

VICINAY
SESTAO

**EXPERIENCE
COMMITMENT
INNOVATION**

**SUSTAINABILITY
REPORT**
2014

CONTENTS





1

P. **5**
INTRODUCTION

2

P. **6**
WELCOME LETTER

3

P. **8**
VALUES, MISSION, VISION

4

P. **11**
THE YEAR 2014 IN FIGURES

5

P. **12**
NEW ADVANCED MANAGEMENT MODEL

6

P. **14**
CUSTOMER COMMITMENT

7

P. **16 - 19**
INVOLVEMENT OF THE PERSONNEL

8

P. **20 - 23**
SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

9

P. **24**
INNOVATION

10

P. **26**
BALANCE SHEET

1

VICINAY
SESTAO'

VICINAY SESTAO S.L.

Av. de Altos Hornos de Vizcaya, 2
48910 Sestao (Bizkaia)

Tel. +34 944 20 20 00
Tax Identification Number (CIF) B/95698049

INTRODUCTION

Vicinay Sestao is a company dedicated to providing solutions for anchoring floating apparatus in the offshore world. We perform our activity in a way that is environmentally, socially and economically sustainable, in order to play our part in protecting the welfare of future generations.

This report is prepared on the basis of an analysis of the information provided by the people who form part of the organisation, as well as the reflections coming from our relationships with our customers, suppliers, public administrations, associations and research centres, among other stakeholders.

CERTIFICATIONS:



ISO 9001



ISO 14001



OHSAS 18001

VICINAY SESTAO forms part of the VICINAY MARINE group:



WELCOME LETTER

2



—

This is the first sustainability report that Vicinay Sestao has produced. For us, sustainability is a very broad concept. We are aware that all of the elements that make up a business are related to sustainability in some way, either directly or indirectly, which means that we have to put this concept into practice in several aspects: environmental, financial and social. We have created Vicinay Sestao following this philosophy.

When designing and building our facilities, endorsed by CE certification, the priority has been the health and safety of the personnel. Our concern for protecting the environment has led us to implement innovative measures to reduce energy consumption and CO2 emissions.

Our commitment to society covers several aspects, including our desire to work with suppliers from the region, encouraging interest in industrial and technological careers by opening the doors of our innovative facilities to the young people who visited us in 2014, and working with associations that support youth employment through offering internship agreements at our company. We have also sponsored associations for minority sports, among other actions. Moreover, the sustained and balanced financial policy that we have followed during 2014 has led to some satisfactory results for the organisation, shareholders and other stakeholders.

We have entitled this report "Experience, Commitment and Innovation". For us, innovation is never immediate, it involves a long-term vision and significant investment. Vicinay has always been characterised by creating room for continuous improvement, by its ability to overcome the past, its adaptation to change and even for shaping the future, often anticipating the needs of the market. This innovative nature and continuous effort to perform better is the result of our long history, which dates back to the 17th century when the Vicinay family started to work in the forging business in Ochandiano, a traditional ironworking town.

With the passing of time, the company grew until it became the Vicinay Marine group, a leading brand in offering fastening solutions for floating apparatus in the offshore industry. Sestao is the group's new development, with a new advanced management model and infrastructures which allow us to enhance our productive capacities and achieve a milestone in chain production.

Asier Pinedo Cuesta
Director of Vicinay Sestao

VALUES MISSION VISION

3

VALUES

- > **SAFETY** as a personal and collective right and responsibility to work without harming people, working equipment or the environment.
- > **INTEGRITY** as the ethical behaviour of people and the organisation, through professionalism, honesty, respect, equality, transparency and consistency.
- > **BELONGING** as a commitment to the organisation and to people. Being in and with Vicinay Sestao, and sharing the future in a team, provides satisfaction for the people taking part in the project.
- > **SUSTAINABLE** growth, both technological and human and in terms of results, in a way that allows us to hold a position of leadership, ensuring the needs of future generations.
- > **INNOVATION** as a commitment from the personnel to knowledge, lifelong learning and applying emotional intelligence to supply products and services that provide value to people, customers and the organisation.

