important research projects have led to the publication of titles from the collection of **R&D+i Workbooks**, supplementing those published in previous years with a total of 28 workbooks.

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.



We also have the **Canal Innovation Community**, made up of a large group of company employees interested in innovation. Any company employee with an interest in innovation may belong to that Community 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 is undoubtedly 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.

All the R&D+i workbooks  
published by Canal are  
available at [this link](#)





## Positioning as an innovative company

Throughout 2020, due to the situation created by coronavirus, Canal has had an active role and outstanding presence in online international forums on water management, research, development and innovation in the sector and new technologies applied to the different phases of the integrated water cycle, all held virtually due to pandemic restrictions.

Of these events, particularly notable is Canal's presence at the **AEAS microsessions**, the best practices workshops of the **European Benchmarking Co-operation 2020**, the 1st **International Conference on Water and Energy ENERMADRID 2020**, the Spanish chapter of the International Association for Hydro-Environment Engineering and Research (IAHR), the **UN Energy and Water** platform, the **"Economic growth and sustainable development"** webinar organized by El Mundo and Expansión and the **ABC Water Forum**.



## Technology at the service of internal and external customers

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 2020 amounted to **26.11 million euros**, and it made investments amounting to **10.16 million euros**.

In 2020, the **most important ICT projects** completed were:

- » Implementation of secure WFH for 1,700 workers, with provision of necessary corporate equipment.
- » Implementation of a portable communication system in confined areas with TETRA and public network connection capability to contribute the safety of workers in these spaces.
- » Finalization of the implementation of the phone service in the company with IP technology.
- » Implementation of the Canal Contigo employee portal accessible from any device to increase communication, information and self-service capability of employees.
- » Implementation of a centrally-managed digital platform for the distribution of content of interest for employees at the work centers.





- » Implementation of the first phase of the municipal service portal as a virtual service channel for town councils.
- » Integration between the smart meter reading system and the GRECO commercial system for invoicing.
- » Implementation in the GRECO commercial system of the customer mailing campaign module integrated with a newsletter platform to measure the effectiveness of the communication.
- » Implementation of the PISCYC system for construction project management.
- » Implementation of a summary table in the telecontrol viewing system (Novata) to control discharges and to coordinate purification stations and storm drains.







- » Implementation of the control panel of water supplied versus water invoiced for Canal de Isabel II's Integrated Energy System (SIEC).
- » Implementation of the MC3 corporate mobility system integrated with the system for the maintenance of dams and, with the LIMS water quality laboratory management system for sampling.
- » Implementation in the LIMS system of a new PSA application for the Healthy Water Plan (PSA).
- » Implementation of a hard-drive storage system of 5 years of back-up copies for rapid recovery where needed. Adaption of IT applications to the changes in the processes arising from the COVID-19 pandemic.





AMERIKA TI: technology during COVID-19

Amerika T.I. is the Canal Group company in charge of offering and supporting the integral software solution for the public utilities in the Latin American water sector, implementing a successful solution in more than 40 municipalities in 7 Latin American countries. This software includes complementary services to keep it up-to-date in each of the client companies like development of requirements, incidences, consultancies or formation, among others.

To be able to continue providing these services, from the start of the pandemic, WFH was established along with a battery of biosafety protocols for the access and execution of activities within company facilities, as well as for travel abroad on work assignments.

Moreover, other measures were taken to protect the health of workers, such as the creation of a Pandemic Monitoring and Containment Work Committee responsible for constantly monitoring the company's actions in terms of biosafety, work center cleaning and disinfection, provision of Personal Protective Equipment to employees, installation of hand sanitizer dispensers in different areas of the offices or in the deactivation of fingerprint scanners and implementation of contactless identification.

Customer service was maintained thanks to the support of virtual means that have allowed us to maintain constant, effective communication with our clients, as well as marketing campaigns that have kept everyone informed of our products and services.

We should highlight that, every day, we see how the companies are committed to improving the technology with which they carry out their processes, in order to optimize their operation and effectively serve their clients. For this reason, the technological tools offered by the company are widely accepted on the market, which is being optimized to reinforce the commercial expansion program toward a still unserved market segment that does not yet have ways to satisfy their needs.





## 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 2020, the remote-control network monitored a total of **2,010 remote stations** from our Control Center and managed a total of **29,620 measuring instruments**. In addition, we had **87 remote-controlled facilities** from which a large number of operations are performed in the facilities and networks. Our fiber optic network reaches **1,110 kilometers** and we have **154 radio links**.

### CCU: Canal available 24/7 from home

Canal de Comunicaciones Unidas, S.A.U. (CCU) is the Canal Group company dedicated to the communications and telecommunications technology sector. CCU's primary client is Canal de Isabel II, and it currently has a portfolio of other clients to which it renders mobile communications services, such as the Autonomous Community of Madrid.

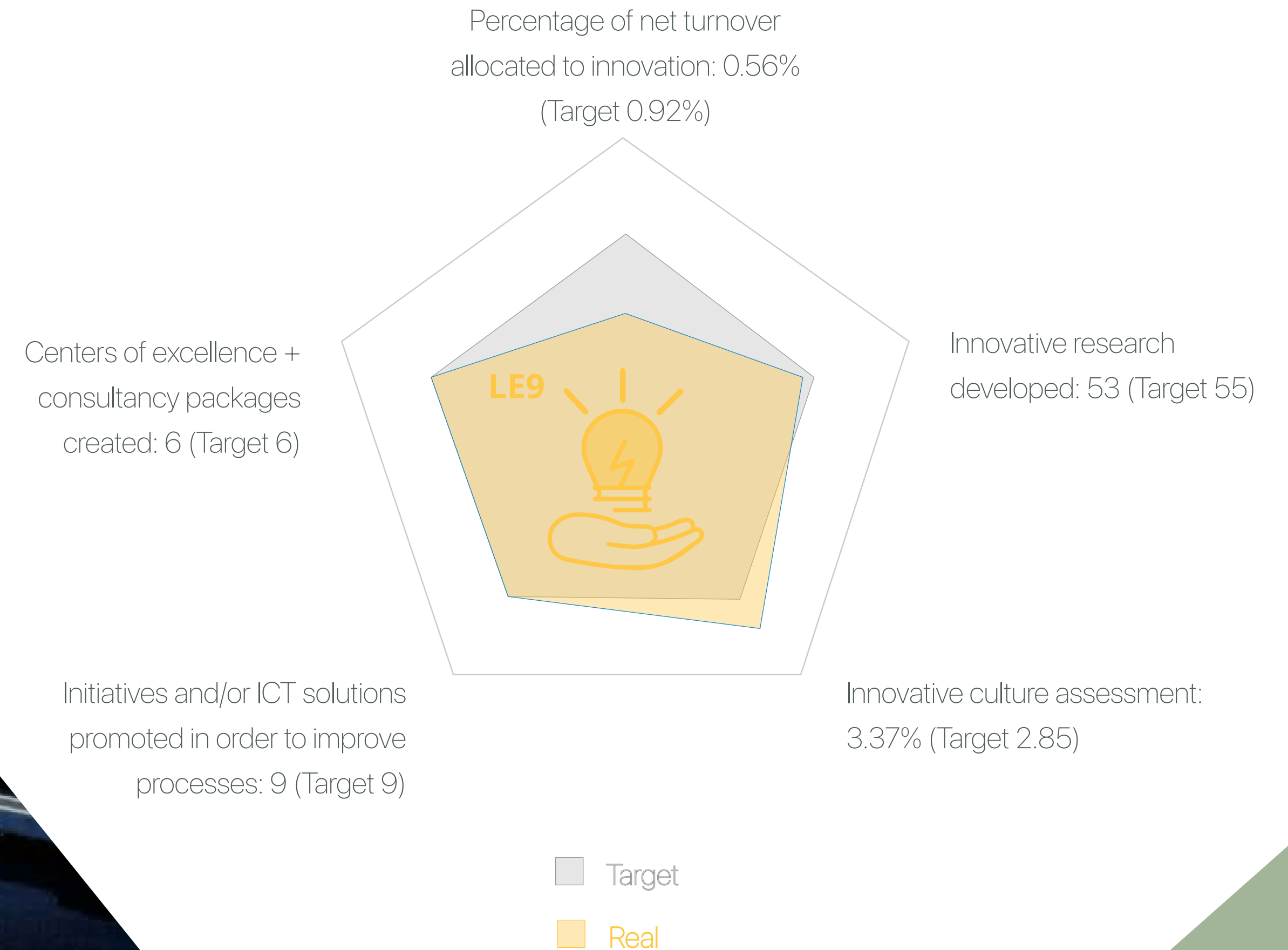
As a corporation with the Canal Group holding one-hundred percent of shares, it aligned with the actions taken by Canal de Isabel II. All actions were coordinated in conjunction with the parent company, with fluid communication and weekly/bimonthly follow-up through the Canal Management Committee. To protect the safety of workers, serological tests were performed when they returned to the offices, and nebulization disinfection procedures were carried out as employees came back to the office.

As we saw with Canal de Isabel II, in order to maintain customer service, workers were partnered to address incidents, and reserves were in place to prevent staff from coinciding. This way, an on-call team stationed in their homes was created in order to maintain minimum services in the event any two-person work team in the field became infected. Moreover, the use of private vehicles to commute to work was facilitated at CCU facilities.





## Status of Strategic Line 9





# SDG 17 Partnerships



Encouraging participation





## SDG 17 Partnerships: encouraging participation

### 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 recognized by communication professionals and the target audience.

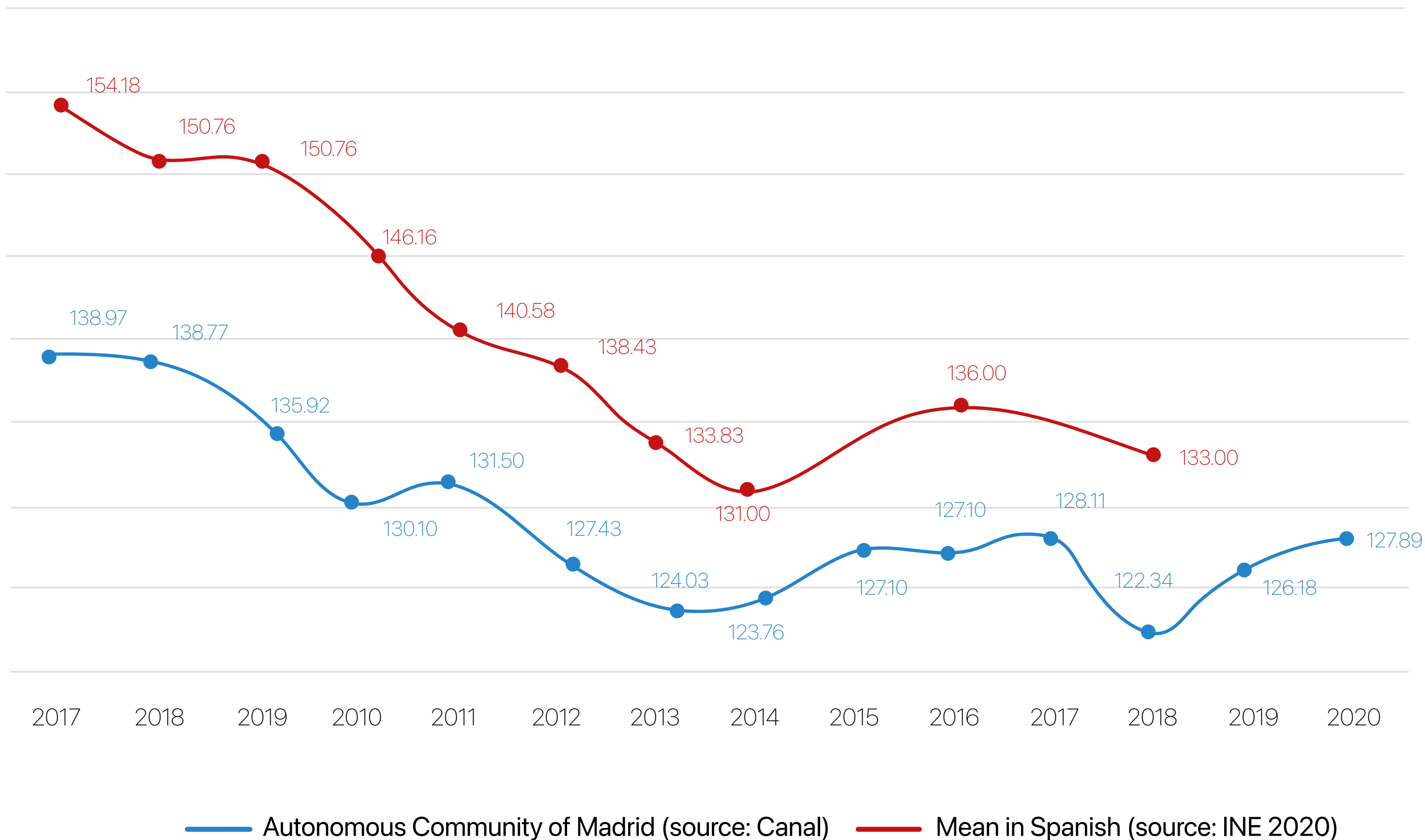
Our communication campaigns are permanent, and their high impact has made it possible to place Madrid among the regions that have most reduced water consumption in recent years.





## Getting everyone involved in efficient and responsible water use

### Domestic consumption in the Autonomous Community of Madrid and in Spain (liters per inhabitant and day)



Moreover, 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.
- » AEC (Spanish Association for Quality)
- » IMDEA Agua
- » SWAN
- » European Benchmarking Co-operation
- » Spanish Network of the Global Compact
- » IWA (International Water Association)
- » The Department of Health 4.0 of the Autonomous Community 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)

For more details, [click here](#)

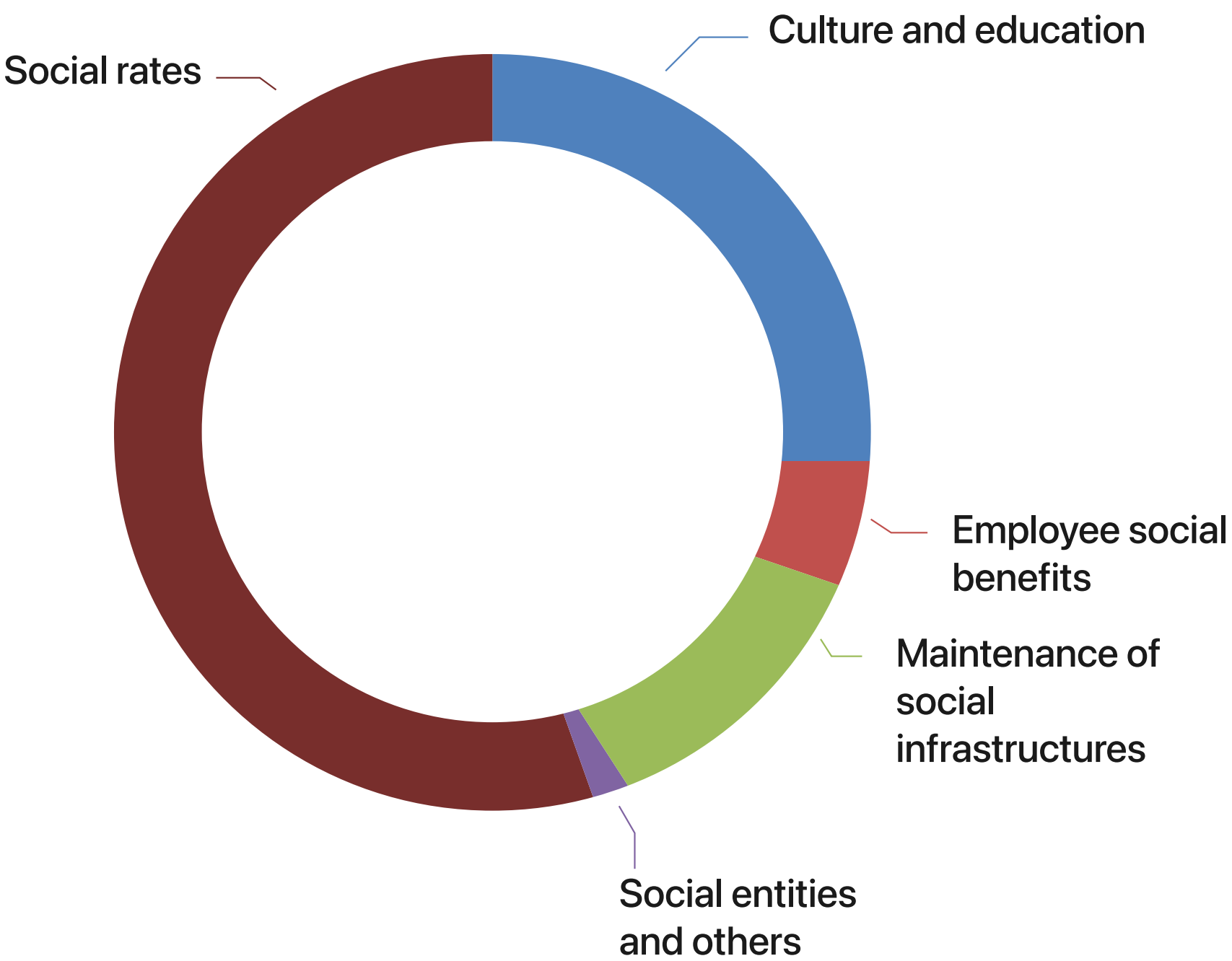


Economic resources for society

GRI 201-1	203-2
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In 2020, Canal de Isabel II earmarked a total of **15.8 million euros** for activities related to its social commitment to its employees, customers and society. This marks important growth during the last year of the social rates thanks to the COVID-19 rebates.

Expenses related to Canal's social commitment in 2020



In addition to expenses, during the 2020 fiscal year, we invested 657,020 euros in **infrastructure for social use**.





## 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 favor them.

### THE ENVIRONMENT

Electricity production in the Autonomous Community of Madrid (379 GWh), only with renewable or highly efficient technologies. Greatest electricity production in the sector in Europe.

We thermally dry 48 % of the sludge produced in the WWTP (44,525 t). First plant to obtain struvite from wastewater in Spain (486 t).

To improve the quality of our rivers, 24 % of discharge to surface water is with tertiary treatment (112.8 hm in 2020).

### SOCIETY

Employment (direct, indirect and induced): 8,531 people working for our Group.

Innovation: 0.54 % of revenue allocated for R&D+i projects.

Resources earmarked for CSR: 15.4 million euros Fundación received more than 90,000 visitors per year.

### MEDIA

Transparency in informative immediacy with the media.

Constant collaboration and proactive attitude.

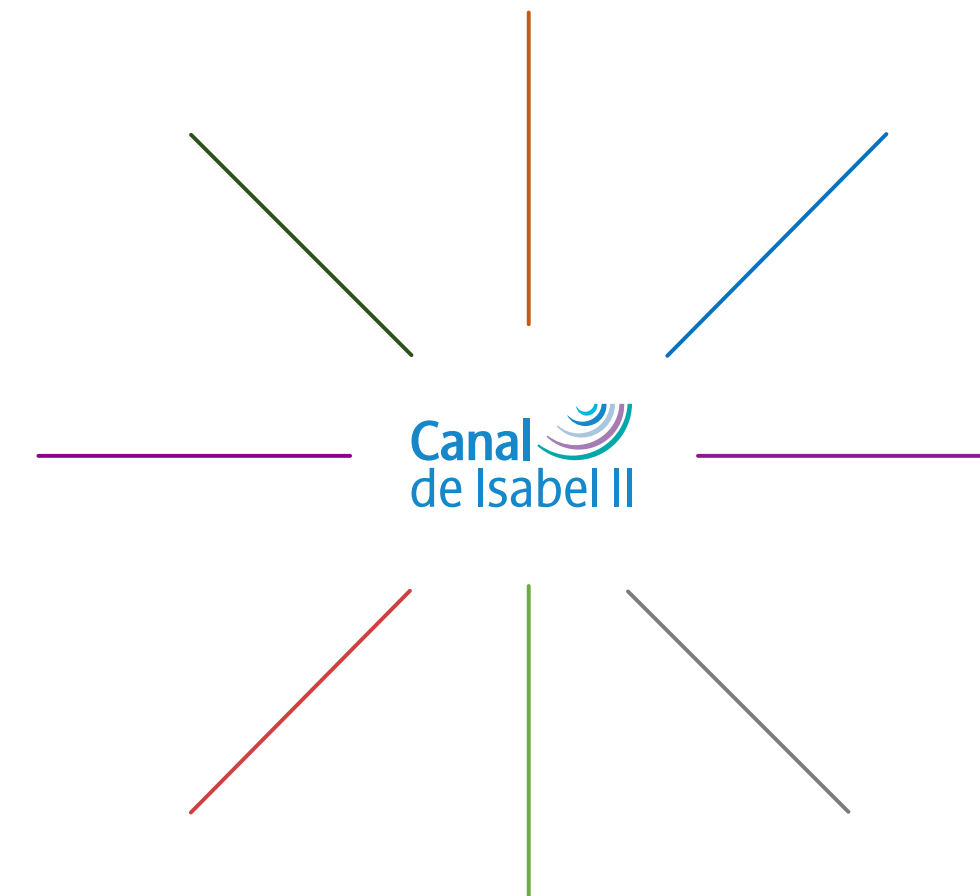
Broad communication campaigns (Matilda, Count on your water).

### WORKFORCE

Almost 500,000 euros invested in training (36 hours/employee).

Occupational integration of people with disabilities (3 % of workforce).

Since 2018, the highest number of public vacancies in our history (630 new permanent positions).



### SHAREHOLDERS

Dividends of more than 1.270 billion until 2019 for City Councils and Autonomous Community of Madrid.

We have distributed more than 37 euros per inhabitant since the creation of the Company.

We contribute more than 22.8 million in taxes and fees to the public treasury.

### REGULATORY BODIES

430 parliamentary questions answered.

Wide institutional transparency (Chamber of Accounts, external auditor, Commercial Registry, CNMV, Admin. Trib. for Public Procurement, Court of Auditors...).

Advanced Good Governance and internal control policy (Code of Conduct, Ethics Committee, Remuneration and incentives policy).

### CUSTOMERS

Average score of 8.63 out of 10 in customer satisfaction.

Broader social rate in our sector that exceeds 75 % allowance with more than 252,100 beneficiaries.

Fifth year of tariff freezing, more than 21 % below the Spanish average.

### SUPPLIERS

Canal de Isabel II awarded its suppliers 209 contracts totaling 303.7 million euros.

84% of the amounts were awarded through open procedures.

Requiring compliance with environmental regulations, Code of Ethics and 2 % of personnel with disabilities.



## Social commitment

Canal de Isabel II tiene desde hace años la firme vocación de ser un referente en el ámbito de la cultura, el deporte, el ocio y el apoyo a las iniciativas sociales. Por ello, desarrolla numerosas actividades y pone a disposición de la sociedad sus instalaciones y sus recursos técnicos, humanos y económicos.

### Our support of culture

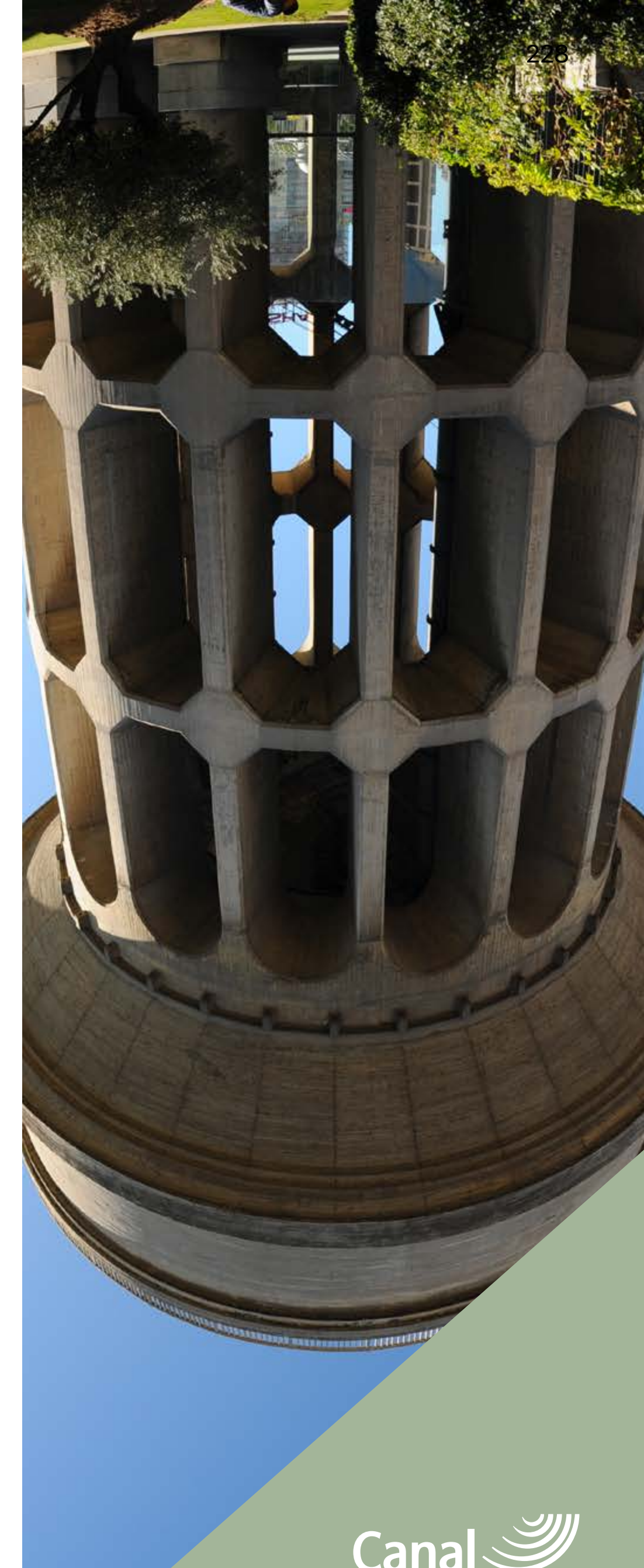
**Fundación Canal** works with a dual vision: the generation of knowledge and fostering water conservation. Two decades after its creation, more than one thousand activities on innovation, the environment, art and culture, in which more than 6 million people participated, have been carried out.

