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velatia



Letter from the **President**

I am pleased to present our sustainability report at Velatia level for the years 2013 and 2014, presenting the main advances carried out for these years at economic, environmental and social level, in accordance with the guidelines of the "Global Reporting Initiative (GRI)" and in relation to the ten principles of the United Nations Global Compact, of which we have been members since 2002.

I would moreover like to highlight the publication during 2013 of our first Code of Ethics at Velatia level, which embodies our business philosophy linked to our vision and business strategy, providing guidance on the values and ethical behaviour that should govern the way we work. Also we have reviewed all commitments taken on and reflected in the various Policies that have been updated and communicated. I would like to draw your attention among to them to the "Anti-Corruption Policy" that ensures compliance with anti-corruption and bribery laws as well as the "Social Action Policy" for contributing to the development of each country where **Velatia** operates and/or maintains trade relations, driving innovation for a better quality of life of that country and creating value for the company.

Also, in 2014 we worked to develop the master plan on corporate social responsibility from 2014 to 2016, in order to integrate social and environmental aspects at strategic and operational level in Velatia and to deepen the implementation of our ongoing commitment with the United Nations.

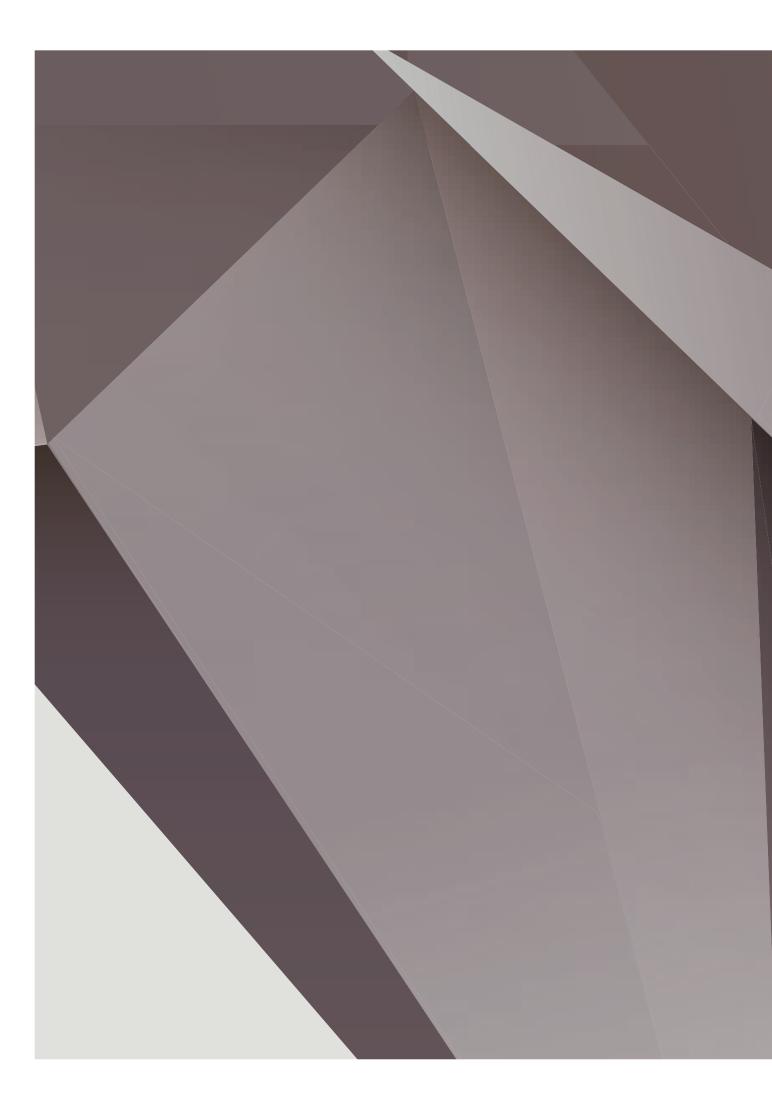
These two years have been difficult as far as economic performance is concerned, but this has not meant that we have not held fast to our ethical convictions, our values and the essence of our management: focus on the customer, effort in innovation, commitment to multicultural teams and strategic discipline, the satisfaction of our people and strong commitment to the development of the countries in which we operate.

With the course already set for 2015, it is time to move towards recovery, without losing our genetic makeup. We are Velatia.

Javier Ormazabal Echevarria **President**



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Velatia

Velatia (S.L.) is based in the Technology Park of Bizkaia (Spain) and is an industrial and technology group with a significant presence internationally in Germany, China, Spain, France and Mexico. We operate in the area of electricity, electronics and communication networks as well as in the sectors of consulting, security and aeronautics, where safety, efficiency and reliability are highly valued.

The group is made up of companies totalling over one hundred years of experience, committed to innovation to meet the present and future needs of our customers by offering solutions that help make the world a better connected, more sustainable, smarter and more human place.

MISSION

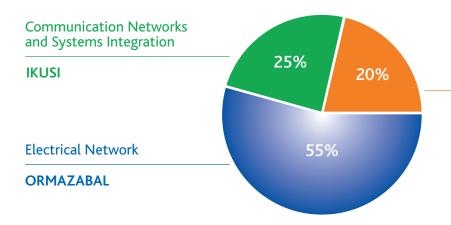
Velatia is a group specialised in network optimisation that provides reliable and innovative solutions through our integration capacity and personal commitment to our customers, partners and suppliers, our people, our environment and society in general. Our mission is based on excellence, technology and sustainability.

VISSION

We aspire to be an innovative group that inspires trust and contributes positively in all areas where we are present, ensuring a high level of performance and the creation of value for all our stakeholders

STRUCTURE AND COMPANIES





Telecommunications
Aerospace
Security
Consultancy
Centres of Excellence

ORMAZABAL

Electrical networks

Manufactures equipment and providessolutions for electric power transmissionand distribution, from generation point of consumption, looking towardthe near future, when electric powerwill be the basis of all smart cities, and which **Ormazabal** will take a globalleadership role.

IKUSI

Electronics and information and communication technologies

Focuses on three areas:

Systems and services integration for sectors like airports, mobility (public transport and traffic), security in critical and health infrastructures.

Integration of communication networks (solutions for telephone operators, telecommunications network infrastructure, security, data centres, monitoring, control, services and maintenance).

Design and manufacture of electronic components, mainly intended for two types of activity: development of solutions in the management and treatment of video and TV signals for the hospitality sector, and remote controls for distant load handling and lifting in industry and the mobile sector.

WEC

Aeronautical components

Designs and manufactures advanced parts, the majority of which are components used in aircraft engines and turbines made by leading world manufacturers.

TECNOEXPRESS

Physical security

Specialists in solutions focusing on money management and banking security: safes, ATM and cash recycler safes, automated cash management equipment, explosives containers, etc.

KNOCK

Telecommunications

Provides telecommunications infrastructure solutions that facilitate the deployment of both fixed and mobile networks, enabling voice and data coverage in diverse geographical areas.

RBT CONSULTING

Consulting

Consultancy that supports its clients in business development and change, providing products and services in different areas such as: management, human resources, as well as internationalisation and innovation.

TECNICHAPA

Fine, precision metal fabrication

Responsible for the manufacture and adjustment of sheet metal to form cubicles, electrical cabinets, parking control machines and industrial printers, thereby providing protection for electronic equipment and operators.

POLSA

Solid insulation for electrical equipment

Experts in solid insulation solutions for electrical units and parts, thereby ensuring safety. It boasts extensive experience in materials such as silicone, epoxy, polyester and thermoset materials, as well as in transformation technology and processes.

UNIBLOK

Precast concrete

Responsible for manufacturing the structure that protects and encloses a transformer substation. Currently extending its activity to developing comprehensive solutions in prefabricated concrete buildings.

GOSA

Shared services unit

This is the shared services unit, responsible for the administrative management of our entire group, using common quality and cost optimisation criteria at the service of the **Velatia** strategic plan.

JR ECONOMIC PERFORMANCE	2013	2014
otal capitalisation (€M)	545	496
Subscribed capital	325	325
Assets	317	294
Financial debt	112	126
Gross fixed assets	358	372
Accumulated depreciation	-185	-208
conomic value generated (€M)	553	503
Sales and other operating income	551	501
Financial income	2	2
Results of disposal of fixed assets	0	0
istributed economic value (€M)	534	483
Purchases and other operating costs and training	380	348
Staff costs	154	135

OUR REGULATORY COMPLIANCE

Velatia meets all national and international standards in each of its areas of application and those derived from it; we are pleased to report that in 2013 and 2014 we had no fines or sanctions for non-compliance with environmental regulations, various laws and

regulations or as a result of breach of regulations concerning the provision and use of products and services of the company.

In addition to strict compliance, all **Velatia**'s efforts and investments, while they do not include specific

clauses on respect for human rights, are performed under conditions of respect for these rights, and we have no record of internal or external origin of actions contrary to them.

OUR PARTICIPATION IN EXTERNAL INITIATIVES

Velatia is a member of numerous associations related to its activity, with the aim of being a key player in the sectors in which we are involved, citing as the most relevant:

Entities		
V-1-4:-	NERCIE	Business Association for the develoopment of Smart Cities
Velatia	Zaite	Association of Basque Companies for Sustainability (Asociacion de empresas Vascas por la Sostenibilidad)
	(<i>=</i> BEL)	Spanish Association of Electrical Capital Equipment Manufacturers (Asociación Española de Fabricantes de Bienes de Equipo Eléctrico)
	Gimélec	French Electrical Equipment Manufacturers' Association
Ownershall	ZVEI:	German Electrical and Electronic Manufacturers' Association
Ormazabal	Cluster Energía	Basque Energy Cluster
	AEDIVE &	Business Association for the Boosting and Development of the Electric Vehicle Market,
	EWEA THE ELAPHON WIND EMERCY ASSOCIATION	European Wind Energy Association

	FENITEL FOR PARTIES	Federation of Telecommunications Installation Companies and Integrators in Spain
	CAIA Quisiframos apoyarte en tus retos	Association of Electronic and Information Technologies in the Basque Country
	AMETIC	Association of Electronics, Information Technology, Telecommunications and Digital Content Companies (Asociación de empresas de electrónica, tecnologías de la información, elecomunicaciones y contenidos digitales)
Ikusi	htng)	Hotel Tecnology Next Generation
	HFTP Hospitality Financial and Technology Professionals	Hospitaliy Financial and Technology Professionals
	MAFEX	Spanish Railway Association
	federación española de empresas de TECNOLOGÍA SANITARIA	Spanish multi-sector federation of healthcare technologies.
	AIRPORTS COUNCIL INTERNATIONAL	Airports Council Intenational
Wec	hegan Country basque aerospace cluster	Basque Aerospace Cluster
Polsa		Biscayan Association of Chemical Companies



Velatia is a member of numerous associations related to its activity, with the aim of being a key player in the sectors in which we are involved, citing as the most relevant:

Also in **Velatia** we actively participate in the development of public policies of regulatory agencies related to electrical distribution networks. This work is conducted through our proactive involvement and in many cases leadership in business associations linked to the sector in all areas of action at European level.

We at all times maintain a position of defence of regulation conducive to the fundamental principle of sustainability of the electricity system, through development, commissioning and maintenance of a standard grid of reliable, durable, efficient and environmentallyfriendly distribution.

This position, on the regulatory side, has led us to the adoption of solid, consistent precepts regarding the criteria and concepts applied to the design, manufacture and commissioning of the products, equipment and services we offer to the market.

In pursuing activities for institutional relations and those related with business associations in general, everyone in **Velatia** maintains a strict watch and enforcement of the regulations laid down in the "Rules of Competition Law".

Governing Structure

The highest governing body is the **Board of Directors**, whose regulatory framework is composed of the Company Statutes, the Regulations of the Shareholders' Board, the Regulations of the Board of Directors, the different Regulations of the Board committees and the Code of Ethics.

The Board focuses its activity on the general function of guidance, supervision and control and it delegates the daily management of the Company on the management team. In this regard, the Board has attributed functions related to strategic management, organisation, financial control, risk management, information policy and legal matters and auditing.

The current structure of the Board allows it to implement the recommendations of the Code of Good Corporate Governance and the Capital Companies Act in matters of the size and type of the Board.

The composition of the Board of Directors at December 31st, 2014 is:

Position	Director	Rank
President	Mr. Javier Ormazabal Echevarria	Executive
Secretary	Mr. Alejandro Ormazabal Echevarria	Executive
Member	Mrs. Begoña Ormazabal Echevarria	Non-executive
Member	Mr. José Galidez Zubiria	Independent
Member	Mr. Luis Tejada Dunes	Independent
Member	Mr. Pau Molinas Sanz	Independent
Member	Mr. Ramón Sotomayor Jauregui	Independent
Legal Advisor	Mr. Javier Bicarregui Garay	Non board

The President assumes the duties of the chief executive, representing a significant concentration of power. However, steps have been taken to limit the risks of this concentration of power, including the existence of committees, with a majority of independent members, whose agreements are subsequently ratified by the Board, the

delimitation of the functions of the President in the Board Regulations, etc.

The figure of Legal Advisor (nonmember) ensures that the Board's actions comply with the law and comply with the Statutes and Regulations of the Board. Regarding the procedure in place to avoid conflicts of interest in the highest governing body, the Administrators communicate any situation of conflict, direct or indirect, that may exist with the interests of the Company to the Board. The board members who

are in this situation do not interfere in those matters where a conflict may arise between the interests of the company and its managers or related parties. In the Annual Accounts, transactions with related parties are listed so they are known to all directors and shareholders.

Committees of the Board of Directors in Velatia are:

STRATEGY COMMITTEE

The Strategy Committee is made up of two independent directors and the President. All its agreements must then be ratified by the Board of Directors, among its main functions being to review, assess

and advise on the company's strategy in the medium and long term and monitoring the implementation of the strategy approved by the Board.

Position	Director	Rank
President	Mr. Javier Ormazabal Echevarria	Executive
Secretary	Mr. José Galidez Zubiria	Independent
Member	Mr. Ramón Sotomayor Jauregui	Independent

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee, governed by a regulation approved by the Council, is made up of three external directors, two independent and one nominee director.

The functions of the committee are mainly:

 To supervise financial information, reviewing compliance with regulatory requirements and the correct application of accounting principles.

- To review the internal control and risk management systems.
- To ensure the independence and effectiveness of the internal audit function and to propose the selection, appointment and dismissal of internal audit manager, propose the budget of the service, receive information about its activities and make sure that senior management takes into account its conclusions.