- > Winning picture from the 2014 Vicinay Sestao photography competition.
Author: **Pedro Calvo**

With a desire for our organisation to be recognised as a world leader for its Safety, Quality, Management and Innovation

—

MISSION

VSSL focuses its business project on:

- > The invention, design, production and delivery of high value added products and services, adapted to the customers and focussed on the offshore exploration and production industry.
- > Carrying out its activity safely and in an innovative and socially responsible manner, aimed at creating profit and allowing for sustainable growth.
- > The ability and emotional intelligence of people, without discriminating on the basis of gender.
- > Collaboration with allies, shareholders, customers, suppliers, knowledge centres and other stakeholders identified.
- > And reaching out from Bizkaia to the World.

—

VISION

VSSL builds its future:

- > With a desire for our organisation to be recognised as a world leader for its Safety, Quality, Management and Innovation.
- > With a human team, balanced in terms of men and women, capable of adapting to and managing diversity and change to achieve the business targets.
- > Making our company a meeting place and a place of fulfilment for our personnel, customers, investors and other stakeholders.



THE YEAR **2014** IN **FIGURES**

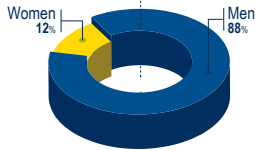
4

- › “A science built only on the basis of its applications is an impossible science, because truths are fruitful if they are linked together in a chain, and if one is interested only in those truths expected to produce an immediate result, the intermediate links will be missing and there will be no more chain”.

Nuccio Ordine

PEOPLE EMPLOYED

160



SEVERE Accidents

0

Rate of ABSENTEEISM

2,71%

(Below the sector average)

Satisfaction of the SUPPLIERS

4,28 out of 5

LOCAL Suppliers

88%



Tonnes MANUFACTURED

23,000 t



SHARE of the MARKET

45% of the sector



Satisfaction of the PERSONNEL

4,08 out of 5

Sense of BELONGING

4,38 out of 5

Average AGE 39 years

Expectations MET

97%



Satisfaction of the CUSTOMERS

4,1 out of 5

Hours of TRAINING

5,4% of working time

INVESTMENT in TRAINING

per person 917,33€



Hours of HSEQ TRAINING

1,21%

Total INVESTMENT over BILLING

20,6%

INVESTMENT in R&D over BILLING

1,57%



SOCIAL CONTRIBUTION

0,7% EBITA

NEW ADVANCED MANAGEMENT MODEL

5

Our management model is based on the proposal by the Euskalit foundation, promoted by the Basque Government: "Advanced Management Model". This model is the result of the consensus of people belonging to different organisations and institutions. Its purpose is to promote the application of its principles in Basque organisations and to contribute to sustainable development.

STRATEGIC OBJECTIVES



1ST OBJECTIVE
SAFETY



2ND OBJECTIVE
**SATISFIED
CUSTOMERS**



3RD OBJECTIVE
BILLING



4TH OBJECTIVE
PROFIT



5TH OBJECTIVE
MANUFACTURING



6TH OBJECTIVE
EFFECTIVENESS

- ▶ At Vicmay Sestao we work through processes. The personnel from the different functional units of the organisation contribute their knowledge and come together in a common goal: meeting the expectations of our customers.

STRATEGIC AXES

> **To generate a long-term vision with a clearly defined strategy**

When defining the strategic axes we consider the mission, vision, values and strategic plan of the company, as well as the needs of the customers and other stakeholders. The specific objectives for 2014 have been: greater productive capacity, continuous improvement of quality and safety, and constant innovation.

> **To focus the company on the customers, differentiating itself through the value offered**

> We offer fast and flexible solutions to urgent needs, such as the delivery of the Ichthys project which will allow Japan to supply its energy demand following the shut-down caused by the nuclear accident in Fukushima.

> **To encourage a sense of belonging and the health and safety of its personnel**

> We score 4.08 out of 5 in a sense of belonging.
 > 0 serious accidents during the fine tuning of the new facilities.
 > 2.71% absenteeism.



