



**SAFETY
QUALITY AND
EFFECTIVENESS**

**VICINAY
SESTAO**

**SUSTAINABILITY
REPORT**

2015

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TOWARDS 2016



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> “One of our most important milestones has been achieving the best safety rates in our history”.

PRESENTATION

2015 has brought the consolidation of the Vicinay Sestao factory. The investment made by the group has helped increase our production capacity and achieve a few highly competitive quality standards. Through this effort and those of persons who have worked in our organization, during 2015 we have managed to close the financial year with a positive balance, despite the unstable situation affecting the offshore market. Consequently, the perceived value by our stakeholders value is satisfactory.

It should be noted that it has been a year of great changes, in which we have consolidated the workforce and it more versatile. One of our most important milestones has been to achieve the best safety rates in our history. An equally important achievement and of great relevance in our industry, is the result of several factors: the use of preventive management tools, the awareness campaigns undertaken, training upgrading training and cooperation of workers.

Another of our sustainable achievements is that with tighter budgets, we have been able benefit from a return on investment, reducing operating costs. Moreover, It has also reduced energy consumption through efficient resource management: gas, water and electricity. This effort has allowed us to obtain Certification for the standard ISO 50001 Effective Energy Management System

Vicinay Sestao presents itself in 2016 as a company of the future We shall remain committed to reducing environmental impacts, by participating in renewable energy projects such as Hywind Pilot Park, and consistently increase competitiveness of the company through the continuous improvement and innovation of products, services and processes.

Asier Pinedo Cuesta
Director of Vicinay Sestao

OUR COMPANY

2

COMPANY CULTURE

VALUES

- > **SAFETY** as a right and a personal and collective responsibility to work for the prevention of injuries to people, to work units and the environment.
- > **INTEGRITY** as ethical behaviour of individuals and the organization, through professionalism, honesty, respect, equality, transparency and coherence.
- > **ENGAGEMENT** as commitment with the organisation and persons. To be and with Vicinay Sestao, and share the future as a team is a great satisfaction for persons like us who participate in the project.
- > **GROWTH** sustainable, both technological as human as well as results, as a way to allow us to hold a leading position that ensures the needs of future generations.

VICINAY SESTAO S.L.

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CIF. B/95698049

Making of our company a meeting point as well satisfaction for people, customers, investors and other stakeholders.

MISSION

VSSL focuses its company project:

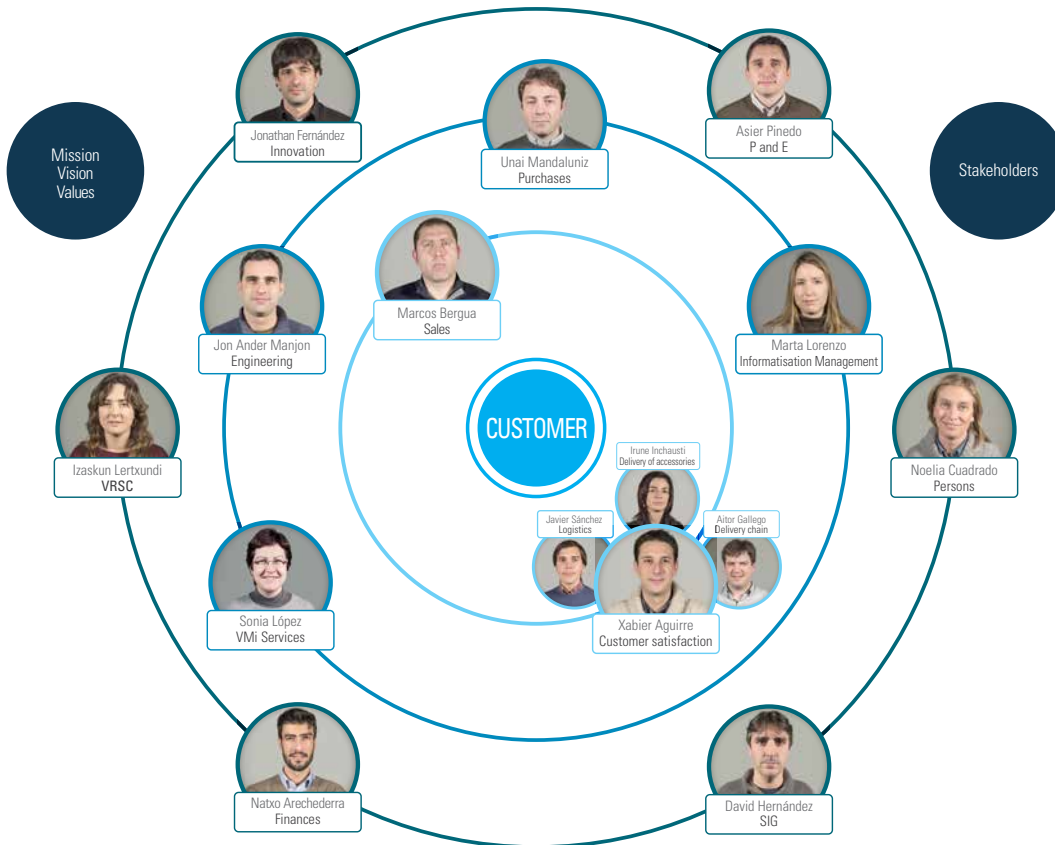
- › In the conception, design, manufacture and delivery of products and services of high added value, tailored to customer and industry oriented offshore exploration and production.
- › Developing its activity in a safe, innovative and socially responsible manner, oriented to results that allow for sustainable growth.
- › Based on the capacity and emotalent of persons, without discriminating on grounds of gender.
- › In collaboration with partners, shareholders, customers, suppliers, knowledge centers and other identified stakeholders.
- › And projected from Biscay to the World.