Through the environment programs, it contributes to the building of knowledge of the integrated water cycle and climate change solutions, in terms of both mitigation and adaptation. In the sphere of innovation, it carries out studies and applied research projects in collaboration with Canal de Isabel II and prestigious organizations. From the arts and culture realm, it stands behind culture as a tool for sharing knowledge, primarily through the works of great masters of music and modern and contemporary art. Canal de Isabel II and its Foundation have contributed to the spread of knowledge in the arts and in culture through numerous renowned exhibit projects.

As of 2017, by decision of the Canal Board of Directors, the Fundación Canal has taken over the **Canal Educa and Canal Voluntarios** program for the management of the **Arte Canal Exhibitions Center**.

In 2020, the Fundación Canal organized **2 new exhibits** and **36 cultural**, scientific and social events, and has welcomed **more than 94,000** people in its exhibit hall and other headquarter facilities. Moreover, its website has been **visited more than 430,000** times throughout the year.

Of the activities carried out, we should like to point out the four exhibits (two of which were launched in 2019):







### Our support of culture

**MAGNUM. THE BODY OBSERVED: RODIN. DRAWINGS AND SKETCHES:** an exhibit showcasing 136 images, in which 14 of the most renowned photographers from the Magnum Photos agency focus their lenses on the human body as a means of expression, both for the photographers and the subjects photographed. Through these photographs, the authors reflect on a wide range of topics, like intimacy, identity, sexuality or how different social and cultural constructs determine how the human body is represented and understood. In this regard, this sample explores how Magnum Photos photographers have addressed their vision of the body from 1930 to date. The images seek to go beyond a mere documentary purpose, to expose characteristic aspects of the lives and personalities of the subjects photographed through a deep interaction with their physicality.

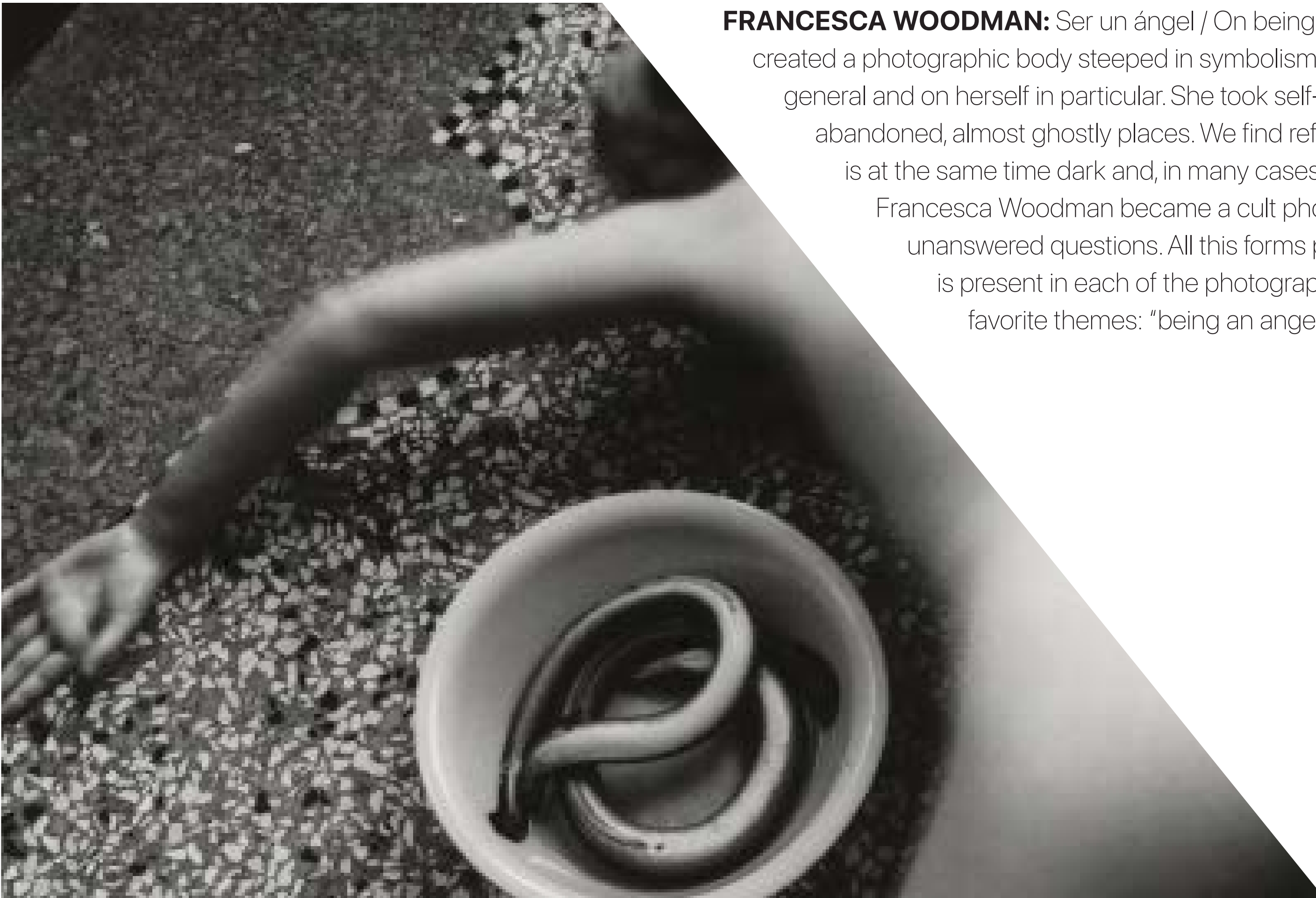




**RODIN. SKETCHES AND CLIPS:** The exhibit focuses on Rodin's facet as a sketcher and, for the first time in Spain, it includes something very special: many of the sketches on display were turned into clips with which the artist experimented with movements in space. Rodin also did these types of experiments with his sculptures, making this a very important nexus between the two disciplines. The clips belong to the artist's innermost circle: neither he or the critics ever mentioned them back in their day, and Rodin only put on exhibit one of these cut figures which formed part of this exhibit. The exposition housed 91 works, including 76 drawings (and 36 clips from them) and 15 sculptures that help better understand the ingenuity and innovativeness of the Father of Modern Sculpture's methods.







**FRANCESCA WOODMAN:** Ser un ángel / On being an angel: With an innate and precocious talent, Woodman created a photographic body steeped in symbolism. Her images are fundamentally focused on women's bodies in general and on herself in particular. She took self-portraits naked, twisted, semi-hidden, disguised and blurred in abandoned, almost ghostly places. We find references to a fragile and ethereal beauty in her photographs, which is at the same time dark and, in many cases, in bucolic and decadent settings. After her tragic suicide in 1981, Francesca Woodman became a cult photographer who, to this day, continues to generate debate and unanswered questions. All this forms part of the aura of mystery that surrounds her figure and which is present in each of the photographs in this exhibition, the title of which refers to one of the artist's favorite themes: "being an angel".







**GAME ON: THE HISTORY OF VIDEOGAMES:** This is the largest international exhibition on the history and culture of video games. For the first time in Spain, and in collaboration with the Barbican Centre in London, the exhibition will be on display in Madrid from 29 November to 31 May in the exhibition hall at Paseo de la Castellana 214. Over 2,500 square meters of exhibition space and 15 thematic sections cover the fascinating history of video games from the 1960s to the latest creations. Game On is also a 'see and play' exhibition, with over 150 playable titles, from Mario to Lara Croft and Pong to Street Fighter. With a spectacular exhibition design based on sustainability standards, Game On is designed for all audiences to enjoy: gamers, nostalgic and curious minds of all ages.





## Fundación Canal Statistics

	2018	2019	2020
Number of exhibitions organized	3	4	2
Total number of other activities carried out	97	92	36
Total number of in-person visitors	194,597	197,220	<b>94,092</b>
Number of exhibition visitors - Fundación Mateo Inurria 2	139,276	92,316	<b>23,320</b>
Number of visitors to Sala Arte Canal - Castellana 214		19,447	<b>44,825</b>
Number of in-person visitors of other activities	55,321	85,456	<b>25,947</b>
Website (visits)	1,106,978	1,167,384	<b>431,194*</b>
Social media (users)	105,753	115,480	<b>122,869</b>

\*The downward deviation with respect to previous years is primarily due to the change of website halfway through the year, as well as to the new way of measuring data based on Google Analytics.

In general, all of the Foundation's activity data for 2020 have been negatively impacted by the COVID-19 pandemic. The strict lockdown with the State of Alarm, restrictions on mobility, occupancy limitations and the impossibility of performing certain activities in safe conditions (from a COVID-19 perspective), have all negatively impacted the data on activities carried out and their users-beneficiaries.



In addition to the Foundation's exhibition facilities, Canal also runs the **Arte Canal Exhibition Center**, located in the Cuarto Depósito underground water reservoir, with a structure dating from the first half of the 20th century and covering an exhibition space of 2,000 square meters. This venue has hosted 14 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.


Also located in the city of Madrid is the **Canal de Isabel II Exhibition Hall** (Primer Depósito Elevado). 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 Community of Madrid. Every year it collaborates with the ARCO and PhotoEspaña events. In 2020, there have been outstanding exhibits: "**David Delfín**" a collection that displays the legacy of the designer from Málaga and his contribution to fashion, with 60 iconic pieces; "**Juan Valbuena. Donde doblan los mapas**", an exhibit dedicated to the travels and unknown history of one of Madrid's photographers.





The works of **Matías Costa** were also on display, covering three decades of the photographer's work with a dual nature: that of a chronicler and that of poet.

Canal de Isabel II and the Fundación Canal also have an editorial line. The Fundación Canal focuses its publishing work on the publication of its exhibition catalogs 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.



For more information on  
Fundación Canal activities, see  
their website: [here](#)



## Promoting sports

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

In the city center of Madrid, it has twelve hectares located on the roof of the **Tercer Depósito de Agua** reservoir 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 reservoir** and the **Cuarto Depósito** reservoir, located near Plaza de Castilla.

One highlight in 2020 was the completion of the works of the **new Bravo Murillo park**, located in the vicinity of the Canal de Isabel II central offices. This construction is located in the western area of its headquarters, adjacent to Calle Bravo Murillo, and has a play area adapted to children with different capacities, an exercise area, a vertical garden with 15 different plant species with an efficient watering system, in addition to a walking path with sustainable pavement, 50 trees, nearly 1,000 bushes and landscaped areas with grass and plant species known for their low water consumption.

To these will be added the remodeling and conditioning of the area once occupied by the golf facilities at the **Centro de Ocio y Deporte del Tercer Depósito** on Avenida Filipinas, the works of which will start in February 2021.

These three facilities will make over **123,000 m²** of Canal de Isabel II spaces available for the public to use and enjoy and an investment of nearly **18 million euros**. To these another park, **IV Depósito de Plaza de Castilla** would be added with more than 45,000 m². These new actions are framed within the Strategic Plan 2018–2030 to foster transparency, good governance and commitment to society.

In addition, Canal also has three non-urban recreational areas, two in the reservoirs of Valmayor and El Atazar, focusing on sailing, rowing and canoeing, as well as a third in the Riosequillo reservoir, which has one of the largest

swimming pools in the Autonomous Community. In 2020, the Riosequillo area was closed for maintenance. The El Atazar area received more than 14,000 visitors in 2020.

## Cooperation in water and sanitation and other social initiatives

GRI 102-12	102-13
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On 28 July 2010, the United Nations **General Assembly** explicitly recognized the human right to water and sanitation through Resolution 64/292. This resolution calls upon States and international organizations 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 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 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.

For more information on Canal Voluntarios, see this link: [here](#)





# SDG 1 No poverty

## SDG 2 Zero hunger



Doing our part





## SDG 1 No poverty and SDG 2 Zero hunger: doing our part

Poverty goes beyond a lack of income and resources to ensure sustainable livelihoods. Poverty is a human rights issue. The various manifestations of poverty include hunger, malnutrition, lack of adequate housing and limited access to other basic services such as education or healthcare. At Canal de Isabel II we are aware of this problem; therefore, in the past few years we have created new formulas to give rate rebates for the most sensitive groups.

### Rebates: our social rates

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. That is why we have established **five** different types of discounts:

- » Large family discount.
- » Large household discount (5 or more members).
- » Welfare exemption discount (in situations of direst need).
- » Widow's pension discount.
- » Discount for consumption savings.

The first four discounts fall under the category of **social rates. Welfare exemption** stands out, with which the user will only pay 50 % of the fixed service fee amount. As for the variable part, up to 25 cubic meters per two-month period will be completely discounted, in other words, 417 liters per day will be free. This means that, by applying this discount to an invoice of 40.87 euros per two-month period, the amount to be paid will be 8.71 euros.

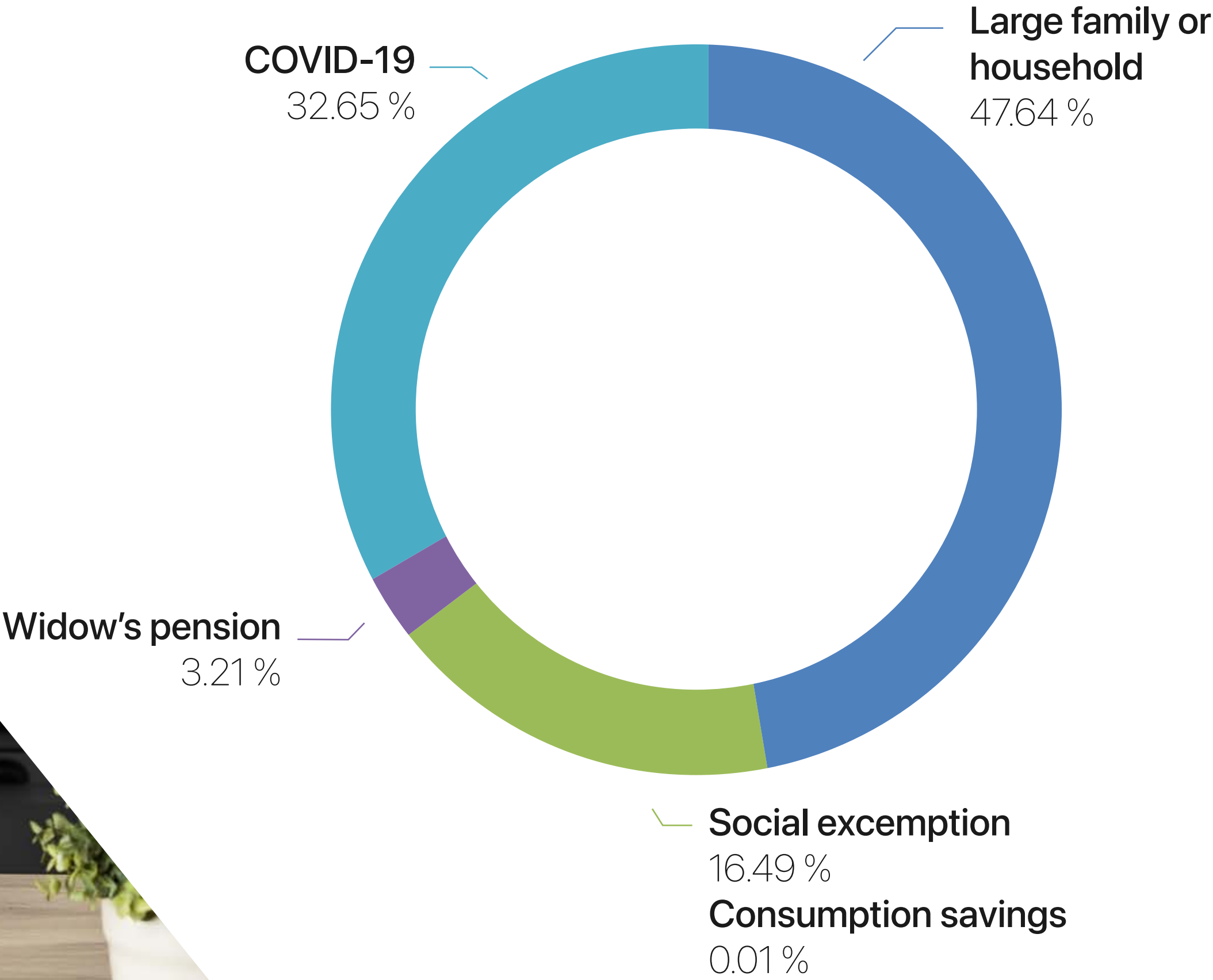
In 2020, due to the circumstances brought about by the **coronavirus pandemic**, Canal rapidly designed and approved a new rebate for all groups who had suffered the financial consequences of COVID-19, either in an ERTE furlough, for the self-employed and for small businesses whose activity decreased by at least 30 %.

In summary, in 2020, we discounted a total of **88,330 contracts**, 57 % more than in 2019. This means that as of 2020, approximately **252,109 people** have benefitted from our social rates.





Contracts with discounts in 2020





## Canal Colabora

All this social work has been directed by Canal's group of social workers who are part of the commercial area and who specialize in serving more disadvantaged users, seeking proximity and helping them in the process of resolving their situation. It is made up of five Canal de Isabel II social workers, with one being the team coordinator.

A total of 58 visits have been made since the start of Canal Colabora team, holding joint meetings with professionals from Social Services Centers and Associations, as well as the Municipal Housing and Land Company of Madrid (EMVS) and Social Housing Agency (AVS).

On the one hand, the aim is to disseminate and explain the social rates among the professionals who work directly with the most vulnerable groups and, on the other hand, to establish two-way coordination channels for the most complicated cases.

During the visits carried out, discounts are explained in detail, and any doubts that may arise are clarified. The Canal de Isabel II initiative has been very well received and since the visit, coordination and communication has been ongoing.

In January 2020, we started hosting savings workshops geared towards two profiles of customers:

- » Vulnerable population.
- » Coordinators who work daily with people in difficult circumstances, with the aim being that they become our "water ambassadors", disseminating information about the social rates and responsible consumption to as many people as are in their spheres, and who can help these individuals process these discounts.

The work involves talks and workshops on the environment, adapted and geared towards the public with which we work, and whose content aims to directly and simply explain the water cycle, the importance of responsible consumption, savings measures, common leaks in our homes and how to manage our discounts.

Since March 2020, the visits and workshops have been temporarily halted due to COVID-19. We continue with the coordination efforts by phone and email, which is more necessary than ever, due to the increase in the number of families who have seen their household financial system seriously impacted by the pandemic.

Canal has also boosted other alternative measures to reduce water shut-offs due to defaults to a minimum. In no case was water shut off for families in difficult economic situations.

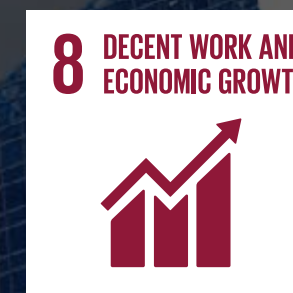
In 2020, a total of 762 people were seen with appointments (342 in person and 420 with "telemanagement" due to the pandemic, meaning they requested an appointment but we were able to resolve the matter by phone). Moreover, we received 3,494 emails in our social rates inbox, targeted primarily at professional from Entities and Organizations that work with vulnerable groups.

For more information on the discounts and how to request them, see:

[https://oficinavirtual.canaldeisabelsegunda.es/recytal/public/suministro\\_tarifas\\_bonificaciones.htm](https://oficinavirtual.canaldeisabelsegunda.es/recytal/public/suministro_tarifas_bonificaciones.htm)

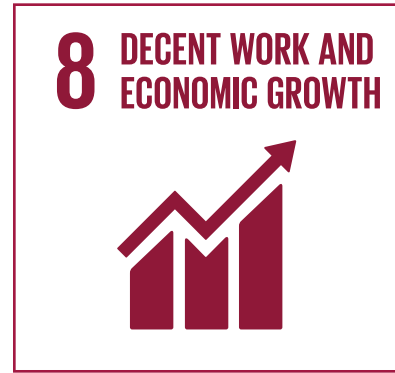


# SDG 8 Decent Work and Economic Growth



A sustainable company in the long term





## SDG 8 Decent Work and Economic Growth: a sustainable company in the long term

The financial and social sustainability of public entities is an increasingly relevant facet of our wellbeing and growth model.

Canal de Isabel II, as a gold-standard company that is 100 % public, has to guarantee financial sustainability to be able to bolster confidence in economic recovery and to foster economic growth and jobs creation. We must be an efficient company in all our actions and provide society with social and environmental returns.





## Our economic performance

### GRI 201-1

#### Financial numbers

##### Business turnover (millions of euros)

	2020	2019	2018
Business turnover	853.08	887.01	854.14
EBITDA	311.00	346.43	338.15
Depreciation	(117.47)	(114.94)	(112.4)
Operating income	209.26	247.06	227.59
Financial result	(14.18)	(4.8)	(17.92)
Net income	194.55	241.91	209.97

##### Other financial indicators

	2020	2019	2018
Net financial debt (millions of euros)	319.88	467.48	459.45
EBITDA/Business turnover	36.46 %	39.06 %	39.59 %
Net financial debt/EBITDA	1.03	1.35	1.36
Average collection period (days)	50.48	49.28	52.65
Average payment period (days)	29.19	33.88	39.52



## Our economic performance

Business turnover has decreased by 3.83 % with respect to the previous year due to a 2.77 % decrease in the volume of water invoiced primarily due to the effect on consumption of the declaration of the State of Alarm in the month of March due to the COVID-19 crisis and climatological impact, as natural contributions increased 40 % with respect to 2019, which have an inverse relationship with demand.

The limitations on mobility and other restrictions on economic activity results from the pandemic have led to a decrease in commercial and industrial consumption of nearly 20 % with respect to 2019. Even though it has been partially offset by the 2.88 % domestic consumption increase, it caused a decrease in invoicing in blocks 2 and 3, with the highest unit price. As a result, the drop in turnover is greater than that of consumption with the average rate per cubic meter invoiced also down.

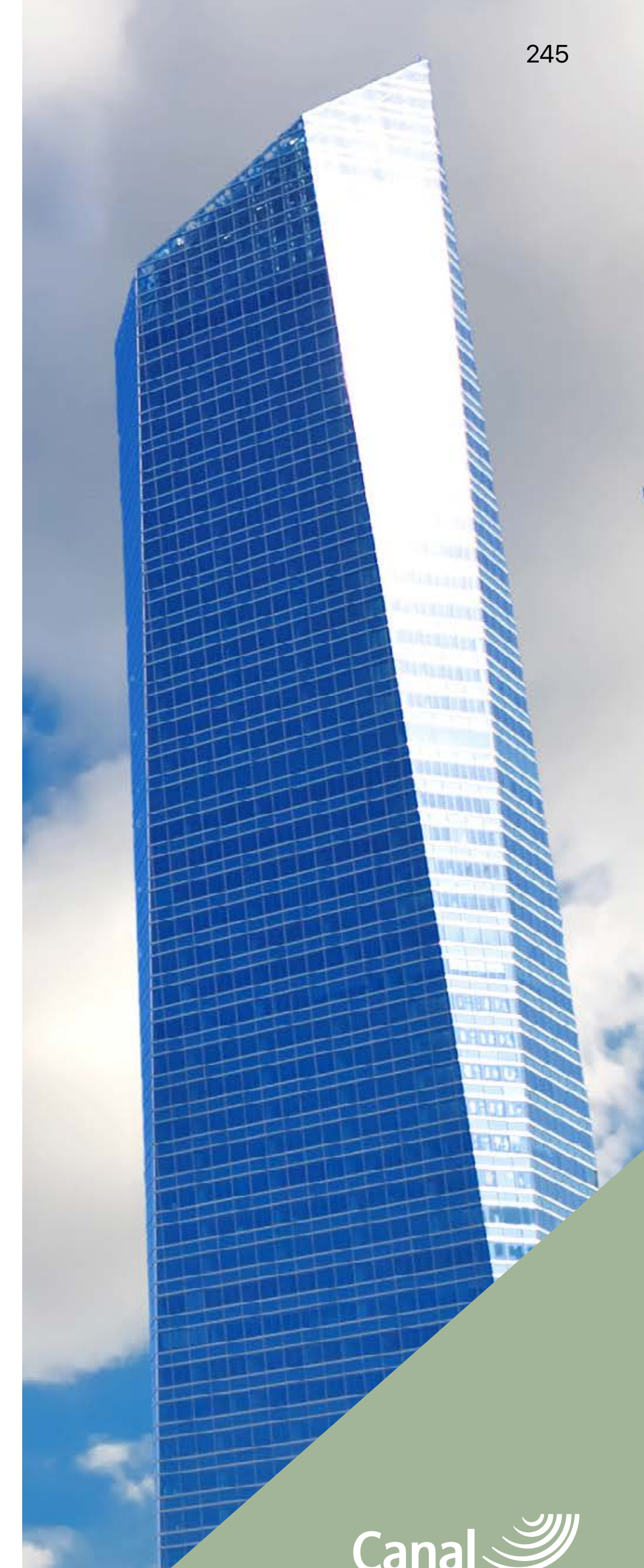
It is important to recall that 2019 was a record year for the company's invoicing, since it was a very dry year until November, as well as the fact that rates had remained frozen in 2020 for the fifth consecutive year. In addition, as mentioned previously, the company applied temporary rebates to the rates to alleviate the impact of the pandemic which amounted to 4.5 million euros, with the total discounts applied in the year standing at 8.2 million euros, versus the 3.5 million in 2019.