Position	Director	Rank
President	Mrs. Begoña Ormazabal Echevarria	Non-executive
Member	Mr. José Galidez Zubiria	Independent
Secrtery	Mr. Luis Tejada Dunes	Independent
Advisor	Mrs. Iciar Marquinez Beñaran	Non board

APPOINTMENTS AND REMUNERATION COMMITTEE

This committee has powers of information, advice and proposal on the appointment, removal and remuneration of board members and senior management of the company.

Director	Rank
Mr. Javier Ormazabal Echevarria	Executive
Mrs. Begoña Ormazabal Echevarria	Non-executive
Mr. Luis Tejada Dunes	Independent
Mr. Pau Molinas Sanz	Independent
Mr. Germán Ormazábal Artolazabal	Non board
	Mr. Javier Ormazabal Echevarria Mrs. Begoña Ormazabal Echevarria Mr. Luis Tejada Dunes Mr. Pau Molinas Sanz

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Made up primarily of members of the Board (with anyone deemed necessary for their expertise in the matter attending as guests), this Committee has the fundamental purpose of ensuring compliance with the objectives, commitments and key performance lines in Corporate Social Responsibility and the definition of the objectives and commitments assumed by the Company in the specific subject of Social Action.

Position	Director	Rank
President	Mrs. Carmen Echevarria Vizcargüenaga	Non-executive
Vice-president	Mrs. Ana Ormazabal Echevarria	Non-executive
Member	Mr. Carmen Ormazabal Echevarria	Non-executive
Member	Mr. Javier Ormazabal Echevarria	Executive
Member	Mrs. Begoña Ormazabal Echevarria	Non-executive
Member	Mr. Alejandro Ormazabal Echevarria	Executive
Position	Director	Rank
Secretary	Mr. Patxi Zabala Goiricelaya	Non board
Vice-Secretary	Mr. Germán Ormazábal Artolazabal	Non board
Advisor	Mrs. Alaitz Macías Blanco	Non board



Values that define Velatia

Leadership





Flexibility

Pragmatism









Support

Ethics and integrity

THE VALUES THAT DEFINE VELATIA

In **Velatia** we distinguish ourselves by having values deeply rooted in our culture:

Flexibility: the will to understand different opinions and adapt to different situations

Leadership: showing the will to succeed in everyday activity that might act as an example and motivation for others.

Innovation: dynamic attitude to create and anticipate new, successful processes, products and/ or services.

Pragmatism: orientation towards results in an effective way.

Support: willingness to offer and request help in order to develop persons and achieve goals.



ASSUMPTION AND DEVELOPMENT OF THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

Since 2002, we have been members of the United Nations Global Compact, assuming the commitment to aligning our strategies and operations with the ten universally accepted principles based on universal declarations and conventions applied in four areas: human rights, labour standards, environment and anti-corruption.

As a result of this commitment, since 2005 we have been publishing the annual "progress reports", in which we lay out the progress made by **Velatia** in each of these principles, proceeding to their publication on the intranet for

the information of all our employees as well as on the website of "The Global Compact" for the information of all our stakeholders externally:

Spanish Global Compact Network:

http://www.pm-old. globalincubator.net/component/ consultarinformes/?ltemid=599

United Nations Global Compact:

https://www.unglobalcompact.org/participant/4649-Velatia

OUR CODE OF ETHICS

In January 2013 we published the first Code of Ethics that sets out the general guidelines of ethical conduct that govern all **Velatia** employees both in the performance of their duties and in their professional relationships with peers, managers, subordinates, customers and suppliers, always acting according to the laws of each country and respecting the ethical principles of their respective cultures.

The foundations of this code of ethics are the ethical principles of the United Nations Global Compact, which are based on:

 The Universal Declaration of Human Rights.

- The Declaration of the International Labour Organization on fundamental principles and rights at work.
- The Rio Declaration on Environment and Development.
- The United Nations Convention against Corruption.

As a result of the commitment of **Velatia** to promote and comply with the code of ethics, the **Ethics Committee** (made up of members of the following areas: Velatia Human Capital General Management, Legal Advice and Internal audit), is designed to:

 Disseminate the code of ethics for the knowledge of all employees of Velatia.

- Solve any issues that may arise concerning its interpretation and act as a guide in case of doubt.
- Provide a direct form of communication with all those involved to inform of any breach of the code of ethics:
 - ethics@velatia.com
 - Velatia. Parque Científico y Tecnológico de Bizkaia. Edificio 104. 48170 Zamudio. Bizkaia.

WORKING AGAINST CORRUPTION

True to the assumption of the tenth principle of the United Nations Global Compact to work against corruption in all its forms (including extortion and bribery) and in order to stand firm on transparency, rigour, honesty and reliability of all our actions, in **Velatia** we have assumed various commitments expressed in the "Anti-Corruption Policy" published in 2013. We would like to highlight the following:

 TO GUARANTEE compliance with anti-corruption and bribery laws in all countries where **Velatia** operates. This includes, but is not limited to, the U.S.A. Foreign Corrupt Practices Act of 1997, the United Kingdom Bribery Act 2010, as well as the general provisions of the United Nations Convention against Corruption.

 TO ENSURE compliance by all employees, officers and directors of **Velatia**, with the measures against corruption and bribery set forth in our code of ethics, and based on those legal requirements and general provisions.

Corporate Social Responsibility in Velatia

The result of our strong commitment to sustainability, in late 2013 and early 2014, we worked on the development of the second "Master Plan for Corporate Social Responsibility 2014 - 2016", bringing together social and environmental aspects at the strategic and operational level of **Velatia**, in order to:

- Support Velatia's strategic business plans and mitigate reputational risks.
- Improve the Group's positioning in relation to its competitors.
- Increase the level of control and security of non-financial information.
- Retain customers and be able to anticipate their needs.

- Increase pride of belonging among employees, commitment and productivity gains.
- Improve relations with suppliers and enable the efficient management of the supply chain.
- Have a greater ability to anticipate and adapt to regulatory changes.

Firstly, we developed a map of stakeholders upgraded to the new reality of **Velatia** and management model under the VMM (Velatia Management Model), reaching deeper into its definition to a third level.



On this basis, following meetings with various officials of the organisation and the result of analysis of various documents available in **Velatia**, we identified the **expectations of each of the Velatia stakeholders**.

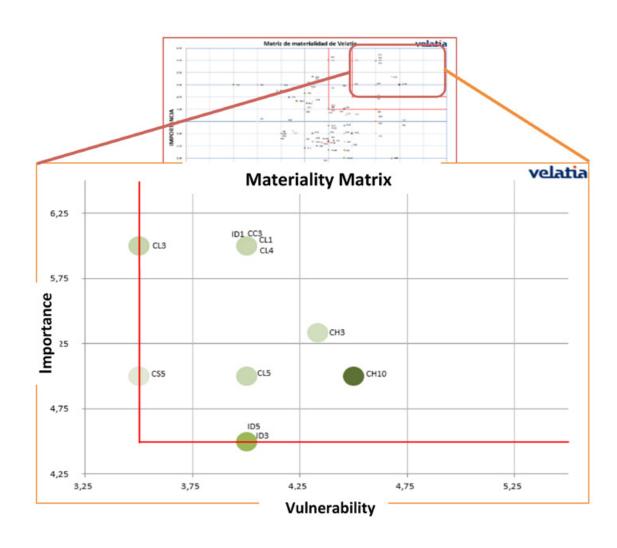
Furthermore, in order to identify relevant issues in Corporate Social Responsibility that could have a significant impact on the activities and operations of **Velatia**, we conducted an analysis (taking into consideration the most important business and countries where **Velatia** has a significant presence) of:

• The requirements of the main Velatia customers (E.ON Spain, Enel, Iberdrola, EDF, State Grid Corporation (China), Gamesa, Enercon, General Electric, Vestas, Sinovel, Acciona, Alstom, Adif, Aena, Mercadona, Abengoa , Vodafone, Telefonica, Konecranes, Indic, Canal + / Vivendi, Sky / 21st Century Fox, LFP, the Basque Government, CFE and Telum).

- The relevant issues, initiatives, developments, risks and opportunities in relation to Corporate Social Responsibility of Velatia's main competitors worldwide (ABB, Siemens, Areva, Schneider, Eaton, HB Radiomatic, Hetronic, Wisi, Triax, Indra, Nextira, Getronics)
- The main policy trends in this area, through the review of the public information of regulators and industry associations (AFBEL, AMETIC, GIMELEC, ZVEI, IEC, AENOR, etc.).

With the information obtained in this analysis and taking into account the expectations of stakeholders, we identified 78 relevant topics for **Velatia**, which were grouped into 13 categories: Compliance, occupational risk prevention, management systems, product, Environment, Innovation and development, social action, Corporate Social Responsibility, Corporate Governance, Corporate Communications, Clients, Human Resources and Supply Chain.

In meetings with officials and business areas, we have evaluated these issues in terms of their importance (determined by the impact of the issue on the challenges of the business - area for the following years) and **Velatia**'s vulnerability in each of the issues (inversely proportionate to the level of preparation), to turn them into the **materiality matrix:**



The material aspects identified were as follows:

- CC3: Branding.
- CL1: Quality in customer service (including technical and commercial assistance and aftersales services).
- **CL3:** Flexibility (products tailored to customer needs).
- CL4: Assurance of on time supply and delivery.
- CL5: ESG Aspects
 (Environmental, Social and Corporate Governance) in the contracting process.
- **ID1:** Relevance of the company's R&D&I to its market position.
- **ID3:** Partnerships to promote R&D&I.
- ID5: New business (e.g. SmartGrid).
- CS5: ESG Criteria
 (Environmental, Social and
 Corporate Governance) in the
 approval, classification, selection
 and evaluation of suppliers.
- **CH3:** Effective internal communication to employees.
- **CH10:** Attraction, retention and management of talent.

On this basis, we have identified the areas under development and finally defined the main lines of action in Corporate Social Responsibility:

- 1. Communication and Brand: The objective of this line is to position Velatia brands so that they coexist and thrive in different markets through more effective communication favouring, as far as possible, a Group culture.
- 2. Customers: Improve management of relationships with key customers through the systematisation of customer relations and manage reputational risks in countries without a subsidiary.
- **3. Product Innovation:** Optimise **Velatia**'s innovative capacity and enhance its market position

- as an innovative company by identifying partners who can add value to **Velatia** in the development of new products or technologies.
- 4. Supply Chain: Strengthen and adapt the procurement processes of the organisation by establishing flexible and adaptable corporate criteria to each business/country with a triple objective: ease of implementation in the different centres, effective management of social and environmental risks of suppliers and management of the reputational risk associated with them.
- 5. Human Capital: Strengthen the management of the area of human capital through better identification of critical areas and the professional development of people, thus creating a better working environment and increased efficiency and productivity of employees.
- **6. Management Model:** Boost the implementation of the Velatia Management Model at all levels of the organisation and ensure their effective deployment and monitoring by defining a monitoring system and monitoring of KPIs.
- 7. Risk control: Ensure that Velatia meets legislation applicable to it in all countries in which it operates and ensure that the risk function identifies and manages the most significant reputational risks.

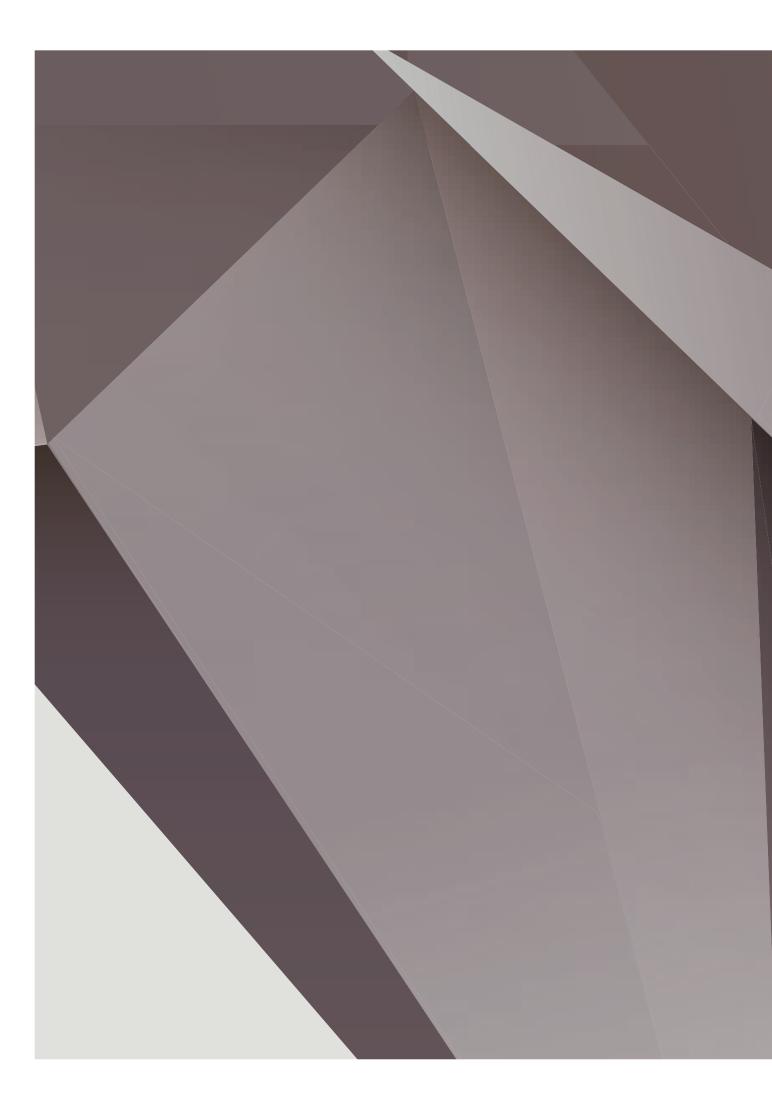
For the proper management of the plan and full alignment with **Velatia**'s strategy and the needs and performance of each business, we worked during 2014 on updating the management model of the Corporate Social Responsibility area.

We also defined both the responsibilities of the Corporate Social Responsibility Committee itself (previously referred to in paragraph: "Government") and the Velatia Management Committee in this regard:

- Definition of objectives, commitments (Policy) and lines of action (Management plan) on Corporate Social Responsibility.
- Validation of projects, actions and performance indicators related to CSR and boosting their development.
- Monitoring the progress of projects and actions in management indicators related with CSR (biannual).
- Validation of annual CSR budget.

