



Grupo Ormazabal



Zamudio, 26th July 2011

Dear Sir or Madam,

For the fifth consecutive year I am pleased to present to you the 2010 progress report, which reflects our strong commitment to the support and promotion of the principles of the United Nations Global Compact. It will provide an understanding of the progress we are making in the promotion of human and labour rights, environmental protection and the fight against corruption.

Of all of the areas in which we have worked during 2010, I would like to emphasise the work carried out to define our groups of interest in terms of Corporate Responsibility, to analyse their expectations and interests, and with this to develop a three-year strategic plan. The bulk of this plan is based on the protection of the environment, the commitment to supporting local development, as well as the health, safety and well-being of our workers.

A notable objective during 2011, and linked to the development of this plan, is the approval and diffusion of the Code of Conduct and the development of a specific environmental strategy.

In this way and in accordance with the values governing our activity, I wish to underline our willingness to continue improving and progressing in the development and application of the ten principles, to bring them further in line with our daily management, and with them to improve the satisfaction of all of our groups of interest and the environment in which we work.

Yours faithfully,

JAVIER ORMAZABAL ECHEVARRIA



- Principle 1

Business should support and respect the protection of internationally proclaimed fundamental human rights, within their sphere of influence.



DIAGNOSIS

State whether the business has conducted a diagnosis in which Human Rights risk factors haven been assessed. If so, give details of the risk and its impact (P1C2I1)

Response: YES

Establishment: No diagnosis has been carried out as the violation of Human Rights does not pose a risk to our Groups of Interest, and their respect forms part of our culture and values and is implicit in our strategy. In addition to protection, the development of activities and daily management of Grupo Ormazabal is an intrinsic factor.



POLICIES

Does the organisation have Human Rights policies in writing? Describe in the notes field to what extent these have been implemented (P1C2I2)

Response: NO

Establishment: There is no Human Rights policy in writing, however these Rights are implicit in the Human Resources Management Policies introduced this year (employment, hospitality, training, personal development, compensation, mobility, internal communication, dissociation, social and labour relations, as well as safety relations).



ACTIONS:

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P1 C1I1)

Response: YES

Establishment: With the protection of fundamental human rights as a frame of reference, this year the Ormazabal Group has developed the first Corporate Responsibility Strategic Plan, with a time frame of three years. The defined strategic lines respond to the requirements of the identified groups of interest that are intrinsically linked to the strategic development of Grupo Ormazabal at this time.

State whether the results, obtained through the Human Rights policy follow-up mechanisms, are used in the strategic planning of the business (P1 C2I5)

Response: YES

Establishment: In the case of Human Resources Policies (within which the protection of Human Resources is implicit), the Human Resources management information, collected through different means, is analysed in the Management Committees and is part of the strategic definition carried out by the management of Grupo Ormazabal.

State whether the business provides its customers with information on the safety of its products and services. If yes, give details as to how (P1 C4I1)

Response: YES

Establishment: On the first page of the general instructions of all the products manufactured in Spain, the attached text agreed with SERCOBE is included. Additionally, a list is shown of the regulations that the product is subject to. In documents of products manufactured at Ormazabal Anlagentechnik GmbH (Germany) the content is different and, as a rule, stricter than the requirements of standard IEC 62271-1.



MONITORING AND IMPACTS' MEASUREMENT

Indicate whether you have mechanisms in place for following up the Human Rights policies of the business. Give details (P1 C2I3)

Response: YES

Establishment: There are no direct mechanisms for following up the Human Rights policies, however there are for following up the Human Resources management policies (in which the protection of Human Rights is implicit) through the management of different indicators.

Objective: To have a Code of Conduct.

Percentage of employees who have been informed of and have received training on the Human Rights Principles by which the business is governed (P1 C3I1)

Response: 100%

Establishment: The values of Grupo Ormazabal and the assumption of the Human Rights Principles are distributed by different means to all Grupo Ormazabal employees.