**Operating expenses** as a whole have remained constant despite the fall in activity and in the price of energy, as a result of the implementation of new activities and other improvements in the quality of the processes, within the framework of the Strategic Plan, the increase of the costs of our own staff

and contractors, as well as the updates to remain compliant with new standards, which are increasingly strict.

Canal has not transferred the increase of its operating expenses to its rates, frozen since 2016, since we consider Canal to be capable of absorbing them while guaranteeing, not only the coverage of those costs, but also the generation of a margin that would make it possible to commit to investment plans and planned remuneration of its shareholders.

In addition, in 2020, Canal de Isabel II has made exceptional efforts to guarantee the provision of the essential service of integrated water cycle management to the population while also guaranteeing the safety of its employees during the pandemic. The different measures implemented, such as reinforcement of its own staff and contractors, the purchasing of personal protective equipment, the launch of the VIGÍA System and the reinforcement of cleaning and disinfection





work, as well as the reinforcement of IT systems, has resulted in an increase in operating expenses of nearly 8.5 million euros.

As a result, **EBITDA** was down 35.4 million euros with respect to 2019, with operating profitability in percentage terms falling from 39.06 % in 2019 to 36.46 % in 2020.

Regarding the **financial result**, it significantly fell with respect to the previous year due to various factors, not related to financial expenses due to debt interest expenses.

- » In 2020, there was an impairment in the company's shareholding of the Hispanagua group of 2.8 million euros as a result of the losses in 2020 and the approval of its merger by absorption, while in 2019, a reversal of 0.7 million euros occurred.
- » On the other hand, debt interest expenses to group companies decreased due to the downward revision of the rate applicable to loans granted to Spanish companies to adapt them to the current market.
- » Finally, financial revaluations to maintain assets and liability accounts at their present value, as well as other financial assets arising from the application of accounting standards for infrastructure concession operators, resulted in 4.4 million euros less than in 2019.

**Net income** decreased by 47.4 million euros with respect to 2019 for the reasons mentioned above.

## Net financial debt

In 2020, financial debt continued to be reduced in accordance with its maturities. In addition to the 500 million-euro bonds issue, the average debt to financial institutions through the Mirror Debt with Canal de Isabel II during the year was 257 million euros, 10 % less than the 286 million in 2019.

No new debt was taken on in 2020, but the total debt was reduced by 29 million euros, the amount that was due to be repaid in the fiscal year (the same amount in 2019).

With regard to the Treasury, the business's high cash generation capacity, as well as some delays in the start of investment projects envisaged in the Strategic Plan, enabled it to meet all its commitments during the year, reduce the mean pay period to grant liquidity to its suppliers and award dividends of 109.1 million euros, ending the fiscal year with a balance on the balance sheet of 420.8 million euros, bringing Net Financial Debt to 319.9 million euros.

## Investments: betting on our region

GRI 203-1	203-2
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The cashflow generated in operating activities were mainly used to address the **volume of investment** carried out in 2020, which amounts to **131.7 million euros** in construction works and projects (compared with 131.5 million euros in 2019). During the second quarter of 2020, as a result of the greater restrictions decreed, the investment rate was down considerably



versus other years. However, the total volume of investment in the year has remained in line with that of 2019 thanks to the Corporation's efforts in the second quarter.

It should be pointed out that this figure includes investments considered replacement investments, pursuant to the standard to adapt to the **General Accounting Plan** for public infrastructure concessionaire companies and that pursuant to this standard, they have not been activated by the Company as a greater value of assets. The company has made investments of this type valued at 73.0 million euros (68.9 million euros in 2019).

In addition, Canal carries out **renovation and improvement works** in distribution and sewerage networks that are owned by the city. The amount associated with these works is recovered through a **supplementary fee** on the users' invoice and therefore they are classified as a financial asset for accounting purposes. During the 2020 fiscal year, this type of works have been carried out for an amount of 11.92 million euros (15.91 million in 2019).

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 modernization of the **sewerage treatment system** and the expansion of **recycling infrastructures**.





## Our economic performance

The following table illustrates the volume of investment for each of the different categories:

Investment by categories (millions of euros)	2020	2019	2018
Supply guarantee	55.56	52.20	47.85
Quality assurance	3.09	3.59	5.52
Environmental commitment	37.19	40.17	45.80
Technological innovation	14.77	13.44	10.65
Upgrading of the general services of Canal de Isabel II	6.51	6.50	4.83
Other investments	14.53	15.60	13.38
<b>Total</b>	<b>131.66</b>	<b>131.50</b>	<b>128.03</b>
Works on distribution and sewerage networks owned by third parties	11.92	15.91	18.55
<b>TOTAL INVESTMENTS AND WORKS OWNED BY THIRD PARTIES</b>	<b>143.58</b>	<b>147.41</b>	<b>146.58</b>

The total amount of investments made in the last three years was below the company's historical average. From 9 March 2018 the new **Public Procurement Law** came into effect, which increased the average terms for the awarding of contracts, having a significant impact on the execution of investments. In addition, COVID-19 has impacted 2020 both in the execution of works as well as the awarding of tenders, so the expected volume of investment for the year was not reached. Furthermore, on the occasion of the Strategic Plan's implementation, many projects are in an initial phase of study and pilot testing.



## Strategic Plan

The **Strategic Plan** requires a significant investment effort in the first years, which is why high-value contracts are being tendered with long lead times. In the coming years, the volume of construction work and investments made by the Company will grow significantly, with an estimated investment of close to 1,750 million euros over the next five years.

Among the Strategic Plan actions, the following stand out: The aforementioned **Sanea Plan** to modernize and improve the sewerage networks, the **Network Plan** to standardize the materials in the distribution networks and thus improve the quality of water, the **Smart-Region Plan** whose objective is to achieve 100 % smart meters by 2030, and the Solar Plan, which focuses primarily on the creation of new photovoltaic plants in infrastructures of the company to boost the generation and self-consumption of clean energy.

Of the investments made in 2020 aimed at guaranteeing the supply, particularly noteworthy are those 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.

## Investments finalized

Among the most significant additions of the investment registered for December 2020, we highlight the network extensions and **renovations** of pipelines in the various municipalities of Autonomous Community of Madrid,

within the network pipeline renovation plan, together with **metering devices and connections** in new contracts.

In adduction we should note the equipment and electrification works of the G-6 well and its connection to the adduction artery of the Guadarrama Campo de Pozos. In the areas of treatment, the works done in the DWTP of Colmenar Viejo for the expansion of the sludge treatment facilities of the plant.

To guarantee supply in the municipalities of Cadalso de los Vidrios, Cenicientos and Rozas de Puerto Real, the back-up pipeline of the southwest area has been connected to the deposit at Rozas de Puerto Real from the DWTP of Pelayos de la Presa.

Likewise, in supply, we should mention phase 1 of the reinforcement of the east branch of the Torrelaguna system, Torrelaguna-Valdeolmos-Alalpardo section, feeding the urbanizations of Espartal del Vellón and Caraquiz de Uceda, and the municipalities of Valdepiélagos, Talamanca and Valdetorres. We should also point out the connection of the supply systems of Torrelaguna and Pinilla through a pipeline between the Valgallegos and La Silicona deposits for the supply of the municipalities of Valdemanco, Bustarviejo, Cabanillas de la Sierra and Navalafuente in the Pinilla system with water from the Torrelaguna system; the installation of a power line for the supply of the new lifting station in La Silicona and its propulsion to the pumping station of Valdemanco and Bustarviejo.

In purification, in compliance with the National Plan for Purified Water Quality and in line with the forecasted urban growth, we have completed actions in the WWTP of Aranjuez, Los Escoriales, Casaquemada and Soto Gutiérrez primarily; a plant for efficient technology experimentation in the WWTP of Torrejón de Ardoz; as well as the new pumping of raw water in the pretreatment of the WWTP of Velilla and a treatment system for spillage in the WWTP of Arroyo de la Vega.





In the network of collectors and emissaries of the Autonomous Community of Madrid, we highlight those in the C2 section of the emissary of the Cuenca Baja System to prevent dumping and damage to the urban center of Parla; the gallery collector on Calle Alcalde Sainz de Baranda in Madrid to eliminate the slope between the Abroñigales collector and prevent flooding; and the propulsion pipes from the WWPS of Ciempozuelos to the WWTP of Soto Gutiérrez to guarantee the pumping and impede discharges to waterways.

Regarding the actions carried out with **reclaimed water**, for the purification and reuse of water from the Autonomous Community of Madrid, infrastructures have been continued for the watering the of main green spaces of Rivas Vacíamadrid and of a tertiary filtration system to improve the functioning and the quality of the reclaimed water supplied in the Soto Gutiérrez WWTP.

In terms of power generation, Canal has installed different stations for recharging electric vehicles in its main facilities; in the installation of gas turbines in the WWTP of Arroyo Quiñones, for the energetic optimization of the plant 's biogas, **power generation** and thermal optimization.

The Company continues with its actions to automate its operations, increase the security of the computer systems and the assembly of equipment and infrastructures in the telecommunications network. Also, we should mention the installation of new remote control points in different locations for the acquisition and transmission of data through GPRS and digital trunking, and the 3rd phase of process automation and integration of the WWPS in the remote control system.

## Ongoing investments

The most relevant actions underway at the end of 2020 are: the supply improvement works for Redueña and Torrelaguna, the supply improvement works for Sevilla la Nueva, the washing pipe renovation works and automation of filters 33 to 64 in the WWTP of Colmenar Viejo, the reinforcement of the East Branch of Torrelaguna Phase 2, the propulsion of wastewater in the municipality of Navacerrada, the improvement actions in the WWTP and WWPS 4 of Boadilla del Monte and the WWTP expansion in Sevilla la Nueva.





Tax information

Regarding corporate taxes paid as well as withholdings, the corresponding information is shown at individual and group levels below.

Corporate Tax Payments (in thousands of euros)	2018	2019	2020
Total payments in installments and withholdings Canal de Isabel II Group	3,323	3,650	1,614
Total payments associated with Canal de Isabel II, S.A.	939	2,727	2,733
Final share of the tax declared by Canal de Isabel II Group	1,687	0	N.D.
Final share Canal de Isabel II, S.A.	1,338	1,154	N.D.

With our suppliers

GRI 102-9	102-10	204-1	308-1	407-1	408-1	409-1	412-3	414-1
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Canal de Isabel II, as a public company belonging to the Institutional Administration of the Autonomous Community of Madrid, executes its contracts under the **legal framework applicable to public sector contracts** which entered into force on 9 March 2018 (Act 9/2017, of 8 November 2017, on public sector contracts). Likewise, in some procedures, for their characteristics or amount, Act 31/2007 of 30 October 2007 on procurement procedures in the water, energy, transport and postal services industries is applied.

The aim of these laws is to achieve **greater transparency** in public procurement and achieve better **value for money**. Specifically, Act 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 defense of competition.

In relation to the objective of promoting SMEs, it should be made clear that in 2020, **59 %** 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 labor market of persons with **disabilities**, contractors with more than 50 workers employed are required, while the contract is in force, for at least 2 % of these to have a disability pursuant to the provisions established in Royal Legislative Decree 1/2013 of 29 November 2013, approving the amended text of the General Act 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 authorization of the Managing Director 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 to 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 2020

Excluding the **3 commissions to the subsidiary companies** in its group, in 2020 Canal de Isabel II awarded **209 contracts** totaling **303.7 million euros** through contracting procedures. Most of them are directly linked to activities and processes relating to engineering, operations and energy.

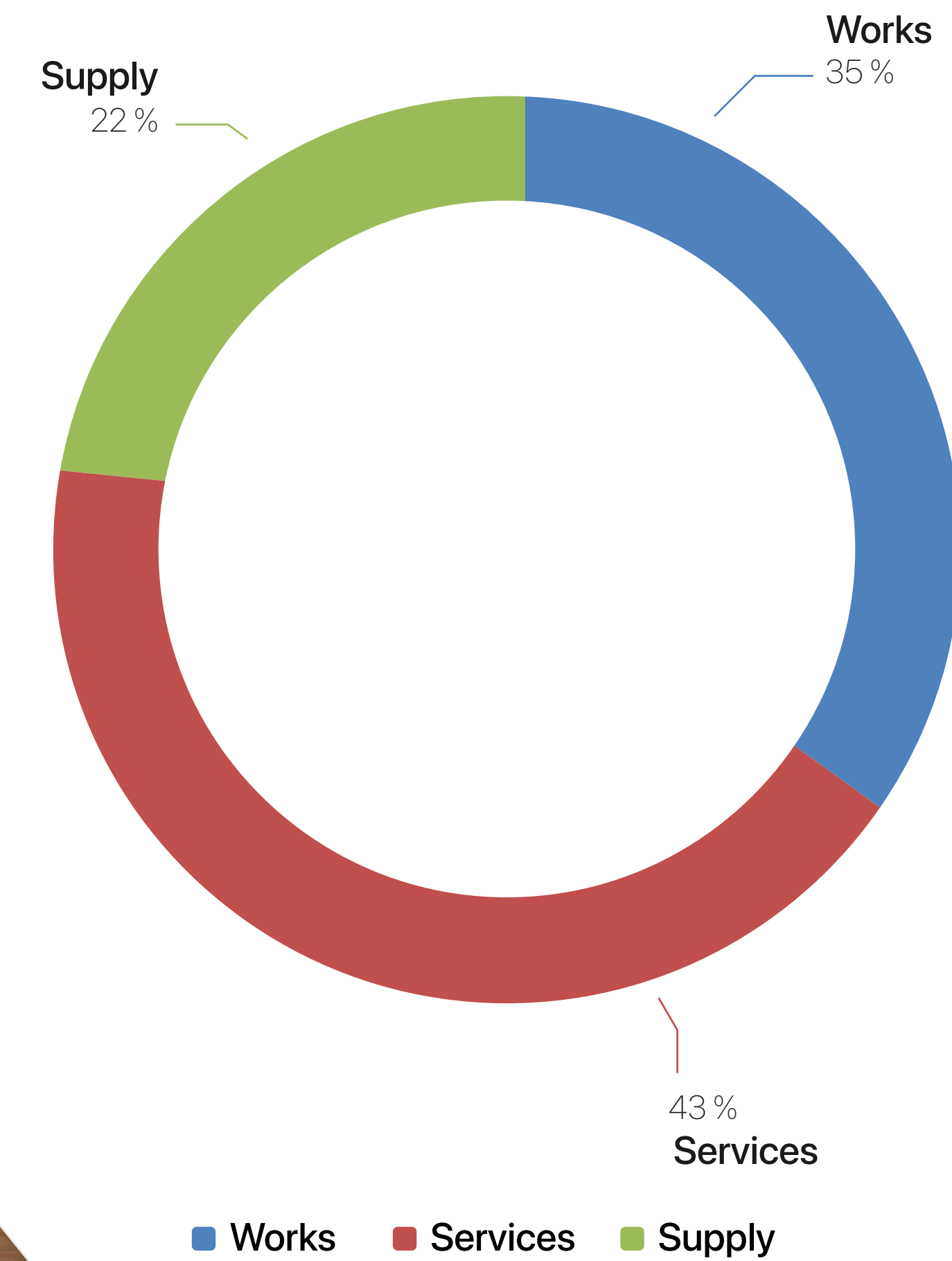
The **Open Procedure** is the procedure most commonly used in Canal contracting. In this procedure, any prospective entrepreneur may submit a proposal, excluding any negotiation of the terms of the contract with the bidders. The procedure has been used in **150 contracts** processed in 2020, accounting for **84 %** of the total amounts awarded, totaling **259.9 million euros**.



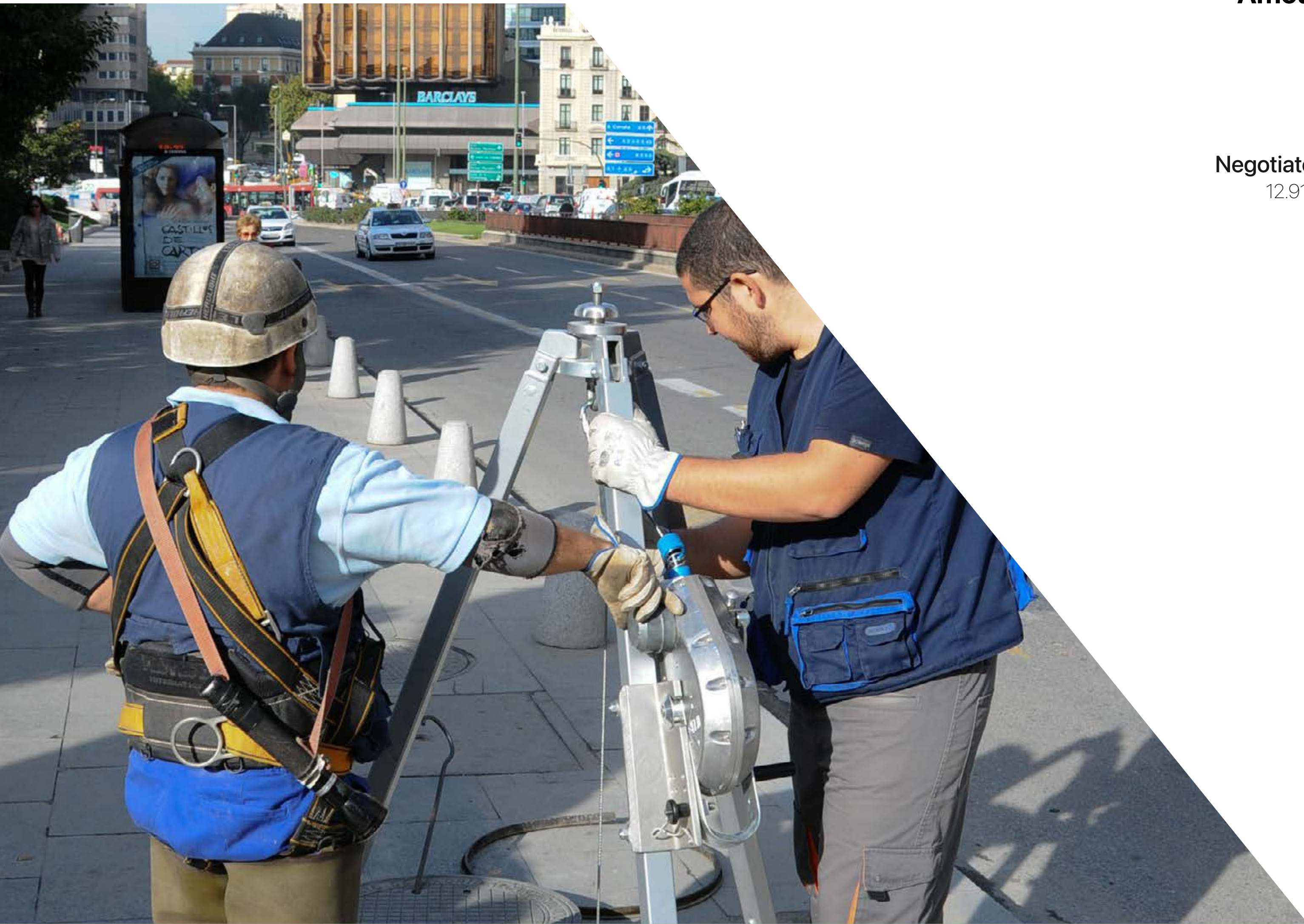




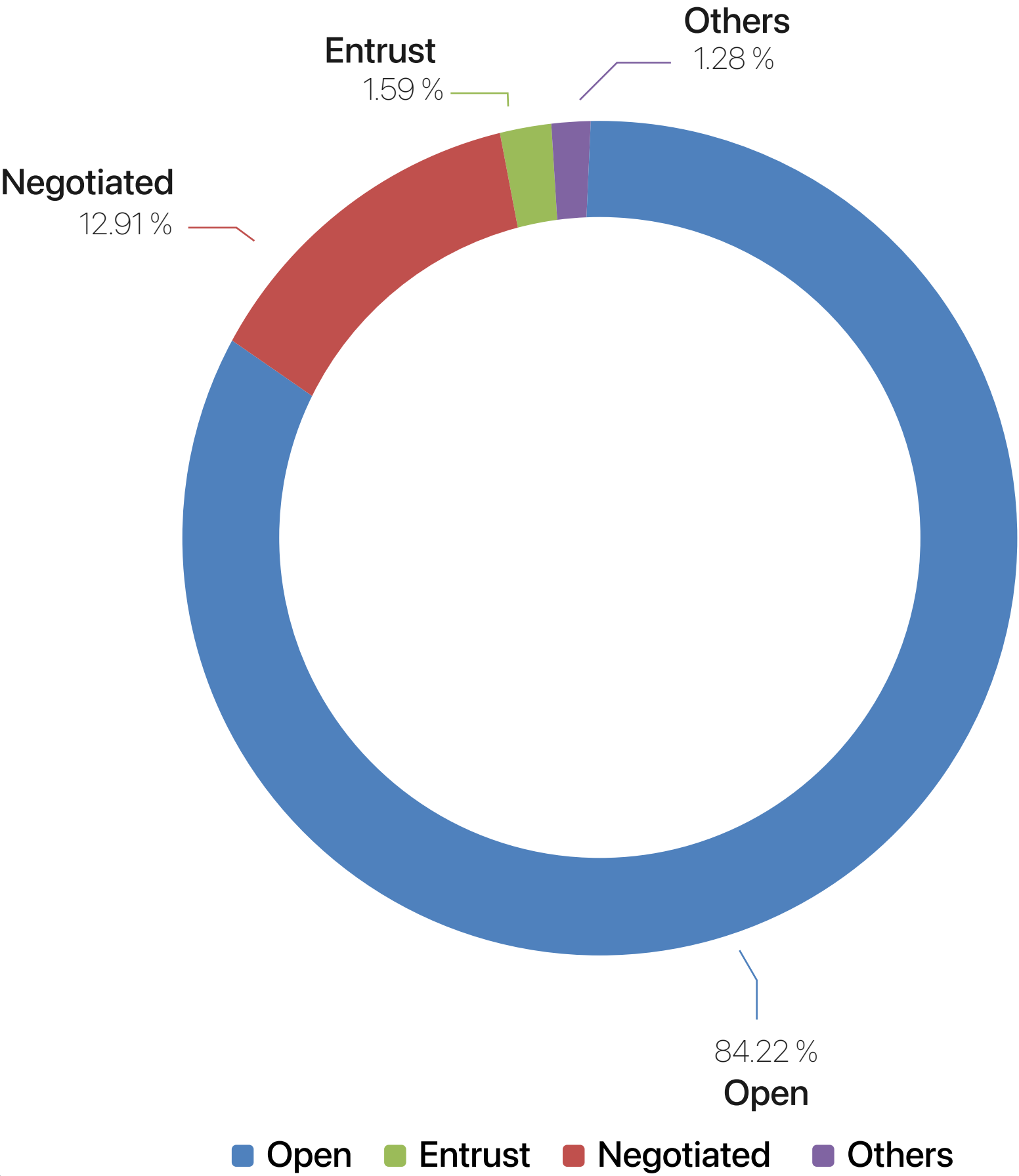
## Contracts by volume awarded in 2020



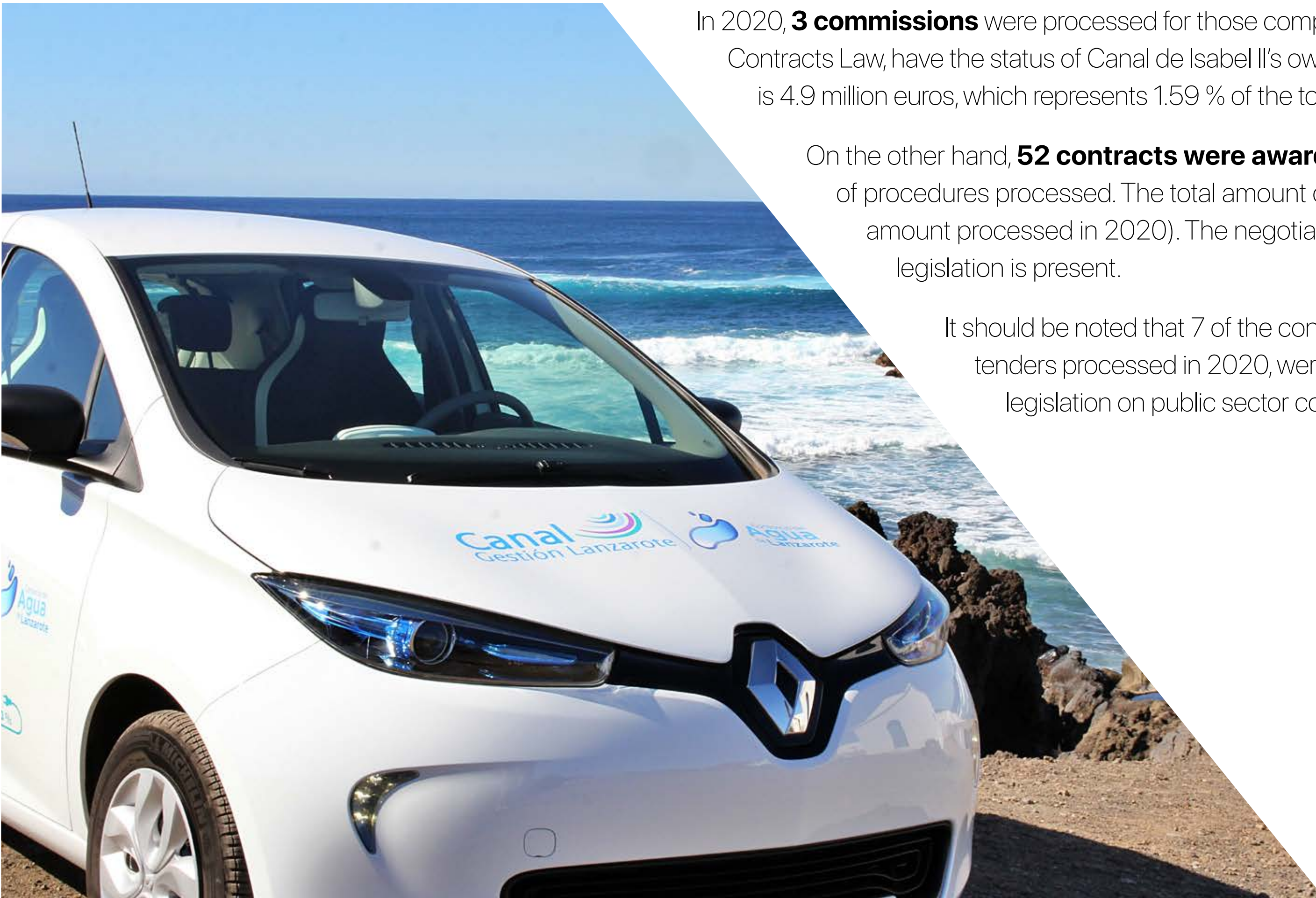




Amounts awarded by type of procedure in 2020








In 2020, **3 commissions** were processed 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 4.9 million euros, which represents 1.59 % of the total awarded amount.