And the responsibilities of the **Head** of **CSR**:

- Identification of the main action lines in CSR (according to the expectations of stakeholders, policy trends, customer requirements, competitor CSR benchmarking).
- Coordinate the report and the constant flow of information to the Management Committee regarding the progress of defined CSR projects, actions and performance indicators.
- Develop and communicate the Sustainability Report, Global Compact Progress Report or any relevant document or information for **Velatia** stakeholders.
- · Budgetary Control of CSR area.
- Report to the CSR Committee on Velatia's performance in this matter, providing all the necessary documentation and reports generated for this purpose.







People

COMMITMENT TO PEOPLE

Corporate Social Responsability Policy

TO PROMOTE a satisfactory working environment for all employees in which equal opportunities, continued personal contributions and professional development are ensured.

Internal Communication Policy

TO ENSURE the deployment of the communication to all the organization.

People Developmente Policy

TO PROMOTE and to DEVELOP the principle of equal opportunities between professionals in relation to promotion, as well as to professional and personal development.

Training Policy

TO gradually INCREASE employee knowledge and skills

Employment Policy

TO ENSURE objectivity in processes with the undertaking not to discriminate on grounds of age, gender, race, ideology, religion, sexual orientation, nationality, disability or any other personal, physical or social condition; promoting cultural differences as a source of mutual benefit.

OUR TEAM

Velatia had 2.498 employees at December 2013 and, in 2014, we had 2.820 employees around the world:



With an average age of 40, distributed as follows:

Employees by country*	2014		
Employees by country*	Women	Men	Total
Germany	88	175	263
China	93	172	265
Colombia	10	31	41
Spain	313	1.343	1.656
France	13	80	93
Mexico	73	262	335

*Note: We are also in the following countries: Algeria, Argentina, Australia, Brazil, UEA, USA., Hong Kong, India, Poland, Portugal, Turkey, UK, South Africa and Switzerland.

Employees by type		2014	
of contract*	Women	Men	Total
Permanent	512	1.888	2.400
Temporary	108	312	420

^{*}Note:

Permanent employment contrat: Employment contracts without a pre-determined time limit; these can be eitherr full-time or part-time.

Temporary employment contract: Employment contracts with a pre-determined time limit

Employees by type of work	the state of the s		Total
Blue-collar employees	158	1.041	1.199
White-collar employees	462	1.159	1.621

THE RELATIONSHIP WITH OUR STAFF

Employment rights

Labour rights are respected and applied to all workers employed in **Velatia**, regardless of the type of contract or post.

It should be noted that in **Velatia** we favour the rights of workers to organise themselves collectively in organisations of their choice and for example, in our businesses

depending on the size of the workforce there is a room dedicated exclusively for this purpose as well as specific bulletin boards.

Also, during 2013 and 2014 no significant sanction for non-compliance with laws and regulations on employment rights was imposed.

Communication channels

As we are aware of the importance of internal communication, in **Velatia** we have developed various channels to convey the necessary information to all people in our organisation, among them the following:

- Internal magazine: Ikusi
 Magazine. This gives the main
 developments that have taken
 place in recent months
- During the annual directors' day we addressed the problems and challenges of each of the organisations, so that they could transmit these matters to their teams, besides being in turn a motor for change.
- Sending leaflets each year with the main messages given out at the Annual Conference to all Velatia workers as well as explanatory documents about Velatia's own strategy.

- Internal communication plans at business company level, in which we detail the actions, dates, deadlines and managers; in **Ormazabal**, monitoring of compliance with the annual communication plan is done monthly (December 2013 it was 78% and in December 2014 it was 79.1%).
- Moreover, it should be noted that according to the Collective Agreements, company agreements or under applicable labour regulations for each company in each country, we regulate and establish the minimum notice periods due to significant organisational changes that may affect the group involved at every moment.

Velatia Community

During 2014, we worked internally to develop a common **Velatia**-wide intranet in order to encourage communication, preserve **Velatia** knowledge, encourage participation and facilitate integration between group companies.

At the end of 2014, "Velatia community" became accessible to each and every one of the people in our organization allowing collaboration between them, between departments and enterprises and including multiple potentialities (access from work, from home ...; social directory (Who's Who), blogs, microblogging, forums, ability to share information with customers, suppliers, access from your computer, phone or tablet, etc.).





* Mexico



* Bizkaia

Breakfast with the President

Another initiative that we began in 2013 was the "Breakfast with the President". The objective is to transmit strategic messages from the President, to generate a group culture (as people from different businesses have the opportunity to meet) and enable the detection of organisational climate in a relaxed atmosphere.

The frequency has been approximately monthly, going from 8 to 10 people with varied profiles and from different organisations. In 2014 there have been 11 breakfasts, with a total of 109 attendees in different offices: **Ikusi** in Miramon, **Wec**, Primary, Zamudio, **Tecnichapa**, Mexico (in this location there have been two), Derio, Loeches and OCT.

COMMITTED TO THE CONTINUED DEVELOPMENT OF OUR PEOPLE

Talent Management

Talent management is one of the main focuses of work within **Velatia**'s people and Human Capital strategy.

Therefore, during 2014 we designed a "Velatia Talent Management Model" including the process and the various initiatives that are contemplated within the scope of talent management in the organisation (both those that are already underway, and those which are understood to be important and to be worked on in the medium term).

The actions we have carried out in 2014 in the field of talent management are as follows:

Talent profile

When managing **Velatia** talent, it was necessary to clarify what we mean by talent within the

organisation. To do this, in January 2014 we redefined the catalogue of **Velatia** skills in collaboration with different members of the whole organization, selected by the respective businesses. This catalogue includes the twelve skills that we believe will allow our employees to do their jobs better and get the desired results for the organisation.

In addition to defining what each of these skills is for us, we have assigned four levels, with behaviours that identify the level each employee is at. Also, we have clarified the minimum level and the desirable level for different parts of the organisation, so that it can help select the most appropriate people for different positions as well as facilitate the development of those already in the organisation.

Attracting talent

As an organization we want to increase our chances of attracting talent through better positioning of our brand as an employer, especially in geographical areas that are objective and where we have greater difficulty recruiting because we compete with larger companies with greater brand potential which are attractive to potential candidates.

Identification of talent

We have deployed various tools to identify where the talent of the company is.

Development: GOOD GUIDE

The Good Guide is a tool for working on the development of people in **Velatia** by conducting a meeting between the manager and the employee, in which the



expected contribution is clarified and major commitments are agreed at development level to enable optimum performance.

During these years we have worked on implementation and development, finding ourselves at different levels according to the business:

The group in which we are applying the Good Guide in **Ormazabal** is broad, as it includes not only the first organisational level (members of company Steering Committees) but also other groups at the request of managers. It should be noted that the reorganisation of the business in 2012 meant a low level of implementation of the interviews compared with those anticipated, due to the organisational and functional changes of many people, but in 2014 there has been a

marked increase, from 48% in 2013 to 82% in 2014.

The implementation of the tool during 2014 is noteworthy in **Ikusi**, where it was used by 100% of the planned group (members of the Management Committee (7 people)), with the idea that in 2015 they should be trained to extend the tool to their fellow employees.

In the Diversification companies, both in 2013 and 2014, we performed 100% of the scheduled meetings, as the use of the Good Guide is well established and used as a basis to work on the development of its employees to detect their level of commitment, identify problems, and to draw up development and career plans. Managers do their interview with the Director General, and in turn deploy them in a cascade to their teams. In

the same interview they also assess the performance of people linked to objectives.

During 2014 we worked to improve the format of the tool, and these changes will be implemented in 2015.

Monitoring

We have established internal committees that monitor and discuss the talent management of our people.

Training Plans

During these years, we have developed plans tailored to the training needs of our people around the world.

Hours of Training	2013	2014
Social Skills	3%	10%
Languages	31%	36%
IT	1%	3%
H&S, Quality, Environment	18%	7%
Product and Technical knowledge	46%	43%
Others	1%	1%
Averange training hours per employee	20	16

Cost of Training	2013	2014
Social Skills	11%	9%
Languages	36%	39%
IT	1%	10%
H&S, Quality, Environment	8%	3%
Product and Technical knowledge	38%	39%
Others	5%	0%
Averange training cost per employee	220 €	267 €

As we can see, much of the investment in training in **Velatia** has been focused on language training (supporting our strategy of internationalisation) and improving the technical and product knowledge; specifically:

- In **Ormazabal**, languages lead spending on training at 36%, followed by the office software (25%) and technical and product knowledge (21%).
- In **Ikusi**, training in technical and product knowledge covers the highest percentage of total expenditure (46%), followed by language training (38%).

Regarding the satisfaction of our people with the training, during 2014 globally in **Velatia** 83% of the participants were satisfied or very satisfied with the training carried out and specifically where more positive results are evident is in technical and product training, where 90% of people were satisfied or very satisfied with the training received. Also 92% of the participants thought that the contents learned were applicable or very applicable to their job.

ATRAE

In 2014 the "Values in Motion" Programme, developed in Iberia in 2013, was extended to other geographical regions, in particular Germany, Mexico, France and China, with a total of 163 participants whose valuation has been high both in terms of satisfaction and perceived usefulness.

DIVERSITY AND EQUALITY IN VELATIA

In **Velatia** diversity management and support for equal opportunities are intrinsic to its management. Because of this, the company reaffirms its commitment to principle 6 of the Global Pact of the United Nations, which supports the abolition of discrimination in employment and occupation, constantly working on keeping clear indicators of diversity and their proper management (taking into account the needs and requirements of our business):

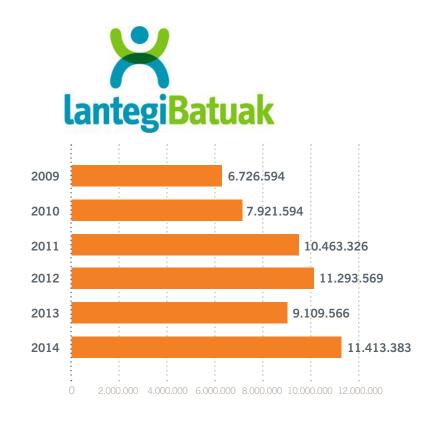
It should be noted that we do not have any staff under 18 at any of our companies and that we promote the abolition of child labour.

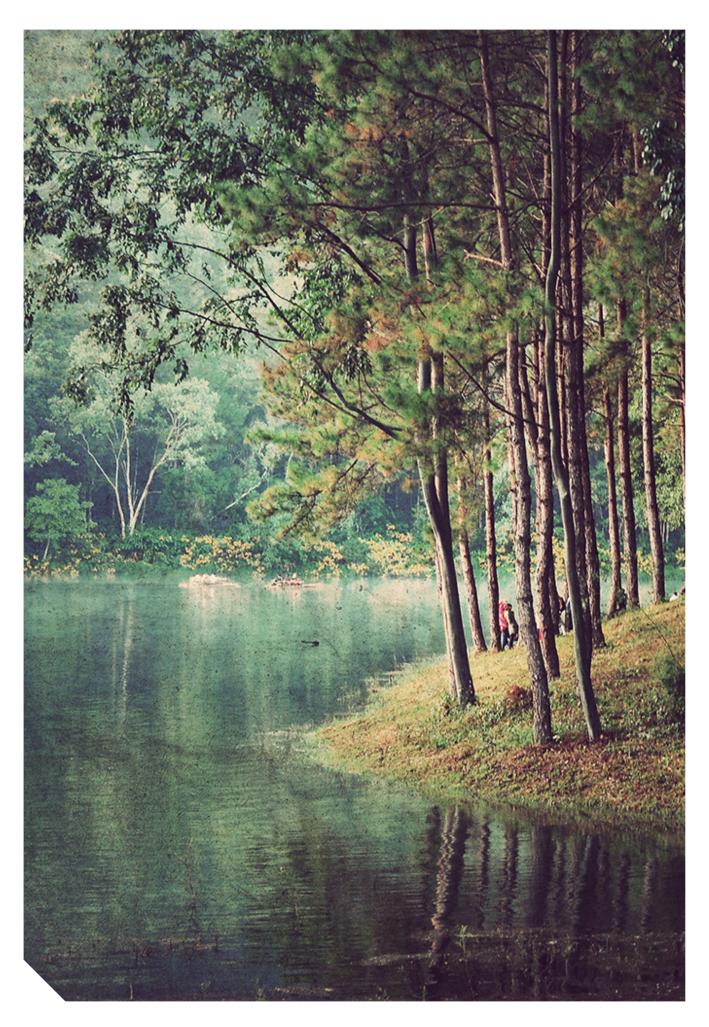
In continued support for equal opportunities, we are pleased to point out that in **Velatia** we favour the full use of the established periods of maternity and paternity leave and note that we have a 100% rate of return to work after these periods.

Regarding support for disabled staff, in several **Velatia** companies since 1986 we have collaborated with **Lantegi Batuak** (a non-profit organization that aims to promote and achieve social integration and the employment of people with disabilities) to carry out various successful activities, both nationally and internationally and creating jobs for over 100 people with disabilities. The turnover figures (€) in recent years reflect our commitment and high level of satisfaction with the work done:

Employees by Category	2014			
and Gender	Women	Men	Total	
Management	1,24%	2,13%	3,37%	
Support Areas	6,21%	5,99%	12,20%	
Production	9,22%	46,13%	55,35%	
Sales	3,51%	14,36%	17,87%	
I+D	1,31%	7,94%	9,26%	
Others	0,50%	1,45%	1,95%	

Employees by Category	2014			
and Age	18-36	37-51	>51	
Management	0,35%	1,84%	1,17%	
Support Areas	4,57%	6,06%	1,56%	
Production	19,29%	30,11%	5,96%	
Sales	6,24%	8,90%	2,73%	
I+D	3,33%	4,79%	1,13%	
Others	0,35%	0,00%	1,60%	





Health and Safety

COMMITMENT TO HEALTH & SAFETY

Corporate Social Responsability Policy

TO ENSURE a safe working environment, developing a preventive culture in terms of occupational health and safety.

Quality, Environmental and Health & Safety Policy

TO PROMOTE respect for people's health & safety by preventing accidents, illnesses or damage to health.

TO ACHIEVE and MAINTAIN the internationally recognised certificates for hazard prevention systems.

OUR CERTIFICATIONS

The OHSAS 18001 standard or technical specification is the most important for the implementation and evaluation of risk prevention systems. It specifies the requirements for a management system for health and safety at work so that companies can control occupational hazards and improve, in this way, performance and results in this area.

