





26 **05** LEADERSHIP

58 10 Sustainable ECONOMY Our vision of sustainability is to be able to perform our duties as well as supplying chains for holding floating devices in the offshore area. We will reach these points by adjusting the economy to the demands of the global economy and social welfare.

Introduction

Vicinay Cadenas' philosophy is to collaborate in the construction of a sustainable business model with viable projects which in turn naturally bring together desirable economic, social and environmental aspects for the benefit of all society.

In each chapter of this report you will find out how the people who form part of the organisation have been fulfilling this commitment.





Looking Back

One more year I'm pleased to present this sustainability report which is undoubtfully a true reflection of the most significant things of this last 2014.

In this special year full of important internal changes, time when our manufacturing will stop being sent out to the rest of the world from our beloved Zorrozaurre, I would like to go back in our memories focusing on the history and trajectory of the place where we have been based from 1952 until 2015.

It has been 64 years in which we have delivered more than 1,500,000 tones, with the help of around 300 people, most of whom have spent with us the majority of their entire working life.

During the first years until the 80s our target was the shipbuilding industry, from that moment the global demand was coming from Offshore, therefore we tried to develop in order to satisfy our clients from the Oil&Gas sector. Due to this it could be said that our products are spread all over the seas and countries such as the Mexican bay, The Northern sea, the Atlantic and Pacific oceans... in fact, in any place where we were required by our clients.

During 2014, the last complete year working from Zorrozaurre, we had a 29,000 t production chain with the help of aproximately 294 people.

In 2015 we will leave our beloved location to facilitate the growth of Bilbao as a contemporary and residential city so I would like to say a huge thank you to all those who have participated with their effort and work since we started until today. Due to them we have been able to occupy an important place into the Oil&Gas sector, making our brand to be one of the highlights in this complex market.

Huge thank you to everyone, let's continue working like this in order to reach new milestones and create new history.

Juan Ignacio Vicinay Chairman Vicinay Cadenas S.A.

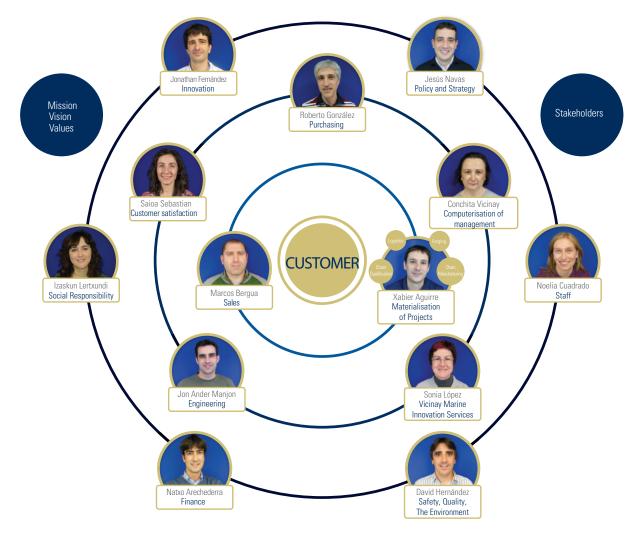




Areas 2014



Process Map 2014



> Each process has a leader who coordinates a team of people from different functional areas of the organisation.





Global leader in the market for the manufacture of chains for the offshore industry

































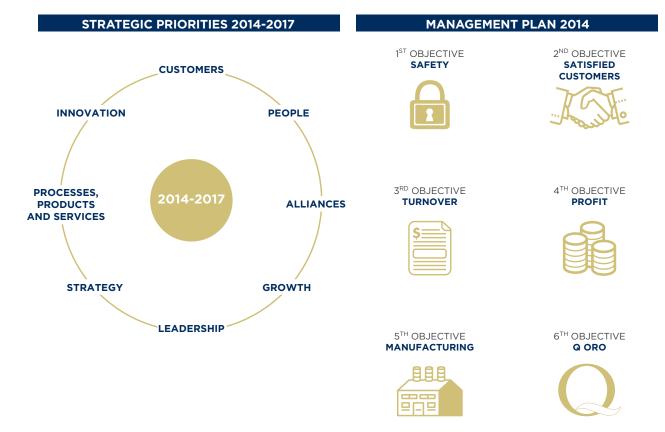
" Our vision of the strategy is to build a company in which each member actively participates. This is our way of contributing to the professional development of people and, at the same time, adding value to the brand."