> **To apply innovation in all areas of the company**

> Investment in new CE certified machinery.
 > Investment in R&D: 20% of income.
 > Idea management: "Annual book of improvements" which includes ideas contributed by people from the organisation.

> **To achieve a satisfactory financial outcome for the different stakeholder in a sustained and balanced manner**

> Chain manufactured: 23, 000 t.
 > Chain delivered: 19,021 t.
 > Profitability: 10% of sales.
 > Effectiveness: 56%.
 > Long-term investment, to obtain benefits for the organisation and society.

> **To enhance the commitment to society**

> Sustained employment despite the automation and robotisation of the production process.
 > Reduction of electricity, water and gas consumption by 4%.

CUSTOMER COMMITMENT

6

1 ORDER
GULF OF
MEXICO

In order to ensure the sustainability of the organisation we consider it important to provide differentiating values that can be appreciated by our current and future customers. The perception that has reached us from the different companies who use our products and services is that with the commissioning of the new Sestao plant we have achieved greater speed and flexibility in responding to their needs.

Tonnes
CONTRACTED
29,212 t

Tonnes
MANUFACTURED
23,000 t

Tonnes
DELIVERED
19,021 t



Visit to the Vicinay Sestao facilities during the "Lessons Learnt" Technical Seminar



> Map of contracts by area

Expectations

MET

97%



Satisfaction of
the **CUSTOMERS**

4,1 out of 5

SHARE of the
MARKET



45%

of the sector

WE SHARE KNOWLEDGE WITH OUR CUSTOMERS AND STAKEHOLDERS

Themed technology seminars are a way to share knowledge with our customers and to make progress in the quest to optimise our services and products for the offshore world.

In 2014, after visiting the cities of Singapore and Houston, the "Lessons Learnt" technical seminar tour ended in Bilbao. Organised by Vicinay Marine, its task was to detect and analyse errors and launch new improvement solutions. International industry leaders: Chevron, APL, National Oilwell Varco, Aker Solutions, Total, Statoil, Sofec, DNV-GL, Whittaker Engineering, Idesa and Gerdau, had the opportunity to take a close look at the effort and investment made by the group to create the new Sestao factory, the technological advances incorporated and its modern infrastructure.

During 2014 we also participated in the most important trade fairs in the offshore world: Offshore Technology Conference (OTC) and Offshore Northern Seas (ONS).

NEW CHALLENGES

We are entering periods of oil extraction at great depths and in extreme areas like the Arctic, not forgetting the new projects for renewable energies, such as large offshore wind turbine platforms, where Vicinay Sestao is involved in offering innovative anchoring solutions.

7

INVOLVEMENT OF THE PERSONNEL



—
One of the main objectives that Vicinay Sestao takes into account when building a sustainable company is caring for its personnel. We are mainly concerned for their safety, professional opportunities, satisfaction and sense of belonging.

In order to suitably address all aspects relating to the personnel, we work using processes. In the process, personnel is an issue integrated into different areas: Social, HSEQ, Industrial, Engineering, Works committee, etc.

The criteria that we have followed to meet all of these commitments is based on the principle of prevention: improving working conditions, greater work satisfaction and greater equality between men and women, among other things.



Satisfaction of the **PERSONNEL**

4,08 out of 5

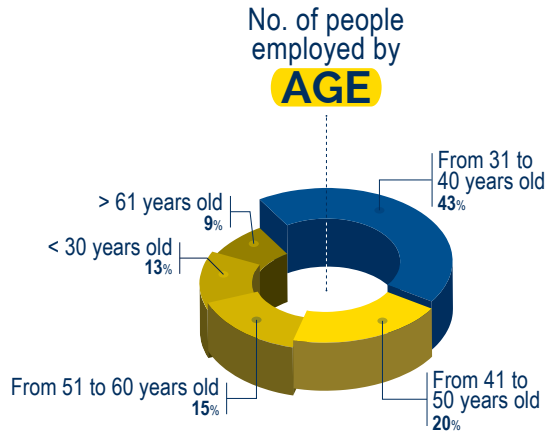
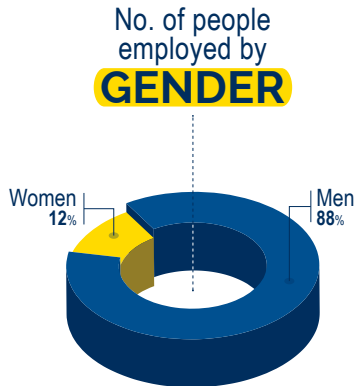
Sense of **BELONGING**