Obtaining this certificate, which is entirely voluntary, shows that the company is pro-active in exceeding the legal requirements and achieving excellence in safety and health at work. It brings improvement in all aspects that have to do with the health and safety of the people in the company.

As a result of this commitment, we can say that, at December 2014, many of our companies worldwide are already certified:

OHSAS 1800	1:2007		Obtained	Expires
Spain		Ormazabal Distribución Secundaria	2011	2017
		Ormazabal Media Tensión	2012	2015
Ormazabal	Germany	Ormazabal Anlagentechnik	2013	2016
China	Chino	Ormazabal Beijing Switchgear	2012	2018
	GIIIIa	Ormazabal Zhuhai Switchgear	2014	2017
Ikusi Spain		Ikusi	2011	2017
		Ikusi-SIS	2011	2017
	Colombia	Daxa Colombia	2012	2015
Uniblok	Spain	Prefabricados Uniblok	2012	2018

OUR MAIN INDICATORS

Absentism

By absenteeism we mean the sum of hours missed from theoretical hours. In 2014, the rate of absenteeism - at Spanish level - was 3.88% among men and 5.52 among women.

Loove due to ciclmose or cocident	20	2014		
Leave due to sickness or accident	Women	Men		
Sickness	109	424		
Accidents with leave	11	52		
Accidents without leave	0	111		

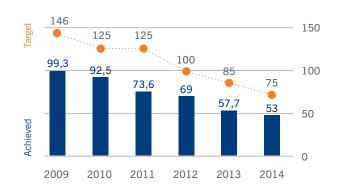
Frequency index

Absolute Frequency	2013		2014	
Index	Achieved	Target	Achieved	Target
Ormazabal	57,7	85	53	75
Ikusi *	5,33	9	7,87	9
Wec	77,1	200	155,50	200
Tecnoexpress	0	50	52,29	50
Polsa *	90,81	125	26,48	125
Uniblok	145,55	160	152,43	160
Tecnichapa	16,3	17	27,6	17

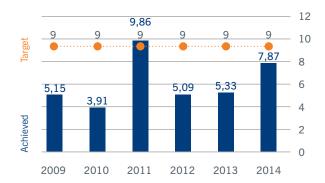
^{*} Note: Ikusi: Frequency index is meassured

Polsa: Includes information from ASSL; At Deridelpol, both indicators are 0.

In **Ormazabal** this particular measurement is carried out by monitoring the "absolute frequency index" that measures the frequency with which there is an accident with or without sick leave (Total number of accidents per million hours worked). It is worth noting that we are achieving the objectives set, with a positive trend in the figures:



In **Ikusi**, we measure the "frequency rate" as the total number of accidents with sick leave per million hours worked, in Spain being as shown below:



Over these two years, in **Ikusi** we have continued working on training linked to risks at work.

Regarding the rest of our companies we also remain below the targets, noting for example that in **Tecnichapa** in 2014 we

exceeded the set target because of some muscular or bone injuries that required medical leave, which has led to an analysis of causes which found that there were no flaws in security of equipment/facilities or dangerous behaviour.

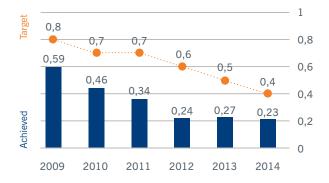
Severity index

Severity Index	2013		2014	
	Achieved	Target	Achieved	Target
Ormazabal	0,27	0,5	0,23	0,4
Ikusi	0,03	0,15	0,15	0,15
Wec	0,10	0,3	0,00	0,3
Tecnoexpress	0	0,5	0,14	0,5
Polsa *	0,13	0,6	0	0,6
Uniblok	2,41	0,5	0,47	0,5
Tecnichapa	0,09	0,3	0,48	0,3

^{*}Note: Polsa: includes information from ASSL; At Deridelpol, both indicators are 0.

The "severity index", representing the severity of accidents, is calculated from the number of days lost to illness per 1,000 hours worked.

In **Ormazabal** we continue lowering our target in line with our commitment to improve and work on the safety of our people, also maintaining the positive performance below these targets during this period:



In **Ikusi** at Spanish level the index has remained very low (0.15), as in companies like **Wec** or **Tecnoexpress**.

Incidence rate

Incidence Rate	2013		2014	
	Achieved	Target	Achieved	Target
Ikusi	9,01	< 9	8,97	< 9
Wec	15,40	< 54,70	20,40	< 54,70
Tecnoexpress	0	< 10	2,77	< 10
Uniblok	21,1		28,85	
Tecnichapa	5,7	< 7	17,4	< 7

In addition, in several of our companies, we carry out the measurement of the "Incidence rate" with which we measure the number of accidents resulting in sick leave per 100,000 workers, staying below the target set for these years.

WORKING TO IMPROVE SECURITY

As relevant actions undertaken during these two years, we want to highlight:

Ormazabal Secondary Distribution:

Evaluation of heat stress and environmental conditions in the industrial area.

- Implementation of a lifted product table in the Rapid Sewing Line to improve working heights and eliminate awkward postures.
- Improved maintenance to remove thrust overexertion: Rear of cgm.3 and Rear of Tig.

Ormazabal Corporate Technology:

 To start up the UDEX, we performed a new version of the P-03/POT-05 Safety in Laboratories procedure. It includes a specific chapter (4.9) for the UDEX as a unique facility

- whose structure and operation differs markedly from other laboratories.
- Establishment of a blocking system of the remote network operation to ensure the safety of personnel who are working in the UDEX.

Ormazabal Primary Distribution:

- Making a soundproofed cabin for testing endurance and minimising noise in the development workshop.
- Installation of a roller table to facilitate the change of direction of the cells and improve the ergonomics of the post due to the efforts needed for the rotation of the cell.
- Extension of knowledge in the analysis of accidents and awareness of health and safety representatives.

Ikusi:

- 2013: Making activities aimed at preventing the risks of work at height and in confined space including: training and practice, awareness raising, acquisition of a Dräger atmosphere gauge...
- 2013: Reassessment of the risks at Ikusi Miramon, the previous evaluation dating back to 2006.
- 2014: Taking of specific measurements; Environmental conditions. Evaluation of chemical contaminants. Evaluation of noise. Psychosocial study. Study of conditions resulting from a case of lipoatrophy.
- 2014: Definition and implementation of the new Self-Protection Plan, according to the standards of the Basque Government (277/2010) mandatory from January 2015.

Carrying out general evacuation drill.

 2014: Definition and implementation of procedures for ORP management in ongoing projects and for business activities in the field (customer premises).

Cotradis:

 Comprehensive reform of safety of electrical lab (safety interlocks, sound and light beacons; power on timers). These actions minimise electrical hazards while staff are performing electrical tests.

Wec:

- Diagnosis of toxicity of welding fumes for aero alloys and taking preventive measures.
- Diagnosis of toxicity of 3D laser machining fumes and taking corrective and preventive measures.

RECOGNITION OF OUR WORK

We are particularly proud that Ormazabal Secondary Distribution received an honourable mention for management, best practices and positive indicators in the field of prevention of occupational risks within the **PREVER prizes 2013** awarded by the General Council of Industrial Relations and Labour Sciences (CGRICT).

The award at Spanish level with recognition also in Latin America was held in Murcia and attended on behalf of **Ormazabal** by Javier Lopez - manager for the prevention of occupational hazards in the Igorre plant -, Iker Cano – delegate for the prevention of occupational risks - and José María Torres, - managing director.



In **Velatia**, we are concerned about people and their safety because we believe that our employees are the most important resources we have.



To Quality and Service

COMMITMENT TO QUALITY AND SERVICE

"If we know our customers and their needs well, if we are with them and know how they take decisions, we can give them answers"

Javier Ormazabal Ocerin
Founder of Ormazabal



TO MAINTAIN a high level of customer service, increasing the quality of this service, the flexibility and the guarantee of supply.

Quality, Environmental and Health & Safety Policy

TO ACHIEVE and MAINTAIN the internationally recognised certificates for our quality management systems.

TO PROMOTE training, innovation and continuous improvement through excellence criteria.



OUR CERTIFICATIONS

The ISO 9001:2008 of the International Organisation for Standardisation (ISO) specifies requirements for a quality management system in the enterprise, including a strong customer focus, motivation and involvement of top management, the approach based on processes and continual improvement. In **Velatia**, convinced of importance of this and true to our commitment, we can claim to have certified companies around the world:

ISO 9001:20	08		Obtained	Expires
		Ormazabal Cotradis	1999	2016
		Ormazabal Distribución Primaria	2004	2016
	Spain	Ormazabal Distribución Secundaria	1993	2017
		Ormazabal Media Tensión	2004	2015
		Ormazabal Protection & Automation	2009	2018
Ormazabal	Germany	Ormazabal Anlagentechnik	2013	2016
	China	Ormazabal Beijing Switchgear	2013	2016
		Ormazabal Zhuhai Switchgear	2014	2017
	Turkey	Ormazabal Electromekanik	2001	2016
	Poland	Ormazabal Polska	2013	2016
	France	Ormapost	2014	2017
	Spain	Ikusi	1996	2017
		Ikusi-SIS	1997	2014
Ikusi	Mexico	Ikusi México	2013	2016
	IVIEXICO	Micronet	2013	2016
	Colombia	Daxa Colombia	2009	2015
Polsa	Spain	Aislantes Sólidos	2006	2018
	Spain	Deridelpol	2006	2018
Uniblok	Spain	Prefabricados Uniblok	1996	2018

In 2013, **Wec** reviewed its Certification from the Quality Assurance System for Aerospace Suppliers (OP-001/2007) in accordance with the requirements of the UNE-EN 9100: 2010 (based on ISO 9001: 2008) which will last until 2016.

IMPROVING CUSTOMER SATISFACTION

Within **Ormazabal**, during these two years, we have continued to deepen our understanding of the needs and expectations of our customers through our customer satisfaction surveys. We use them to measure specific aspects that help us detect both what our response is to the needs expressed by our customers, and which areas for improvement need further work.

These aspects include the treatment they receive from our staff, meeting deadlines, efficiency, the quality of our products and services, troubleshooting and technical assistance. During 2014 we carried out the planned survey of **Ormazabal** customer in Spain. The result is in line with those obtained in previous years. Within our intention to extend this line of work to other subsidiaries of Ormazabal, for the first time we have branched out and carried out the survey of **Ormazabal** customers in France. We are pleased to announce that we already had especially positive feedback from a major customer of **Ormazabal**, not only in France, EDF, who annually analyse and give a score to their suppliers. However, in applying our Customer Satisfaction procedure, not only to this customer but also

the rest of our French clients, we got a consistent measurement comparable with those obtained in other subsidiaries.

On a general level **Ikusi** has worked hard and evolved from a system of measurement at the project closing to a system of measurement of key accounts (commercial level/decision-making) and to representative projects carried out (technical level / execution).

Within the ISS area, the results of surveys conducted in 2013 (2 clients) and in 2014 (7 clients) exceeded 70%.

Within the remote control area, we have seen improvement in the results of the surveys in 2014 (3.8 on average) compared to those made in 2012 (3.3).

In the network area, both in 2013 (the survey conducted with 23 clients) and in 2014 (30 customers), the results have been very satisfactory, maintaining an average of 4 on a scale of 5.

In **Wec**, surveys to major customers (Snecma, ITP, Honeywell, Liebherr), over these two years have resulted in an average of 71.62% and in **Tecnichapa** (Electroson, **Ormazabal** Primary and Secondary Distribution, HP and Nexter), the average was 78.08%.

INCREASED QUALITY OF SERVICE TO OUR CUSTOMERS

Within **Ormazabal**, in our 46-year history, our customers have been and remain one of our biggest stimuli, to continue working in order to meet their needs better every day.

Therefore, with a view to improving service to our customers, during the years 2013 - 2014, we continued measurement of the "level of service" indicator (% of orders delivered on dates requested and promised to the client), and we have worked to develop this indicator, adjusting it according to the range of product lines and doing so in the different areas/

regions where **Ormazabal** is present. During these two years the result was 90%, which encourages us to continue working on improving the service to our customers both in terms of speed and quality of delivery.

In **Ikusi**, in the remote-control area (TLC), we would like to highlight the implementation of the "Customer Orientation Workshop" in which all staff of TLC participated. From this workshop, a series of actions emerged that were implemented during 2013 and 2014, among which are the following; implementation of the

Customer Support department in order to provide after-sales support, to obtain indicators of nonconformities and implement actions to improve the service; Webshop to process standard orders and parts through this service; implementation of service indicators to distributors, implementing projects in the Technical Office and implementation of the TLC minifactory in Ikusi Electronics.

GETTING CLOSER TO THE CUSTOMER

Ormazabal Customer Experience (OCEX)

A meeting point with our customers, the **Ormazabal** Customer Experience (OCEX), located at our facilities in Getafe in Madrid, exhibits a broad representation of the **Ormazabal** product portfolio with over 30 items on display, and is a space to receive our clients, to let them know about our products and solutions, to exchange experiences and help us find out their needs to be able to always guarantee the best solution. During these years, we have received numerous visits (more than 50 in 2014), half of them from foreign customers.



Symposium Leipzig - Office Opening - 10 Years Ormazabal Germany

With the change of our facilities in Leipzig and to celebrate ten years of presence of **Ormazabal** in Germany, we held an event in which our entire product portfolio was presented. It was attended by more than 100 major customers.

In this event, we had the opportunity to get closer to our customers and to celebrate an important date for us together in a strategic enclave for the development of our business.