VISION

VSSL constructs your future:

- › With the expectation that our organization is recognized as a world leader in Safety, Quality, Management and Innovation.
- › With a balanced men and women team, able to adapt and manage diversity and change to meet business goals.
- › Making our company a meeting place and providing satisfaction for our people, customers, investors and other stakeholders.

ORGANIZATIONAL STRUCTURE



> 2015 Process Map.

PRODUCTS and SERVICES

MANUFACTURE OF CHAINS

- › Chains of 70 mm to 220 mm in diameter (links splicing up to 240 mm and final links up to 240 mm) without restrictions in length and weight.
- › The current production capacity allows the supply of 50,000 tonnes per year in grades R5, R4S, R4, and R3 R3S and customised solutions VGW®.

ENGINEERING SERVICES

- › Engineering and design.
- › Offshore assistance.
- › Chain resistance tests of up to 220 mm immersion and 0.2 - 0.8 Hz.
- › Assistance in loading and unloading chains.
- › Particular test specifications FEA, Fatigue, OPB, Torsion, SCC calculations.
- › Calculation of the permanent life of the chain.

HOMOLOGATIONS

- › R3 ————— 220 mm.
- › R3S ————— 220 mm.
- › R4 ————— 220 mm.
- › R4S ————— 220 mm.
- › R5 ————— 220 mm.

CERTIFICATIONS



ISO 9001



ISO 14001



OHSAS 18001

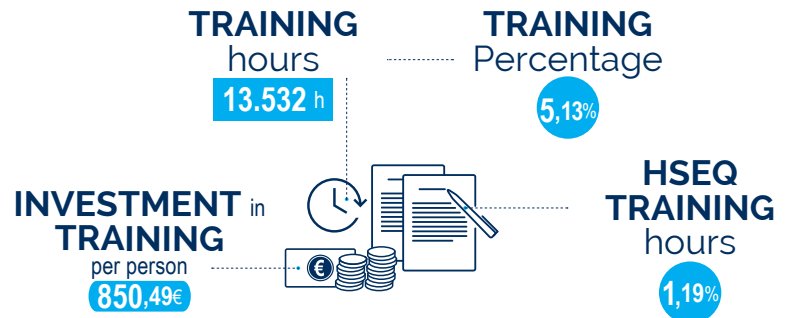
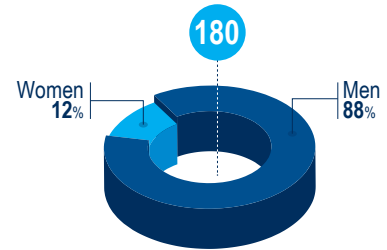


ISO 50001

THE FINANCIAL YEAR IN FIGURES

3

PERSONS



> ORGANISATION



OEE
machine
effectiveness index
62%

Tonnes
MANUFACTURED
16.276 t

% of **IMPROVEMENT**
of the **SPECIFIC COST**
of **NO QUALITY**
69 %



> CUSTOMERS AND SUPPLIERS



MARKET SHARE
45% of the sector

Satisfaction
of the **CUSTOMERS**
3,8 under 5

LOCAL suppliers
85%

SUPPLIERS satisfaction
4,75 over 5



> RESULTS

INVOICED
tonnes
19.000 t

INVOICED
amount
53.000.000 €

PROFIT
before tax
537.000 €



Total
INVESTMENT
14.283.000 €
% on
BILLING
26 %



INVESTMENT
in **R+D+I**
893.000 €

% on
BILLING
2 %



OUR MANAGEMENT STRATEGY

4

MANAGEMENT STRATEGY

In 2015 the **strategic priorities** of the company are marked according to sustainable development and continuous improvement principles.