Jesús Navas

At Vicinay Cadenas we define our strategy through a participatory process with a very broad representation of the different parts of the company: from the board of directors and management teams, to the works council and the other people who are part of the organisation.

We have created a matrix organisation to ensure that our company is sustainable. So, from the strategic point of view, we work on the basis of three processes: **operational processes**, **support processes** and **strategic processes**. Each process has a leader who coordinates a team of people from different functional areas of the organisation.

These functional areas are responsible for implementing the planned actions. Once the strategy has been defined the teams are given total freedom to outline their action plans.



2014 ACTION PLANS

With the mission, vision and values of the company as a starting point, we focus on what we are going to do in the long, medium and short term.

Before starting the initiatives to be carried out we prepare a SWOT analysis that includes the recommendations obtained from the different evaluation methods we use, such as the satisfaction survey and the EFQM model.

TRANSPARENCY AND COMMUNICATION

We believe that it is fundamental for people to be involved and at the same time for them to have access to the most important information. This value is implemented through the existence of various forums in which each member of the organisation can communicate, share and express their concerns: meetings to monitor quality, review strategic objectives, pool results and daily issues for the factory, among others. This is our way of overseeing the development of the company.

Once the strategies have been implemented, we carry out the systematic monitoring of the objectives, reviewing them on a monthly and quarterly basis through a series of indicators which measure their effectiveness.

Throughout the year we hold four symbiosis meetings with a broad representation of the workforce in which the level of fulfilment of the strategic objectives is communicated.

At the end of the year, the company's annual **management plan** is revised in order to have an updated vision of the forthcoming years, and finally, we carry out an annual assessment in **Vicinay Meetings**.



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STATE MARKAN CONCINCION

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« Strategies cannot be implemented without leaders to undertake them, actions cannot be completed without people to carry them out. *»*

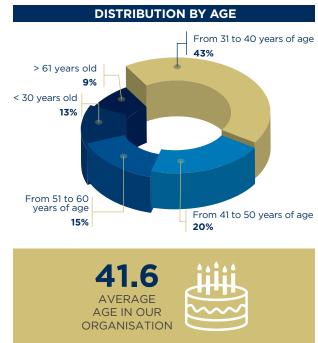
Noelia Cuadrado

One of the key strategic priorities that defines Vicinay Cadenas is people. That is why we work to ensure the satisfaction, good relations, equality and professional development of the members who form part of the organisation.

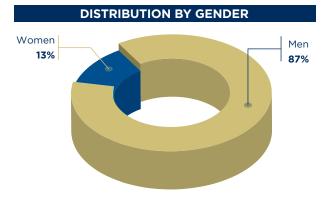
For us it is the people who contribute the knowledge, analytical capacity and decision making skills which allow the company to fulfil its primary objectives.



> These people have helped to enrich our business in 2014.



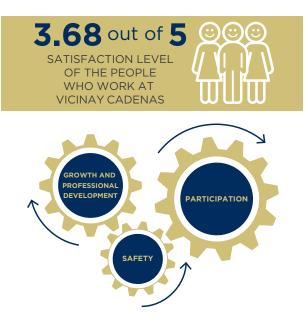
In recent years the policy of generational renewal has allowed a growing number of young people to join the company.



> As a general rule, when looking at the gender balance in the metals sector, there is a dominant role for men. At Vicinay Cadenas we work each year to achieve greater equity between men and women. During 2014 we managed to obtain 13% in general and 50% in the offices.

A GOOD WORKING ATMOSPHERE

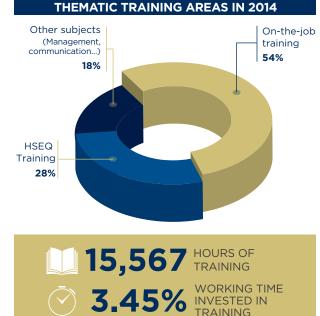
Over the last 7 years we have continued to have strong satisfaction figures. We obtain this satisfaction rate through a survey conducted every two years. In 2013 (date of the last survey) we managed to obtain our second best satisfaction rate ever.