Our participation in trade fairs

In our eagerness to get closer to the customer, we have participated over the years in various international fairs, including the following:

Trade Fairs			
	FIEE	2013	Sao Paulo
Ormazabal	CIRED	2013	Estocolmo
Offiliazabai	European Utility Week	2013, 2014	Amsterdam
	WindPower	2014	Mexico
	Bauma	2013	Munich
	Smart City Expo	2014	Barcelona
Ikusi	Innotrans	2014	Berlin
	Cisco Live	2014	Mexico
	Avaya Evolutions	2014	Mexico
	International Paris Air Show	2013	Paris
Wec	AIRTEC	2013, 2014	Frankfurt
vvec	AEROTRENDS	2013, 2014	Bilbao
	AEROMART	2014	Toulouse
Knock	Mobile World Congress	2014	Barcelona
Polsa	SUBCONTRATACIÓN: International fair of manufacturing processes and equipment	2013	Bilbao
Tooniohono	Hannover Messe	2013, 2014	Hannover
Tecnichapa	MetalMadrid	2014	Madrid

THE RECOGNITION OF OUR WORK

Our Technological Partners

During these years, in **Ikusi**, we have received multiple awards from our key technology partners:

- Partner of the Year Mexico 2013 (CISCO)
- Arquitectural Excellence Borderless Networks 2013 (CISCO)
- Public Sector Segment Partner of the Year 2013 (CISCO)

- Service Provider Segment Partner of the Year 2013 (CISCO)
- Capital Mexico 2013 (CISCO)
- Partner of the Year LATAM 2013 (CISCO)
- Capital LATAM 2013 (CISCO)
- Advanced IoT Connected Safety and Security Specialization 2014 (CISCO)
- Advanced IoT Manufacturing Specialization 2014 (CISCO)
- Partner of the year in the category of Networking 2014 (AVAYA)

5S in Polsa

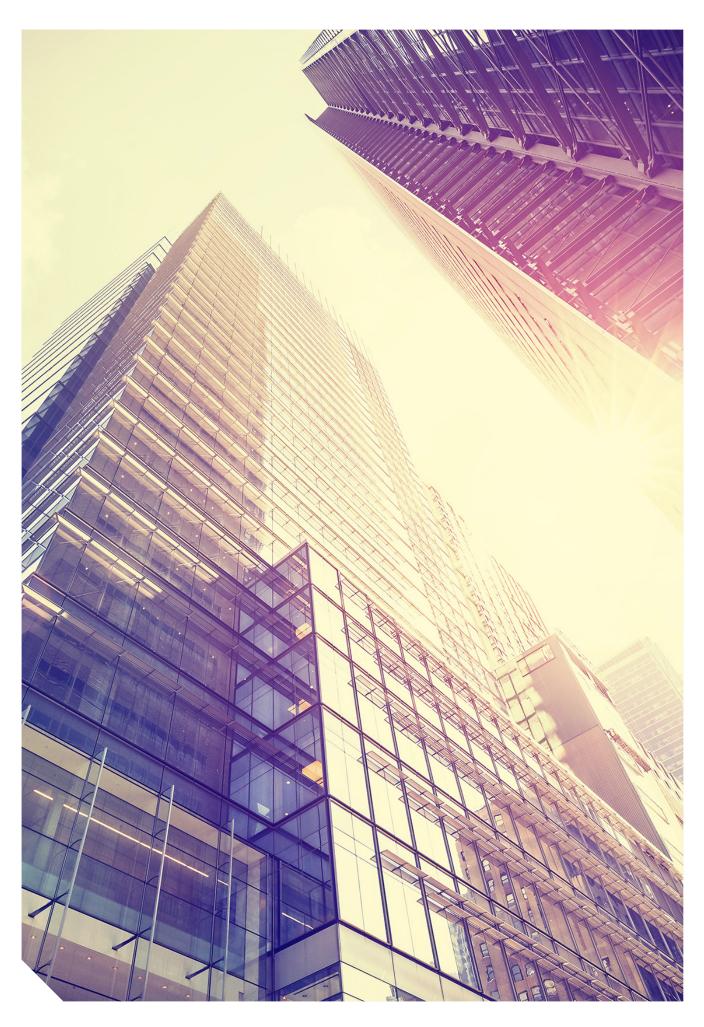
In April 2013 in Aislantes Sólidos, S.L.U. (a company belonging to the brand **Polsa**) we started implementation of the 5S project "Offices and Areas of Responsibility", driven by the conviction of the Management both of its contribution to improving the professional development of all people and to increasing the competitiveness of the company in general. Eight months later, in December, following the Knowlnn methodology of Euskalit (a quality improvement company)

and thanks to the commitment and involvement of all staff, the project implementation was successful.

During the "Annual Meeting of 5S Advanced Practices" organized by Euskalit and held in March 2014, Aislantes Sólidos obtained the "5S Diploma in Offices and Areas of Responsibility" after getting the more than 60 points necessary in the evaluation of an external audit. The award was presented by Aitor Urzelai, Director of

Entrepreneurship, Innovation and Information Society of the Basque Government, to Luis Lopez Cano and Merche Iglesias who received it on behalf of all the staff.





Innovation

COMMITMENT TO INNOVATION

Corporate Social Responsability Policy

TO MAINTAIN a high level of customer service, increasing the quality of this service, the flexibility and the guarantee of supply.

Quality, Environmental and Health & Safety Policy

TO PROMOTE innovation and continuous improvement through excellence criteria.

From the beginning, innovation has been part of our DNA.

We have to be a technological leader in the markets we work in, for our customers and for society. We think that our own technology and research are a fundamental strategic activity for meeting the challenges of tomorrow. We therefore spend a substantial part of our resources on the development of R&D&I projects in all our business lines.

The future belongs to those who anticipate the needs of their customers and markets. We are ready to compete at the forefront.

OUR MAIN MILESTONES IN TECHNOLOGICAL INNOVATION

Since the beginning, **Ormazabal** has invested in technological innovation and constant evolution, with the following most recent technological milestones:

Technolo	Technological Milestones - Ormazabal			
2014	UDEX: Demostration & experimentation unit			
2014	transforma.fine			
2013	gae1250kmax			
2013	Network diagnosis			
2011	Smart grid solutions			
2011	organic: Tnatural biodegradable dielectric transformer			
2008	2500 MAV HPL start-up			
2007	cpg.1: Primary GIS cubicle up to 36 kV (double-busbar)			
2004	cpg.0: Celdas de aislamiento integral en gas hasta 24 KV			

In **Ikusi**, innovation is one of the pillars of our business and a guarantee for sustainable growth. From the start in **Ikusi** we have known how to quickly adapt to the changing environment and to implement innovative solutions in our products and processes and business models. Among the important points in recent years:

Technologic	cal Milestones - Ikusi
2014	A multiple input and multiple output HD encoder
	First HD Modulator with automatic HD channel information creation
	First HD to SD Transcoder integrated into professional CAM
2013	Positioning of the armadillo suite as a PSIM in the integrated physical security environment, integrating new fire and perimeter security systems
	Evolution of the integrated information and advertising platform Dolphin into a Cloud app, and the development of the new FIDS web module
2011	Ikusi launches the new I-Kontrol radio remote range
	Development of the new onboard video surveillance system for railways (VIDIK 2.0)
2010	Installation of the first automatic multi-technology boarding card reading system (SCAFIS: Security Filter Access Control System) with Fast-Track philosophy (Madrid-Barajas Airport)
2000	Approval of the first subscription DTT receiver in Spain
2009	Installation of the first Airport Processes Control and Optimisation System (SCOP) (Palma de Mallorca Airport)
2008	First transmodulator for digital satellite to terrestrial television. World exclusive
2006	System for airport security management (ASM)
2007	LANTV product line for TV distribution via IP networks
2006	Installation of the first digital PA system based entirely on IP protocols (SIMADI) (Las Palmas de Gran Canaria Airport). World exclusive
2004	Pioneering monitoring system based on online video on railways via WLAN wireless coverage
2004	New Internet traffic tariff system for hotels

In addition, we are pleased to report that our ongoing commitment to innovation has led us to have 153 patents throughout **Velatia** today, 6 of which were submitted in 2014.

WE ARE COMMITTED TO TECHNOLOGICAL INNOVATION AND CONTINUOUS DEVELOPMENT

Velatia Strategic Technological Plan (VSTP) 2013-2018

At the beginning of 2014 the first VSTP was published. This first edition of the **Velatia** plan shows globally the technological strategy of each of the businesses that form the group and establishes an "action plan" to deploy it. Strategic reflection highlights that the drivers that will trigger technological development in the short/medium term in the electricity sector will be the environmental impact of products and intelligent network solutions. As a result, an action plan has been proposed and approved that will

position **Ormazabal** prominently in the market at the head of these two drivers.

Integrated Management System for Technological Innovation

Maintaining our permanent commitment to innovation and taking into account the growing need to offer our customers products and services with a functional differential brand and cost as well as the growing internal complexity of **Velatia** inherent in its expansion, during 2014 we have reviewed our current management system of Technological R&D&I and developed

a new management model for technological innovation at **Velatia** level (SIGIT).

This model, in addition to improving efficiency and effectiveness in technological management performed by current system agents, allows us to manage those new ideas or new concepts that may arise internally or externally (participation of customers and suppliers) and exceed our current strategic framework and/or our current capacity of dedication of resources.



The Scientific Advisory Committee - Technical

As a result of the work of the scientific-technical advisory committee created in 2012, during the period covered by the report, we would like to highlight the signing of a framework agreement with the Higher Council for Scientific Research (CSIC), for the development of advanced research activities as a basis for studying different areas of research of interest to **Velatia**.

Board of the Tecnalia Foundation

We would also like to mention the Ormazabal Board of Trustees in the Tecnalia Corporation, which was created in 2001 with the main objective of contributing to the development of the economic and social environment through the use and promotion of Technological Innovation, through the development and dissemination of research, an international context. Its Chairman in recent years has been Javier Ormazabal Echevarria.

The Corporation was born out of the Basque technological environment, contributing to its development and aiming to become a market leader within it. It is proactive in the development and competitiveness of the business sector, linking itself with science-technology-innovation systems in the Basque Country, Spain and Europe, with a firm commitment to growth and positioning on a global level.

The Tecnalia Corporation frames its research activity within the premises of excellence and expertise, contributing to the strengthening of economic development, social cohesion and sustainability. It is open to collaborations and promotes relationships and establishes agreements with other agents of innovation systems.



ORMAZABAL RESEARCH AND TECHNOLOGY CENTRE

Since its inception in 2008, in the research and technology centre we have focused our efforts on technological research, development and innovation to make products and services safer and more reliable, and it represents an essential instrument in **Ormazabal**'s R&D with the aim of acquiring and improving existing technologies and researching new ones.

At the end of 2014, the UDEX installation (Demonstration and Experimentation Unit) entered into operation. This unique worldwide infrastructure allows us to reproduce experimentally the various networks of medium voltage electrical distribution existing in our clients' companies, and allows us to check the operation of new products in the development and validation phase

before commercialisation. The UDEX Installation is specially designed for the development of Smart Grid related technologies.

In order to promote collaboration between different European centres of reference in Smart Grid facilities, we presented the **ERIGrid** project (European Research Infrastructure supporting Smart Grid Systems



Technology Development) within the European Horizon 2020 programme.

Continuing with our policy of international alliances during 2014, we have ensured that our laboratories are recognized by different certification bodies such as ANCE (the Mexican Association for Standardization and Certification) and TENAGA (a Malaysian electric company).

During 2014 we also laid the foundations for future Technology Services business in electricity grids. This is a project which will be carried out by the alliance of Biscayan companies with unique test infrastructures: Alkargo, Arteche, **Ormazabal** and Tecnalia.

OUR PARTICIPATION IN PROJECTS OF TECHNOLOGICAL AND SUSTAINABLE INNOVATION

In **Ormazabal** we have participated since 2012 in European technological innovation projects aimed at the demonstration of Smart Grids within the 7th Framework Programme.

These projects include participation in the European project GRID4EU, the largest demonstration project of Smart Grid at European level that includes the deployment of these technologies in several European countries.



Another project of international reference in the field of Smart Grids in which Ormazabal has a leading role is the **STAR Project** (remote management systems and automation of the network) of Iberdrola. This is the deployment of remote management in the electricity distribution network in the city of Castellón, incorporating monitoring applications and network automation, adapting 600 transformation centres and renovating more than 100,000 electricity meters. Ormazabal has participated in the project as a supplier of management equipment for intelligent distribution (remote communications, low voltage network monitoring and low voltage measuring hubs).

In environmental matters, the approval of the STES project stands out (Smart Transformer EcoSubstation) within the Basque Government ETORGAI programme, a project that aims to develop a full range of services and equipment that provide solutions for the design and operation of electrical distribution networks, based on Eco-Design, distributed intelligence and communications through the electricity network.

Within **Ikusi**, projects in this area funded by the Basque Government through its GAITEK programme are:

• DYNHAMO: the final aim of the project is the implementation of a plan to promote sustainable transport and to promote a substantial change in transportation habits of the population opting for active and multimodal transport instead of private vehicles. The plan addresses both technological and sociological aspects (trends and behaviour studies). By combining both points of view, the aim is to identify, promote and enhance multimodal transport options. The project will be implemented in the design of a plan that will use (1) an assistant for multimodal planning, (2) strategies for motivation and reward schemes and will be tested in (3) two pilot plans, one in Flanders and another in the Basque Country.

 DATEIV: This project represents an opportunity to improve energy efficiency in road infrastructure.
 DATEIV is a logical result of technological developments such as LED lighting systems that allow for dimming of lighting, and scientific developments such as the evolution of intelligent video analysis techniques and algorithms for data fusion and classification.

The aim of DATEIV project is the design and implementation of a system for dynamic and intelligent dimming of street lighting based on traffic flow detection technologies and information extracted from the analysis of historical data on energy consumption and intensity of lighting. The implementation of this system will allow us to optimise energy efficiency in road infrastructure.

RESPONSIBILITY FOR OUR PRODUCTS

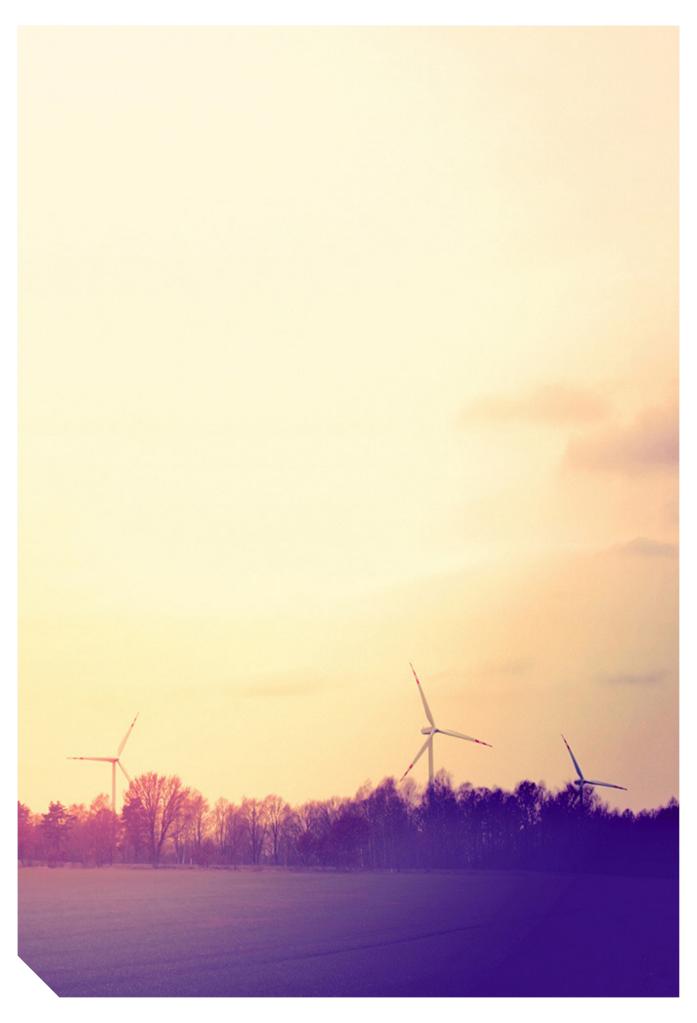
In **Ormazabal**, most aspects of safety and environment are covered by the regulations and laws applicable to the products. In this regard, 100% of products meet the applicable regulations in the region in which they are installed (IEC, IEEE, etc.) as well as the specifications of the customers who buy them.