We have focused on the **safety of persons**, the **quality of our products**, the **competitiveness of our prices**, the **responsibility towards the environment**, and **diversification of production**.



1st GOAL
SAFETY



2nd GOAL
**SATISFIED
CUSTOMERS**



3rd GOAL
BILLING



4th GOAL
PROFIT



5th GOAL
MANUFACTURE



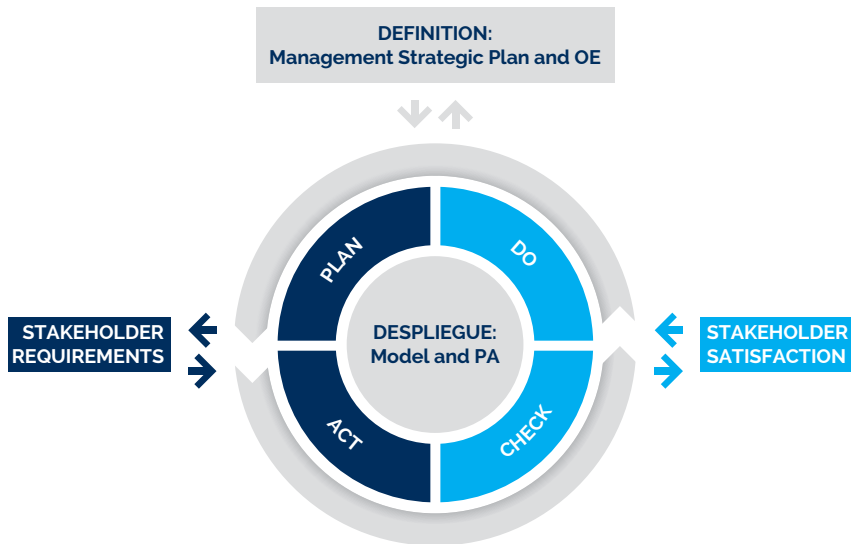
6th GOAL
EFFECTIVENESS

- > In Vicinay Sestao we consider it essential that the management strategy, which arises each financial year to ensure that people have safe and healthy conditions in the performance of their duties, is respectful of the environment and sustainable global development.

PDCA CYCLE: PLAN, DO, CHECK AND ACT

In Vicinay Sestao we use a management tool, the PDCA cycle, abbreviation for the initials in English of each of the four phases that comprise: **PLAN, DO, CHECK,ACT**.

The PDCA cycle allows the organization to look at each activity the existing opportunities for improvement, by carrying them out and checking their effectiveness.



CONSTANT MONITORING

Each work team, consisting of multidisciplinary personnel, is responsible for designing an action plan in which it defines the actions that are aimed at achieving a number of objectives that the various operational areas will have to develop.

The effectiveness of the performance is reviewed systematically. During 2015 the equality, safety, environment, energy and equality policies were updated.

RELATIONSHIPS WITH STAKEHOLDERS



- Maintain an open relationship with various stakeholders is an important pillar for our company's sustainability.

TRANSPARENCY IN COMMUNICATION

Given the concern generated by the commissioning of the new plant in Sestao Vicinay, we considered it essential the **dissemination of information and participation** of our stakeholders throughout the process.

This participation has resulted in **seminars, forums, visits** to our facilities and in **Lessons Learned exercises**, which this year have dealt with, among others, safety, quality and environment issues.

MANAGEMENT INTEGRITY

At Vicinay Sestao we assess compliance and integrity of our management system by **external audits**.

Compliance with **ISO** and **OHSAS** requirement have been audited by LRQA y DNV GL, also, **customer audits** have been carried out by TECHNIP, APL and STATOIL, all of them with satisfactory results.

An important milestone has been the certification **ISO 50001**.



> WITH FORWARD-THINKING IN THE STRATEGY

Our vision of Management for 2016 is to lead innovation processes, concerning **safety, health of persons, quality, management and diversification** of our **products and services**.

It is our desire to satisfy our **shareholders and stakeholders**, by assuming challenges that ensure **competitiveness** in the market and **sustainable development**.

SAFE QUALITY, AND EFFECTIVE PRODUCTION

5

PREVENTION OF OCCUPATIONAL RISKS

The initiatives undertaken by our organisation concerning: **awareness, prevention and updating training**, has enabled that 2015 has been a year with a low accident rate. We have launched an improvement program focused on the location and analysis of specific areas of potential risk and the study of the efficiency of the actions we undertake.

EFFICIENT YIELD

In Vicinay Sestao we measure the level of our production through the OEE indicator. The main advantage of this system is that it integrates the three basic parameters of industrial production: **availability, yield and quality**.