On the other hand, **52 contracts were awarded using the negotiated procedure**, 25 % of the total number of procedures processed. The total amount of these procedures reached 39.9 million euros (13 % of the total amount processed in 2020). 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 3 % of the tenders processed in 2020, 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@canal.madrid](mailto:atproveedores@canal.madrid) 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.

Among other functions, the tool makes it possible to manage minor contracting for materials supply providers.

In 2020, Canal de Isabel II's average payment period to suppliers was **29.19 days**, and Canal made a total of **339,502 payments** throughout the year.



Processing of procurement dossiers in Canal

Our internal procurement procedure has the following phases:

PHASE 1: Necessity and Suitability Report	The proponent area approves a Necessity and Suitability report (INI) of the contract where it states the need to be covered and the type of procedure to be followed.	
PHASE 2: Approval of the Bidding Specifications or Invitation Letters	The Managing Director approves, on a proposal from the Contracting Sub-Directorate, the bidding specifications or the letter of invitation in the simplified and negotiated procedures.	
PHASE 3: Publication of the Tender	Tenders by open procedure of Canal de Isabel II, S.A. are published in the Procurement Portal of the Autonomous Community of Madrid (company's contractor profile) and in the corresponding official media according to the nature and amount of the contract: Official Gazette of the Autonomous Community of Madrid, Official State Gazette and Official Journal of the European Union. It is also published on the webpage of Canal de Isabel II, S.A. <a href="http://www.canaldeisabelsegunda.es">www.canaldeisabelsegunda.es</a>	The awarding and formalization of the contract, including the simplified procedures without prior tendering and negotiated procedures, are published in the Procurement Portal of the Autonomous Community of Madrid (company's contractor profile) and, in addition, the formalization of contracts exceeding 100,000 euros are published in the Official Gazette of the Autonomous Community of Madrid. Information about Canal de Isabel II, S.A. contracts is regularly sent to the Contracts Registry of the Autonomous Community of Madrid.





Processing of procurement dossiers in Canal

Our internal procurement procedure has the following phases:

<b>PHASE 4: Receipt and Analysis of the Offer</b>	<p>In this stage the Subdirectorate for Contracting reviews the administrative documentation of the offers presented by the bidders. Tenders that do not meet these requirements are not considered, and bidders are notified of this at the opening of envelopes (at the opening of the technical envelope, if awarded by a plurality of criteria, at the opening of the economic envelope, if the lowest price is awarded).</p> <p>In tendering procedures that are awarded through multiple criteria before the opening of the economic proposals, the technical envelopes are opened for the</p>	<p>purpose of proceeding to evaluate the non-quantifiable criteria through the simple application of formulas before the opening of the economic proposals.</p> <p>Finally, the public act is the opening of the economic offers of the tenders. In tendering procedures awarded on the basis of multiple criteria, the technical scores obtained before the opening of tenders are read out at a public ceremony.</p>
<b>PHASE 5: Assessment of Offers and Awarding of Contract</b>	<p>The bidding service makes the report on the offers that are incurred in the initial assumption of abnormal or disproportionate value and the final assessment report of the offers. The contracting board analyzes both reports and issues an award proposal that is raised to the contracting body awarding the contract.</p>	
<b>PHASE 6: Formalization of the Contract</b>	<p>The contract is formalized within 15 days upon notification of award of the contract and once the successful bidder has provided the corresponding guarantee.</p>	





## Status of Strategic Line 10

NFD / EBITDA: 1.03 (Target 1.24)

Savings in the purchase  
of electricity: SIEC  
created (Target met)



Mean tender time: 301 days  
(Target 330 days)

General expenses (excl. staff and  
energy expenses) / Business  
turnover: 2.58 % (Target 2.65 %)

Target  
Real





## The Canal Group



# 4. The Canal Group

GRI 102-2

**The Canal de Isabel II Group provides services in six different countries: Spain, Colombia, Brazil, Ecuador, Dominican Republic and Panama.**

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.

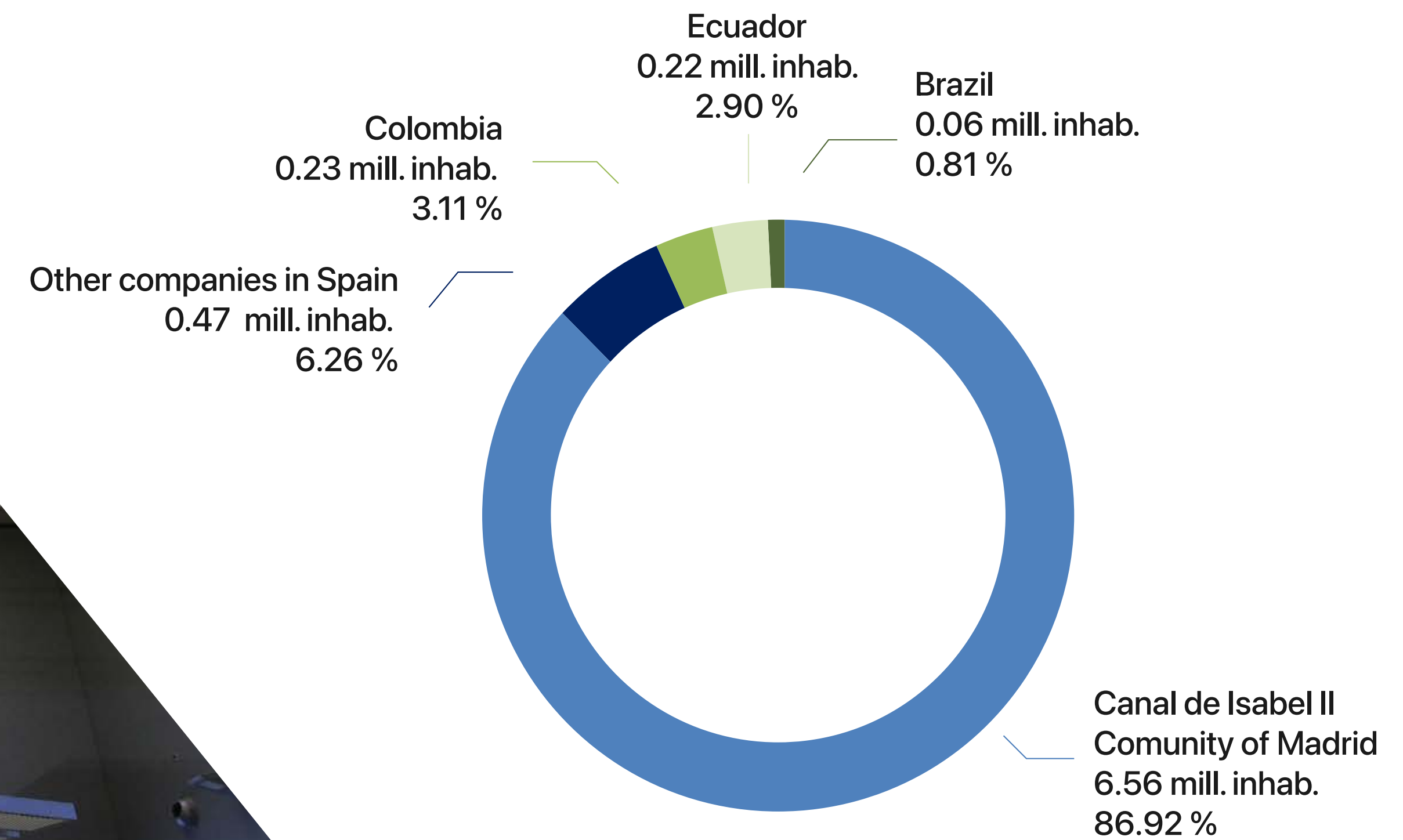
In 2020, the **Canal Group** supplied water to a total of **7.54 million people** (**7.03** in Spain and **0.51** in Latin America), and employed **4,131 workers**, in addition to generating more than **4,400 indirect jobs**. Likewise, it managed a total of **584 million cubic meters of water** (541 in Spain and 43 in Latin America) and **40,416 kilometers** of supply, sanitation and reclaimed water networks.

At year-end, it boasted nearly **1.78 million supply contracts** (83% of which are domestic) distributed throughout close to 200 municipalities, with a **99 %** degree of supply coverage.



## Population supplied by country in 2020

(millions of inhabitants and % of the total)





## 4.1. Canal Group: activities and geographical location





## 4.1. Canal Group: activities and geographical location

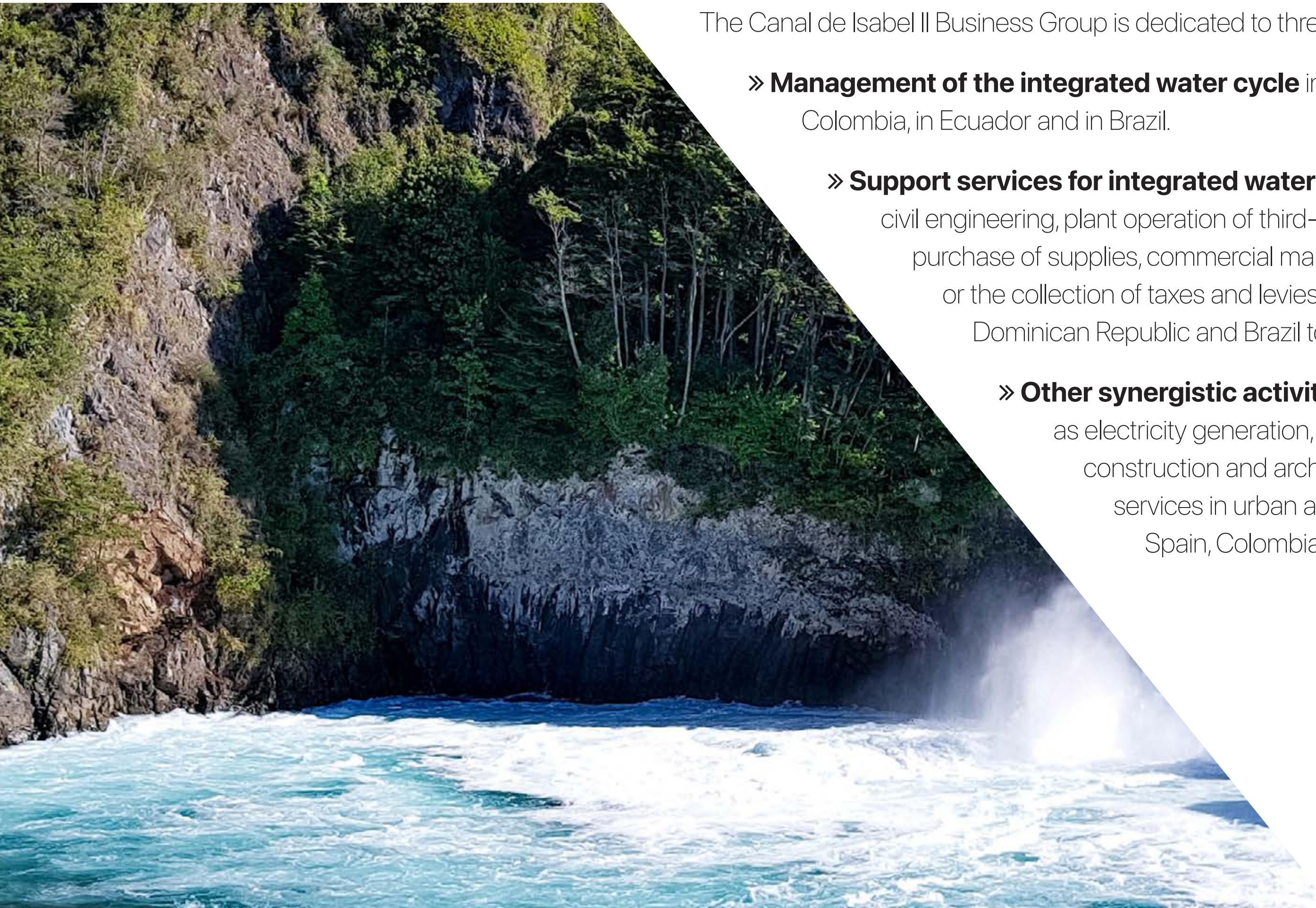
GRI 102-4

102-6

102-7

The Canal de Isabel II Business Group is dedicated to three main activities:

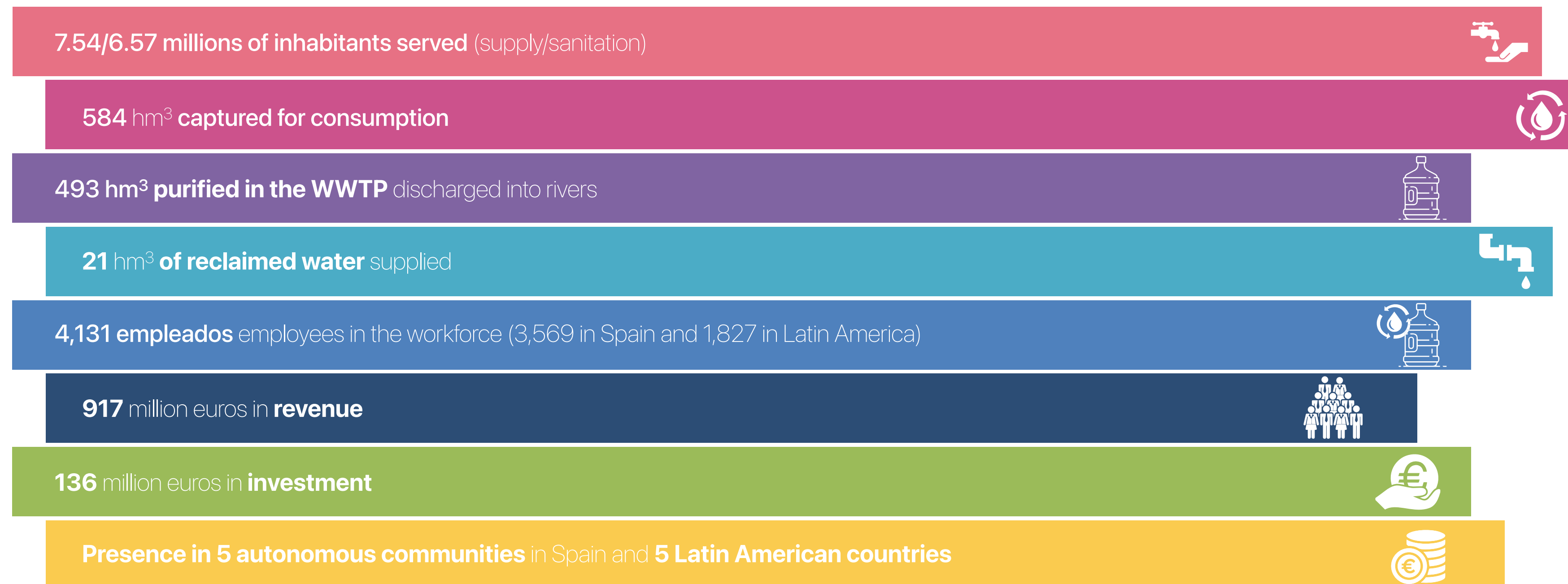
- » **Management of the integrated water cycle** in five Spanish autonomous communities, three departments in Colombia, in Ecuador and in Brazil.
- » **Support services for integrated water cycle management**, such as industry advisory and consultancy, civil engineering, plant operation of third-party companies, works for connection and meter installation, the purchase of supplies, commercial management of the water supply and sanitation, call center management or the collection of taxes and levies. The Canal Group has companies in Spain, Colombia, Panama, the Dominican Republic and Brazil to carry out these activities.
- » **Other synergistic activities related to integrated water cycle management**, such as electricity generation, telecommunications and information technology, engineering, civil construction and architecture not related to water, waste management and cleaning services in urban areas. These activities are carried out by Group companies located in Spain, Colombia, Ecuador and Brazil.





## 4.1. Canal Group: activities and geographical location

The main figures of the Canal de Isabel II Business Group at the close of 2020 were as follows





## 4.1. Canal Group: activities and geographical location

The main figures of the Canal de Isabel II Business Group at the close of 2020 were as follows

### Spain

Canal de Isabel II  
[www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es)

Canal's Delegation in Cáceres  
[www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es)

Aguas de Alcalá UTE  
[www.aguasdealcala.es](http://www.aguasdealcala.es)

Canal Gestión Lanzarote  
[www.canalgestionlanzarote.es](http://www.canalgestionlanzarote.es)

Hispanagua  
[www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es)

GSS Venture  
[www.grupogss.com](http://www.grupogss.com)

Canal de Comunicaciones Unidas  
[www.canalcom.com](http://www.canalcom.com)

Hidráulica Santillana  
[www.hidraulicasantillana.com](http://www.hidraulicasantillana.com)

Canal Extensia  
[www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es)

Ocio y deporte Canal  
[www.ocioydeportecanal.com](http://www.ocioydeportecanal.com)

### Colombia

ASAA Riohacha  
[www.asaa.com.co](http://www.asaa.com.co)

Gestus  
[www.gestus.co](http://www.gestus.co)

INASSA  
[www.grupoinssa.com](http://www.grupoinssa.com)

Amerika TI  
[www.amerikati.com](http://www.amerikati.com)

### Panama

Inassa Panamá  
[www.grupoinssa.com](http://www.grupoinssa.com)

### Dominican Republic

AAA Dominicana  
[www.aaa.com.do](http://www.aaa.com.do)

### Ecuador

AMAGUA  
[www.amagua.com](http://www.amagua.com)

Inassa Ecuador  
[www.grupoinssa.com](http://www.grupoinssa.com)

### Brazil

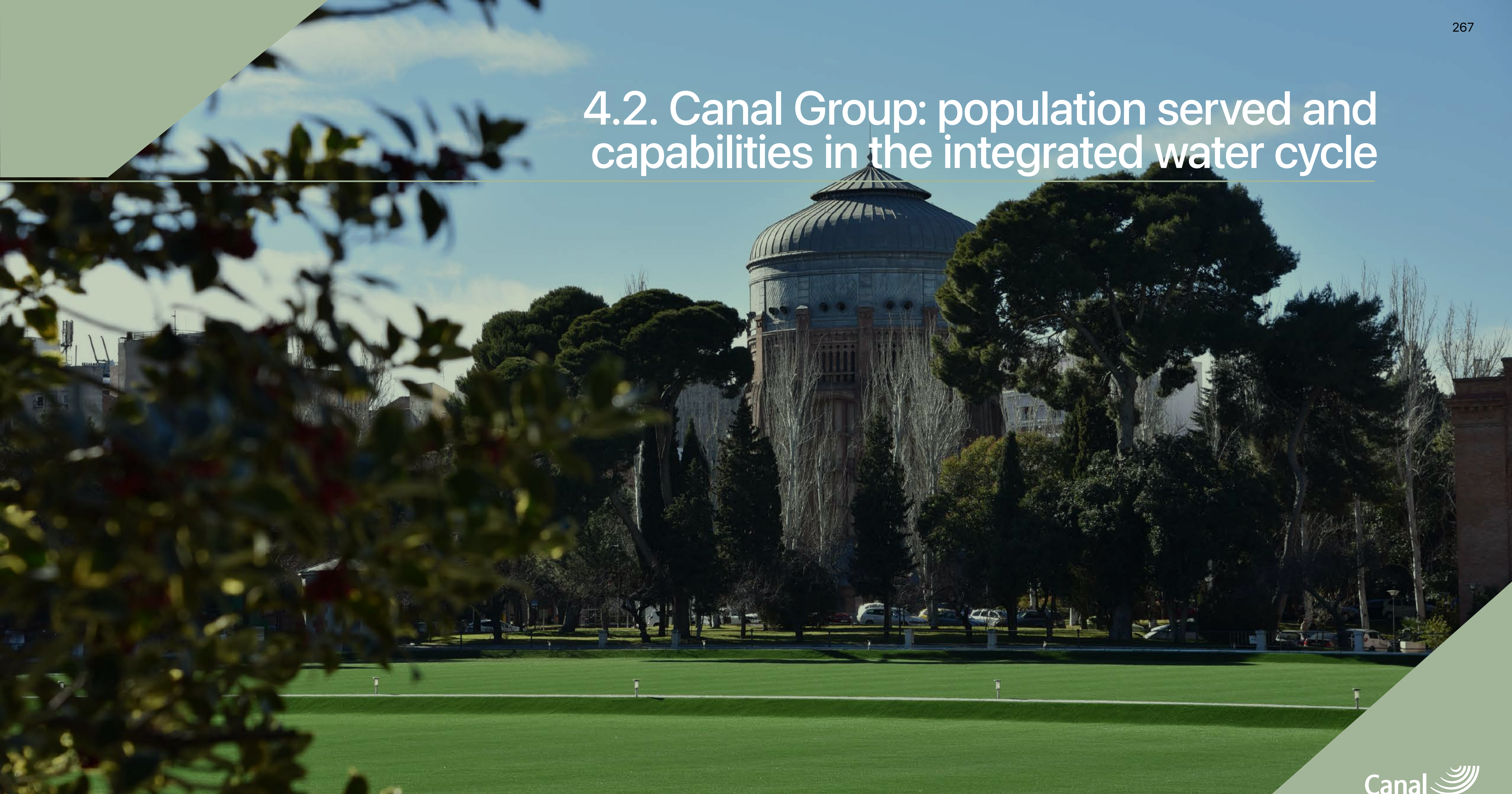
Fontes da Serra  
[www.fontesdaserra.com.br](http://www.fontesdaserra.com.br)

Emissão  
[www.emissaa.com.br](http://www.emissaa.com.br)

- Management of the integrated water cycle
- Generation of electricity
- Support services for the management of the integrated water cycle
- Telecom and information technologies
- Other activities



## 4.2. Canal Group: population served and capabilities in the integrated water cycle





## 4.2. Canal Group: population served and capabilities in the integrated water cycle

In 2020, for the provision of this type of activities, the Group had seven 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 Community of Madrid (179 municipalities), 7 municipalities of Castilla-La Mancha, 1 in Castilla y León, and 2 municipalities in Extremadura via our delegation in Cáceres.

» **Aguas de Alcalá UTE**, temporary consortium of companies in which on 31 December 2018, in addition to Canal (50 % of the shares) the company AQUALIA held the other 50 %. 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.**, which 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). It serves the population of 7 municipalities.



## 4.2. Canal Group: population served and capabilities in the integrated water cycle

» **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).