Objective: A Code of Conduct has been developed this year based on these principles, which is due to be approved and communicated to the entire workforce in 2011.



State the number and type of: (P1 C4I3).

- * Breaches of customer health and safety regulations: 0
- * Claims ratified by official regulatory bodies or similar for overseeing or regulating the salubrity and safety of products and services: 0
- * Breaches of regulations on information and labelling of products received: 0

Establishment: There have not been any breaches or claims.



• Principle 2

Business should make sure that they are not complicit in human right abuses



DIAGNOSIS

State whether the business has conducted a diagnostic in which it evaluates Human Rights risk factors in its supply chain (suppliers, contractors, etc.) or among its business partners. If so, give details of the risk and its impact (P2 C2I1)

Response: YES

Establishment: There is a diagnosis available. The risks that have been detected and the probability that they will occur are common to all organisations that operate on an international scale:

- Possible breach of customer's requisites. Impact: Very high.
- Reputational risk linked to social and environmental aspects and environmental aspects and occupational risk prevention in the supply chain. Impact: Very high.



POLICIES

Does the business have policies in writing that regulate relationships with suppliers based on respect for Human Rights? (P2 C3I2)

Response: NO

Establishment: There is no document that establishes an explicit policy in this regard.



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P2 C1I1)

Response: YES

Establishment: A diagnosis of the situation has been carried out, which will permit us to develop a strategic plan of action in 2011 that ensures compliance with human rights throughout the whole supply chain.



MONITORING AND IMPACTS' MEASUREMENT

State the percentage of suppliers that have certification (P2 C2I2)

Response: 100%

Establishment: Productive: 100% (ISO 9001 or equivalent)

State the number of complaints and queries made by/about suppliers (P2 C3I3)

Response: 0

Establishment: There have been no complaints or queries made by/about suppliers regarding violations of human rights.



• Principle 3

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining



DIAGNOSIS

Give details of any risk factors that may compromise effective recognition of the right to collective bargaining (P3 C3I2)

Response: NO

Establishment: There are no factors that could affect collective bargaining, as the current regulations remain in force in each country.



POLICIES

Does the business have an information, consultation and negotiation policy for employees on changes to the operations of informer organisations (for example, the restructuring of a company)? (P3 C2I1)

Response: YES

Establishment: A Social and Labour Relations has been published, as at Grupo Ormazabal we understand social and labour relations from an open-dialogue standpoint, in which each of the business' management will adopt an interlocutor role, both with the Legal Representation of Employees as with individual employees. In this respect, our objective is to maintain collaborative stance with the Legal Representation of Employees in pursuit of common interests.



ACTIONS

Does your business have a specific course of action relation to this principle, which has been put into practice this year? If so, please give details (P3 C2I2)

Response: YES

Establishment: There is a Communication Plan which clearly states who, when and how all communications in the interests of Grupo Ormazabal employees must be carried out. Additionally, these communications are uploaded to Grupo Ormazabal intranet for those who wish to consult them.



MONITORING AND IMPACTS' MEASUREMENT

Does the business have follow-up and measurement procedures that guarantee the formal representation of workers in the decision-making processes or management of the organisation? If so, please give details (P3 C2I2)

Response: YES

Establishment: All workers are duly represented by the business committees or by delegates elected by employees, always in accordance with the legislation in force in each country in which Grupo Ormazabal operates.

Does the business have mechanisms for listening to, evaluating and monitoring the opinions, concerns, suggestions, criticisms of employees in order to learn and acquire new knowledge? If so, please give details (P3 C3I1)

Response: YES



Establishment: Grupo Ormazabal has diverse tools that directly collect information from its employees by different means. On one hand surveys have been carried out during this year regarding the working atmosphere in our companies with the aim of analysing the situation and establishing improvement actions. On the other hand, via the performance management tool, called GOOD Guide, development concerns of the employees are collected and improvements are also proposed. In terms of communication there are suggestion boxes in the majority of our plants also in order to gather employees' concerns.