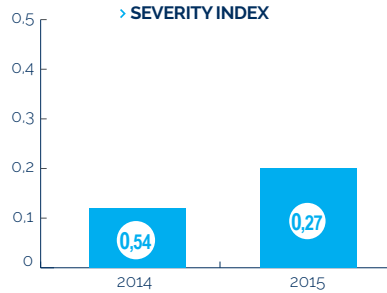
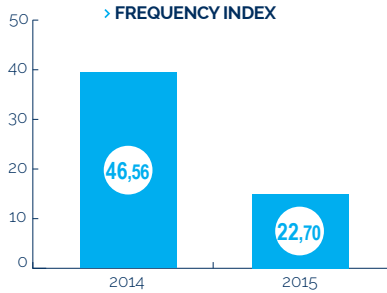
This allows us to know in a very simple manner what is the performance index of our production plant with respect to an ideal operation. It also helps us to work together in a responsible manner, involving persons from different areas of the production process.

We rely on the **efficient transfer of information** among all work shifts, which allows us to **prioritize on the solution of incidences** with very positive results for 2015.

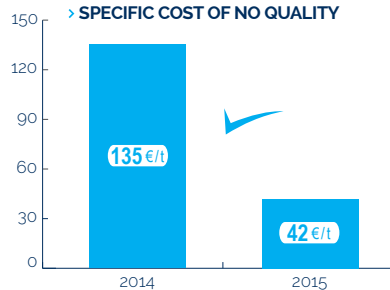
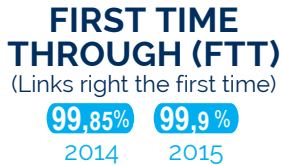
Part of our sustainability as an organisation is based on **avoiding the expense for no-quality costs**. During 2015 those costs have been reduced by 69%, among other things, by monitoring both the underlying causes and the actions that are put in place to fix them.

> An awareness campaign to prevent eye accidents: "For your beautiful eyes".

> SAFETY INDICES

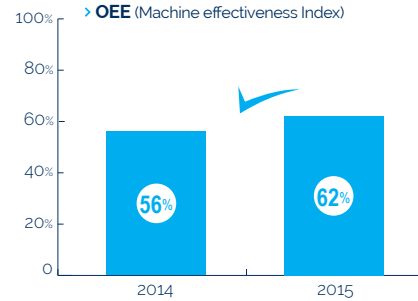


> QUALITY INDICES





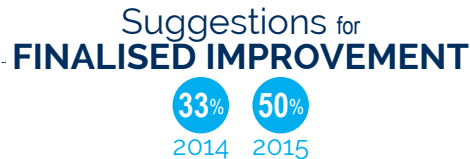
> Meeting of Eragin Team for improved effectiveness.



> SOLUTION OF ACUTE PROBLEMS



> SOLUTION OF CRONIC PROBLEMS



> WITH FORWARD-THINKING IN THE PRODUCTION

In the emerging market of **renewable energy** mean for Vicinay Sestao the opportunity to participate in its development with new solutions for anchoring. In 2015 it approved the design, manufacture and installation of anchoring chains and connectors for the Hywind Pilot Park project, **a floating offshore aerogenerator park** that uses wind power off the Scottish coasts. In 2016, we will work on the supply of anchoring for floating wind turbines of said park.

CUSTOMERS, SUPPLIERS AND ASSOCIATES

6

The relationship we have with customers, suppliers and partners is a key element, acting responsibly is built through constant dialogue with them.

> CUSTOMERS

Our customers appreciate the value of our new facilities, as they guarantee the quality of our products and ensure the reliability of the production process, allowing compliance planning. Their satisfaction is perceived when we visit and talk with them, and is materialized when they repetitively choose our anchoring solutions.

We also conduct an **annual survey** to assess their degree of satisfaction. Their suggestions analysis enables us to identify areas for improvement and adapt our services to their needs.

In 2015 we implemented what we call a **road map**. This is a document in which it defines all the requirements that the client requests on the project that he/she orders and that can incorporate additional ones in any of the realisation phases. The purpose is that all persons are informed to ensure compliance with specifications. This tool has been successfully applied in the factory.