» **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 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		Purification	
	Municipalities	Population served	Municipalities	Population served	Municipalities	Population served
Community of Madrid	174	6,556,593	135	5,785,475	179	6,771,172
Castilla -La Mancha	7	13,126			1	4,540
Castilla y León	1	160				
Province of Cáceres	2	97,193	2	97,193	2	97,193
Alcalá de Henares	1	197,562	1	197,562		
Lanzarote and La Graciosa	7	164,292	7	116,390	7	116,390
<b>Total, Spain</b>	<b>192</b>	<b>7,028,926</b>	<b>145</b>	<b>6,196,620</b>	<b>189</b>	<b>6,989,295</b>



Population and municipalities served in Latin America

	Supply		Sewerage		Purification	
	Municipalities	Population served	Municipalities	Population served	Municipalities	Population served
Colombia: Riohacha	1	234,286	1	200,956		
Ecuador: Samborondón and Daule	2	218,784	2	171,168	2	171,168
Brazil: Guapimirim	1	61,388				
TOTAL, LATIN AMERICA	4	541,458	3	372,124	2	171,168
TOTAL, CANAL GROUP	196	7,543,384	148	6,568,744	191	7,160,463



Canal Group: Technical information at year-end 2020

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



Canal Group: Technical information at year-end 2020

Supply	Spain	Latin America	Total Group
Treatment capacity in millions of cubic meters per day	4.76	0.06	4.82
Kilometers of supply networks managed	20,123	1,187	21,310
Number of municipalities served in supply	192	4	196
Population served in supply (millions of inhabitants)	7,03	0,51	7,54
Quality of drinking water (% samples that are compliant)	97	97	97



## Canal Group: Technical information at year-end 2020

Kilometers of sewerage network managed	16,585	762	17,346
Number of wastewater pumping stations (WWPS) managed	212	115	327
Number of wastewater treatment plants (WWTP) managed	168	98	266
Design flow of the WWTP (hm <sup>3</sup> /day)	3.02	0.05	3.07
Number of municipalities served in sewerage management	145	3	148
Population served in sewerage (millions of inhabitants)	6.20	0.37	6.57
Number of municipalities served in wastewater purification	189	2	191
Population served in wastewater purification (millions of inhabitants)	6.99	0.17	7.16



Canal Group: Technical information at year-end 2020

Reuse	Spain	Latin America	Total Group
Number of wastewater reclaiming plants	37	19	55
Kilometers of reclaimed water network managed	968		968
Number of municipalities provided reclaimed water supply services	30	2	32
Volume of reclaimed water produced in 2020 (millions of cubic meters)	129	5	134





## 4.3. Canal Group: companies with other activities





## 4.3. 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 meters, purchase of supplies for water supply, commercial management of supply and sanitation, call center management or collection of fees and taxes.

To carry out these activities, at the end of 2018 the Group had companies in Spain, Colombia, 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 off-shoot of Hidráulica Santillana. Its main objective is the construction, maintenance and operation of infrastructures related to water management, the operation of DWTP and WWTP and the provision of commercial services, such as connection works or the installation of meters. According to Spanish public sector contract law, this is Canal's own medium, so that practically all of its business activity is carried out for the Group's parent company in Spain.



## 4.3. Canal Group: companies with other activities

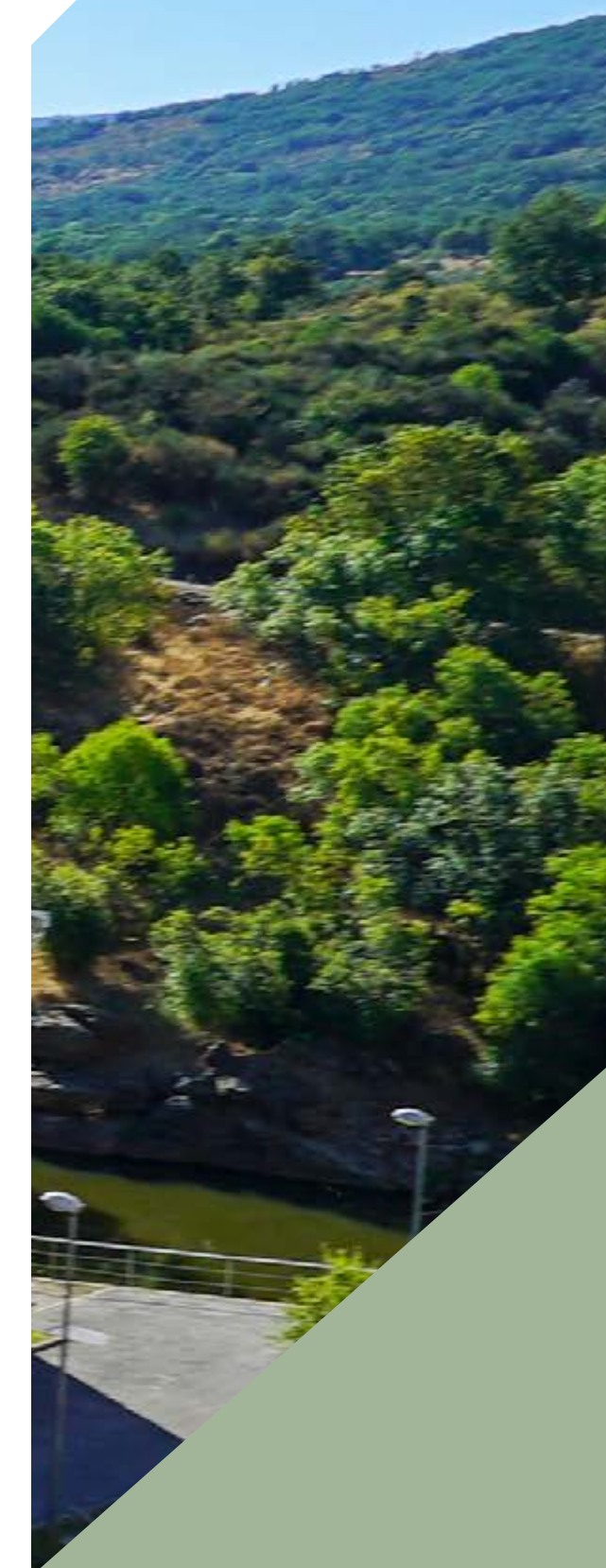


» **Sociedad Interamericana de Aguas y Servicios S.A. (INASSA)**, acquired in December 2001, was incorporated in 1996 as a company engaged in providing services related to the integrated water cycle in Colombia and other Latin American countries. Inassa offers consulting services in public utilities 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 commercialization 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 center services, document management and messaging services.

» **AAA Dominicana S.A.**, which began its operation in the Dominican Republic with the contract for commercial management and installation of meters in the western area of the city of Santo Domingo to serve a population of almost 1.5 million inhabitants. In recent years AAA Dominicana, S.A. has achieved significant growth by expanding its services in the commercial management of water services.





## 4.3. Canal Group: companies with other activities

» **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.

» **GSS Venture, S.L.** is a company in which Canal de Isabel II holds a 25 % minority share. Its corporate purpose is providing telemarketing and customer service services, developed through the telephone network or any other telematic means. GSS is the company that currently handles Canal de Isabel II's customer service call center.

» **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.





## 4.3. Canal Group: companies with other activities

### Other group companies: synergistic activities with the integrated 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 hydroelectric power generation; telecommunications and information technology; waste management and urban cleaning; and engineering and construction. These activities are carried out by Group companies located in Spain, Colombia and Brazil:

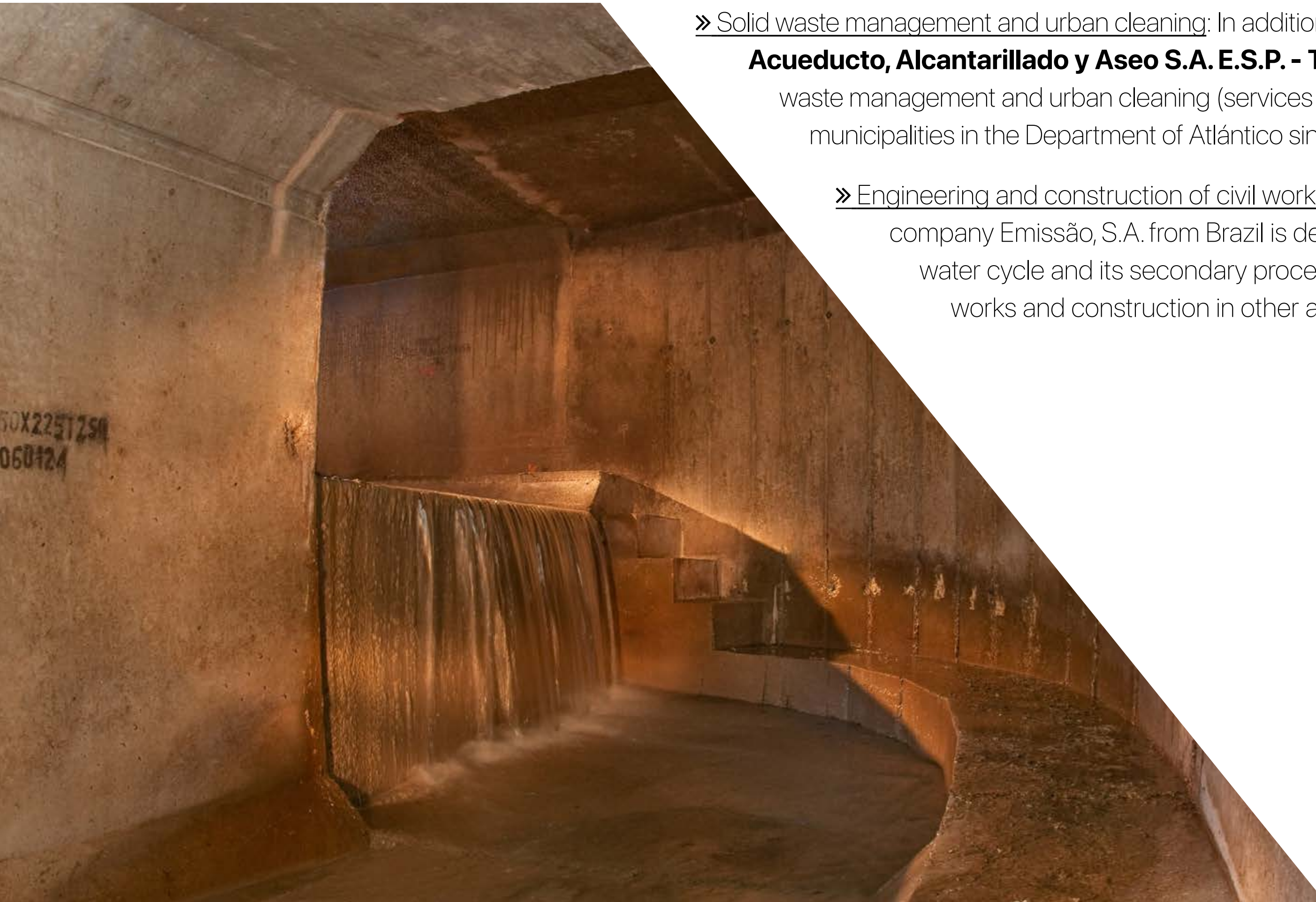
» Hydroelectric power production: **Hidráulica Santillana S.A.U.** was acquired in 1965 by Canal de Isabel II from the company with the same name. The company was split in 1995, separating the activities related to the integrated water cycle (for which Hispanagua was created) from energy production activities. The company's main activity is the operation of nine hydroelectric power plants, with a total installed capacity of 35.52 megawatts. These plants take advantage of the waterfalls existing in Canal de Isabel II reservoirs in the Autonomous Community of Madrid.

» Information technology and telecommunications: **Canal de Comunicaciones Unidas, S.A.U.** (CCU) is a company wholly owned by the Canal Group and dedicated to the information technology and telecommunications sector. CCU's primary client is Canal de Isabel II, and it currently has a portfolio of other clients to which it renders mobile communications services, such as the Autonomous Community of Madrid.



## 4.3. Canal Group: companies with other activities

- » 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 (services called "sanitation") 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 Canal Group in 2013, the company Emissão, S.A. from Brazil 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.





## 4.3. Canal Group: companies with other activities

### Other activities

In addition to operating companies with personnel, Canal Group has four 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 Emissão.

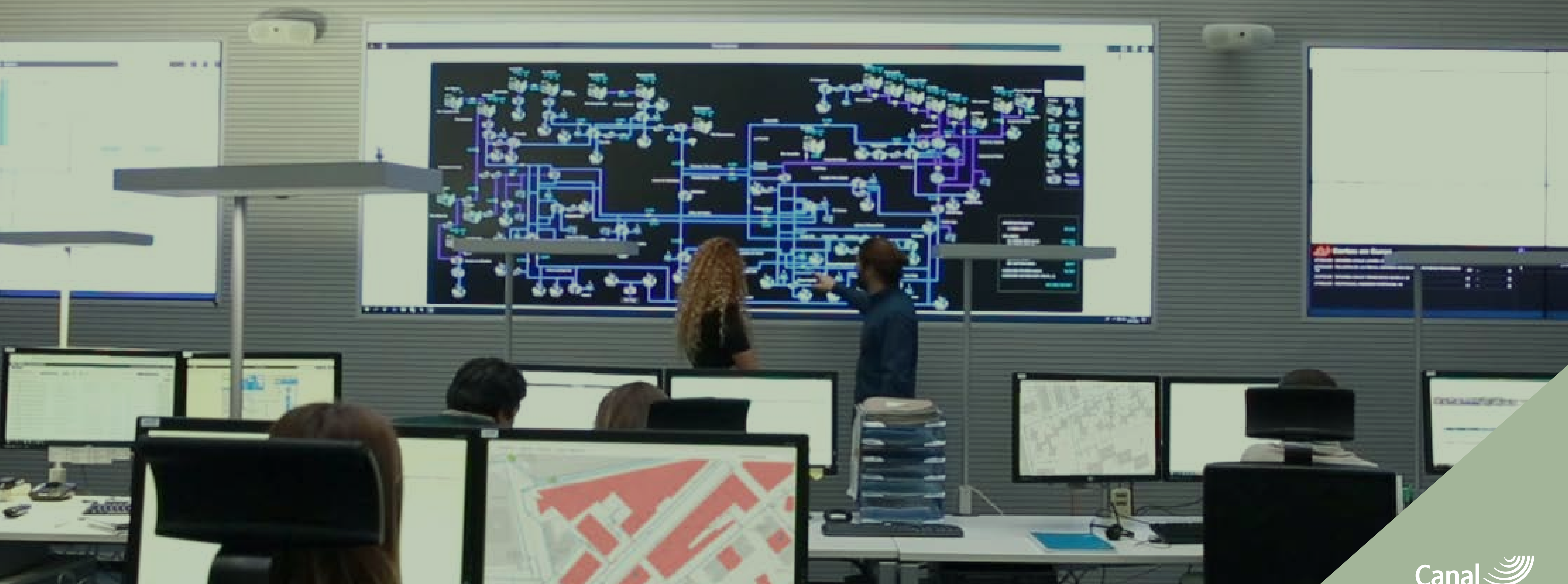
» **AAA Ecuador**, located in Ecuador, holds 70 % of the shares of Amagua.

» **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 en-hancement 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 which offer an added value for their users.





## 4.4. Workforce of the Canal Group companies





## 4.4. Workforce of the Canal Group companies

GRI 102-8

401-1

At year-end 2020, the aggregate workforce of all Group companies with their own activity and personnel was **4,131 people** in 6 countries. Of them, **3,479** worked in Spain and **652** in Latin America. The parent company's (Canal de Isabel II, S.A.) workforce accounts for 84% of the Group's total.

### Spanish companies

### Total

#### Canal de Isabel II

(Madrid and delegation in Cáceres)

2,924

#### Aguas de Alcalá UTE

73

#### Canal Gestión Lanzarote

239

#### Hispanagua

158

#### Hidráulica Santillana

17

#### Canal de Comunicaciones Unidas

54

#### Ocio y Deporte Canal, S.L.

9

#### Canal Extensia, S.A.U.

5

### TOTAL SPAIN

**3,479**

### Latin american countries

### Total

#### INASSA

15

#### ASSA (Colombia)

107

#### GESTUS (Colombia)

0

#### Amérika TI (Colombia)

40

#### Amagua (Ecuador)

85

#### AAA Dominicana (Dominican Republic)

274

#### Emissão y Fontes da Serra (Brazil)

131

### TOTAL LATIN AMERICA

**652**



## 4.4. Workforce of the Canal Group companies

### Group's workforce by position

(people)

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Management staff	111	29	42	182
Management support staff	336	7	29	372
Post-graduate degree holders	323	38	63	424
Undergraduate degree holders	172	21	14	207
Middle managers	136	28	31	195
Technicians	272	60	26	358
Administrative and auxiliary staff	630	76	167	873
Office staff	944	296	280	1,520
<b>TOTAL</b>	<b>2,924</b>	<b>555</b>	<b>652</b>	<b>4,131</b>

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

## Canal Group workforce according to contract, sex and age

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America
Total number of workers	2,924	555	652
Interns and trainees	25	3	13
ACCORDING TO WORKDAY TYPE			
Full-time	2,838	531	628
Part-time	86	24	24
ACCORDING TO CONTRACT TYPE			
Indefinite	2,048	423	612
Temporary	790	115	40

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

## Canal Group workforce according to contract, sex and age

ACCORDING TO GENDER	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America
Female	962	104	193
Male	1,962	451	459
EMPLOYEES WITH DISABILITIES			
Workers with some degree of disability	76	11	3
EXTERNAL WORKERS			
No. of external workers	4,086	159	208

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

## Canal Group workforce according to contract, sex and age

BREAKDOWN PERMANENT PERSONNEL	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America
<b>Gender</b>			
Male	1,498	354	423
Female	636	78	189
<b>Age</b>			
Under 30 years of age	113	2	184
Between 30-50 years of age	1,216	255	359
Over 50 years of age	805	175	69

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

## Canal Group workforce according to contract, sex and age

BREAKDOWN TEMPORARY PERSONNEL	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America
<b>Gender</b>			
Male	464	92	33
Female	326	23	7
<b>Age</b>			
Under 30 years of age	430	28	9
Between 30–50 years of age	319	68	25
Over 50 years of age	41	19	6

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.4. Workforce of the Canal Group companies

GRI 202-1   202-2   405-2

### Canal Group Remuneration by country in euros

	Spain	Brazil	Colombia	Ecuador	Dominican Rep.
Starting entry-level annual salary	19,078	2,128	2,499	4,206	3,276
Annual interprofessional minimum wage in the country	13,300	2,128	2,499	4,206	3,276
Starting annual salary interprofessional minimum wage [%]	143	100	100	100	100

### AVERAGE YEARLY PAY BY SEX AND PROFESSIONAL CATEGORY

#### Female

Management	67,966		7,422	33,842	78,134
Management support staff	50,739		4,146	12,391	12,982
Post-graduate degree holders	44,735		1,153	8,742	6,648
Undergraduate degree holders	30,478	10,882	632	6,834	11,628
Middle managers	33,908	11,429	283		3,901



## 4.4. Workforce of the Canal Group companies

### Canal Group Remuneration by country in euros

	Spain	Brazil	Colombia	Ecuador	Dominican Rep.
Technicians	28,542	4,076	303	13,669	4,974
Administrative and auxiliary staff	23,719	4,571	2,289	5,344	3,261
Office staff	19,802	2,837	727		
<b>Male</b>					
Management	109,526	11,287	8,601	38,230	74,433
Management support staff	61,859		8,128	15,177	6,963
Post-graduate degree holders	36,557		1,014	9,836	6,300
Undergraduate degree holders	30,450	5,667	510	5,783	7,442
Middle managers	40,816	5,353	7,632		3,879



## 4.4. Workforce of the Canal Group companies

### Canal Group Remuneration by country in euros

	Spain	Brazil	Colombia	Ecuador	Dominican Rep.
Technicians	32,131		338	11,478	3,508
Administrative and auxiliary staff	25,614	4,170	1,718	5,294	2,949
Office staff	25,978	3,032	5,974	5,362	2,641

### AVERAGE YEARLY PAY BY AGE

Under 30 years of age	22,745	2,938	2,075	5,872	2,581
Between 30-50 years of age	31,850	3,740	11,138	10,681	4,768
Over 50 years of age	31,564	3,327	3,984	7,903	21,971



# 4.4. Workforce of the Canal Group companies

## Collective Agreements and Union Representation

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Personnel covered by company's own collective agreement	2,796	151	0	2,947
Personnel covered by sectoral collective agreement	93	398	131	622
Personnel not covered by agreement	35	6	436	477
Employees adhered to union organizations	521	122	30	673

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

GRI 404-1

## Average hours of training according to duties and gender

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
MANAGEMENT				
Male	46	31	81	42
Female	60	31	36	44
Total	51	31	55	43
MANAGEMENT SUPPORT STAFF				
Male	56	28	14	52
Female	61	42		56
Total	58	35	14	53

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.4. Workforce of the Canal Group companies

### Average hours of training according to duties and gender

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
<strong>POST-GRADUATE DEGREE HOLDERS</strong>				
Male	53	18	25	46
Female	56	22	26	50
Total	55	20	26	48
<strong>UNDERGRADUATE DEGREE HOLDERS</strong>				
Male	43	25	14	39
Female	48	30	15	44
Total	45	28	14	41

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

## Average hours of training according to duties and gender

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
MIDDLE MANAGERS				
Male	17	20	23	18
Female	23	29	25	25
Total	18	22	24	20
TECHNICIANS				
Male	37	12	5	29
Female	54	62	20	53
Total	43	14	7	37

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.4. Workforce of the Canal Group companies

### Average hours of training according to duties and gender

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
<b>ADMINISTRATIVE AND AUXILIARY STAFF</b>				
Male	31	16	18	26
Female	33	26	23	31
Total	32	23	22	29
<b>TRADE STAFF</b>				
Male	20	24	8	18
Female	20	4		19
Total	20	23	8	18

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

GRI 404-1

## Average hours of training according to duties and gender

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Total hired	420	49	16	485
Male	247	43	12	302
Female	173	6	4	182
Under 30 years of age	228	14	13	255
Between 30-50 years of age	180	34	2	216
Over 50 years of age	12	3	1	16

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

## Average hours of training according to duties and gender

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Total resigned/dismissed	342	187	1,047	1,576
Male	207	158	847	1,122
Female	135	29	200	364
Under 30 years of age	165	21	10	196
Between 30-50 years of age	119	122	37	278
Over 50 years of age	58	44	5	107

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.4. Workforce of the Canal Group companies

Canal Group Workforce Turnover by age and sex

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Voluntary dismissals	25	16	40	81
Male	13	13	32	58
Female	12	3	8	23
Under 30 years of age	16	2	3	21
Between 30-50 years of age	9	14	16	39
Over 50 years of age	0	0	0	0

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.4. Workforce of the Canal Group companies

GRI 403-3

### Canal Group Information on Prevention by age and sex

OCCUPATIONAL ACCIDENTS AND ILLNESSES	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Total number of workers exposed to occupational risks	2,803	540	652	3,995
Work accidents in labore (excluding <i>in itinere</i> )	78	63	4	145
Accidents with leave (excl. <i>in itinere</i> )	47	32	3	82
Average duration (days)	12	11	3	12
Days lost	956	716	12	1,684
Frequency rate of accidents with sick leave	10	29	3	12
Frequency rate of total accidents (excl. <i>in itinere</i> )	17	56	4	22
Severity rate	0.21	0.64	0.01	0.25
Accident incidence index with leave (excl. <i>in itinere</i> )	1,676.51	5,927.13	460.12	2,052.40

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.4. Workforce of the Canal Group companies

### Canal Group Information on Prevention by age and sex

OCCUPATIONAL ACCIDENTS AND ILLNESSES	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Fatalities (Number)			2	2
No. of cases of work-related illnesses				
Rate of work-related illnesses				
<b>HOURS WORKED</b>				
Hours worked	4,591,297	1,121,511	980,756	6,693,564
Total hours worked by employees with indefinite contracts	3,251,381	844,100	980,646	5,076,126
Total hours worked by employees with temporary contracts	1,339,917	277,411	110	1,617,438

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.4. Workforce of the Canal Group companies

### Canal Group Information on Prevention by age and sex

ABSENTEEISM	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Absenteeism	210,392	42,333	17,100	269,825
Hours lost due to absenteeism of employees with indefinite contracts	160,416	28,122	17,100	205,638
Hours lost due to absenteeism of employees with temporary contracts	49,976	12,211		64,187
Total absenteeism	5	4	2	4
Absenteeism of employees with indefinite contracts	4.93	1.74	3.33	4.05
Absenteeism of employees with temporary contracts	4	5	0	4

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data





## 4.5. Canal Group operational data

### Supply

NATURAL CONTRIBUTIONS OF RIVERS	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Grupo
Natural contributions (hm <sup>3</sup> )	650		98	748
<b>SURFACE CATCHMENTS</b>				
Number of reservoirs or river or sea surface catchment	15	6	2	23
Capacity of reservoirs and/or surface catchments (hm <sup>3</sup> )	963	1.89	37,84	1,003
Number of waterwheels	6	1		7
<b>GROUNDWATER CATCHMENTS</b>				
Number of groundwater catchments in operation	79			79
Capacity of groundwater catchments (hm <sup>3</sup> )	93			93

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Supply

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Grupo
<b>WATER DIVERTED FOR CONSUMPTION</b>				
Water diverted for consumption (hm <sup>3</sup> )	497.85	42.94	42.76	583.55
<b>TREATMENT</b>				
DWTP inflow volume (hm <sup>3</sup> )	514	64	24	601
Treated water volume (hm <sup>3</sup> )	513	28	23	565
Number of drinking water treatment plants	15	5	2	22
Treatment capacity (hm <sup>3</sup> / day)	4.60	0.17	0.07	4.83
Number of rechloramination or rechlorination facilities	75	1	1	77

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Supply

DISTRIBUTION	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Grupo
Number of major pipelines	23			23
Number of large forebays	34	2		36
Storage capacity of large reservoirs (hm³)	0.04	0.03		0.07
Number of small reservoirs	303	67	5	375
Storage capacity of small reservoirs (hm³)	0.55	0.11	1.51	2.17
Number of large lifting plants	25	4		29
Number of small lifting plants	111	26	3	140