PROFESSIONAL GROWTH AND DEVELOPMENT

Our company has been growing with young people who joined shortly after leaving university and who have developed their careers at Vicinay Cadenas. Many of our leaders have had the opportunity to work in different areas and have even worked in other countries, in the companies that the Vicinay Marine group has in China, Sweden and Brazil. This philosophy leads us to implement a policy of continuous training which ensures the constant updating of our professional skills. We also hire externally for posts that require specific experience and these recruits bring added value and a different point of view to the organisation.

NEW STAFF



HSEQ AWARENESS AND TRAINING

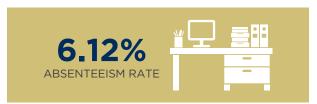
Our primary objective is to protect people. Therefore, we are working to improve occupational health and safety.

In 2014 we invested in training programmes and campaigns to raise awareness about and prevent accidents.



PARTICIPATION

The involvement of people in the business can be seen from the development of the absenteeism rate. We believe that it is important to maintain a constant relationship between all areas of the company. This includes the works council, which participates in the life of the organisation as if it were another departmental management: it is present in meetings on strategic planning, the coordination of areas and processes, and in the monthly and guarterly summaries.



> Our absenteeism rate is very good compared with the sector.







« In nature when a tree lets the light through, life flourishes around it. *»*

Izaskun Lertxundi

PERCEPTION OF THE LEADERSHIP



Maximum Average Minimum Average number of staff



LEADERSHIP EQUALITY MEN - WOMEN



	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
TARGET	50%	50%	50%	50%	50%
VCSA	35%	38%	44%	44%	45%

> Each year we work to achieve equality in terms of the balance between men and women as team leaders. In this sense, 2014 has been the first year in which women have worked as **ground operations coordinators**.

> This chart shows the performance level in the different skills expected from team leaders. The evaluation is carried out every two years and the results are shown on a spider chart. This year the most valued skill has been "Consistency with the mission, vision and values". The rest of the skills had a balanced assessment.

LEADERS APPOINTED IN 2014

PROCESSES AND SUB-PROCESSES





Saioa Sebastián

Unai Mandaluniz

Aitor Gallego





AD HOC TEAMS

lsabel Álvarez

Santos

Asier Pinedo

During 2014 new leaders were appointed and new "ad hoc" teams were created. These are multidisciplinary teams focused on achieving specific objectives.

Aretxabala





Our goal is to each year achieve more effective, friendly and sustainable communication.



AD HOC COMMUNICATION TEAM

COMMUNICATION SKILLS TRAINING Advantages: efficiency in the transfer of information.

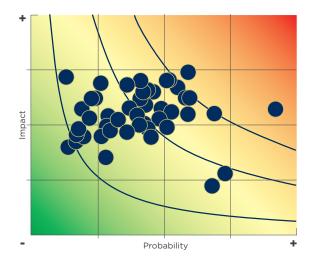
EXTERNAL COMMUNICATION Feasibility study of the project for a group corporate magazine.

Advantages: a sense of belonging, transparency and external presence of the brand.





An inventory has been created to identify the strategic, operational and compliance risks faced by our organisation. The objective is to reduce these risks as much as possible.



In this graph the identified risks are shown by category. In order to minimise them a number of people have been given the task of managing each of them.





At Vicinay Cadenas we believe that the efficient use of the knowledge and skills of each member of the organisation is important.

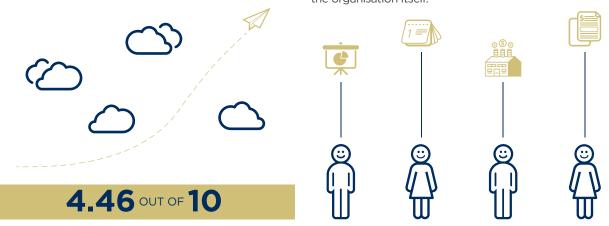
We have studied the skills necessary for each role and established new metrics that allow us to evaluate performance.





Good planning means improvements in many areas. A multidisciplinary team has been created that allows for an improvement in the synchronisation of the management of working capital by maintaining the balance between raw material purchases and production needs.

This improvement has had a very positive impact on the satisfaction of both the customers and suppliers and the organisation itself.