4,38 out of 5

Average

AGE 39 years

› Follow-up meeting for the Management Plan.



OCCUPATIONAL HEALTH AND SAFETY

- > The Vicinay Sestao facilities have been especially designed following advanced **habitability** and **ergonomic** principles to improve the quality of work. For us, it is not just about having technologically efficient equipment, we are also concerned that the facilities are in optimal habitable conditions.

SERIOUS Accidents

0

FREQUENCY

Rate
46,67

SEVERITY

Rate
0,54

Rate of **ABSENTEEISM**

2,71 %

(Below the sector average)

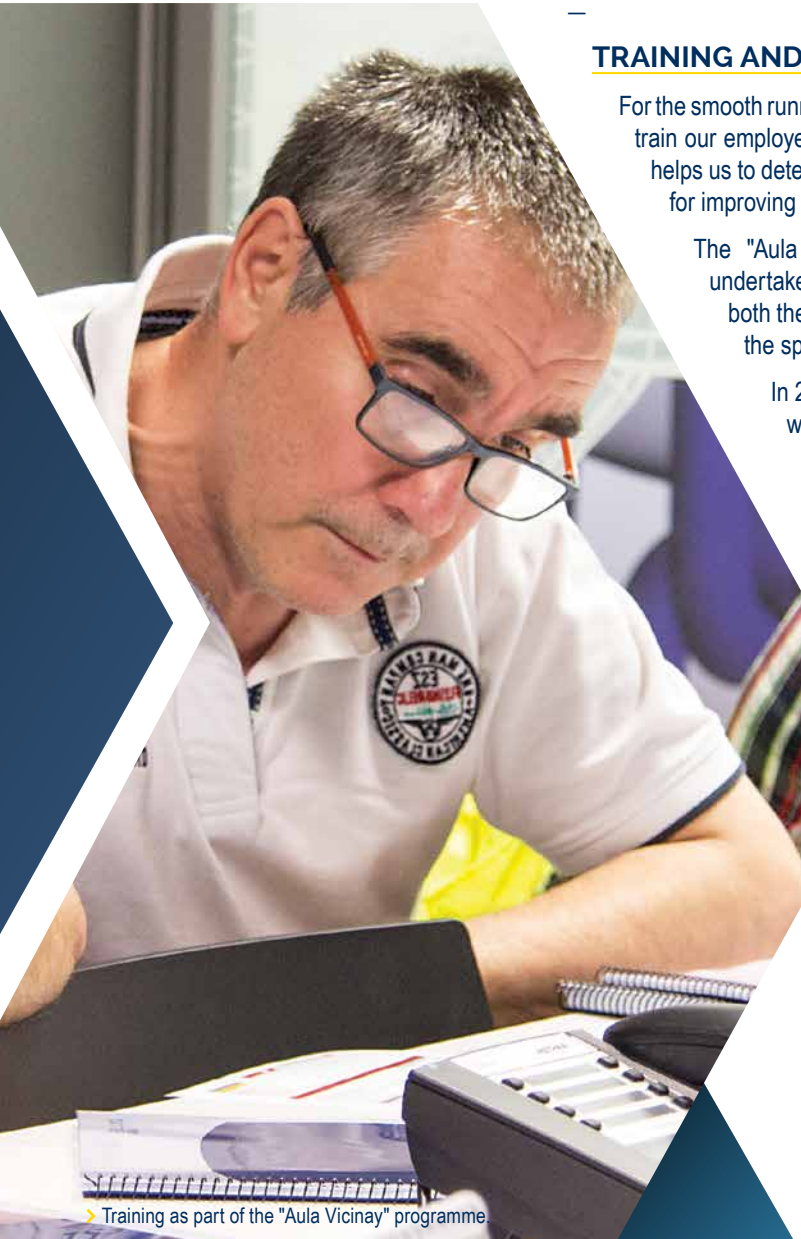
EFFECTIVENESS IN PRODUCTION

- > At Vicinay Sestao we have implemented the Project: **Improving the Effectiveness of the Production Lines**, based on *Lean* principles. The objective is for the processes to be planned in order to make the work profitable, giving prominence to the personnel. For this an internal communication plan for the equipment has been established, with protocols for identifying incidents that are registered in each handover, so that the working groups can provide specific solutions to each problem.



OEE
Effectiveness rate
of the equipment

56%



TRAINING AND EDUCATION

For the smooth running of the company we consider it important to continuously train our employees and regularly assess their performance. Such analysis helps us to detect specific learning needs and establish development plans for improving their skills.

The "Aula Vicinay" programme is an intensive training process undertaken by everyone who joins the company. Its content includes both the organisation's principles and its way of working, as well as the specific practices for the appointed position.

In 2014, the year of commissioning the Vicinay Sestao factory, we saw good change management and an excellent attitude of involvement and companionship from the people working in our organisation.