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Sewerage

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Number of WWPS	134	115	78	327
Number of laminators and storm tanks managed	65	4		69
Capacity of storm tanks managed (hm³)	1.48	0.01		1.49
Spillways and overflow weirs in the entire sewerage system	874	0	54	928

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Waste water treatment

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Number of wastewater treatment plants	160	8	100	268
Treated volumed in WWTP (hm³)	489.10	4,94	16.88	510.92
Treated volume versus volume diverted for consumption (%)	100	19	96	80
Design flow(hm³ / day)	2.42	0.02	0.05	2.49

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Reuse

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Reclaimed water plants in service	32	5	19	56
Number of reclaiming tanks in service	64	4	0	68
Volume of reused water (hm³)	13.14	2.34	5,2	20.68
Total irrigated surface area [ha.]	2,915	755	0	3,308
Reclaimed water discharged into rivers (hm³)	113	0,4	0	113.4

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Supply network efficiency

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Water measured in final users (%)	86	55	45	81
Estimation of actual losses in networks (%)	3	41	20	6
Hidden losses in the distribution network (%)	2	10	4	2
Self-consumption percentage	0.68	0.45	0.48	0.65

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Breakage in the supply network

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Breakage rate for every 1000 km	98	5,639	311	632
Breakage rate for every 1000 connections	6	34	36	10

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Electrical energy consumption and production

Electricity consumption by activity (kWh)	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Supply	201,247,311	110,691,572	1,034,760	312,973,643
Sanitation	306,974,972	7,257,077	8,495,673	322,727,722
Other areas	25,597,401	3,052,796	932,045	29,582,242
<b>TOTAL CONSUMPTIONS</b>	<b>533,819,684</b>	<b>121,001,445</b>	<b>10,462,478</b>	<b>665,283,607</b>
Electricity consumption per m <sup>3</sup> of diverted water	1.04	2.76	0.23	1.11
<b>Electricity production (kWh)</b>				
Self-consumption	123,809,644			123,809,644
Sold to the grid	254,987,894			254,897,894
<b>TOTAL PRODUCTION</b>	<b>363,958,699</b>			<b>363,958,699</b>

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Fossil Fuel Consumption

#### Fuel consumption in heating: buildings and facilities

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Natural gas in building furnaces (m³)	70,600			70,600
Natural gas in building furnaces	99,588			99,588

#### Fuel consumption in processes

Gasoil generators (liters)	18,474	1,587	1,118	21,179
Natural gas in cogeneration (kWh PCS)	536,253,773			536,253,773

#### Fuel consumption in automobiles

Gasoil consumption in vehicles and machinery (liters)	553,579	352,264	75,263	1,207,397
Gasoil consumption in vehicles (liters)	81,405	20,877	77,122	730,545
LPG consumption in vehicles (liters)	0	2,383		2,967

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Use of reagents (tons)

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Drinking water supply reagents	27,412	1,444	465	29,321
Wastewater purification reagents	33,655	885	84	34,624
<b>TOTAL</b>	<b>61,067</b>	<b>2,329</b>	<b>549</b>	<b>63,945</b>

### Waste production (kilograms)

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Non-hazardous waste	33,199,562	2,790,293	223,143	36,212,999
Hazardous waste	362,290	11,555	3,542	377,387
<b>TOTAL</b>	<b>33,561,852</b>	<b>2,801,848</b>	<b>226,685</b>	<b>36,590,385</b>

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Paper consumption (kilograms)

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
<b>Internal paper consumption</b>	<b>14,634</b>	<b>2,391</b>	<b>17,872</b>	<b>34,897</b>
<b>Administrative and management activities</b>	<b>12,338</b>	<b>2,379</b>	<b>10,327</b>	<b>25,043</b>
Plain paper (virgin fiber)	4,739	232	9,862	<b>14,888</b>
Recycled paper	7,544	2,147	464	<b>10,156</b>
<b>Commercial activities and other</b>	<b>2,296</b>	<b>12</b>	<b>7,545</b>	<b>9,853</b>
Envelopes	35	5	118	<b>157</b>
Plain paper (virgin fiber)	1,862	7	7,427	<b>9,296</b>
Recycled paper	400			<b>400</b>

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Paper consumption (kilograms)

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
External paper consumption	106,774	3,282	3,360	113,416
Envelopes	59,848	1,850		61,699
Plain paper	46,926	1,432	3,360	51,717

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Expenses and investments in CSR (in euros)

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Customer CSR actions (social rates)	8,184,991	177,516	651,402	<b>8,923,908</b>
Employee CSR (employee social benefits)	507,626	42,425	1,273,336	<b>1,823,387</b>
Actions related to culture, sports, education and cooperation (including Fundación Canal)	4,203,403	0	86,291	<b>4,289,695</b>
Social infrastructure maintenance expenses	2,526,730			<b>2,563,720</b>
<b>TOTAL CSR EXPENSES</b>	<b>15,422,750</b>	<b>219,941</b>	<b>1,921,029</b>	<b>17,563,720</b>
Investment in social and environmental infrastructure	657,020			<b>657,020</b>

\*Canal de Isabel II, including its delegation in Cáceres.



# 4.5. Canal Group operational data

## Invoice claims

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Number of invoices issued	9,214,816	752,674	1,156,018	11,123,508
Percent of claims received regarding invoices issued	0.29	0.37	0.23	0.29
Percentage of claims resolved in favor of the customer	86	77	56	71

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Statistics of claims received and resolved

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
<b>Complaints received</b>	9,227	176	18,032	<b>27,435</b>
<b>Type of complaints resolved</b>				
Accessibility and usability (Virtual Office)	139		2	<b>141</b>
Information	590	1	2	<b>591</b>
Customer/Citizen service	76	12	3	<b>91</b>
Administrative procedures	2,222	5	15	<b>2,242</b>
Economic disagreement	713	8		<b>721</b>

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.5. Canal Group operational data

### Statistics of claims received and resolved

	Canal de Isabel II*	Other subsidiaries, Spain	Subsidiaries, Latin America	Group
Service rendered	3,433	67	2,779	6,279
Water quality	549	3	90	642
Environmental, safety, health, etc.	25	29	1,972	2,026
Cancelled	787		18,032	787
Transferred to Customer Ombudsman	N/A			27,435
<b>TOTAL COMPLAINTS RESOLVED</b>	<b>8,534</b>	<b>125</b>	<b>4,861</b>	<b>13,520</b>

\*Canal de Isabel II, including its delegation in Cáceres.



## 4.6. Consolidated Group results in 2020





## 4.6. Consolidated Group results in 2020

### Consolidated financial figures for Canal Group (millions of euros)

<b>BUSINESS TURNOVER (MILLIONS OF EUROS)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Ordinary income	916.73	964.68	1,076.45
EBITDA	311.39	355.82	384.87
Depreciation	(130.71)	(128.77)	(128.50)
Operating income	196.52	237.42	258.39
Financial result	(30.61)	(17.64)	(44.53)
Consolidated net income	171.18	226.70	201.76
<b>OTHER FINANCIAL INDICATORS</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
EBITDA/Business turnover (%)	33.97 %	36.14 %	35.75 %
Average collection period, Canal de Isabel II (days)	50.48	49.28	52.65
Average payment period, Canal de Isabel II (days)	29.19	33.88	39.52



## 4.6. Consolidated Group results in 2020

The Group stopped consolidating **Triple A de Barranquilla** during 2018, as a result of the loss of control of this subsidiary. Therefore, the consolidated income statement for 2018 includes company profits from January to August, as well as the effects of its deconsolidation, while the statements from 2019 and 2020 does not include profits associated with this company. This has a significant impact on the group's consolidated results, as Triple A de Barranquilla is the Canal Extensia Group's main company.

Furthermore, the euro exchange rate was revised, with respect to foreign currencies in which the Group operates with respect to 2019, with the exception of the USD, which is maintained. This implied a decrease in the value of income and operating costs of activities carried out in a foreign currency. Due to the small percentage of these activities in the Group, the impact has not be significant for the consolidated figures. However, the devaluation of the Colombian peso (-13 %) and the Brazilian real (-29 %) with respect to the euro has had a significant impact on the group's financial heading as it results in significant negative exchange differences.



## 4.6. Consolidated Group results in 2020



The companies of the Canal Group Extensia have significant liabilities due to the loans granted between group companies in dollars and euros, which have resulted in negative exchange differences when the currency of its liabilities was revaluated against the currency in which they operate.

The Group's **consolidated ordinary income** decreased 6.9 % as a result of the income of the Parent Company (-33.9 million euros) and the subsidiaries of Canal Gestión Lanzarote Group (-6.2 million euros) and Emissão (-19.9 million euros), primarily due to the impact of COVID-19 on the business of these companies.

The income provided by the Parent Company, 93.1 % of the consolidated income, decreased with the drop of invoiced water by 2.77 %, primarily due to the effect on consumption in the declaration of the State of Alarm in the month of March due to the COVID-19 crisis and climatological impact, as natural contributions increased 40 % with respect to 2019, which have an inverse relationship with demand.

The limitations on mobility and other restrictions on economic activity results from the pandemic have led to a decrease in commercial and industrial consumption of nearly 20 % with respect to 2019. Even though it has been partially offset by the 2.88 % domestic consumption increase, it caused a decrease in invoicing in blocks 2 and 3, with the highest unit price. As a result, the drop in turnover is greater than that of consumption with the average rate per cubic meter invoiced also down.



## 4.6. Consolidated Group results in 2020

It is important to recall that 2019 was a record year for the Parent Company's invoicing, since it was a very dry year until November, and the fact that rates had remained frozen in 2020 for the fifth consecutive year. In addition, Canal has applied temporary rebates to the rates to alleviate the impact of the pandemic which amounted to 4.5 million euros, with the total discounts applied in the year standing at 8.2 million euros, versus the 3.5 million in 2019.

Regarding the decreased income of Canal Gestión Lanzarote, the reduction of tourism in Lanzarote, a result of the impact of the pandemic, halted the tourism and industrial sector of the island, thereby reducing the consumption of this category of clients by 30 % with respect to 2019. As a result, the water invoiced was down 8.5 %, which was partially offset by the increase of domestic consumption, and the mean rate was also down with the fall in tourism and industry consumption, which are groups with higher average rates.

Finally, in 2020, as a result of the measures to mitigate the impact of COVID-19 in Brazil mentioned above, Emissão was not able to renew the contracts that expired during the year, nor, as a result of the irregular registration of the Company the CEIS, on behalf of CEDAE and brought to court, has it been able to continue its commercial activity. This, together with the effects of the pandemic, resulted in the company having only residual business in the last months of the year. This has significantly impacted the company's business volume, decreasing business turnover by 85 % with respect to the previous year, from 22.9 million euros in 2019 to 3.5 million euros in 2020.



## 4.6. Consolidated Group results in 2020



The operating expenses that form part of **EBITDA** decreased 3.7 %, which is a smaller drop than that of business turnover. Given that the management of the integrated water cycle is the main activity of the Group, for which the operation and maintenance of a large volume of infrastructure and facilities is necessary, its fixed cost structure carries more weight than other sectors and, therefore, the operating costs are less sensitive to variations in business volume. Likewise, we should take into consideration that the rates applied by Canal and Canal Gestión Lanzarote were not increased in 2020, while the companies did support the increase of the costs of its own personnel and contractors, as well as upgrades to ensure compliance with new, stricter standards.

In addition, the Group has made exceptional efforts to guarantee the provision of the essential service of integrated water cycle management while also guaranteeing the safety of its employees during the pandemic. The different measures implemented by Group companies, such as reinforcement of its own staff and contractors, the purchasing of personal protective equipment, the launch of the VIGÍA System and the reinforcement of cleaning and disinfection work, as well as the reinforcement of IT systems, has resulted in an increase in operating expenses compared to previous years.

**EBITDA** has fallen 67.9 million euros, down 12.5 with respect to 2019 as a result of decreased activity, with operating profitability down to 33.97 % from 36.14 % since income shrunk at a larger percentage than operating expenses.



## 4.6. Consolidated Group results in 2020

In terms of the financial result, it was also down significantly from the previous year due to the impact of the exchange rate differences mentioned previously, and was negative in both years. In 2020, the net impact was -19.1 million euros (-5.5 million in 2019) as a result of the devaluation of the Brazilian real (-29 %) and the Colombian peso (-13 %) versus the euro.

At year-end 2020, the Group recorded a corporate tax income of 2.4 million euros (6.8 million euros in 2019) following the registration of deduction and activation of negative tax bases. The decrease with respect to the previous year is the result of the lower deductions obtained in the Canary Islands due to the investment in fixed assets and lesser activation of negative tax bases in the Canal Extensia Group in 2020.

The consolidated **net income** was down by 58.3 million euros with respect to 2019 as a result of the aforementioned events.



## 4.6. Consolidated Group results in 2020

### Segmented economic information

2020				2019			
(millions of euros)	Canal de Isabel II	Spanish Subsidiaries	Canal Extensia Group	(millions of euros)	Canal de Isabel II	Spanish Subsidiaries	Canal Extensia Group
Ordinary income	853.07	31.20	32.46	Ordinary income	887.01	38.06	59.62
EBITDA	315.04	(2.37)	(1.28)	EBITDA	350.22	5.93	(0.33)
Consolidated net income	199.71	(10.00)	(18.54)	Consolidated net income	241.31	(1.36)	(13.25)

Canal's contribution accounts for 93.1 % of the total consolidated income, 101.2 % on EBITDA and 118.6 % on the result. As mentioned previously, the Parent Company's contribution with respect to the 2019 in terms of the consolidated result decreased as a result of the fall in invoiced water.

Spanish subsidiaries also had a lower contribution to the consolidate result, negative by a significant amount in 2020, primarily as a result of COVID-19 on activity in Lanzarote and the losses this caused for the subsidiary.

Final the Canal Extensia Group contributes losses to the result, affected by the decrease of its activity in recent years and the loss of control of Triple A in Barranquilla in 2018. The contribution is more negative that in 2019 due to the negative net exchange rate differences standing at 19.1 million in 2020, 13.6 million euros lower than that registered in 2019, as a result of a greater devaluation of the currencies in which the Group operates.



## 4.6. Consolidated Group results in 2020

### Net financial debt

Financial debt continued to be reduced in accordance with its maturities in 2020, from 772 million euros in 2019 to 743 million at year-end 2020.

Business turnover (millions of euros)	2020	2019	2018
Net financial debt (millions of euros)	309.57	451.29	452.43
Net financial debt/EBITDA	0.99	1.27	1.18

It should be noted that 99.7 % of the financial debt corresponds to the Parent Company's debt (same percentage as in 2019). In addition to the 500 million-euro bonds issue, in 2020 the average debt to financial institutions of the Parent Company through the Mirror Debt with Canal de Isabel II during the year was 257 million euros, 10 % less than the 286 million in 2019.

No new debt was taken on by the Parent Company in 2020, but the total debt was reduced by 29 million euros, the amount that was due to be repaid in the fiscal year (the same amount in 2019).



## 4.6. Consolidated Group results in 2020

With regard to the Treasury, the Group's high cash generation capacity, as well as some delays in the start of investment projects envisaged in the Strategic Plan, enabled it to meet all its commitments during the year, reduce the mean pay period of the Parent Company to grant liquidity to its suppliers and award dividends of 109.1 million euros, ending the fiscal year with a balance on the balance sheet of 433.3 million euros, bringing Net Financial Debt to 309.6 million euros.

### Investments

The cashflow generated in operating activities were mainly used to address the **volume of investment** carried out in 2020, which amounts to 136.2 million euros in construction works and projects (compared with 136.1 million euros in 2019).

It should be pointed out that this figure includes investments considered replacement investments, pursuant to the International Accounting Standards (IFRS), and that pursuant to this standard, they have not been activated by the Parent Company as a greater value of assets.

Canal has made investments of this type valued at 73.0 million euros (68.9 million euros in 2019). On the other hand, this investment figure does not include the high accounting entries recorded in assets of the Group associated with the application of IFRS 16, as they are associated with leases made by the Group, or the purchases of CO2 emission rights.



## 4.6. Consolidated Group results in 2020

### Canal de Isabel II

The Parent Company has made investments totaling 131.7, representing 96.7 % of the Group's total investments (versus the 131.5 million in 2019). During the second quarter of 2020, as a result of the greater restrictions decreed, the investment rate was down considerably versus other years. However, the total volume of investment in the year has remained in line with that of 2019 thanks to the Corporation's efforts in the second quarter.

In addition, the Parent Company carries out renovation and improvement works in distribution and sewerage networks that are owned by the city. The amount associated with these works is recovered through a supplementary fee on the users' invoice and therefore they are classified as a financial asset for accounting purposes. During the 2020 fiscal year, this type of works have been carried out for an amount of 11.92 million euros (15.91 million in 2019).

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 modernization of the sewerage treatment system and the expansion of recycling infrastructures.



## 4.6. Consolidated Group results in 2020

The following table illustrates the volume of investment for each of the different categories:

<b>Investment by categories, Canal (millions of euros)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Supply guarantee	55.56	52.20	47.85
Quality assurance	3.09	3.59	5.52
Environmental commitment	37.19	40.17	45.80
Technological innovation	14.77	13.44	10.65
Upgrading of the general services of Canal de Isabel II	6.51	6.50	4.83
Other investments	14.53	15.60	13.38
<b>TOTAL</b>	<b>131.66</b>	<b>131.60</b>	<b>128.03</b>
Works on distribution and sewerage networks owned by third parties	11.92	15.91	18.55
<b>TOTAL INVESTMENTS AND WORKS OWNED BY THIRD PARTIES</b>	<b>143.58</b>	<b>147.41</b>	<b>146.58</b>



## 4.6. Consolidated Group results in 2020

The total amount of investments made in the last three years was less than the Parent Company's historical average. From 9 March 2018 the new Public Procurement Law came into effect, which increased the average terms for the awarding of contracts, having a significant impact on the execution of investments. In addition, COVID-19 has impacted 2020 both in the execution of works as well as the awarding of tenders, so the expected volume of investment for the year was not reached. Furthermore, on the occasion of the Strategic Plan's implementation, many projects are in an initial phase of study and pilot testing.

The Strategic Plan requires a significant investment effort in the first years, which is why high-value contracts are being tendered with long lead times. In the coming years, the volume of construction work and investments made by the Parent Company will grow significantly, with an estimated investment of close to 1,750 million euros over the next five years.

Among the Strategic Plan actions, the following stand out: The aforementioned **Sanea Plan** to modernize and improve the sewerage networks, the **Network Plan** to standardize the materials in the distribution networks and thus improve the quality of water, the **Smart-Region Plan** whose objective is to achieve 100% smart meters by 2030, and the **Solar Plan**, which focuses primarily on the creation of new photovoltaic plants in infrastructures of the company to boost the generation and self-consumption of clean energy.

Of the investments made in 2020 aimed at guaranteeing the supply, particularly noteworthy are those aimed at the renovation of the distribution network. In terms of those aimed at environmental commitments, the most significant



## 4.6. Consolidated Group results in 2020

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.

### Investments finalized

Among the most significant additions of the investment registered for December 2020, we highlight the network extensions and renovations of pipelines in the various municipalities of Autonomous Community of Madrid, within the **network pipeline renovation plan**, together with metering devices and connections in new contracts.

In **adduction**, we should note the equipment and electrification works of the G-6 well and its connection to the adduction artery of the Guadarrama Campo de Pozos. In the areas of treatment, the works done in the DWTP of Colmenar Viejo for the expansion of the sludge treatment facilities of the plant.

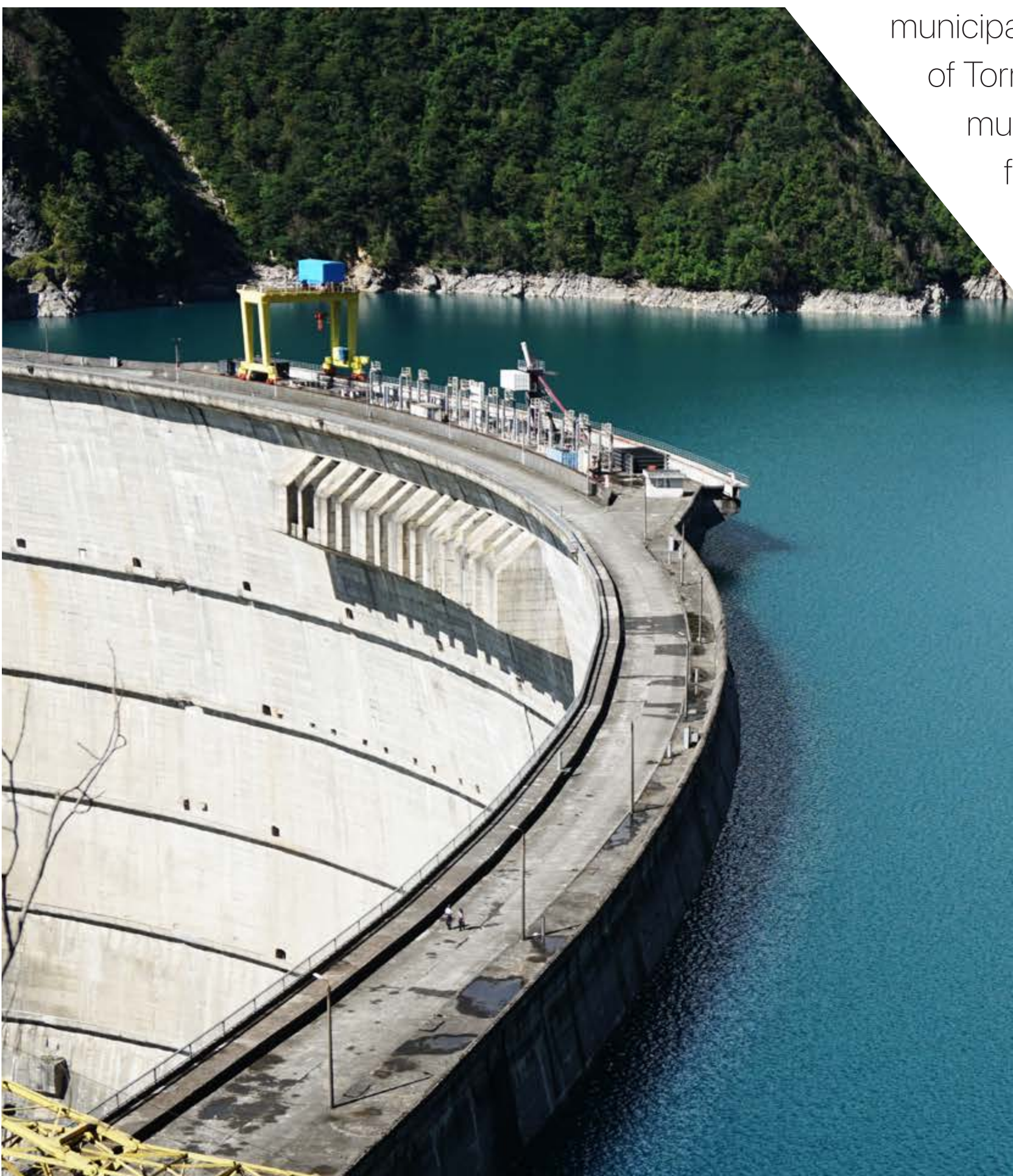
To guarantee supply in the municipalities of Cadalso de los Vidrios, Cenicientos and Rozas de Puerto Real, the back-up pipeline of the southwest area has been connected to the deposit at Rozas de Puerto Real from the DWTP of Pelayos de la Presa.

Likewise, in supply, we should mention phase 1 of the reinforcement of the east branch of the Torrelaguna system, Torrelaguna-Valdeolmos-Alalpardo section, feeding the urbanizations of Espartal del Vellón and Caraquiz de Uceda, and the





## 4.6. Consolidated Group results in 2020



municipalities of Valdepiélagos, Talmanca and Valdetorres. We should also point out the connection of the supply systems of Torrelaguna and Pinilla through a pipeline between the Valgallegos and La Silicona deposits for the supply of the municipalities of Valdemanco, Bustarviejo, Cabanillas de la Sierra and Navalafuente in the Pinilla system with water from the Torrelaguna system; the installation of a power line for the supply of the new lifting station in La Silicona and its propulsion to the pumping station of Valdemanco and Bustarviejo.

In purification, in compliance with the National Plan for Purified Water Quality and in line with the forecasted urban growth, we have completed actions in the WWTP of Aranjuez, Los Escoriales, Casaquemada and Soto Gutiérrez primarily; a plant for efficient technology experimentation in the WWTP of Torrejón de Ardoz; as well as the new pumping of raw water in the pretreatment of the WWTP of Velilla and a treatment system for spillage in the WWTP of Arroyo de la Vega.

In the network of collectors and emissaries of the Autonomous Community of Madrid, we highlight those in the C2 section of the emissary of the Cuenca Baja System to prevent dumping and damage to the urban center of Parla; the gallery collector on Calle Alcalde Sainz de Baranda in Madrid to eliminate the slope between the Abroñigales collector and prevent flooding; and the propulsion pipes from the WWPS of Ciempozuelos to the WWTP of Soto Gutiérrez to guarantee the pumping and impede discharges to waterways.





## 4.6. Consolidated Group results in 2020

Regarding the actions carried out with reclaimed water, for the purification and reuse of water from the Autonomous Community of Madrid, infrastructures have been continued for the watering the of main green spaces of Rivas Vacíamadrid and of a tertiary filtration system to improve the functioning and the quality of the reclaimed water supplied in the Soto Gutiérrez WWTP.