INTEGRATED MANAGEMENT SYSTEMS: *Safety, quality and the environment*





" The greater the safety, the greater the satisfaction of the people who work in the organisation, the greater the respect for the environment and the greater the satisfaction of the customers."

David Hernández



EXCHANGE OF BEST PRACTICES BETWEEN THE COMPANIES (Benchmarking)

We hold quarterly meetings with the Club 400, formed by the entities that have obtained the Q Plata and Q Oro awards -Basque Excellence awards- granted by the Basque Government and administered by EUSKALIT.



APPLICATION OF MANAGEMENT SYSTEMS: ISO 9001, ISO 14001, OSHAS 18000 AND EFQM.

In 2014, we continued working on the certification of our Integrated Management Systems with the different classification organisations and we have been subject to various customer audits with good results.



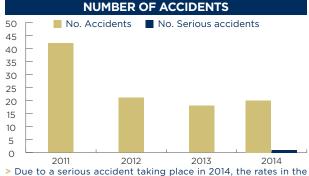




> To improve safety, each time there is an accident an exhaustive analysis is carried out both with the person involved and with the team that manages the safety area. From there, we implement a series of actions that help us to minimise the accidents and incidents that warn us of the need to improve safety.

Some of the most significant activities derived from these analyses in 2014 have been:

- Improved safety in the use of forklifts.
- Greater safety when handling loads.
- Improvement in the suction systems.
- Adjustment of the load testers.



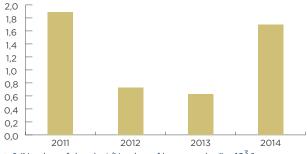
graphs for that year have higher values than in the previous years.

130 120 110 100 90 80 70 60 50 40 30 20 10 0 2011 2012 2013 2014

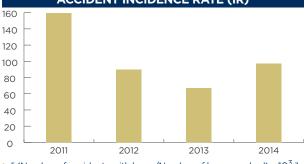
ACCIDENT FREQUENCY RATE (FR)

> [(Number of accidents with leave/Number of hours worked) $\times 10^3$]

ACCIDENT SEVERITY INDEX (SI)



> [(Number of days lost/Number of hours worked) $\times 10^3$]



ACCIDENT INCIDENCE RATE (IR)

> [(Number of accidents with leave/Number of hours worked) $\times 10^3$]





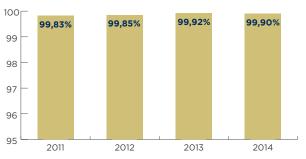
Our job consists of ensuring that the cost of poor quality decreases year on year. In 2014 it was necessary to dedicate many resources to standardising, creating procedures for and acquiring new size and temperature measurement systems and to intensifying checks on the ground.



In our team we carry out the systematic monitoring of quality and we have a computer system that provides us with comprehensive information about the entire production process. In 2014 we have seen the quality in Vicinay Cadenas tested more than ever due to the entry of large orders.

This has forced us to introduce some innovations in our quality management. We have also further systematised the modus operandi, which facilitates the analysis of and search for solutions to the problems detected.

We continue to work on creating an "early detection of deviations" culture which implies rejecting any defective products at source. These actions have led us to minimise the cost of poor quality in 2014.



EVOLUTION OF FIRST TIME THROUGH

> This indicator shows the percentage of parts made right the first time.

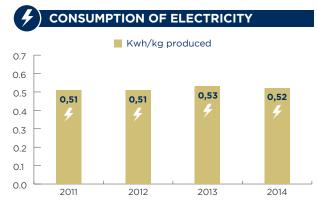
O3 THE ENVIRONMENT *Rebeca Somavilla*

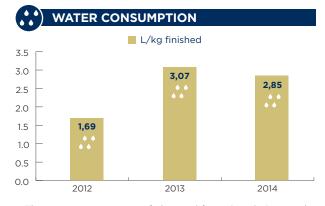


Vicinay Cadenas continued working in 2014 on the reduction of its environmental impact based on the life-cycle assessment of the product. We have followed an international standard which allows us to analyse and communicate the environmental impact generated by any element of off-shore anchoring.

This type of declaration is a useful tool for the transparent communication of that impact to our stakeholders, as well as for the detection of those areas we should be trying to reduce.