> TECHNOLOGICAL CENTRES

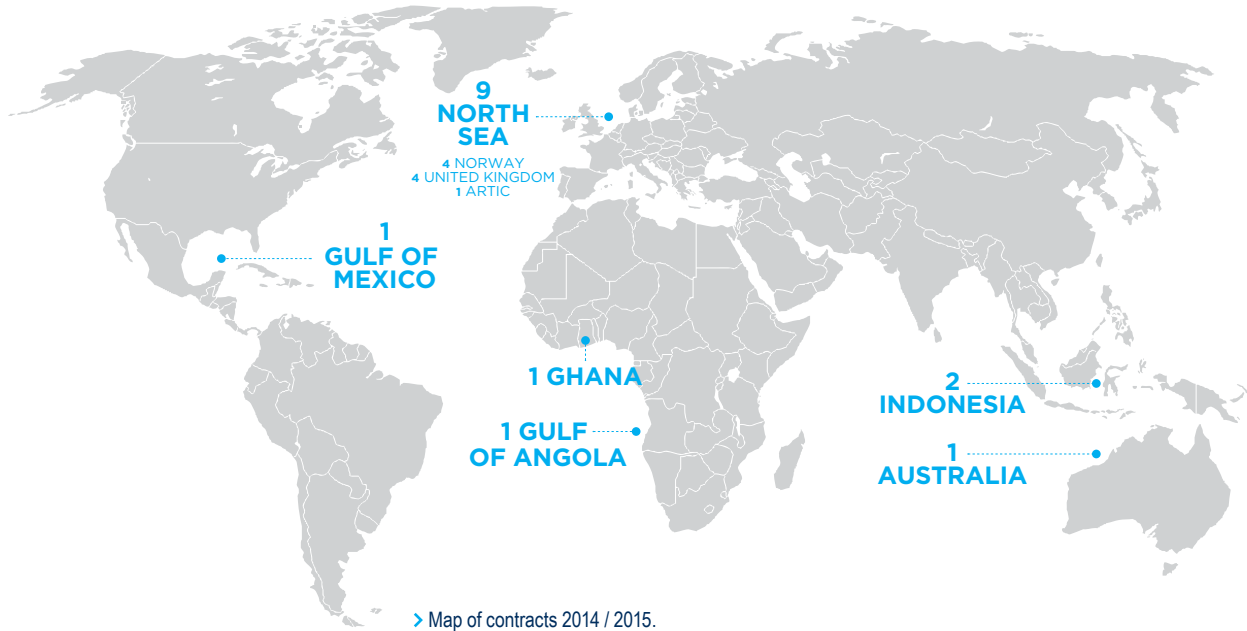
We collaborate with technological research centers in the environment, Tecnia and IK4 Research Alliance, which has allowed us to incorporate new technologies in fields such as robotics, laser marking, radio frequency identification, and the use of new materials.

> SUPPLIERS

85% of our **suppliers** are **local**, which creates wealth in the area where we operate. We strive to maintain long term relationships, maintaining a policy **continuous improvement** policy on both sides, which includes assessments and regular audits. Likewise, our stake concerning sustainability is transferred to our suppliers.



OUR PROJECTS



MARKET SHARE

45%
2015

> WITH FORWARD-THINKING: CUSTOMERS SUPPLIERS AND ASSOCIATES

Our goal is to continue advancing in mutual understanding. To do this, we will maintain the "Lessons learned" initiative sessions that allow us to share knowledge, identify strengths and weaknesses, and manage them appropriately. We also want to expand the service offered to customers with **new Offshore Technical Assistance Services**.

PERSONS

7

— SHARED COMMITMENTS

At Vicinay Sestao we develop policies and programs aimed at creating teams with ability to contribute talent and adapt to changes, promoting a work environment where the principles of safety, health, equity, professional development and family reconciliation prevail.

— FLUID COMMUNICATIONS

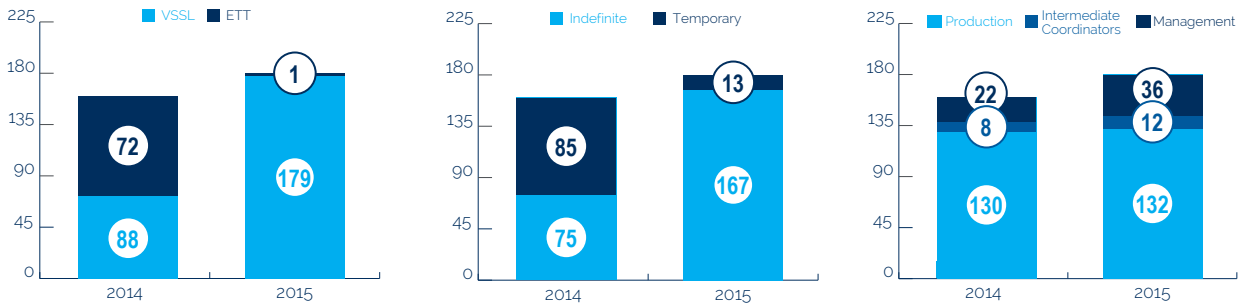
Communication plays a strategic and inspirational role in our organization. The external communication exercise we realise as a responsible company is a major internal contribution. All persons who are part of the company are involved in this exercise To do this, we have various channels: SIG meetings, of symbiosis and the company committee, in addition to the Vicinay annual meetings; as well as weekly publications, the Kateberri newsletter, the sustainability report and the annual improvements book and online, and also suggestions online.