The products also comply with national regulations (in the case of Spanish RAT) where they exist. In particular, in the European case with the existence of directives and in some cases of the CE brand, we keep track of details about the various pieces of legislation that may apply to products, in order to meet the specifications and requirements defined. There is an internal forum, which meets twice a year, where developments, both normative and legislative, that affect our products are analysed, and in which the technical directors of Global Marketing and Engineering are involved.

Regarding the type of information on products and services that are required by existing procedures and regulations and the percentage of significant products and services subject to such information requirements:

- All the information on the results of tests to ensure product conformity to the rules applicable to them is available.
- The technical documentation associated with the goods in relation to the technical features and installation and assembly needs are also available.
- 100% of our products on the market have the aforementioned documentation. The availability of the documentation represents a phase in the product development process.





Our suppliers

COMMITMENT TO OUR SUPPLIERS

Corporate Social Responsability Policy

TO EXTEND the social, environmental and occupational risk prevention aspects to our suppliers.

Purchasing Policy

TO ESTABLISH mutually beneficial and lastingly stable relationships with our suppliers by rigorously applying the **Velatia** ethical code.

TO RESPECT the principles of sustainable development by promoting the fulfilment of human rights and the laws, rules and regulations of the countries where **Velatia** operates.

In order to carry out our commitment to corporate responsibility, it is necessary to consider the entire supply chain, especially considering that the volume of purchasing of the company is a high percentage of the total turnover of the organisation.

This forces our organisation to work with the management of our suppliers in order to ensure that throughout the entire supply chain the principles of sustainable development are respected.

In this respect, it is considered essential to work on approval processes and systems and the evaluation of suppliers in issues relating to environment, health and safety and human rights, in addition to supplier performance.

ADVANCING OUR MANAGEMENT

In early 2013, we published our first "Purchasing Policy" at **Velatia** level, in which in addition to strengthening our commitments in the area of Corporate Social Responsibility, we include the commitments to be undertaken both by people in the organization and also suppliers on issues related to purchasing for their complete and effective management:

- Progress towards parameters of operational excellence through continuous improvement of the procurement processes.
- Guide the purchasing function towards the stakeholders with a clear service attitude.
- Work in coordination with those involved in purchasing

management with a professional, systematic approach.

As a result, the deployment of VMM is a great opportunity to lay the foundations of the procurement processes at **Velatia** level, generating corporate procedures that permit the desired degree of control, but with a capacity to accommodate the characteristics of each business or country, favouring synergies and cost efficiency.

Therefore, we are currently working to strengthen and adapt the purchasing processes of the organisation by establishing flexible corporate criteria, adaptable to each business/country with three objectives:

- To facilitate its implementation in the various centres.
- Effective management of suppliers' social and environmental risks.
- Management of reputational risk associated with them.

SUPPLIER AUDITS

Moreover, with the dual aim of raising awareness among suppliers and finding out their status in issues of corporate responsibility, in **Ormazabal** we have defined a strategic plan of supplier audits. During these audits we check not only the quality aspects of the production processes, but also issues related to the environment, health and safety and human rights. As a result of these audits, and if deemed necessary, action plans are developed with suppliers.

APPROVAL AND EVALUATION OF SUPPLIERS

In **Ormazabal** we have developed over 2014 a "Quality Contract" to be signed with our strategic suppliers throughout 2015. The purpose of this document is to establish the basis of the relationship between **Ormazabal** and its suppliers regarding aspects of Quality, Environment and Safety.

The most notable points of the contract are:

- Approval criteria for new suppliers:
 - Financial aspects.
 - Quality.
 - Environment.
 - Safety.
- Approval of new products.
- Criteria for evaluating suppliers.
- Production Control.
- Continuous improvement.

PERCENTAGE SPENDING IN AREAS WITH SIGNIFICANT OPERATIONS CORRESPONDING TO LOCAL SUPPLIERS

In **Velatia** we understand that our influence on the local economy goes beyond direct jobs generated and payment of wages and taxes, and that we generate a positive economic impact indirectly by supporting local businesses through the supply chain.

For this reason, we maintain a firm commitment to the companies located in the geographic areas in which we operate, a commitment that becomes particularly relevant to plants located in Spain. Therefore, the purchasing area regularly monitors purchase volume associated with each geographical area. This monitoring allows the company to keep the percentage of local suppliers in a high percentage range:

% purchase volume from local suppliers 2014				
	Spain	63%		
Ormazabal	France	17%		
	Germany	9%		
	China	3%		
Ikusi	Spain	87%		
Wec	Spain	51,80%		
Uniblok	Spain	98,67%		
Tecnichapa	Spain	63%		

NEW CHALLENGES

In order to move towards the strategy set, **Ormazabal** will continue to develop two distinct lines of work:

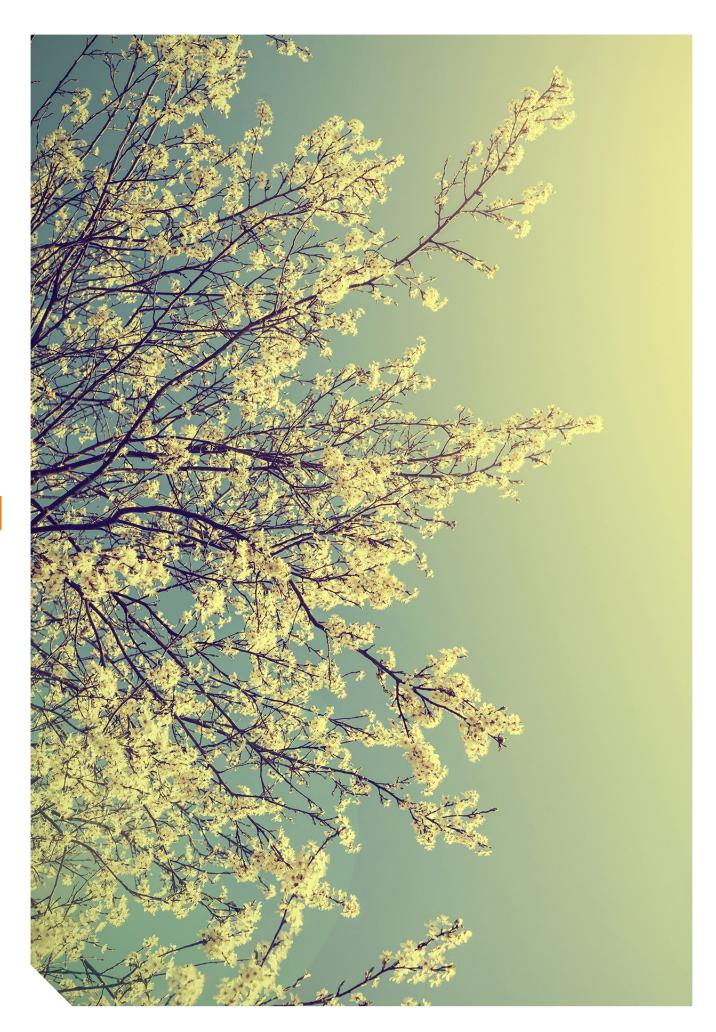
Strengthen and adapt procurement processes:

- Definition of criteria to classify suppliers allowing local or business adaptations.
- Certification: flexible definition of corporate criteria on critical risks of the supply chain of each business.
- Purchasing process: increasing corporate control in the most relevant and establish the necessary controls to minimize the risk of fraud.
- Evaluation of suppliers: definition of corporate criteria in the evaluation procedures, adjusting the levels of demand depending on the characteristics of the range of providers.
- Implement effectively developed procedures to ensure proper understanding and application in the workplace.
- Compliance assessment: definition of an Internal Audit Plan centres to assess compliance with such procedures.

Systematize communication with suppliers through:

- A procedure that provides the basis of communication with them.
- Conducting satisfaction surveys key suppliers.





Environment

COMMITMENT TO THE ENVIRONMENT

Reference document: Corporate Social Responsability Policy

TO ENCOURAGE initiatives that reduce the environmental impact arising from the activity of **Velatia**.

Reference document: Quality, Environmental and Health & Safety Policy

TO PROMOTE and INTEGRATE an environmentally friendly culture.

TO PROMOTE environmental protection by preventing pollution.

TO ACHIEVE and MAINTAIN the internationally recognised certificates for environmental systems.

OUR CERTIFICATIONS

The ISO 14001 is the most important and commonly used standard or technical specification to carry out the implementation and evaluation of environmental management systems. It specifies requirements for an environmental management system so that organisations can examine their environmental aspects and impacts and improve their performance and results in this area. By obtaining

this certificate, which is entirely voluntary in nature, it demonstrates the proactivity of the company in exceeding the legal requirements and achieving levels of excellence in environmental matters.

In **Velatia**, our constant concern for the environment has led to the achievement of the UNE-EN ISO 14001 in different organisations over the years:

ISO 14001:2	004		Obtained	Expires
		Ormazabal Cotradis	2005	2016
	Spain	Ormazabal Distribución Secundaria	2000	2017
		Ormazabal Media Tensión	2006	2015
Ormazabal	Germany	Ormazabal Anlagentechnik	2013	2016
	China	Ormazabal Beijing Switchgear	2011	2017
		Ormazabal Zhuhai Switchgear	2013	2016
	Spain	Ikusi	2010	2017
Ikusi		Ikusi-SIS	2010	2017
	Colombia	Daxa Colombia	2012	2015
Wec	Spain	Wallair Engine Components	2013	2016
Polsa	Spain	Aislantes Sólidos	2011	2017
	Spain	Deridelpol	2011	2017
Uniblok	Spain	Prefabricados Uniblok	2001	2016

OUR MAIN ENVIRONMENTAL MANAGEMENT INDICATORS

As mentioned, respect for the environment is an important aspect in the management of the organisation. Beyond ISO 14001 mentioned above, many measurements are made related to its management.

The most important are the following:

Energy consumption

As a result of our awareness in the field, every year we work on reducing energy consumption. We have considered power consumption as the only significant intermediate energy. Here are the reduction data on energy consumption each year compared to the previous year:

Reduction in e		2013	2014
Ormazabal*	Spain	1,9%	12,2%
Offiliazabai"	Germany	11,6%	
Ikusi	Spain	12,4%	-4,3%
Polsa*	Spain	20,7%	73,4%
Tecnichapa Spain			9,0%
Uniblok	Spain	8,3%	3,7%
Wec	Spain	2,0%	3,0%

*Note: Ormazabal: This data includes information from Ormazabal y Cía; Ormazabal Distribución Primaria; Cotradis y Ormazabal Media Tensión. Polsa: Información from Deridelpol. In **Ikusi**, during 2013, we improved the lighting and air conditioning systems of the building. These improvements were focused on: placing valves in the air conditioning that regulate and reduce the flow of air and water; schedule changes in heating and air conditioning; schedule changes in lighting outside and inside the building; placing light sensors in bathrooms, storage rooms and garage.

Also in **Ikusi** during this time we have made communications on the importance of attending to good environmental practices defined by the Organization.

Also, it is important to note the hard work in **Polsa** in reducing water and natural gas consumption with respect to previous years:

- Deridelpol: in water, a reduction of 31.92% in 2013 and in natural gas of 44.67% in 2013 and 61.61% in 2014.
- Aislantes Sólidos: water consumption was reduced by 15.79% in 2013 and in natural gas, 41.39%.

Direct and indirect emissions of greenhouse gases

Within total direct emissions, we considered the fuel consumed in production processes and boilers (fuel, gas), SF6 emissions in manufacturing processes of the products (**Ormazabal**) and fuel used in company cars for commercial and assembly work.

The emission factors for calculating CO2 equivalent derive from estimates by the IPCC for Global Warming Potential (GWP) over 100 years from the website:

http://unfccc.int/ghg_data/items/3825.php

The results obtained for direct emissions confirm our commitment to the reduction in these emissions. We show here the % reduction in emissions each year compared to the previous year, with most importantly **Ormazabal Spain** making a reduction of 30,7% in 2013 and 29% in 2014; in **Ormazabal Germany** 28,8% in 2013; in **Uniblok** 3,3% in 2013 and 23,3% in 2014.

Regarding **Ikusi**, in the installations in Spain, as they are catalogued within "group C" of emissions we only carry out measurements every five years, and as the first measurements have been made in 2010, we have no information from this period, but it should be noted that those measurements were 90% below the legal maximum.

In terms of indirect emissions, as indicated in the previous point, we consider the power consumption of the facilities.

Treatment of waste generated

During these years, the treatment of waste generated was as follows:

Hazardous Waste (kg)		Reco	overy	Disp	oosal	Re	use	Lan	dfill
		2013	2014	2013	2014	2013	2014	2013	2014
Ormazabal	Spain	26%	27%	40%	44%	34%	29%	0%	0%
	Germany	0%		100%		0%		0%	
Uniblok	Spain	70%	70%	30%	30%	0%	0%	0%	0%

Non-Hazardous Waste (kg)		Recovery		Disposal		Reuse		Landfill	
		2013	2014	2013	2014	2013	2014	2013	2014
	Spain	89%	63%	0%	0%	0%	21%	11%	16%
Ormazabal	Germany	100%		0%		0%		0%	
Uniblok	Spain	4%	5%	0%	0%	0%	0%	96%	95%

In **Ikusi**, we had a 172% increase in waste production in 2013 due to the dismantling of Barajas airport, but a reduction of 57% in 2014.