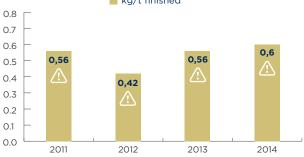
In 2014 Type II Environmental Declarations have been prepared for Chain R3, R3S, R4, R4S and R5, as well as for shackles D and H of the same qualities.



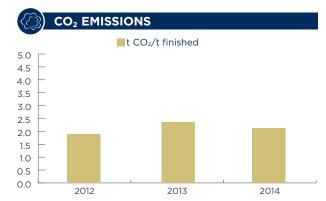


> The greater awareness of the workforce in relation to the efficient use of natural resources and the work carried out during 2014 by our energy manager are reflected in the improvement in our indicators for the consumption of electricity and water.

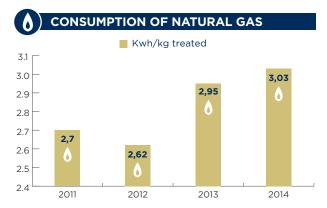




> We have identified areas for improvement in the production process in terms of reducing consumption and waste. We have also improved the segmentation of waste, and run information and awareness campaigns on recycling.



> We comply with the requirements of the ISO 5001 standard which certifies the efficient management of energy. In 2004 we launched many initiatives which have reduced our carbon footprint.



> The wide range of diameters of chain and accessories that have been manufactured during 2014 have increased the consumption levels for natural gas during heat treatments.





A STEP FORWARD IN ECO-DESIGN

Vicinay Cadenas is a co-founding member of the Basque Ecodesign Center, a forum of companies whose objective is to minimise environmental impact through the design of products with a more environmental focus from the start. Choosing the geometry of the parts helps us to reduce expenditure on raw materials, as well as the machining hours and energy consumption for heat treatment. Using materials that have a lower impact on the environment is another element that we consider.





The Basque Ecodesign Center's mission is to promote the development of business ideas and activities through eco-design so that they contribute to improving competitiveness and preventing the generation of an environmental impact in the Basque Country. It is a benchmark in the European Union and works through a network consisting of companies and the Basque Government.

An EPD is a certified environmental product declaration prepared in accordance with the international standard ISO 14025 (Type III Environmental Declarations). It includes environmental product/service information based on the analysis of the life cycle and on other relevant information, in compliance with the standard.







" The first delivery of chains for the ICHTHYS project took place in June 2014. The ships had to leave before the whale mating season. It was important for us to meet this deadline and we managed it. *"*

Xabier Aguirre



2014: SUSTAINED DEVELOPMENT

ICHTHYS (Australia)

In 2014 the largest contract in the history of Vicinay Cadenas was placed, the project **ICHTHYS**. 40,000 t of chains were manufactured and 6 boats were needed to transport them to Australia. Manufacturing each chain, which individually weighs 740 t, involved great technical and logistical difficulty. To manage this we have invested in new technology and machinery and in innovation.

The quality requirements have been very demanding and we feel satisfied with the result. It could be said that this work over three years represents an evolution for the company. The management of this project has led us to make changes in both the industrial and management processes that have generated growth in all areas.

PRELUDE (Australia)

We have delivered **10,000 t** of 175 mm grade R4 chain, with the greatest technical quality requirements that we have ever had and this has led to the company reaching an important milestone. The project consists of 16 anchor lines, with more than **1,000 metres** of chain, to anchor the world's largest floating production structure. This floating structure is for FLNG (Floating liquidated natural gas), a gas facility located at more than **200 km** from land.



INNOVATION IN ACCESSORIES

This year we have produced parts of a size never previously manufactured and new parts have been created.



UNIJOINS > This part helps increase the life of the mooring line. Our added value is collaborating with our customers in the reduction of costs.

ILMC > New method for stressing lines in a faster, safer and more controlled way, leading to a reduction in installation costs.

CUSTOMER SATISFACTION



One of our greatest achievements in 2014 is having achieved a high level of customer satisfaction.