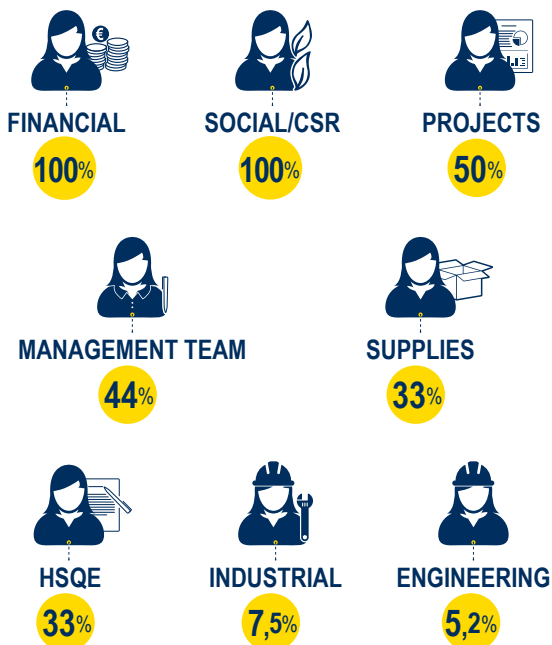
> Training as part of the "Aula Vicinay" programme.



PRINCIPLE OF EQUALITY BETWEEN MEN AND WOMEN

We are operating in an industry that has traditionally been male-dominated. At Vicinay Sestao, thanks to the automation of the production processes, we have made it possible for women to also perform manufacturing jobs.

> Percentage of WOMEN by area:



WORK-LIFE BALANCE

We maintain agreements that are adapted to the specific needs of each person, in order to achieve a balance between family and work life. For the forthcoming 2015 financial year we have agreed to put into writing the **First Work-Life Balance Protocol**.



8

SOCIAL RESPONSIBILITY



> Young people graduating from the "Learning by doing" entrepreneurship project, 2014 course.

Every year we consider the needs of the society in which we live and how Vicinay Sestao can contribute to providing solutions, going beyond our contractual commitments.

The actions that we perform in the area of Social Responsibility are included in the framework of the annual Action Plan for the VCRS process, developed by 12 people from different areas.

In 2014 we participated as attendees and also as speakers in social forums, and we even worked more proactively, examining where we can best focus our social work. We have also tried to involve our stakeholders in these commitments.

We are members of IZAITE, Association of Basque Companies for Sustainability, and are part of the United Nations Global Compact, a worldwide corporate sustainability network that allows us to share experiences with other member institutions.



> www.pactomundial.org



> www.izaite.net

RESPONSIBLE SUPPLY CHAIN

85% of our suppliers are from our regional area, which means that we generate wealth in the area and also minimise the use of transport, with the consequent reduction in environmental impact.