In terms of **power generation**, Canal has installed different stations for recharging electric vehicles in its main facilities; in the installation of gas turbines in the WWTP of Arroyo Quiñones, for the energetic optimization of the plant ' s biogas, power generation and thermal optimization.

The Parent Company continues with its actions to automate its operations, increase the security of the computer systems and the assembly of equipment and infrastructures in the telecommunications network. Also, we should mention the installation of new remote control points in different locations for the acquisition and transmission of data through GPRS and digital trunking, and the 3rd phase of process automation and integration of the WWPS in the remote control system.





## 4.6. Consolidated Group results in 2020

### Ongoing investments

The most relevant actions underway at the end of 2020 are: the supply improvement works for Redueña and Torrelaguna, the supply improvement works for Sevilla la Nueva, the washing pipe renovation works and automation of filters 33 to 64 in the WWTP of Colmenar Viejo, the reinforcement of the East Branch of Torrelaguna Phase 2, the propulsion of wastewater in the municipality of Navacerrada, the improvement actions in the WWTP and WWPS 4 of Boadilla del Monte and the WWTP expansion in Sevilla la Nueva.

### Canal Gestión Lanzarote

Canal Gestión Lanzarote is committed to making investments in expansion and improvement of 54.5 million euros. At year-end 2020, a total of 57.7 million euros was executed, including 7.7 million euros in ongoing projects.

In 2020, Canal Gestión Lanzarote made 3.7 million euros of investments (3.5 million euros in 2019), 2.7 % of the Group's total investments, highlighting the completion of the new Zonzamas and Diaz Rijo pumping stations, as well as the construction of the water network from the Lomo de Tesa deposit to the Uga deposit. Of the ongoing investments, the renovation of the IDA Lanzarote III and the implementation of remote control of the integrated water cycle stand out.



## 4.6. Consolidated Group results in 2020

### Rest of subsidiaries

The investment volume of the rest of the companies, due to their size and business model, is not significant. However, it is important to highlight that during 2020, Amagua is carrying out the expansion of the pipeline with Interagua to increase the supply capacity, and it is expected to be completed in early 2021. In the future, it has plans for the construction of a DWTP in the municipality of Daule that would make it possible to supply the municipalities of Daule and Samborondón.





## 4.6. Consolidated Group results in 2020

Tax information

GRI 201-4

Tax information (thousands of euros)	2020	2019	2018	2017	2016
<b>Spain</b>					
Profit obtained	184,356.24	239,773.79	222,003.81	262,907.15	236,917.56
Public grants received	2,261.80	5,375.72	578.71	1,138.79	7,936.87
<b>Colombia</b>					
Profit obtained	-7,473.79	-10,135.10	-5,431.78	5,903.82	-11,236.49
Public grants received	0	0	0	0	0
<b>Brazil</b>					
Profit obtained	-4,736.05	-4,133.38	-1,482.12	-2,345.03	3,119.18
Public grants received	0	0	0	0	0
<b>Dominican Republic</b>					
Profit obtained	238.51	82.53	-1,564	200.15	65.70
Public grants received	0	0	0	0	0
<b>Ecuador</b>					
Profit obtained	1,964.72	1,128.62	878.7	866.87	870.45
Public grants received	0	0	0	0	0



## 4.6. Consolidated Group results in 2020

### Tax information

<b>Corporate Tax Payments (in thousands of euros)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Colombia</b>					
Payments associated to the Canal de Isabel II Group	416	386	533	976	1.154
Final fee Canal de Isabel II, S.A. Group	N.D.	N.D.	N.D.	283	377
<b>Brazil</b>					
Payments associated to the Canal de Isabel II Group	0	0	554	350	231
Final fee Canal de Isabel II, S.A. Group	N.D.	N.D.	N.D.	291	531
<b>Dominican Republic</b>					
Payments associated to the Canal de Isabel II Group	101	125	149	212	188
Final fee Canal de Isabel II, S.A. Group	N.D.	N.D.	N.D.	173	267
<b>Ecuador</b>					
Payments associated to the Canal de Isabel II Group	666	366	150	154	154
Final fee Canal de Isabel II, S.A. Group	N.D.	N.D.	N.D.	397	335





## About this report



# 5. About this report

The report has been prepared in accordance with the Standards for the preparation of Global Reporting Initiative (GRI) sustainability reports



This report is intended to reflect the actions and commitments of Canal de Isabel II throughout 2020.

Therefore, it combines information mainly from the parent company and part of that provided by Canal de Isabel II 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 matters, so that readers can have a real and integrated view of the current performance and future potential of organizations.

GRI 102-49 102-33 102-34 102-54

The report has been prepared in accordance with the Standards 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 contents established in the GRI Standards that illustrate the issues that the company has determined for 2020. This report has been prepared in accordance with the comprehensive option of the GRI Standards.

GRI 102-56





## 5. About this report

The contents of this report have also been **independently verified** by Canal de Isabel II's current auditors for 2020 (the auditing firm AUREN), attaching the verification report that includes its scope and the results obtained. 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 General Shareholders Meeting.

The document has primarily focused on the activity of Canal de Isabel II in the Autonomous Community of Madrid. However, information on the Canal Group companies and their main figures has also been considered.

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 together with the update made in 2020 due to the situation caused by the coronavirus pandemic. For that reason, the structure of this report has its basis in the **17 Sustainable Development Goals** aligned with the **10 main lines** of the Strategic Plan, covering the most relevant matters for our stakeholders.

The scope of the information included in the report mainly includes Canal and those Canal Group companies in which the parent company holds a majority interest, had personnel and were active in 2020. Also included in the scope of the report are the programs and main activities carried out by our foundation in Spain (Fundación Canal).



## 5. About this report

This report generally presents the information from 2020 with at least two comparative reporting years (2018 and 2019). In relation to the quantitative information from 2018 to 2019, 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.

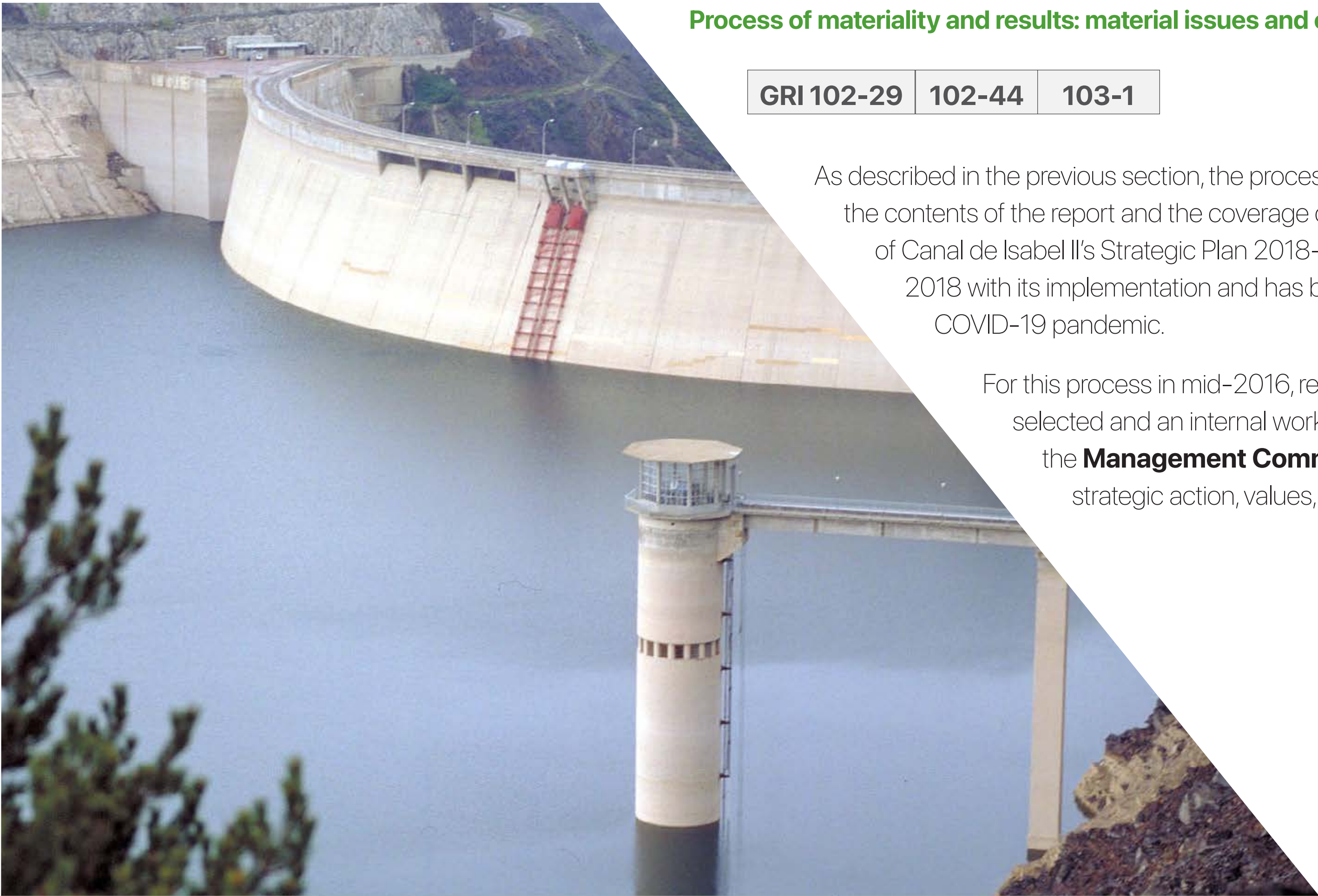
**GRI 102-48** **102-53**

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 2021. 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 content.

For any questions or additional information you can email: [subd.estudiosyprogramas@canal.madrid](mailto:subd.estudiosyprogramas@canal.madrid)



# 5. About this report



## Process of materiality and results: material issues and coverage

GRI 102-29	102-44	103-1
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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 and has been updated in 2020 as a result of the situation caused by the COVID-19 pandemic.

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.





## 5. About this report

Beforehand, the strategic plans of companies from other countries, particularly England and France, were analyzed 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).

### GRI 102-21

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 issues 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.

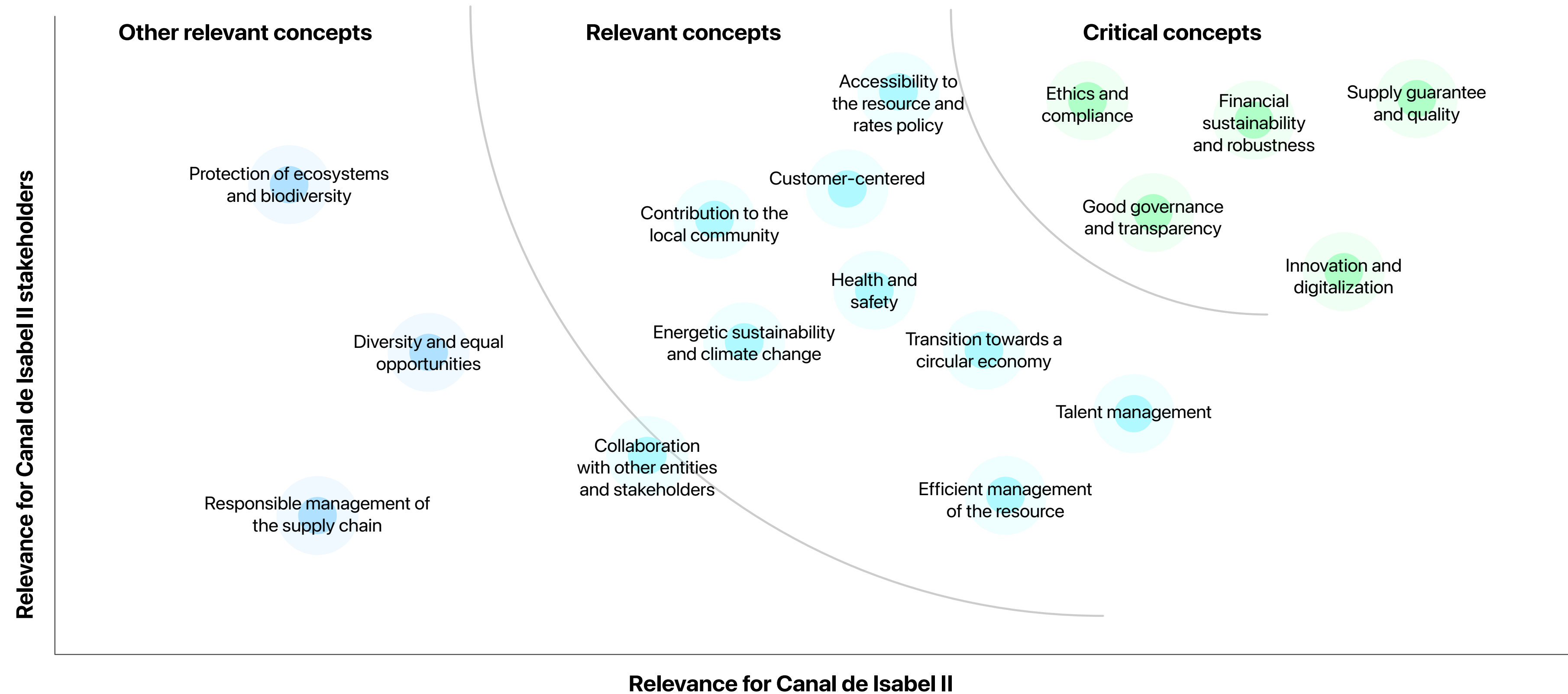
### GRI 102-46

From all these contributions received in the participatory process for its preparation, the main **material issues** for the company were defined, resulting in a set of strategic lines for action that underpin Canal's progress throughout the 2018-2030 period.



## 5. About this report

In addition, in 2020, due to the situation caused by coronavirus, Canal de Isabel II decided to update its matrix based on recent events, obtaining the following relevant matters by group:



For this most recent 2020 update, we started from the list of sustainability topics proposed by GRI. Then we included other subjects relevant to the company and its stakeholders drawn from the different sources contemplated in the analysis (sector benchmark companies, internal interviews with company managers, press analysis, analysis of other Canal de Isabel II internal documentation, etc.).



## Eje X

*Entrevistas realizadas al personal de Canal de Isabel II*



**Relevancia  
para los  
Grupos de  
interés de la  
compañía**

Line	Account	Debit	Credit	Balance	Debit	Credit	Balance
1	Utilities	100		100			
2	Utilities	100		100			
3	Utilities	100		100			
4	Utilities	100		100			
5	Utilities	100		100			
6	Utilities	100		100			
7	Utilities	100		100			
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66	Utilities	100		100			
67	Utilities	100		100			

Verfahren	Werkstoff	Verfahren	Werkstoff	Verfahren	Werkstoff
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canal de isabel ii

servicio de satisfacción al cliente

91 562 00 00

www.canal2.es

Madrid

*Ámbitos de la sostenibilidad para Canal de Isabel II y priorización de los mismos mediante una matriz de materialidad*



GRI 102-44	102-46	102-47	103-1
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# 5. About this report

## Material aspects of management in each area of action

6

CLEAN WATER AND SANITATION

Guaranteeing access to water

Monitoring distributed water

Information Systems Security

Alternative supply sources

Surveillance of wastewater and reclaimed water

Reuse Plan: The definitive alternative

Compliance with drinking water standards

The fight against fraud

Guaranteeing the security and safety of facilities and people

Our network's efficiency

Operational security

Guaranteeing water quality

Self-protection of buildings and facilities

Controlling water at the source

Protection of customer and supplier data

13

CLIMATE ACTION

Our GHG emissions

Management systems

Atmospheric emissions

Prevention at the source of potential adverse impacts

What is our mitigation plan?

Prevention and communication about the environmental aspects of our operations

7

AFFORDABLE AND CLEAN ENERGY

Energy consumption

Generation of clean energy

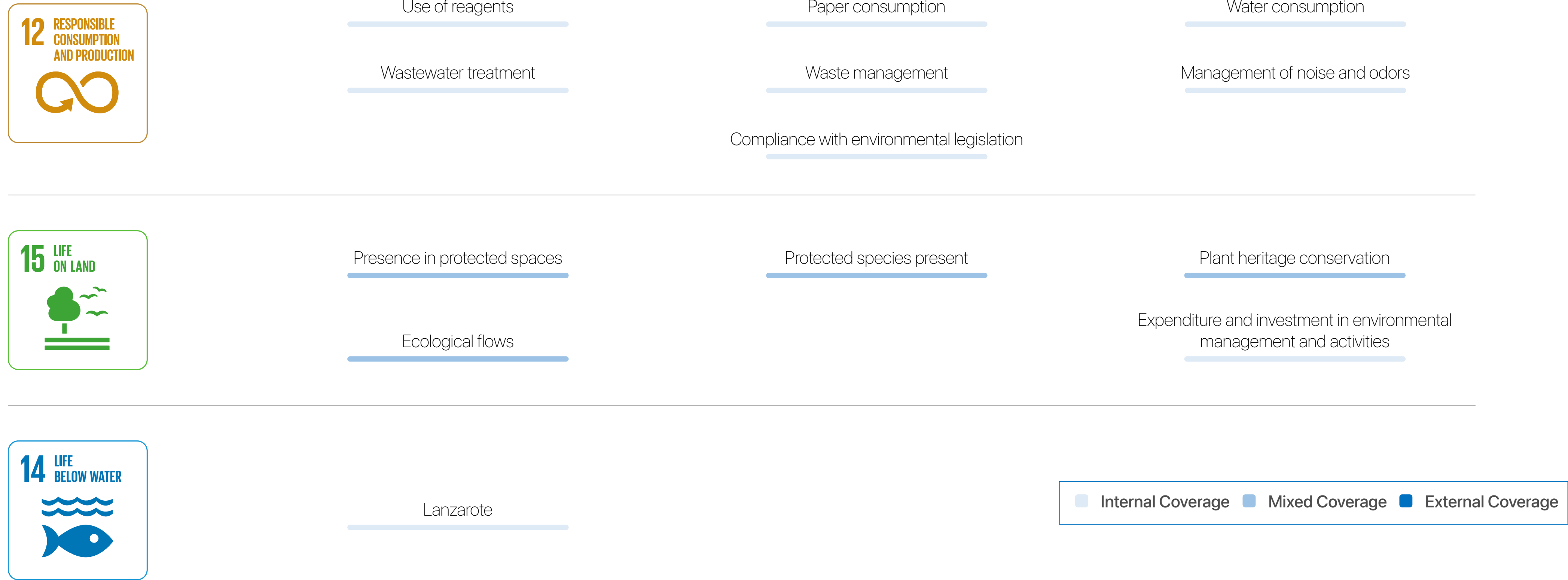
Internal Coverage Mixed Coverage External Coverage





# 5. About this report

## Material aspects of management in each area of action





# 5. About this report

## Material aspects of management in each area of action



Our relations with the municipalities of the Autonomous Community of Madrid

Customer rates and invoicing

Customer communication channels

Customer and user satisfaction

Ensuring sewer management and urban drainage

Actions to guarantee correct billing to the customer

Suggestions and claims handling

Committed to our customers

Customer and user support

Customer Ombudsman

Smart-Region Plan



Customer Ombudsman

Suggestions and claims handling

Smart-Region Plan

Customer and user satisfaction



Relations with Public Administrations and management transparency

Compliance and Crime Prevention Policies

Other audits of our management

Compensation and incentives policy

Reporting of relevant events

Internal Code of Conduct and Ethics and Compliance Committee

Corporate risk management, audit and internal control

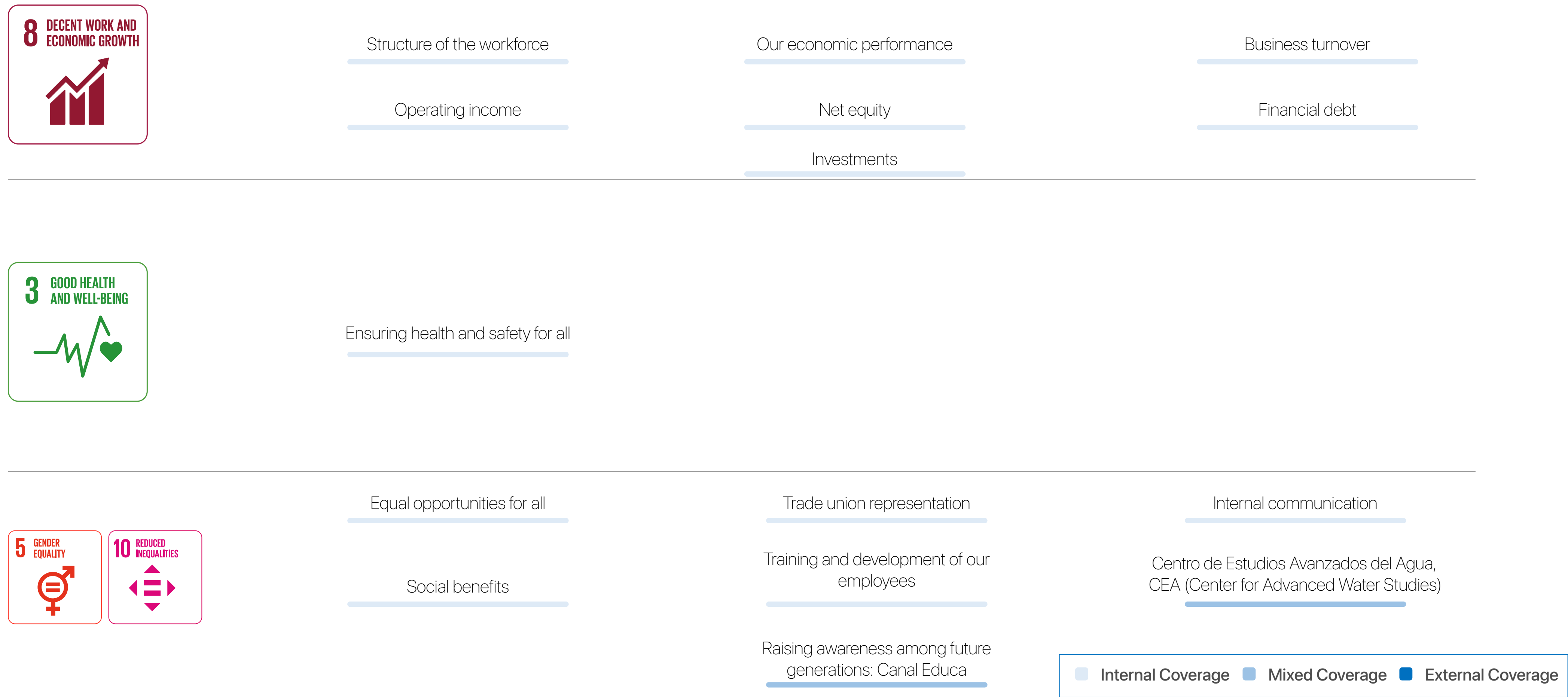
Internal Coverage Mixed Coverage External Coverage





# 5. About this report





## Material aspects of management in each area of action





# 5. About this report

## Material aspects of management in each area of action

<div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div></div>	We contribute to the development of R&D+i in our sector	Positioning as an innovative company	Technology at the service of internal and external customers
		Remote control and communications: the key to modern water management	
<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div> <div></div>	Getting everyone involved in efficient and responsible water use	Economic resources for society	Value creation for our stakeholders: our "social dividend"
	Social commitment	Promoting sports	Cooperation in water and sanitation and other social initiatives
<div>1</div> <div>NO POVERTY</div> <div></div>	Bonificaciones sobre la tarifa		
<div>2</div> <div>ZERO HUNGER</div> <div></div>			

Internal Coverage

Mixed Coverage

External Coverage















































# 5. About this report

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 organization).

GRI 102-46	102-47	103-10
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	SOCIETY	ECOLOGISTS	SUPPLIERS	COLLECTION	TREATMENT	DISTRIBUTION	SEWERAGE	PURIFICATION	REUSE	OTHER	EMPLOYEES	CUSTOMERS
												
												
												
												
												
												
												
												





# 5. About this report

	SOCIETY	ECOLOGISTS	SUPPLIERS	COLLECTION	TREATMENT	DISTRIBUTION	SEWERAGE	PURIFICATION	REUSE	OTHER	EMPLOYEES	CUSTOMERS
<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> <div></div>	<div></div>										<div></div>	
<div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> <div></div>											<div></div>	
<div>5</div> <div>GENDER EQUALITY</div> <div></div> <div>10</div> <div>REDUCED INEQUALITIES</div> <div></div>	<div></div>		<div></div>								<div></div>	
<div>9</div> <div>INDUSTRY INNOVATION AND INFRASTRUCTURE</div> <div></div>	<div></div>			<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>	<div></div>
<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div> <div></div>	<div></div>	<div></div>	<div></div>								<div></div>	<div></div>
<div>1</div> <div>NO POVERTY</div> <div></div> <div>2</div> <div>ZERO HUNGER</div> <div></div>	<div></div>											<div></div>





# 5. About this report

The following table shows the **10 Strategic Lines** established by Canal de Isabel II, indicating which sections of the report deal with the material issues related to the same.