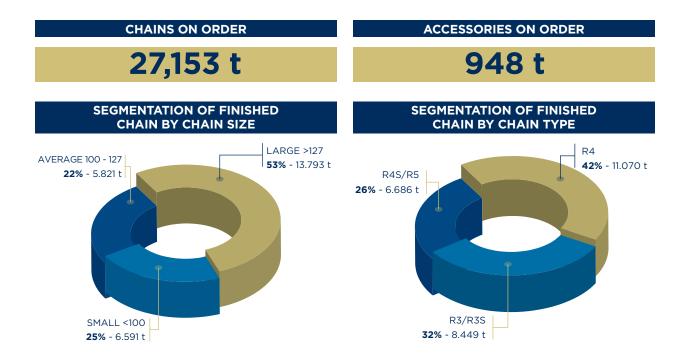






*«*In 2014 we had a larger order-book than in other years. Our chain and accessories factories have been working at full capacity. *»*

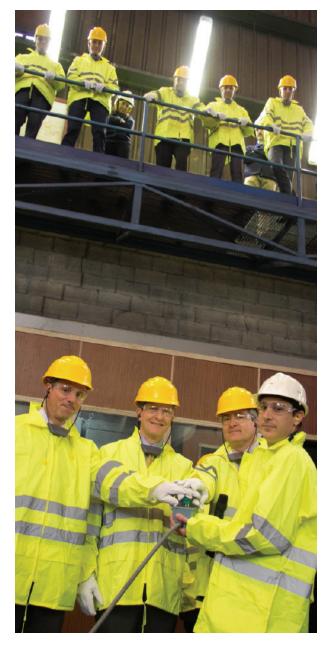
Marcos Bergua



LOCATION OF THE MOST IMPORTANT ORDERS



> Our orders map covers extensive geographic areas of the world with some markets being consolidated and others emerging.

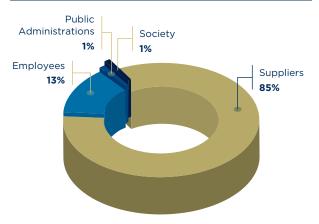




"We establish alliances with our suppliers and this allows us to have close and strong relationships, increasing customer satisfaction."

Unai Mandaluniz

DISTRIBUTION OF THE WEALTH GENERATED



SUSTAINABILITY IN PURCHASING

At Vicinay Cadenas we ensure that our suppliers are advanced in their management and that they supply us with raw materials following a policy that is increasingly adapted to our needs. Forecasting and planning allow for the efficient control of the number of tonnes of steel on the ground.

SUPPLIER ENGAGEMENT

We enjoy working with our trusted suppliers so that they can obtain sustainability certificates. This is something that improves the final quality of the product and the work of the staff.

CERTIFICATION OF OUR SUPPLIERS

ISO 9001	ISO 17000	OSHAS 18000	OTHER
75%	29%	25%	42%

INNOVATION IN DOCUMENT MANAGEMENT

We have a computer programme that communicates with the tax agency for the management of administrative purchase and sale tasks, as well as for the management of contracts. This improves security and helps resolve problems in the event of incidents.

SUPPLIER SATISFACTION

4.28 OUT OF 5 SUPPLIER SATISFACTION

Kaste







« At Vicinay Cadenas we know that our business has an impact on society and each year we take this responsibility very seriously. *»*

Izaskun Lertxundi

GLOBAL COMPACT



Once again this year we continue to be signed up to the United Nations Global Compact and the Spanish Network for the Global Compact so we continue working in compliance with the following principles:



HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

Principle 2: Businesses should ensure that they are not complicit in human rights abuses.



LABOUR STANDARDS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should support the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should support the effective abolition of child labour.

Principle 6: Businesses should support the elimination of discrimination in respect of employment and occupation.





THE ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.



ANTI CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

SUPPORT FOR EDUCATION

We are aware of the important role of our company in the industrial fabric of the community and the impact that our experience can have on the behaviour of younger generations. As a result, each year we organise OPEN DAYS for vocational training centres, universities and business schools.



SUPPORT FOR ENTREPRENEURSHIP

Some of our innovations are directly related to the search for solutions to the problems and challenges of today's society.

For the last two years we have been collaborating with the association AHALBIDETU which runs the Aprender Haciendo (Learning by Doing) programme, whose objective is to support young people who have recently graduated, allowing them to gain experience ahead of their entry into the world of work.