It is important that all people who are part of the organization provide information and knowledge. Through this **improvement in effectiveness** project, it is intended that each person from his/her workplace communicates issues that are considered relevant. The latest satisfaction survey sample shows that we have improved in terms of participation because it has encouraged all the workforce to express their opinion.

> Meeting of Eragin Team for improved.

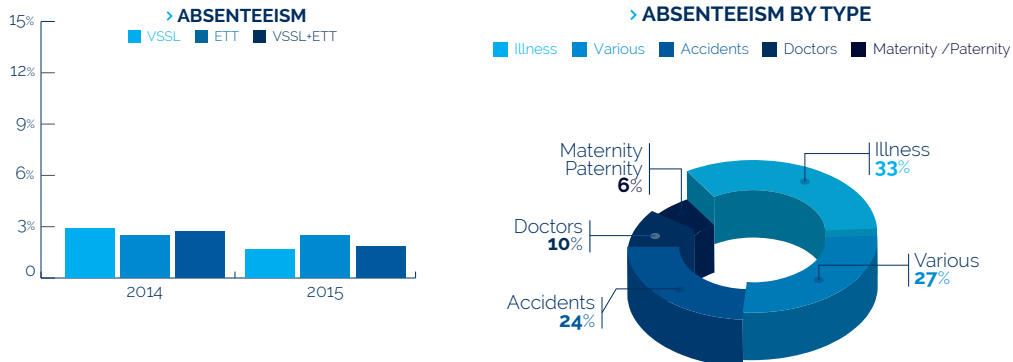
DISTRIBUTION OF WORKFORCE

During 2014 it was necessary to have a large group of people who collaborated in the commission of the factory; 2015 has been a year of transition, during which it has consolidated the Vicinay Sestao workforce to ensure continuity.



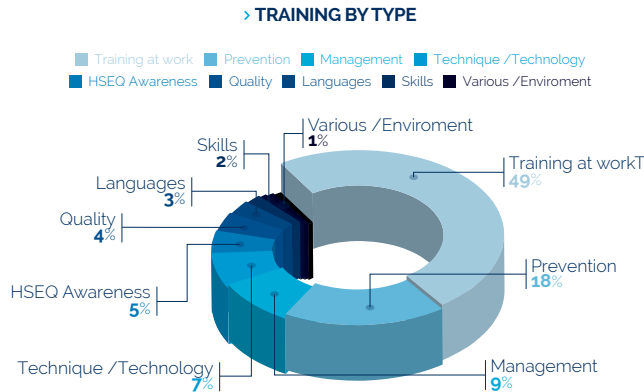
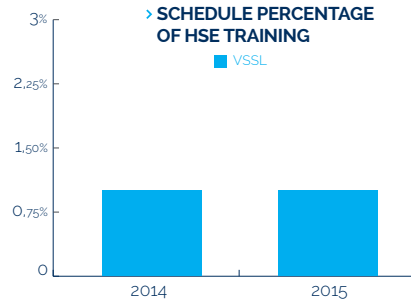
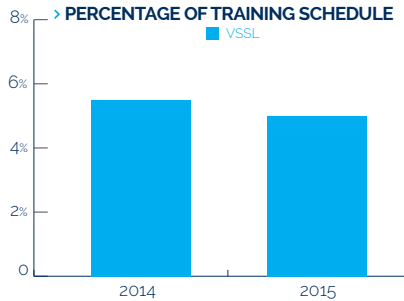
OCCUPATIONAL SAFETY AND HEALTH

Working in a factory with machinery and safe, ergonomic and automated facilities, promotes the habitability of people in their workplace. The progress made in this regard in Vicinay Sestao has led us to improve the related indices for both accident rates and absenteeism. During the year it has developed 6 awareness campaigns concerning HSEQ.



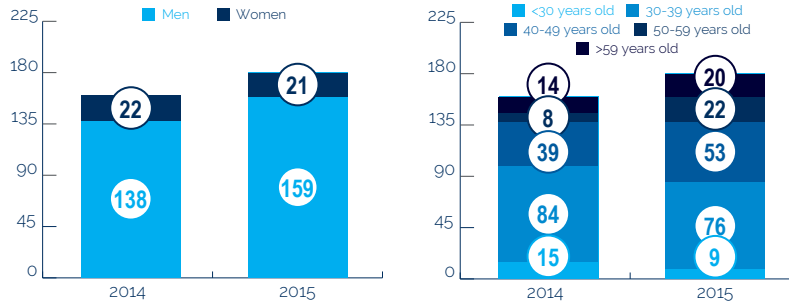
PROFESSIONAL DEVELOPMENT: VICINAY CLASSROOM

Having a competent team prepared to confront the new challenges ahead has been made possible by the development of new initiatives concerning training and updating the profiles of different jobs. This has brought us visible progress in the operating results concerning quality, cost, schedule and safety, as well as the motivating personnel.