• Principle 4

Business should uphold the elimination of all forms of forced and compulsory labour



DIAGNOSIS

State whether forced labour is a risk factor within your business, given the type of activity you undertake (P4C2I1)

Response: NO

Establishment: Forced labour is not a risk factor at Grupo Ormazabal given the sector in which the business operates.



POLICIES

State whether the business has policies in writing regulating the fixed number of working hours and remuneration of workers. Give details (P4C2I2)

Response: YES

Establishment: There is a Labour Relations and Compensation Policy in writing. With regards to the number of hours, in addition to following the legislation in force in each country, the number of working hours is detailed in the working schedules of each work centre.



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details. (P4C111)

Response: YES

Establishment: As previously mentioned, Grupo Ormazabal has published its Relation and Labour Policy and Compensation Policy given the understanding that this is another element of recognition, in which the employee's opinion is valued in terms of quantity and quality. In this respect, our objective is to have competitive salaries, externally and internally, in the framework of a flexible system that is adaptable to organisational and market changes, and guarantees objectivity and fairness.



- Principle 5

Business should uphold the effective abolition of child labour



DIAGNOSIS

State whether child labour is a risk factor within your business, given the type of activity you undertake (P5C2I1)

Response: NO

Establishment: Child labour is not a risk factor for Grupo Ormazabal.



POLICIES

State whether the business has policies in writing prohibiting child labour (for normal jobs, workers under 15 years of age, or 18 years of age in the case of dangerous jobs), which it openly communicates (P5C2I2)

Response: YES

Establishment: The prohibition of child labour is intrinsic to the values and management systems of Grupo Ormazabal employees. In addition, this year a Code of Conduct draft has been written (based on the Global Compact principles) in which this principle is assumed.



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P5C111)

Response: YES

Establishment: The commitment to UNICEF remains in place, supporting projects oriented to guaranteeing the protection of children's rights.



• Principle 6

Business should support the elimination of discrimination in respect of employment and occupation



DIAGNOSIS

State whether the business has conducted a diagnostic in which discrimination risk factors in relation to hiring, training and promotion are evaluated. If so, give details of the risk and its impact (P6C2I2)

Response: NO

Establishment: Non-discrimination relating to the hiring, training and promotion of employees is intrinsic to the principles and values of Grupo Ormazabal. Additionally, during 2010 an Equality Plan was developed in one of our companies.



POLICIES

Does the business have an anti-discrimination and/or equal opportunities policy in writing? Give details (P6C2I3)

Response: YES

Establishment: Yes. The Employment Policy, published this year, specifically mentions: ENSURE the objectivity of processes with the commitment to non-discrimination by age, sex, race, ideology, religion, sexual orientation, nationality, disability or any other personal, physical or social condition; promoting cultural differences as a source of mutual enrichment. In addition to the Training Policy and the Employee Development Policy (which details the specific principles: PROMOTE and DEVELOP the equal opportunities principle between professionals, referring to professional and personal promotion and growth). This is also included in the Code of Conduct draft created this year. Details specifically mentioned: The merit and quality of each collaborator will be recognised, promoting equal access to professional development opportunities present, depending on the characteristics, qualities and contributions of each person.



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P6C1I1)

Response: YES

Establishment: An Equality Plan has been carried out in one of our companies, which has permitted:

- Assurance of an action channel for company employees to lodge their complaints regarding sexual harassment.
- The establishment of criteria facilitating the identification of the circumstances to take into account in productive posts occupied by women.



MONITORING AND IMPACTS' MEASUREMENT

Give details of the composition of the corporate governance management bodies (including the Board of Directors) and all other employee groups giving percentages by category, gender, age and other diversity indicators (P6C2I1)

Management to employees: 7, 75%
Female managers: 15, 89%
Male managers: 84, 11%
Women: 21, 29%
Men: 78, 71%
Over 45 years: 58, 98%
Under 30 years: 41, 02%
Non-national employees: 26, 09%
Employees with permanent contract: 86, 15%
Establishment: % over 36 years of age: 58.98 %
 % under 36 years of age: 41.02 %
 % non-national employees (non-Spanish): 26,09 %

State whether the business publishes the composition of management bodies and all other employee groups. Below, state where this information is published (P6C2I4)

Response: YES

Establishment: The organisational structure and the employees that comprise it are published on Grupo Ormazabal's intranet.