Meanwhile, **Wec** increased by 4% in 2013 and 5% in 2014. In contrast, in **Tecnichapa** there has been a reduction in 2014 of 13%.

On the other hand in terms of inert and urban assimilated waste, in Deridelpol we had a 59.22% decrease in the generation of waste wood in 2014 compared to 2013 and a decrease of 63.76% in the generation of waste paper and cardboard. In connection with the generation of hazardous waste, Deridelpol decreased by 86.03% in waste generation of ultrasonic bath liquid in 2014, compared to 2013.

In Aislantes Sólidos, regarding hazardous waste, in 2014 we have had a decrease of 79.32% in the generation of sludge resin and a 23.77% decrease in the generation of material contaminated with hydrocarbons, and in turn a decrease of 40.95% in the generation of ultrasonic bath liquid, all in 2013.

It is noteworthy that in 2014 we made a very important modification in the cleaning room in Aislantes Sólidos, where cleaning of the mixer and the pressure pots is carried out. We have managed to reduce the amount of waste resin sludge generated by 79.32% in 2014, compared to 2013. We have also achieved a very significant visual effect, from being a dirty, untidy place to being a clean area with a pleasant appearance and a lay out panel included, where we can see each of the steps in the cleaning process. Each of these steps is lit up with points of led light, giving a very graphic, intuitive panel.

WE ARE COMMITTED TO THE ENVIRONMENT



Through the Centre for Research and Technology (CIT), **Ormazabal** is one of the founding companies of the Basque Ecodesign Center (a centre for innovation in eco-design and a pioneer in southern Europe) promoting, together with other members and collaborators, the application of ecodesign tools in the design phase of products, in order to minimize the carbon footprint both in the electricity distribution network, and in the integration of renewable energy.

Under this initiative, in the CIT we have worked during 2013 on "Implementation of the Ecodesign methodology in 22 primary distribution cells." During the

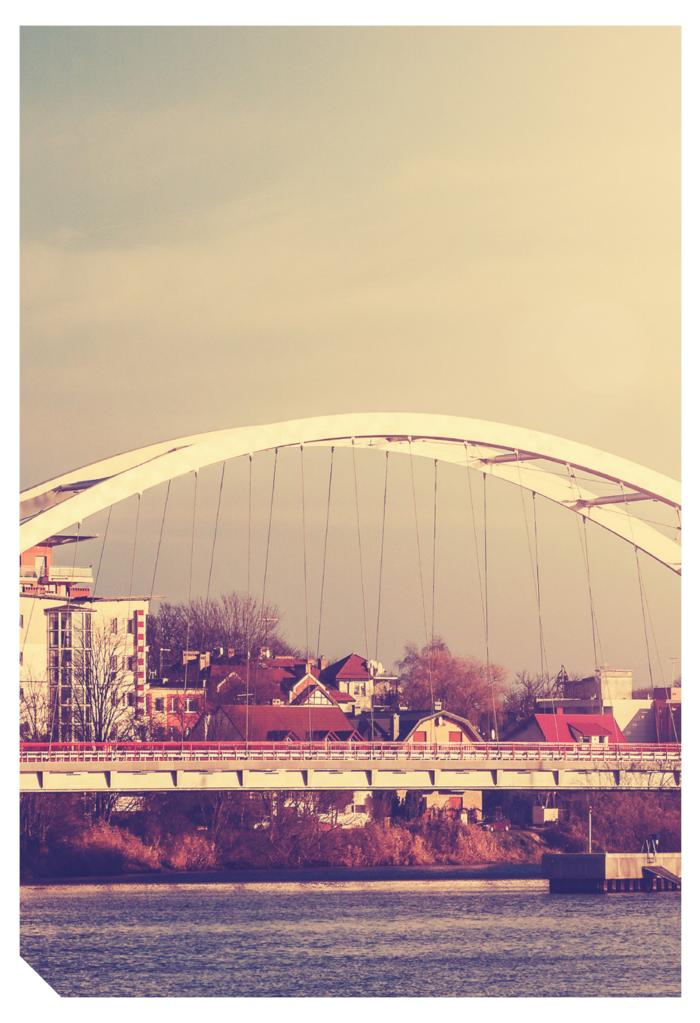
development of this project we have analysed the environmental impacts associated with the 22 primary distribution cells that make up part of that substation and have defined strategies to improve them.

During 2014 from the internal work done to date on the environmental assessment of the main products, we have begun developing a complete Life Cycle Analysis of one of its most innovative pieces of equipment, the 630 kVA / 20 kV organic distribution transformer.

A major feature of this product is based on the use as a dielectric liquid of a natural biodegradable ester obtained from vegetable oils and formulated without antioxidant additives. Its excellent antioxidant capacity is based on its special composition and a specific refining process that allows it to conserve natural antioxidants.

The project will follow the dictates of the "PSR 2000: 6; Liquid- or gas-filled and dry type transformers within the range of <1000 MVA" and meets the requirements for Environmental Product Declarations, EPD (MSR 1999: 2) - an ISO TR14025 standard application, published by the 03-27-2000 Swedish Management Committee of the Ministry of Environment, recognized internationally as the standard of environmental comparison between products.





Society

COMMITMENT TO SOCIETY

Corporate Social Responsability Policy

TO SUPPORT the social development of the community in which **Velatia** operates, participating in and promoting projects of social, cultural and environmental interest.



Social Action Policy

TO ENSURE that all our collaborations in the field of social action are performed with entities known for the rigour, honesty, great prestige and transparency of their actions.

TO GUARANTEE the long-term relationships of activities and projects to be undertaken, as well as the intention of their continuity.

TO DIRECT our social action towards mutual benefit, ensuring the growth of local communities jointly with our business activity in those areas.

ADVANCING IN THE MANAGEMENT OF SOCIAL ACTION

All of our sponsorships, donations and contributions in social action form part of our business strategy and are based on responsibility towards our environment and towards the identity of **Velatia**, transmitting our culture in a relationship that considers the commercial and human dimension.

In this regard we are pleased to mention the publication of our "Social Action Policy" in January 2013, in which we stated that our objective in this field is to contribute to the development of the society in which **Velatia** operates and/or maintains trade relations, driving innovation in search of a better quality of life for that society and creating value for the organization.

In line with this, in September 2014 we produced the "Social Action Management Process", which allows us to effectively manage contributions to the **Velatia** community, minimising

risks and maximising reputational opportunities that these contributions may involve in accordance our policy and outlining the areas in which **Velatia** will focus its contributions:

Social Area:

- Training and Research:
 Activities and projects for education and training of people and for social progress through education and research.
- Social integration and community development: Activities and projects aimed at community progress which promote the integration and advancement of disadvantaged social groups.

Cultural Area:

Programmes or partnerships aimed at promoting and developing the arts, which will in particular allow access to the visual, performing and/or musical arts for the society in which **Velatia** operates.

Environmental Area:

Environmental projects or activities aimed at preserving the environment in which **Velatia** operates.

Thus, the contributions during these years were as follows:

Social Action		2013	2014
Investment y so		59.526	62.047
	Social	33,60%	38,56%
Distribution by	Cultural	27,90%	31,26%
type of action:	Environmental / Other	38,50%	30,18%
No. of activites (donations, spo		8	8

^{*}Note: Information at corporate level (Velatia)

OUR MAJOR DONATIONS AND SPONSORSHIPS

Social Area



Aware of the need for support and protection of children, and after several years of collaboration, in 2007 we signed a collaboration agreement with the Unicef Foundation to secure the company's commitment to supporting the mission of this entity, as well as to promote the welfare, defence, protection and development of children's rights contained in the Convention on the Rights of the Child.

From then and until 2013, our collaboration has focused on improving the living conditions of children, focusing our contribution on "child survival".

But in order to align our work with our "Social Action Policy" and because Training is one of our main focuses, during 2013 we focused our collaboration on UNICEF by



supporting a specific project: 'Schools for Africa', focussing our support on South Africa (where **Ormazabal** has a Sales Office for Africa).

This initiative of UNICEF and the Nelson Mandela Foundation gives children the opportunity to have access to education and to dream of a better future. The approach developed in these schools guarantees children the right to enjoy safe and protective schools, access to drinking water, hand washing facilities and clean, safe toilets.

In addition, in the schools children learn about hygiene and how to protect themselves and their families from infectious diseases. Among the key achievements in South Africa until 2014 in this project:

- Sanitation in schools in South Africa has improved thanks to technical assistance from UNICEF. Poor sanitation, water scarcity, lower water quality and inadequate hygiene are disastrous for children who spend many hours in schools. Issues such as water supply points, places for washing hands and sustainable, safe sanitation installations are key to improving the health of children and ensuring their permanence.
- Participation of girls in schools has increased and is particularly noticeable in the subjects of science, technology, engineering and mathematics.
- 11,380 girls are part of the "Techno Girl" programme nationwide. Thanks to this programme, low-income young women can participate in business mentoring and skills development initiatives. This professional mentoring helps young people gain confidence and links their classes at school with the skills they need to succeed in the 'real' world of work.
- Training has been carried out to support teachers in addressing violent behaviour in schools.
- In 2014 a Student Happiness indicator was launched for students to answer questions related to the Education Plan. 7,000 students are participating in the programme.

Social Area



We identify with the mission of the Foundation to accompany the young in the process of professional and social integration, and for several years we have collaborated not only with the integration of young people to our companies but we also sponsor the "Award for excellence in the professional integration of the young" that seeks to highlight the commitment and performance of individuals, companies and institutions that are distinguished for their work and experience in this field.

During this period, on May 19, 2014 we sponsored the "VI Novia Salcedo International Award for Excellence in the Professional Integration of Young People", which took place in the Arriaga Theatre in Bilbao, presided by King Philip VI, Basque President Iñigo Urkullu and the Mayor of Bilbao Ibon Areso.



Cultural Area

GUGGENHEIM BILBAO

The Guggenheim Museum Bilbao is an artistic reference internationally and is a magnificent example of the most avant-garde twentieth century architecture. This work represents an architectural landmark for its innovative design and offers a unique space for the exhibition of contemporary art.

We identify with the pioneering and innovative character of the Museum and in order to assist in the development of its Mission (to collect, preserve and investigate modern and contemporary art and exhibit it in the context of the history of art from multiple perspectives and aimed at a broad and diverse audience) and to support its objective (to contribute to the understanding and enjoyment of art and the values it represents, as part of an emblematic work of architecture, as a cornerstone of the Guggenheim Museum Network and serving as a symbol of the vitality of the Basque Country), Velatia has worked as an associate company with the Museum.

Cultural Area



The Bilbao Choral Society was set up in the late nineteenth century to promote knowledge and dissemination of music in general and choral music in particular. This same purpose led the choral society in the 21st century to continue working with this lovely institution for the heritage of Bilbao and Bizkaia and for whoever enjoys music.

In **Velatia**, this year 2012, we have shared this spirit by supporting the choir in its taste for group singing, combining voices and twinning feelings in a common effort to reach out to other people by transmitting beauty and emotions.

OUR MAIN COLLABORATIONS



In 2001, we signed a collaboration agreement with the university **Engineering School of Bilbao** to create a Company-Run Seminar Room in the faculty.

With this collaboration, Velatia aims to:

- 1. Recruit prospective students after the training course, and develop projects in areas of interest to **Velatia**.
 - Moreover, from 2001 to 2014, a total of 14 students who have completed 74 projects in the seminar room have joined the company.
- 2. Disseminate the image of Velatia in the School by explaining the company to the students of the Engineering School and increasing the prestige of Velatia within it as a benchmark company in the technology area.

Regarding this second objective, during these two years we have carried out various communication activities directly related to the Seminar Room:

- Participation in the presentation conferences for company-run seminar rooms of the School.
- Participation in the newsletter of the School, reporting on progress and projects developed in the seminar room itself.



The **Ormazabal Class** of the **Polytechnic School of the University of Mondragon** was opened in 2007 and specialises in power electronics, protection and automation, and communications for the medium voltage network, training final year engineers in disciplines of interest to the company through the use of projects.

The work done by the students is led by the lecturers, and the tutors who are appointed by the company for each project, are the ones who oversee their work in the classroom.



The **Ormazabal Class** in the **School of Engineering and Industrial Design** at the **Polytechnic University of Madrid** opened in 2006 and is has a twofold purpose; teaching and research to train future engineers in learning about processing centres (types, components, manoeuvres, safety interlocks, etc...), practical simulation of different faults that can occur in these facilities, and the study and understanding of the protections associated with processing centres.



We are also pleased to mention that since 2012, Ormazabal Corporate Technology forms part of **Euskampus Fundazioa**, and Javier Ormazabal Echevarria is a member of the Board on behalf of **Velatia**.

Since its establishment in 2011, Euskampus Fundazioa aims to become a key element in the revitalization of Basque R&D&I and internationalisation, with a clear vocation of social responsibility and integration in the local area. To achieve this, it is to design, coordinate and implement actions which, in collaboration with all its partners, will strengthen and accelerate this process of modernisation and internationalisation of the University of the Basque Country.

Euskampus Fundazioa works in several areas:

- Poles of Knowledge, skills aggregations around major challenges proposed in the Euskampus areas of specialization. Research, teaching and collaborative knowledge transfer.
- Cross-Border Euroregional Campus of Excellence, along with the University of Bordeaux, an academic space shared between both universities and their partners. It promotes the meeting, mobility and exchange of teachers, researchers and students.
- Other initiatives of excellence, such as participation in international projects, the Master and Doctorate School, performances with students, University-Society chairs, scientific outreach, etc.