CONTINUOUS IMPROVEMENT PORTAL

At Vicinay Sestao we create an internal environment that encourages the contribution of ideas that can generate value for the brand. We have a computer application that is used as a suggestions box, through which anyone from the company can contribute initiatives. It is also for channelling those coming from our stakeholders. The next step is for a group of people from different areas to review and assess each suggestion in order to select the viable projects that we can launch.



CREATIVITY SESSIONS

In order to offer solutions to customers regarding our products and services, we run creativity sessions in which we bring together different people from different areas to link ideas and contribute innovative solutions.

PROMOTING SPORT

We collaborate with sports associations such as the Kaiku rowing club and the Basque pelota club, Lagunartea.

ENCOURAGING YOUTH EMPLOYMENT

We support the creation of employment by working together with different associations and institutions, offering internship contracts at our company and specific training.

- > **Novia Salcedo Foundation:** internship contracts.



- > **Ahalbidetu:** internship contracts for the second edition of the "Learning by doing" programme.



- > **Lanbide:** training in our production process.



SOCIAL ACTIONS 0,7% of EBITA

ENVIRONMENTAL RESPONSIBILITY

—

Vicinay Sestao was certified with the ISO 14001 standard in 2014. This internationally accepted standard creates the need to reduce both the environmental aspects and their impact through continuous improvement.

Our factory has been designed taking into account the most advanced energy efficiency principles and systems; soundproofing to minimise noise pollution, and the management of waste, which is separated out in our own recycling point.

—

RAISING AWARENESS OF THE ECOLOGICAL CULTURE

> We regularly hold meetings to make personnel aware of waste recycling and energy consumption savings.

12 Annual **AWARENESS** meetings

HAZARDOUS WASTE **0,3**
kg H/W / t chain finished



—

ENERGY EFFICIENCY

In 2014 we began to implement the **ISO 50001 management system**, which includes the most advanced energy efficiency practices. Our next challenge for 2015 is to obtain this certification.

- > Use of less polluting energy sources, such as electricity and induction systems that generate a lower Carbon footprint.
- > Use of the heat from the furnaces to warm up the domestic hot water, through heat exchangers that are specially designed for our facilities.
- > Installation of meters for measuring energy consumption which allow for segmented monitoring and the systematisation of energy saving for better operational control.

CARBON FOOTPRINT 2,35 t CO₂ / t finished chain

Consumption of **ELECTRICITY** 0,99 kwh/kg finished chain



Installation of **LED lighting** **SAVING**

4%

Consumption of **GAS** 1,85 kwh/kg chain finished

Lining of the furnaces with **LOWER** thermal inertia



Recirculation of warm air to **OPTIMISE** the consumption of gas

INNOVATION

9

—
Innovation forms part of one of the organisation's strategic processes, and is reviewed regularly. Each year a decision is made on what strategic lines to follow and an innovation agenda is designed for the forthcoming financial years.

In 2014 our main objectives were: to invest in innovation, in both the production and manufacturing processes and our products and services, and above all to promote the knowledge and learning of our personnel.

REPORTING OF OUR INNOVATION

2 PUBLICATIONS **6** PRESENTATIONS

INNOVATIONS

2 PRODUCTS **6** PROCESSES

- › Vicinay Sestao has been involved in research and development projects to boost offshore wind energy, offering innovative anchoring solutions.

INVESTMENT AGENDA 2014

- > **Design of the Vicinay Sestao building**, classified by Ilobe as a **green building**.
- > **Construction of the factory** with:
 - > Improved logistics due to large capacity cranes.
 - > Fast cutting saws.
 - > Self-guided vehicles.
 - > Ergonomic and automated manufacturing machinery.
 - > High load capacity robots.
 - > Laser measurement system in testing.
 - > Shot-blasting robots.
 - > Advanced waste management system.
 - > Own dock with access to the estuary.
- > **Personnel training** with a training budget of € 917.33 per person.