Does your business have a mechanism or a person responsible for processing and managing claims of discrimination, harassment, abuse or intimidation? (P6C3I1)

Response: YES

Establishment: In 2010 an employee was assigned to handle said treatment, with the expected creation in 2011 of a Corporate Ethics and Defence Commission within Grupo Ormazabal linked to the Code of Conduct due to be approved.

Number of ongoing and resolved claims of harassment, abuse or intimidation in the workplace (P6C3I2)

Response: 0

Establishment: There are no open claims.

• Principle 7

Business should support a preventive approach which favours the environment



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P7C1I1)

Response: YES

Establishment: 1.-Monthly monitoring and gauging of atmospheric gas emissions in cubicle manufacturing plants, promoting the identification of any deficiencies in the measurement process, which in this way could be resolved in the moment. 2. - In addition, in the concrete plant annual measurements are taken of emissions and absorptions in the atmosphere, as well as of noise and industrial water dumping.

State whether the business has in place initiatives aimed at reducing power and water consumption, atmospheric emissions, liquid waste, or initiatives aimed at improving biodiversity (P7C2I2)

Response: YES

Establishment: The initiatives included in 2009 remain active in the cubicle plant, besides monthly wind generator atmospheric emission measurements carried out. Water and energy consumption is registered in all cases for the detection of irregularities.

Diverse activities for the reduction of energy consumption and quantity of waste generated have been developed in Chinese plants: Adjustments in the diesel generator, water/oil separation, improvements in the heating boiler (from coal to electric) in order to reduce CO2 emissions, improvements in water pipes reducing the monthly water consumption.

The light installations have been renewed at the German plant, reducing the electricity consumption.



MONITORING AND IMPACTS' MEASUREMENT

Percentage of resources of the total gross income made available for environmental awareness and training campaigns % (P2C2I1)

Response: 1%

Establishment: Less than 1%. Various internal awareness campaigns on waste management and environmental training have been implemented, in addition to the activities arising from introducing and certifying ISO 14001 in the centres mentioned in P7C1I1.

• Principle 8

Business should undertake initiatives to promote greater environmental responsibility



DIAGNOSIS

State whether the business has identified its environmental risks and responsibilities, taking into account its activity sector (P8C2I4)

Response: 1%

Establishment: In accordance with ISO 14001, an annual identification, evaluation and monitoring of environmental risks arising from the activity sector is carried out. The cubicle manufacturing plant has an Environmental Management System based on the ISO 14001:2004 international standard and certified by AENOR as of July 2000. Similarly, ORMAZABAL, as a member of the Association of Manufacturers of Electrical Goods (SERCOBE), actively participates in the framework of the Voluntary Agreement for the reduction of fluorinated gas emissions between the Ministry of Environment of Spain, the electric companies association and SERCOBE. The precast concrete plant also has an Environmental Management System. No high environmental risks have been identified. In terms of moderate risks, additive leaks in the tanks, fuel leaks and legionella can be identified.



POLICIES

State whether the business has an environmental policy in writing, either separate or integrated into another set of policies (P8C2I1)

Response: YES

Establishment: The Environmental Policy forms part of the integrated Quality, Environmental and Occupational Risk Prevention Policies of Grupo Ormazabal.



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P8C111)

Response: YES

Establishment: 1.- After publication of the 795/2010 Royal Decree that regulates the commercialisation and manipulation of fluorinated gases and related equipment, as well as the certification of the professionals who use them, within the association of manufacturers of electrical goods SERCOBE, ORMAZABAL, together with the rest of the member companies, has designed a training program in accordance with module 8 of Appendix 2 of the Royal Decree. In relation to this, the German plant has been accredited as Trainer and Certifier for people handling fluorinated gases and related equipment. 2.- ISO 14001 introduction and certification, additional to that already in existence in Spanish commercial delegations, as well as in the two centres in China.