PROFESSIONAL GUIDANCE

We work with the NOVIA SALCEDO FOUNDATION on the Lanaldi project, a programme with the mission to provide professional guidance for high school students before they choose their subjects to study.

This is carried out by offering students practical experience, accompanying one of our professionals for a day.







More and more schools and learning institutions are inviting us to share our management model with the people they are training.

INCREASING INTEREST IN TECHNOLOGY

With the aim of generating interest in promising fields such as robotics, programming and advanced technologies, we run **TECHNOLOGY CAMPS** at the start and end of the school holidays. This also contributes to the work-life balance.



CHARITY CAMPAIGNS

Once again this year we have run charity campaigns in collaboration with Koopera and the Bizkaia Food Bank.



SUPPORT FOR LOCAL SPORTS

In 2014 Vicinay Cadenas collaborated with the development of local sport through its sponsorship of, among others, the Enkarterri Sports Association (Agrupación Deportiva Enkarterri).













« Vicinay Cadenas is a family company whose financial policy is based on making stable long-term investments that ensure the continuity of the business in a sustainable way. *»*

Nacho Arechederra

60

BALANCE SHEET*				
	31.12.2014	31.12.2013		
NON-CURRENT ASSETS	62,887	68,743		
Intangible fixed assets	15,032	16,120		
Tangible fixed assets	21,901	24,160		
Long-term investments in group and associated companies	9,374	9,374		
Long-term financial investments	60	60		
Deferred tax assets	16,520	19,029		
CURRENT ASSETS	40,604	55,502		
Inventory	17,058	13,900		
Trade and other receivables	19,470	37,543		
Short-term investments in group and associated companies	2,589	3,581		
Short-term financial investments	84	74		
Accruals	84	71		
Cash and other equivalent liquid assets	1,319	330		
TOTAL ASSETS	103,491	124,245		
	31.12.2014	31.12.2013		
NET WORTH	53,260	49,753		

NET WORTH	53,260	49,753
Equity:		
Capital	9,165	9,165
Reserves	40,086	35,544
Profit/Loss for the financial year	3,493	4,542
Subsidies, donations and legacies received	516	502
NON-CURRENT LIABILITIES	13,317	25,752
Long-term debts	4,631	16,634
Deferred tax liabilities	8,686	9,118
CURRENT LIABILITIES	53,260	48,740
Short-term debts	14,064	5,579
Short-term debts with group and associated companies	-	283
Trade and other payables	22,850	42,878

103,491

124,245

* Values expressed in thousands of euros.

TOTAL LIABILITIES

PROFIT AND LOSS ACCOUNT*				
	31.12.2014	31.12.2013		
ONGOING OPERATIONS				
Turnover	95,630	109,261		
Change in stock of finished goods and work in progress	2,625	(2,062)		
Work performed by the company for fixed assets	631	1,938		
Supplies	(57,277)	(60,314)		
Other operating income	10	226		
Personnel costs	(11,156)	(13,786)		
Other operating costs	(19,367)	(21,902)		
Amortisation/depreciation of fixed assets	(7,839)	(9,051)		
Allocation of non-financial and other fixed-asset subsidies	159	228		
Impairment and loss on disposal of fixed assets	-	(973)		
OPERATING PROFIT/LOSS	3,416	3,565		
Financial income	10	6		
Financial costs	(677)	(1,664)		
Change in fair value of financial instruments	-	440		
Exchange rate differences	(58)	(9)		
Impairment and loss on disposal of financial instruments	130	123		
FINANCIAL PROFIT/LOSS	(595)	(1,104)		
PRE-TAX PROFIT/LOSS	2,821	2,461		
Corporation tax	672	2,081		
PROFIT/LOSS FOR THE FINANCIAL YEAR	3,493	4,542		

* Values expressed in thousands of euros.

During the 2014 financial year, Vicinay Cadenas continued to provide the market with high value added solutions resulting from the investments in innovation carried out over the last few years and which provide the company with its main competitive advantage in the offshore market.

These investments have added up to a gross figure of 3.6 million euros and have resulted in R+D+i projects run by the organisation itself or in collaboration with others in the product, process and market areas. Many of these projects have also been supported by the regional, national and European public administrations.

Similarly, Vicinay Cadenas has continued with its policy of continuous improvement, especially in safety and ergonomics.