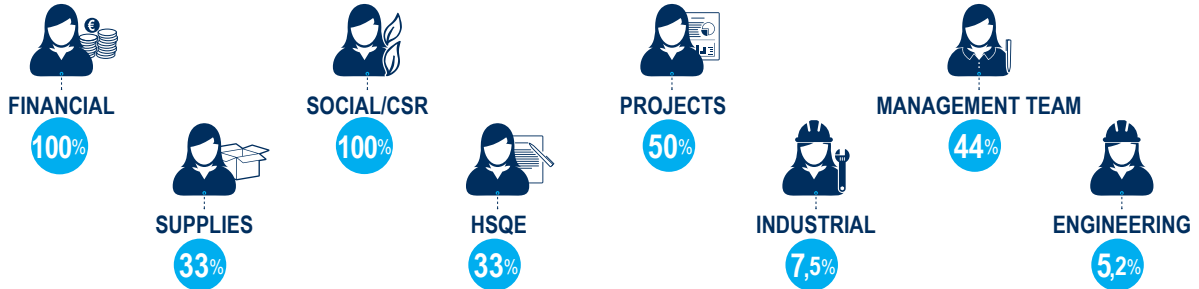


DIVERSITY OF PERSONS

Investment in machinery automation has allowed us to limit the use of force, and thus expanding workforce diversity in terms of gender, age and capabilities, which has enabled the inclusion of persons with disabilities in 2015.



> % OF WOMEN BY AREA



> WITH FORWARD-THINKING PERSONS

During 2016 we intend to strive for versatility, so that there are more qualified people in the production process. To do so, it has agreed to launch a series of training courses related to inspection techniques. Also, from the HSEQ area were intend to boost **Training Impact Evaluation** directly in the workplace has been proposed. Another challenge scheduled for next year is to define a **new professional recognition model** in which the committee will participate.

GLOBAL WELFARE

8

SOCIAL COMMITMENT

For Vicinay Sestao to be socially sustainable is to promote the construction of a company focused on global welfare. We are members of the global corporate sustainability network, **Global Compact**, which entails the promotion of actions that allow the fulfillment of human, labor and environmental rights and the fight against corruption in regions where our organization operates.

This year we have prepared the first draft of our **Ethical code** where our commitments are set in favour of **principle no. 10**, in which we set ourselves the challenge of working together with other companies to participate in the development of a more transparent world economy.

We also collaborate with the **Biscay Food Bank** doing charity campaigns to collect clothes and toys, and have realised the first blood donation campaign

➤ The actions we take in terms of social and environmental responsibility are included in the VRSC annual Action Plan process, developed by 12 persons from different areas.
Photo: **Pedro Calvo**, winner of our 2015 photography contest.

WE DISSEMINATE INDUSTRY AND TECHNOLOGY

We carry out **Open door Workshops** with the **Universidad del País Vasco**, the **Universidad de Deusto** and with the business school **ESEUNE**, among others.

We collaborate with the **Diputación Foral de Bizkaia** for the promotion of the industrial sector through student visits from different schools of Bizkaia to learn about our factory.

We organise **Communication, Marketing and Technology Camps** in which children of families in our company participate. The aim is to introduce new generations of future prospects of technology in the field of communication.

We collaborate with local sport by offering our support to several clubs; Kaiku rowing club, Lagun Artea ball club and SAIL in the sailing Festival.

We work for **the integration of the Basque language in the work environment**: in 2015 we collaborated in the Korrika relay march.

WE SUPPORT YOUTH EMPLOYMENT

We participate with the **Fundación novia Salcedo** in the **Lanaldi programme**, whose mission is to provide professional guidance to students before choosing higher education. The participants

attend workshops as well as living a practical experience in the company of a professional for a full workday.

We collaborate with the **Asociación Ahalbidetu** in its annual entrepreneurship program. Our company provides 6-month contract apprenticeships for young people selected for said programme.

In 2015 we launched the **New model for generating employment** initiative, by hiring young persons as external companies.

WE EXCHANGE INFORMATION AND KNOWLEDGE

An essential part of our social responsibility is the communication exercise that we realise with different stakeholders. External communication is evident in the **participation in forums and events related with quality**, in which we exchange information with several companies and institutions: Instituto Nacional de Estadística, Fundación Confemetal, Federación Vizcaína de Empresas del Metal, Adegí Top, Euskalit, Confebask, Basque Ecodesign Center, Foro Europa, Izaite and Semana Europea de la calidad, among others.