MONITORING AND IMPACTS' MEASUREMENT

State whether the business has effective mechanisms for evaluating environmental issues (P8C2I2)

Response: YES

Establishment: Various environmental objectives and aims have been established that are associated with direct actions such as the case of the Spanish commercial delegations (Analysis of alternatives for the handling of expanded polystyrene, certification). The 2010 environmental objectives have reached 75% for the cubicle plant and 100% for the concrete plant. Additionally, at the Transformer plant a reduction in significance of the "natural resources consumption" aspect has been achieved by replacing diesel with natural gas, and replacing forklifts running on butane gas for electric versions. At this plant the diesel supply tank has been closed, thus significantly reducing this aspect in emergency situations.



Percentage of goods and/or service suppliers and subcontractors currently implementing environmental management systems by type (e.g. ISO 14001, EMAS, etc.) % (P8C3I1)

Response: 0%

Establishment: We do not have this information.

Objectives: In 2011 the strategic suppliers will be defined and this question will be analysed.



• Principle 9

Business should encourage the development and diffusion of environmentally friendly technologies



ACTIONS

Does your business have a specific course of action relating to this principle, which has been put into practice this year? If so, please give details (P9C1I1)

Response: NO

Establishment: There is no specific action.



MONITORING AND IMPACTS' MEASUREMENT

Number of studies conducted, reports produced or communications sent during the year to increase the diffusion of environmentally friendly technologies and improve energy efficiency (P9C2I1)

Response: 0

Establishment: No information available.

Financial investment, out of total gross income, during the current year, for developing and diffusing technologies that do not harm the environment (P9C2I2)

Response: 0

Establishment: No specific economic evaluation is carried out for these activities.



• Principle 10

Business should support work against corruption in all its forms, including extortion and bribery



DIAGNOSTIC:

State whether the business has conducted a diagnostic to ascertain the greatest risk areas, both internally within the organisation and in its activity sector, and give details of the risks and their impact. (P10C3I1)

Response: NO

Establishment: Although no specific diagnosis has been carried out due to the lack of risk, development of a Code of Conduct is considered necessary for the regulation of these aspects.



POLICIES:

State whether the business has an anti-corruption, extortion and money laundering policy in writing (P10C2I2)

Response: YES

Establishment: These principles are intrinsic to our management and implicit in our ethical values and principals.

Does the business policy include controls and procedures relating to gifts, invitations and business expenses including limits and information channels for these? (P10C5I1)

Response: YES

Establishment: We have marked expenditure limits in the annual company budget and we also have a register and control of general customer care expenditure.



ACTIONS:

Does your business have a specific course of action relating to this principle; which has been put into practice this year? If so, please give details (P10C111)

Response: NO

Establishment: This was not necessary, as no type of problem was detected.



MONITORING AND IMPACT MEASUREMENT

Give the percentage, broken down by stakeholder group, of stakeholders who are aware of the business codes of conduct and anti-corruption and anti-bribery policies (P10C211)

Customers: 100

Employees: 100

Statement: Code of Conduct has been designed, but not published this year. Regarding the knowledge of anti-corruption and anti-bribery policies, which are also intrinsic to the daily management of all Grupo Ormazabal (P10C211)

Are all charitable donations and sponsorships transparent and made in accordance with applicable legislation? (P10C411)

Response: YES

Establishment: Absolutely all donations and sponsorships are made in a transparent way in accordance with the law at all times. Note that these are controlled and verified by the Audit area.

State whether the business has mechanisms for managing anti-corruption incidents (P10C611)

Response: YES

Establishment: Grupo Ormazabal considers that these attitudes are not acceptable, and as of 2006 a Commission exists that carries out reports for the Board of Management.