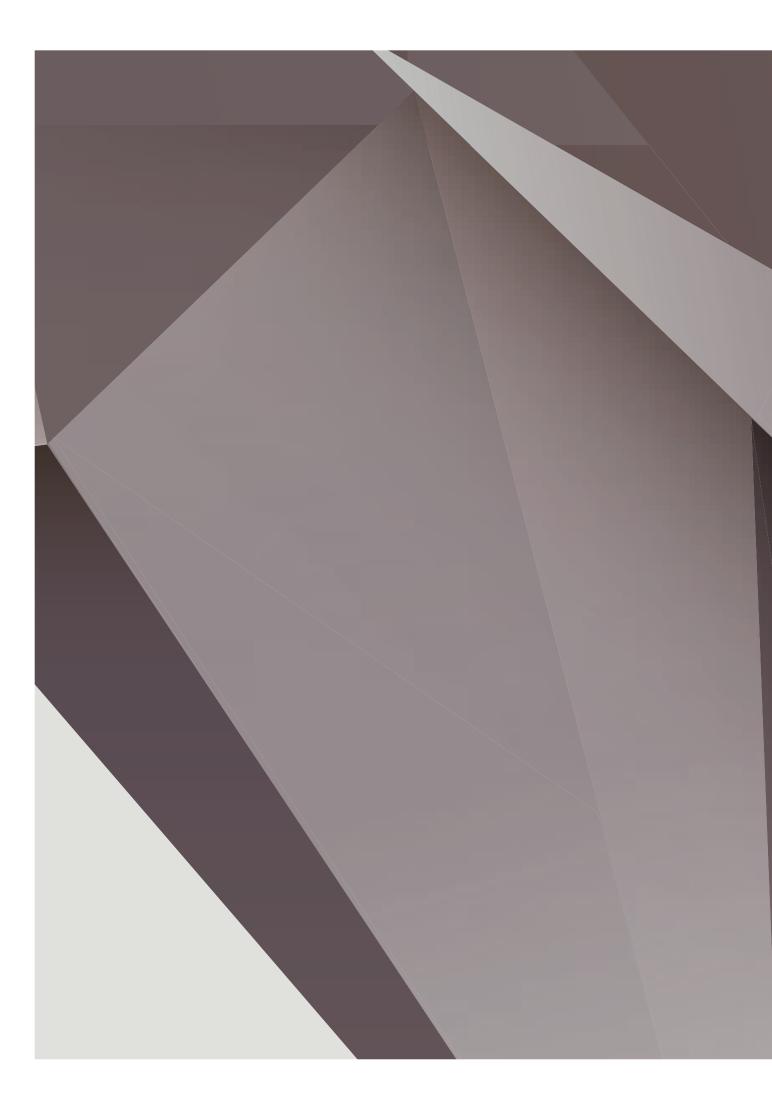


During this period, in June 2014 the company signed a collaboration agreement with **Deusto Business School**, covering different areas such as training, access to talent and other services.

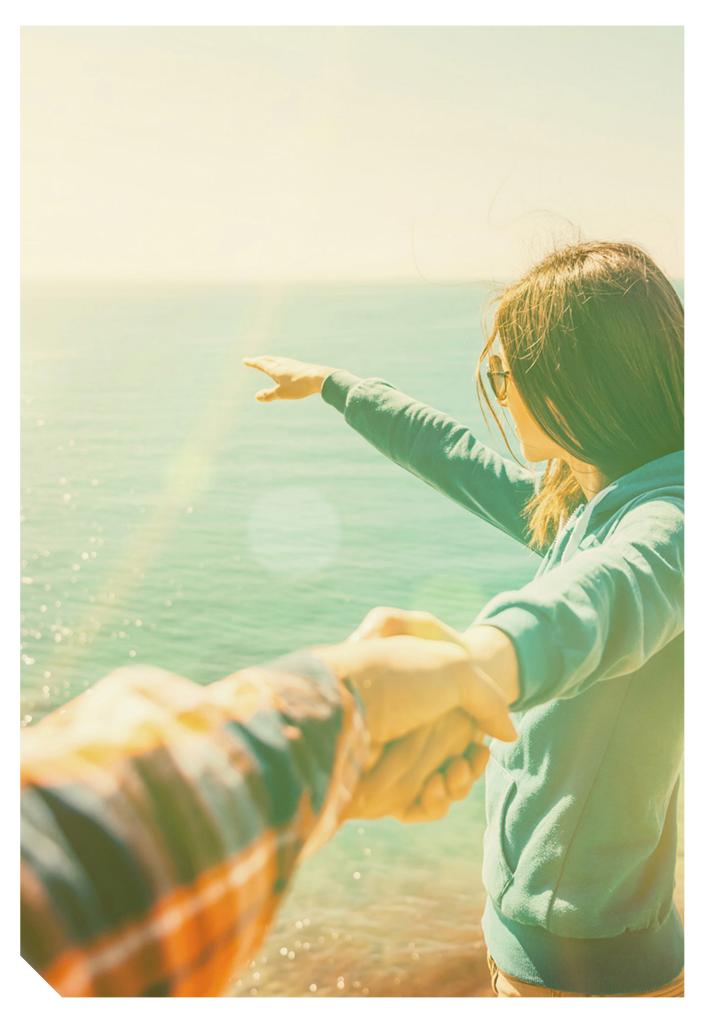
This agreement provides preferential conditions for access to programmes, executive masters and in company training offered by Deusto Business School, while we are able to engage with the business school in the design and implementation of training programmes or research of joint interest and in certain subjects, seminars or workshops students. meaning that we are able to transmit our own professional experiences, also promoting the work experience agreements with national and international Deusto Business School students.

With this project we have once again strengthened our university - company relationship. In **Velatia** we believe that such relationships are necessary to establish links with students, so that they can gain experience in the workplace and so that the universities can become familiar with the market and, if necessary, adjust their teaching programmes.









Scope and coverage of the report

Following the publication of the first Sustainability Report in 2012, we have continued working with the aim of providing reliable, complete and quality information on our progress in this area, developing the current report to cover the years 2013 and 2014 as the publication of our reports is on a biennial basis.

To develop the content of this report we have followed the guidelines and GRI (Global Reporting Initiative) in its **G4** version, according to the "essential option" of conformity with the guide. As a result, we wish to make progress in developing the report and its level of completion, subject to verification by external entities.

To determine the contents of the report in the area of Corporate Social Responsibility, we have analysed the following points:

- **Relevant issues** identified in the materiality analysis that served to define the 7 lines of action of the CSR Plan 2014-2016. This Plan is, in turn, the main theme of the report because:
 - It encompasses the relevant aspects identified.
 - It allows us, through its scorecard, to assess the status and progress of the action plans associated with the lines of action and to include these advances in the report.

• **GRI indicators** and the information available for these two years of reporting.

With all this, we have defined the optimal set of basic content specific to the report.

Regarding interest groups, we have considered the segmentation of interested groups defined in the materiality analysis conducted, focusing the Corporate Responsibility Report mainly towards employees and customers as recipients.

For any additional information about the contents of this report, please contact:

Corporate Social Responsibility Area:

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Index and GRI indicators

PART I: GENERAL STANDARD DISCLOSURES

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G4-17	Entities included in the organisation's consolidated financial statements and in the boundary of this report	10, 11
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G4-28	Reporting period	69
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•••••		

N.A.= Not applicable

N.H.= There has been none

Governance		
G4-34	Governance structure	13 - 15
Ethics and inte	grity	
G4-56	Description of values, principles, standards, and norms of behaviour such as codes of conduct and codes of ethics	16 - 18

PART II: SPECIFIC STANDARD DISCLOSURES

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Category: econ	omic	
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G4-EC1	Direct economic value generated and distributed	11
G4-EC4	Financial assistance received from government	None of significance
Indirect Economic In		•••••
G4-EC7	Development and impact of infrastructure investments and services supported	Partial
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Partial
Procurement Practic	es	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	
Category: envir	onmental	
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Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	57
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Effluents and Waste		
G4-EN23	Total weight of waste by type and disposal method	57, 58
Products and Service	es	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	58, 59
Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There has been none
Supplier Environmer	ntal Assessment	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	In process
Environmental Griev	ance Mechanisms	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	There has been none

Category: social Labor practices and decent work **Employment** Total number and rates of new employee hires and employee turnover by age group, gender and G4-LA1 26 G4-LA3 Return to work and retention rates after parental leave, by gender 100% Labor/Management Relations Minimum notice periods regarding operational changes, including whether these are specified in G4-LA4 collective agreements Occupational Health and Safety Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total G4-LA6 34 - 36 number of work-related fatalities, by region and by gender There are no workers with G4-LA7 Workers with high incidence or high risk of diseases related to their occupation high risk of disease **Training and Education** G4-LA9 Average hours of training per year per employee by gender, and by employee category Programs for skills management and lifelong learning that support the continued employability of G4-LA10 28 - 30 employees and assist them in managing career endings Percentage of employees receiving regular performance and career development reviews, by G4-LA11 28 - 30 gender and by employee category **Diversity and Equal Opportunity** Composition of governance bodies and breakdown of employees per employee category 31 according to gender, age group, minority group membership, and other indicators of diversity Supplier Assessment for Labour Practices G4-LA14 Percentage of new suppliers that were screened using labour practices criteria In process Non-discrimination There has been G4-HR3 Total number of incidents of discrimination and corrective actions taken none Freedom of Association and Collective Bargaining Operations and suppliers identified in which the right to exercise freedom of association and G4-HR4 collective bargaining may be violated or at significant risk, and measures taken to support these operations or suppliers at risk **Child Labour** There are no Operations and suppliers identified as having significant risk for incidents of child labour, and G4-HR5 operations or measures taken to contribute to the effective abolition of child labour suppliers at risk Forced or Compulsory Labour Operations and suppliers identified as having significant risk for incidents of forced or compul-There are no G4-HR6 sory labour, and measures to contribute to the elimination of all forms of forced or compulsory operations or labour suppliers at risk Supplier Human Rights Assessment Percentage of new suppliers that were screened using human rights criteria In process **Human Rights Grievance Mechanisms** Number of grievances about human rights impacts filed, addressed, and resolved through formal G4-HR12 grievance mechanisms none

Society		
Anti-corruption		
G4-S04	Communication and training on anti-corruption policies and procedures	18
G4-S05	Confirmed incidents of corruption and actions taken	There has been none
Anti-competitive	e Behaviour	
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	There have been no legal actions
Compliance		
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	There has been none
Grievance Mech	nanisms for Impacts on Society	
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	There has been none
Product res	ponsibility	
Customer Healt	h and Safety	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	There has been none
Product and Se	rvice Labelling	•••••••••••
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	There have been no cases of non-compliance
G4-PR5	Results of surveys measuring customer satisfaction	40 - 41
Marketing Com	munications	•••••••
G4-PR6	Sale of banned or disputed products	There has been none
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	There have been no cases of non-compliance
Customer Priva	су	
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	There has been none
Compliance		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	There has been no fines

PART III: VELATIA'S MATERIAL ASPECTS

Velatia's material aspects	Related GRI indicator	Report Section	
Branding	G4, GR-PR6, G4-PR7	2 We are Velatia	
uality in customer service			
Flexibility (products tailored to customer needs)	G4-PR2, GR-PR4, G4-PR5, G4-PR6, G4-PR7, G4-PR8, G4-PR-9	3.3 Our commitment to Quality and service	
Assurance of "on time" supply and delivery			
ESG Aspects (Environmental, Social and Corporate Governance) in the contracting process			
Relevance of the company's R&D&I to its market position	its market position		
Partnerships to promote R&D&I	G4-EC7, G4-EC8	3.4 Our commitment to innovation	
New business (e.g. SmartGrid)			

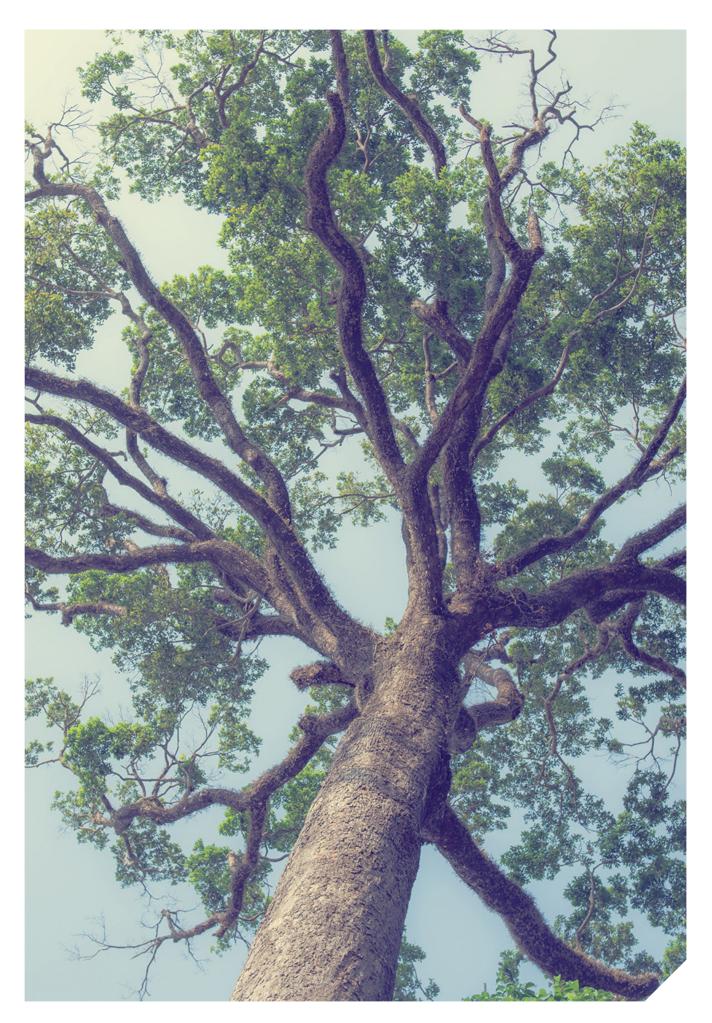
Velatia's material aspects	Related GRI indicator	Report Section	
ESG Criteria (Environmental, Social and Corporate Governance) in the approval, classification, selection and evaluation of suppliers	G4-12, G4-EN32, G4-LA14, G4-HR10	3.5 Our commitment to our suppliers	
Effective internal communication to employees	G411, G4-LA14	3.1 Our commitment	
Attraction, retention and management of talent	G4-LA9, G4-LA10, G4-LA11	to people	

GRI indicators in relation to the Principles of the UN Global Compact



The following table shows the GRI indicators of this report that provide the most relevant information on the implementation of the 10 Principles of the Global Compact, so that it is possible to assess the progress of **Velatia** on these principles:

Area	Global Compact Principles	Related GRI indicator
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR12
riullidii Kigrits	Principle 2. Businesses should make sure they are not complicit in human rights abuses	G4-HR1, G4-HR10, G4-HR12
	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11, G4-HR4, G4-LA4
Labour Practices	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour	G4-HR6
and Decent Work	Principle 5. Businesses should uphold the effective abolition of child labour	G4-HR5, G4-HR3
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	G4-10, G4-LA1, G4-LA3, G4-LA9, G4-LA11, G4-LA12, G4-HR3
	Principle 7. Businesses should support a precautionary approach to environmental challenges	
Environmental	ental Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility	G4-EN6, G4-EN15, G4-EN16, G4-EN23, G4-EN27, G4-EN29, G4-EN32, G4-EN34
	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	G4-56, G4-S04, G4-S05















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