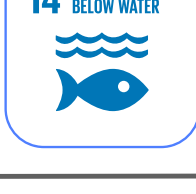

For more information on Canal's 2018-2030 Strategic Plan and its strategic lines, see [our web](#)

	SL 1	SL 2	SL 3	SL 4	SL 5	SL 6	SL 7	SL 8	SL 9	SL 10
OUR COMPANY										
Main figures	●	●		●						
Our activity	●	●		●						
Organization of the company					●		●			
SUSTAINABILITY, A SAFE BET										
A 100% sustainable strategy	●	●	●	●	●	●	●	●	●	●
2019 Results Strategic Plan	●	●	●	●	●	●	●	●	●	●
Our stakeholders	●	●	●	●	●	●	●	●	●	●






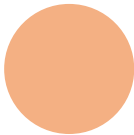

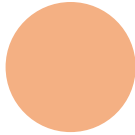
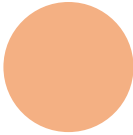

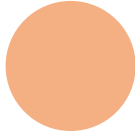


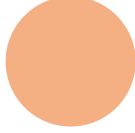

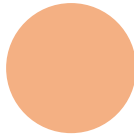

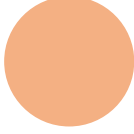
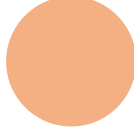


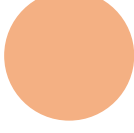
# 5. About this report

	SL 1	SL 2	SL 3	SL 4	SL 5	SL 6	SL 7	SL 8	SL 9	SL 10
NUESTRO DESEMPEÑO EN 2020 Y RETOS FUTUROS										
	●	●	●							
				●						
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				●			●			
				●						
					●	●				





# 5. About this report

	SL 1	SL 2	SL 3	SL 4	SL 5	SL 6	SL 7	SL 8	SL 9	SL 10
OUR PERFORMANCE IN 2020 AND FUTURE OBJECTIVES										
										
										
										
 										
										
										
 										





# 5. About this report

	SL 1	SL 2	SL 3	SL 4	SL 5	SL 6	SL 7	SL 8	SL 9	SL 10
THE CANAL GROUP										
Activities and geography	●	●				●				
Population served	●	●								
Other activities				●					●	
Canal Group Workforce								●		
Economic performance										●





## 5. About this report

### Canal de Isabel II, S.A. legal information and consolidated information on Canal and its subsidiary companies

The companies appearing in the consolidated financial statements of the organization may be consulted in the documents relating thereto below (all are available on Canal's website: – [www.canaldeisabelsegunda.es](http://www.canaldeisabelsegunda.es))

#### GRI 102-45

- Independent accounts auditing report of Canal de Isabel II.
- Consolidated Annual Accounts, Annual Accounts and Directors' Report for the 2020 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 2020 fiscal year of Canal de Isabel II and subsidiary companies.

More information is  
available [here](#)





AUREN AUDITORES SP, S.L.P. inscrita en el R.M. de Madrid, Tomo 33.829, Sección 8 Folio 89 Hoja M-408799, Inscripción 1 C.I.F. B87352357 Avda. General Perón 38 - 28020 Madrid.



INFORME DE VERIFICACIÓN INDEPENDIENTE DEL INFORME ANUAL 2020 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 de Sostenibilidad 2020 de Canal Isabel II, S.A. correspondiente al ejercicio cerrado a 31 de diciembre de 2020 (en adelante, “Informe”).

Responsabilidad de los administradores

La Dirección de Canal Isabel II, S.A. es responsable de la preparación y presentación del informe siguiendo los estándares 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 la TABLA GRI, 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 sobre 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 los estándares establecidos 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 Auren Auditores SP, S.L.P.

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 de Sostenibilidad 2020 de Canal Isabel II, S.A. del ejercicio cerrado a 31 de diciembre de 2020 no haya sido preparado, en todos los aspectos significativos, de acuerdo con los estándares definidos para la elaboración de Memorias de Sostenibilidad 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 la TABLA GRI 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.

AUREN AUDITORES SP, S.L.P.

05258742E JUAN JOSE JARAMILLO (R: B87352357)

Firmado digitalmente por 05258742E JUAN JOSE JARAMILLO (R: B87352357) Fecha: 2021.05.24 16:31:06 +02'00'

Este informe se corresponde con el sello distintivo nº 01/21/05526 emitido por el Instituto de Censores Jurados de Cuentas de España

Juan José Jaramillo

24 de mayo de 2021



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AUDITORÍA Y ASSURANCE





## Appendix 1: GRI Contents Index



# GRI-100 Universal Standards

GRI 101 Foundation 2016

GRI 102 General Disclosures 2016

	Profile of the Organization	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-1	Profile of the Organization		Canal de Isabel II, S.A.	-	-	-
102-2	Activities, brands, products, and services	1.1. Our business, 4. The Canal Group	Canal does not market any product or perform any service that is questioned by stakeholders or is the subject of public debate.	-	-	-



	Profile of the Organization	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-3	Location of headquarters	-	-	Calle de Santa Engracia, 125. Madrid (Spain)	-	-
102-4	Location of operations	4.1. Canal Group: activities and geographical location	-	-	-	-
102-5	Ownership and legal structure	1.2. Organization of our company	Limited Company with 100% public capital	-	-	-
102-6	Markets served	4.1. Canal Group: activities and geographical location,				



	Profile of the Organization	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-7	Profile of the Organization	1. Our company, 4.1. Canal Group: activities and geographical location	-	-	-	-
102-8	Information on employees and other workers	#8 Decent Work, 4.4. Workforce of the Canal Group companies, Appendix 1, Appendix 2	The information comes from information systems (SAP) of the management areas of human resources.	-	-	-
102-9	Supply chain	#8 Economic Growth	-	-	-	-



	Profile of the Organization	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-10	Significant changes to the organization and its supply chain	#8 Economic growth	During 2018 the new Public Sector Contracts Act came into force. Therefore, and, among other new features, the inclusion of environmental and social conditions in our documents has been strengthened.	-	-	-
102-11	Precautionary principle or approach	#13 Climate Action, #16 Peace, Justice and Strong Institutions	-	-	-	-
102-12	External initiatives	#17 Partnerships	United Nations Global Compact	-	-	-
102-13	Membership of associations	1.3. Our stakeholders;#17 Partnerships	-	-	-	-



	Strategy	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-14	Statement from senior decision-maker	Message from the Chairperson of the Board of Directors, Message from the Managing Director	-	-	-	-
102-15	Key impacts, risks, and opportunities	2. Canal and COVID-19	-	-	-	-



Ethics and integrity		Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
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102-16	Values, principles, standards, and norms of behavior	#16 Peace, Justice and Strong Institutions	-	-	-	-
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102-17	Mechanisms for advice and concerns about ethics	#16 Peace, Justice and Strong Institutions	-	-	-	-
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Governance		Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
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102-18	Governance structure	1.2. Organization of our company	-	Decisions on economic, social and environmental issues are approved by the Board, with all decisions related to the Strategic Plan in 2020 highlighted.	-	-
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	Governance	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-19	Delegating authority	1.2. Organization of our company	The Board delegates some decisions in the Management Committee	-	-	-
102-20	Executive-level responsibility for economic, environmental, and social topics	1.2. Organization of our company	Management Committee	-	-	-
102-21	Consulting stakeholders on economic, environmental, and social topics	1.2.4, 1.2.5, 1.3, 5.	-	-	-	-
102-22	Composition of the highest governance body and its committees	1.2. Organization of our company	-	-	-	-
102-23	Chair of the highest governance body	1.2. Organization of our company	-	-	-	-



Governance	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
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102-24

Nominating and selecting the highest governance body

1.2. Organization of our company

Board members are appointed according to their positions in the different entities. Members are proposed by the Appointments and Remuneration Committee. In all cases, the Shareholder's Meeting approves their nomination

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	Governance	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-25	Conflicts of interest	-	-	They do not exist.	They do not exist.	More information can be found in our Annual Corporate Governance Report, which is in the shareholders' section of our website.
102-26	Role of highest governance body in setting purpose, values, and strategy	1.2. Organization of our company	-	-	-	-
102-27	Collective knowledge of highest governance body	-	In 2020, the Board Members were updated	-	-	-



	Governance	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-28	Evaluating the highest governance body's performance	-	-	Not performed	Not performed	It will be included in the Board Regulations (in preparation)
102-29	Identifying and managing economic, environmental, and social impacts	5. About this Report	-	-	-	-
102-30	Effectiveness of risk management processes	#16 Peace, Justice and Strong Institutions	-	-	-	-
102-31	Review of economic, environmental, and social topics	1.2.1, 1.2.3, 1.2.4, 1.2.5	-	-	-	-



	Governance	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-32	Highest governance body's role in sustainability reporting	1.2.3, 1.2.4, 1.2.5	The material issues have been updated based on the update of the materiality matrix in 2020.	-	-	-
102-33	Communicating critical concerns	1.2.5. Monitoring of the 2018-2030 Strategic Plan. 5. About this Report	-	-	-	-
102-34	Nature and total number of critical concerns	1.2.5. Monitoring of the 2018-2030 Strategic Plan. 5. About this Report	-	-	-	-



Governance		Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-35	Remuneration policies	#16 Peace, Justice and Strong Institutions	-	-	-	Employee compensation is established by the Collective Bargaining Agreement and approved by the Regional Ministry of Economy and Finance of the Autonomous Community of Madrid.
	Process for determining remuneration	#16 Peace, Justice and Strong Institutions	-	-	-	-



	Governance	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-37	Stakeholders' involvement in remuneration	-	-	Not performed	Not performed	-
102-38	Annual total compensation ratio	#16 Peace, Justice and Strong Institutions	Compensation and increases of the same are regulated by the Regional Ministry of Economy and Finance in accordance with the provisions of the annual budget laws.	-	-	-
102-39	Percentage increase in annual total compensation ratio	#16 Peace, Justice and Strong Institutions	Compensation and increases of the same are regulated by the Regional Ministry of Economy and Finance in accordance with the provisions of the annual budget laws.	-	-	-



	Stakeholder engagement	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-40	List of stakeholder groups	1.3. Our stakeholders	-	-	-	-
102-41	Collective bargaining agreements	#5 Gender Equality, #10 Reduced Inequalities	-	-	-	-
102-42	Identifying and selecting stakeholders	1.3. Our stakeholders	-	-	-	-
102-43	Approach to stakeholder engagement	1.3. Our stakeholders, #11 Sustainable Cities and Communities	-	-	-	-
102-44	Key topics and concerns raised	5. About this Report	-	-	-	-



	Key topics and concerns raised	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-45	Entities included in the consolidated financial statements	5. About this Report	-	-	-	-
102-46	Defining report content and topic Boundaries	5. About this Report	-	-	-	-
102-47	Restatements of information	5. About this Report	-	-	-	-
102-48	Reexpresión de la información	5. About this Report	-	-	-	-
102-49	Changes in reporting	5. About this Report	Since 2006, Canal de Isabel II has always reported in accordance with the GRI sustainability reporting framework.	-	-	-



	Key topics and concerns raised	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-50	Reporting period	-	2020	-	-	-
102-51	Date of most recent report	-	2019	-	-	-
102-52	Reporting cycle	-	Anual	-	-	-
102-53	Contact point for questions regarding the report	5. About this Report	subd. estudiosyprogramas@canal.madrid	-	-	-



	Key topics and concerns raised	Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
102-54	Claims of reporting in accordance with the GRI Standards	5. About this Report	-	-	-	-
102-56	External assurance	5. About this Report	Verification by auditors from AUREN	-	-	-

GRI 103 Management Approach 2016 (Includes all material affairs: Ensure the supply guarantee, Guarantee the quality of drinking water, Strengthen service continuity, Boost environmental quality and energy efficiency, Develop cooperation with the municipalities of Madrid, Strengthen the commitment to and proximity with users, Enhance Transparency, Good Governance and Commitment to society, Encourage the talent, commitment and health of our professionals, Spearhead innovation and development, Maintain sustainability and efficiency in management.) Reported with the subject specific Standards listed below.



		Chapter	Direct Responses	Omissions Identified	Reason for the Omission	Explanation of the Omission and Observations
103-1	Explanation of the material topic and its Boundary	2. Canal and COVID-19, 3. Our performance in 2020 and challenges in this decade of action, 5. About this Report	-	-	-	-
103-2	The management approach and its components	1.2.4, 1.2.5, 3, #13, #11, #16, #5 and #10	-	-	-	-
103-3	Evaluation of the management approach	1.2.4, 1.2.5	-	-	-	-



# GRI-200 Economic Disclosures

## GRI 201 Economic Performance 2016

### Chapter

### Identified material issues

### Coverage of material issues

### Direct Responses

### Omissions identified and reason for the omission

201-1

Direct economic value generated and distributed

#15, #9, #17, #8, 4.4

Efficient use of economic resources.

Adaptation of the debt to the strategy

Internal

-

-

201-2

Financial implications and other risks and opportunities due to climate change

#6 Clean Water and Sanitation, #13 Climate Action

Adaptation to climate change.

Development of renewable energy

Internal

Mixed (internal and external)

The consequences are expressed in terms of increased energy consumption in the event of drought. They are not quantified economically.

-



201-3	Defined benefit plan obligations and other retirement plans	#5 Gender Equality, #10 Reduced Inequalities	Commitment and sense of belonging to the workforce	Internal	The company's contribution to the Pension Plan is suspended by law.	-
201-4	Financial assistance received from government	4.5 Canal Group economic performance	Development of renewable energy	Mixed (internal and external)	-	-
GRI 202 Market Presence 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Appendix 2	Commitment and sense of belonging to the workforce	Internal	-	-
202-2	Proportion of senior management hired from the local community	Appendix 2	Promotion of professionals' managerial activities	Internal	-	-



GRI 203 Indirect Economic Impacts 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
203-1	Infrastructure investments and services supported	#8 Economic Growth	Efficient use of economic resources.	Internal	-	-
203-2	Significant indirect economic impacts	#17 Partnerships, #8 Economic Growth	Collaboration and dynamization of the Sierra Norte municipalities  Commitment to society	External	-	-



GRI 204 Procurement Practices 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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204-1

Proportion of spending on local suppliers

#8 Economic Growth

Better efficiency in internal processes

Internal

-

The exact figure is not known.

Canal contracts under public procurement legislation, and, therefore, the local nature of suppliers cannot prevail.



GRI 205 Anti-corruption 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
205-1	Operations assessed for risks related to corruption	#16 Peace, Justice and Strong Institutions	Good Corporate Governance	internal	The Subdirectorate of Compliance has been responsible for this type of assessments since 2019	-
205-2	Communication and training about anti-corruption policies and procedures	#16 Peace, Justice and Strong Institutions	Good Corporate Governance	internal	The Subdirectorate of Compliance has been responsible for this type of assessments since 2019	-
205-3	Confirmed incidents of corruption and actions taken	#16 Peace, Justice and Strong Institutions	Maximum transparency in management	External	-	-



GRI: 206 Competencia desleal 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-	-	-	Not applicable to Canal de Isabel II



## GRI-300 Environmental Disclosures

GRI 301 Materials 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
301-1	Materials used by weight or volume	#12 Responsible Consumption and Production	Promotion of the circular economy	Mixed (internal and external)	Data on reagents and paper are provided as they are the most significant materials consumed	-
301-2	Recycled input materials used	#6 Clean Water and Sanitation, #12 Responsible Consumption and Production	Expanding regenerated water consumption Promotion of the circular economy	Mixed (internal and external)	-	-
301-3	Reclaimed products and their packaging materials	#6 Clean Water and Sanitation, #12 Responsible Consumption and Production	Expanding regenerated water consumption Promotion of the circular economy	Mixed (internal and external)	-	-



GRI 302 Energy 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
302-1	Energy consumption within the organization	#7 Affordable and Clean Energy	Development of renewable energy	Mixed (internal and external)	-	-
302-2	Energy consumption outside of the organization	-	-	Not available	-	This information is not available
302-3	Energy intensity	#7 Affordable and Clean Energy	Development of renewable energy	Mixed (internal and external)	-	-
302-4	Reduction of energy consumption	#7 Affordable and Clean Energy	Development of renewable energy	Mixed (internal and external)	-	-
302-5	Reductions in energy requirements of products and services	#7 Affordable and Clean Energy	Development of renewable energy	Mixed (internal and external)	-	-



GRI 303 Water 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
303-1	Water withdrawal by source	1.1.1 Supply: conveyance, #12 Responsible Consumption and Production	Maximum efficiency in the use of existing resources.	Internal	-	-
			Efficient management of demand	External		
303-2	Water sources significantly affected by withdrawal of water	1.1.1 Supply: conveyance	Maximum efficiency in the use of existing resources.	Internal	-	-
			Efficient management of demand	External		
303-3	Water recycled and reused	1.1.5, #6 Clean Water and Sanitation	Expanding regenerated water consumption	Mixed (internal and external)	-	-



GRI 304 Biodiversity 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	#15 Life on Land	-	-	-	-
304-2	Significant impacts of activities, products, and services on biodiversity	#15 Life on Land	-	-	-	-
304-3	Habitats protected or restored	#15 Life on Land	-	-	-	-
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	#15 Life on Land	-	-	-	-



GRI 305 Emissions 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
305-1	Direct (Scope 1) GHG emissions	#13 Climate Action	Adaptation to climate change	Internal	-	-
305-2	Energy indirect (Scope 2) GHG emissions	#13 Climate Action	Adaptation to climate change	Internal	None during 2019. All the energy consumed had guarantee certificates of renewable origin.	-
305-3	Other indirect (Scope 3) GHG emissions	#13 Climate Action	Adaptation to climate change	Internal	-	-



GRI 305 Emissions 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
305-4	GHG emissions intensity	#13 Climate Actionclima	Adaptation to climate change	Internal	-	-
305-5	Reduction of GHG emissions	#13 Climate Action	Adaptation to climate change	Internal	-	-
305-6	Emissions of ozone-depleting substances (ODS)	-	-	-	The emissions of this type of gas are minimal, although the calculation of our carbon footprint is included. In 2018 they were only 213.47 tons of CO <sub>2</sub> eq.	-
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	#13 Climate Action	Adaptation to climate change	Internal	-	-



GRI 306 Effluents and Waste 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
306-1	Water discharge by quality and destination	#12 Responsible Consumption and Production	Purification efficiency	Internal	-	-
306-2	Waste by type and disposal method	#12 Responsible Consumption and Production	Promotion of the circular economy.	External	-	-
306-3	Significant spills	#12 Responsible Consumption and Production	-	-	-	-



306-4	Transport of hazardous waste	#12 Responsible Consumption and Production	Promotion of the circular economy. (waste)	External	The waste is managed and transported by companies with the corresponding manager's permits. The priority final destination is its reuse.	Waste is not transported to other countries
306-5	Water bodies affected by water discharges and/or runoff	1.1.4. Sanitation: wastewater purification	Purification efficiency  Excellence in sewerage	Internal	-	-
<div><div>GRI 307 Environmental Compliance 2016</div><div>Chapter</div><div>Identified material issues</div><div>Coverage of material issues</div><div>Direct Responses</div><div>Omissions identified and reason for the omission</div></div>						
307-1	Non-compliance with environmental laws and regulations	#12 Responsible Consumption and Production	-	-	-	-



GRI 308 Supplier Environmental Assessment 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
308-1	New suppliers that were screened using environmental criteria	#8 Economic Growth	Better efficiency in internal processes	Internal	Clauses regarding environmental protection are included in all contracts, but no evaluations are carried out. The performance of suppliers is monitored.	
308-2	Negative environmental impacts in the supply chain and actions taken	#8 Economic Growth	-	-	The most significant impact is the transport of waste, WWTP sludge and DWTP sludge, as well as our own vehicle fleet, and these are taken into account in Scope 3 of the calculation of our GHG emissions	



# GRI-400 Social Disclosures

	GRI 401 Employment 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
401-1	New employee hires and employee turnover	#8 Decent Work, 4.4. Workforce of the Canal Group companies	Workforce adapted to the change in needs.	Internal	-	-
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	#5 Gender Equality, #10 Reduced Inequalities	Commitment and sense of belonging to the workforce	Internal	Since the approval of the First Company Collective Bargaining Agreement there are no differences	-
401-3	Parental leave	#5 Gender Equality, #10 Reduced Inequalities	Commitment and sense of belonging to the workforce	Internal	-	-



GRI 402 Labor/Management Relations 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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402-1	Minimum notice periods regarding operational changes	-	Commitment and sense of belonging to the workforce	Internal	-	There is no minimum notice period. Organizational changes are analyzed on a case-by-case basis, so that negative impacts on employees can be avoided or mitigated.
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GRI 403 Occupational Health and Safety 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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403-1	Workers representation in formal joint management-worker health and safety committees	#5 Gender Equality, #10 Reduced Inequalities	Employee safety	Internal	100% of the workforce is represented	-
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GRI 403 Occupational Health and Safety 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	#3 Good Health and Well-being, Appendix 2	Employee safety	Internal	-	-
403-3	Workers with high incidence or high risk of diseases related to their occupation	#3 Good Health and Well-being	Employee safety	Internal	-	-
403-4	Health and safety topics covered in formal agreements with trade unions	#3 Good Health and Well-being, #5 Gender Equality, #10 Reduced Inequalities	Employee safety	Internal	The collective agreement explicitly provides for employee representation in all matters relating to occupational health and safety in the company.	-



GRI 404 Training and Education 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
404-1	Average hours of training per year per employee	#4 Quality Education, 4.4. Workforce of the Canal Group companies	Workforce adapted to the change in needs.	Internal	-	-
404-2	Programs for upgrading employee skills and transition assistance programs	#4 Quality Education	Promotion of professionals' managerial activities	Internal	-	-
404-3	Percentage of employees receiving regular performance and career development reviews	#16 Peace, Justice and Strong Institutions	Commitment and sense of belonging to the workforce	Internal	All employees, from all categories, receive these types of evaluations.	-



GRI 405 Diversity and Equal Opportunity 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
405-1	Diversity of governance bodies and employees	1.2.2, #5 Gender Equality, #10 Reduced Inequalities, 4.4	Commitment and sense of belonging to the workforce	Internal	-	-
405-2	Ratio of basic salary and remuneration of women to men	#5 Gender Equality, #10 Reduced Inequalities, Appendix 2	Commitment and sense of belonging to the workforce	Internal	There is no difference.  Canal's collective agreement and the laws prevent any differences in this regard	-



	GRI 406 Non-discrimination 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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406-1	Incidents of discrimination and corrective actions taken	#5 Gender Equality, #10 Reduced Inequalities	Commitment and sense of belonging to the workforce	Internal	-	There have been none
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	GRI 407 Freedom of Association and Collective Bargaining 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	#8 Economic Growth	Better efficiency in internal processes	Internal	Our hiring conditions prevent this type of practices.	-
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GRI 408 Child Labor 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
408-1	Operations and suppliers at significant risk for incidents of child labor	#8 Economic Growth	Better efficiency in internal processes	Internal	Canal has been a signatory to 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 prevents this.	-



GRI 409 Forced or Compulsory Labor 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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409-1

Operations and suppliers at significant risk for incidents of forced or compulsory labor

#8 Economic Growth

Better efficiency in internal processes

Internal

Canal has been a signatory to the United Nations Global Compact since 2006 and supports the fight against forced or compulsory labor.

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GRI 410 Security Practices 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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410-1

Security personnel trained in human rights policies or procedures

#6 Clean Water and Sanitation

Strengthening physical security of facilities

Internal

All security personnel have been trained in the fundamental rights of citizens, as required by the regulations in force.

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GRI 411 Rights of Indigenous Peoples 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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411-1	Incidents of violations involving rights of indigenous peoples	-	-	-	Canal and all of its Group companies carry out their activity in urban areas where there are no indigenous communities.
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GRI 412 Human Rights Assessment 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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412-1	Operations that have been subject to human rights reviews or impact assessments	-	-	-	Not available, Not performed
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GRI 412 Human Rights Assessment 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
412-2	Employee training on human rights policies or procedures	#4 Quality Education	-	-	Hours of training dedicated to human rights and the fight against corruption.	-
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	#8 Economic Growth	Better efficiency in internal processes	Internal	Clauses are included in all contracts regarding the labor and social practices of contractor companies.	-



GRI 413 Local Communities 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
413-1	Operations with local community engagement, impact assessments, and development programs	#13 Climate Action	Commitment to society	External	All environmental impact studies are subject to a public information phase in accordance with current legislation in Spain.	-
413-2	Operations with significant actual and potential negative impacts on local communities	-	-	-	-	There have been none.



GRI 414 Supplier Social Assessment 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
414-1	New suppliers that were screened using social criteria	#8 Economic Growth	Better efficiency in internal processes	Internal	All suppliers must comply with this type of conditions, particularly on the basis of the new public sector contract legislation.	-
414-2	Negative social impacts in the supply chain and actions taken	-	-	-	-	None were detected, and no measures were taken



GRI 415: Public Policy 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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415-1	Political contributions	-	-	-	They are not done and are prohibited by law
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GRI 416 Customer Health and Safety 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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416-1	Assessment of the health and safety impacts of product and service categories	#6 Clean Water and Sanitation	Improving water quality at the source.	Internal	-
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416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	-	-	There have been none
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GRI 417 Marketing and Labeling 2016		Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
417-1	Requirements for product and service information and labeling	-	-	-	-	None exist.
417-2	Incidents of non-compliance concerning product and service information and labeling	-	-	-	-	There have been none
417-3	Incidents of non-compliance concerning marketing communications					There have been none



GRI 418 Customer Privacy 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	#6 Clean Water and Sanitation	Personal safety	Internal	None have been recorded
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GRI 419 Socioeconomic Compliance 2016	Chapter	Identified material issues	Coverage of material issues	Direct Responses	Omissions identified and reason for the omission
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419-1	Non-compliance with laws and regulations in the social and economic area	-	-	-	There have been none.
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# Canal de Isabel II

Cuidamos el agua

July 2021  
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