INNOVATION AGENDA 2014

- > Advanced chain identification.
- > ø220mm R5 chain.
- > Optimising the quality of the materials.
- > Chainmatic.
- > Katebegi.
- > NDT.

SURVEILLANCE: STRATEGY, MANAGEMENT AND TECHNOLOGY

We keep an eye on our surroundings, we observe how the market is progressing and we work in collaboration with universities, technology centres, suppliers and customers to search for new solutions.

Total
INVESTMENT
over **BILLING**

20,6%



INVESTMENT
in **R&D** over
BILLING

1,57%

BALANCE SHEET

10

FINANCE

A sustainable business is also a profitable business. 2014 was a year in which, despite significant investment being made to open the factory, we have achieved good profitability.

The financial balance sheet for this financial year also includes social aspects. In other words, not only have we created value for our own brand, but we have generated wealth throughout the industrial framework in which we operate.

PROFIT AND LOSS ACCOUNT

	31.12.2014	31.12.2013
ONGOING OPERATIONS		
Turnover	57,004	891
Changes in inventories of finished goods and work in progress	7,968	31
Work performed by the company for its assets	408	458
Supplies	(41,773)	(922)
Other operating income	8	0
Personnel costs	(4,542)	(117)
Other operating costs	(10,300)	(280)
Amortisation/depreciation of fixed assets	(3,025)	0
OPERATING PROFIT/LOSS	5,748	61
Financial income	0	15
Financial expenses	(456)	(1)
Exchange rate differences	0	5
FINANCIAL PROFIT/LOSS	(456)	19
PRE-TAX PROFIT/LOSS	5,292	80
Corporation tax	80	3,988
PROFIT/LOSS FOR THE FINANCIAL YEAR	5,372	4,068

› Values expressed in thousands of Euros.

BALANCE SHEET

	31.12.2014	31.12.2013
NON-CURRENT ASSETS	68,316	57,933
Intangible fixed assets	1,033	0
Tangible fixed assets	62,646	53,931
Deferred tax assets	4,637	4,002
CURRENT ASSETS	20,125	8,875
Stocks	9,424	1,652
Trade and other receivables	8,947	4,154
Short-term investments in group and associated companies	0	3,000
Short-term accruals/deferrals	25	0
Cash and other equivalent liquid assets	1,729	69
TOTAL ASSETS	88,441	66,808
	31.12.2014	31.12.2013
NET WORTH	38,337	32,965
Equity:	38,337	32,965
Capital	20,000	20,000
Issue premium	8,927	8,927
Reserves	4,038	(30)
Profit/Loss for the financial year	5,372	4,068
NON-CURRENT LIABILITIES	26,822	0
Long-term debts	26,572	0
Deferred tax liabilities	250	0
CURRENT LIABILITIES	23,282	33,843
Short-term debts	2,626	0
Short-term debts with group and associated companies	305	3,590
Trade and other payables	20,351	30,253
TOTAL LIABILITIES	88,441	66,808

› Values expressed in thousands of Euros.

FORTHCOMING CHALLENGES

- Every project that we undertake is the result of ideas from many people, of hours of research, of months or even years of work, of trials, designs, testing, of two-way relationships with customers and suppliers, of exchanges with society, with their aspirations, needs, desires. With all of that we construct Vicinay Sestao day by day.



Progress in **HEALTH** and **SAFETY** for the personnel



Continue growing in a sustainable **MANNER**



Increase the **SATISFACTION** of the customers and shareholders



Be a **BENCHMARK** in the offshore industry



LEAD innovation projects



MINIMISE the environmental impact



Open **NEW** fields of **RESEARCH**



Continuous **ADVICE** and after-sales **TECHNICAL ASSISTANCE**

—

Vicinay Sestao's commitment to sustainable development in its three dimensions — economic, social and environmental — is reflected in this 2014 Report, where we wanted to show the desire to make reliable and accurate information available to everyone.

—

FOR MORE INFORMATION:

> www.vicinaysestao.com

> rsc@vicinaysestao.com



VICINAY
SESTAO