We also maintain intercommunication with the Administration with regard to legal requirements in terms safety and the environment.

RESPONSIBLE CONSUMPTION OF ELECTRICITY, GAS AND WATER.

In 2015 we obtained the ISO 50001 certification, which demonstrates our concern for energy management. Since the most significant environmental impact of our company is linked to the consumption of electricity and gas, we have incorporated a figure called **energy management**, which is responsible for conducting and monitoring the necessary actions to reduce it.

Consumption of
ELECTRICITY kwh/t
manufactured chain

1.265



Consumption of
GAS kwh/t
manufactured chain

1.943



Consumption of
WATER m³/t
manufactured chain

2.19



ENVIRONMENTAL COMMITMENT

One of the Vicinay Sestao strategies that contribute to environmental protection is integrated into our industrial planning energy efficiency, emissions and the management of waste generated by our production.

Generation of
t CO²/t
manufactured chain

2.35



WASTE MANAGEMENT

We follow a responsible management protocol based on the identification, storage, and transportation of all waste, which our productive process generates. With regard to hazardous waste, we maintain a responsible policy regarding the choice of materials, machinery, and equipment we use and leakage control. All these measures allow our environmental footprint to continually reduce.

Generation of
RRPP kg/t
manufactured chain

300



> WITH FORWARD-THINKING IN THE GLOBAL WELFARE

Our next challenge is to **identify the life cycle and the environmental impact of our productive process**, projects that are managed at the Basque Ecodesign Centre, headed by Ihobe.



FINANCIAL BALANCE

9

—
Vicinity Sestao's financial philosophy is to construct a solid company. This involves planning every year new goals that generate profits, continue investing with a long-term approach, and maintain employment. We have closed the 2015 financial year with a positive balance, despite the crisis experienced at present in the offshore sector.

The key to maintaining our economic sustainability has been, among other things: strengthening quality; judiciously investing in facilities and equipment, research and knowledge; better management of our operating costs and pursuance of new markets opportunities; we have undertaken our first renewable energy project, Hywind Pilot Park.

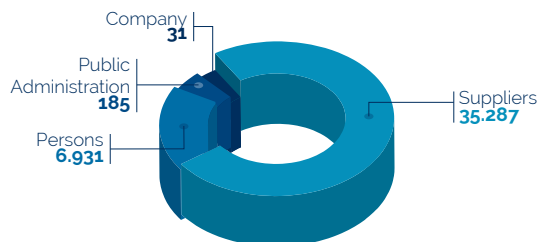
The consolidation of Vicinity Sestao has been possible thanks to the Vicinity Marine commitment, as well as the financial support of various banks and Public Administration, which through various programs it has allowed us to face important investments in machinery and technological innovation to ensure our sustainability. This confirms that we are a leading company in the Basque Country, which transmits confidence and vision for the future.

PROFIT AND LOSS ACCOUNT

	31.12.2015	31.12.2014
CONTINUED OPERATIONS		
Net amount of turnover	54.892	57.004
Variation of inventories of finished products and being manufactured	(7.548)	7.968
Work performed by the company for its assets	853	408
Procurements	(26.333)	(41.773)
Other operating income	3	8
Staff expenses	(6.931)	(4.542)
Other operating costs	(9.170)	(10.300)
Depreciation and amortization	(4.264)	(3.025)
Other results	13	
OPERATING RESULTS	1.513	5.748
Financial expenses	(982)	(456)
Exchange differences	6	0
FINANCIAL RESULTS	(976)	(456)
RESULTS BEFORE TAX	537	5.292
Income tax	1.496	80
RESULTS FOR FINANCIAL YEAR	2.030	5.372

> Values expressed in thousands of Euros

> DISTRIBUTED ECONOMIC VALUE




BALANCE SHEET	31.12.2015	31.12.2014
NON CURRENT ASSETS	81.992	68.316
Intangible assets	2.323	1.033
Fixed Tangible assets	73.046	62.646
Long term investments of group companies and associates	319	-
Deferred tax assets	6.304	4.637
CURRENT ASSETS	26.842	20.125
Stocks	2.636	9.424
Commercial debts and other receivables	14.450	8.947
Short term investments in group company and associates	5.140	-
Short term accruals	48	25
Cash and other equivalent liquid assets	4.568	1.729
TOTAL ASSETS	108.834	88.441
NET EQUITY	40.370	38.337
Own Equity:	40.370	38.337
Capital	20.000	20.000
Premium	8.927	8.927
Reserves	9.410	4.038
Results of the financial year	2.033	5.372
NON-CURRENT LIABILITIES	44.816	26.822
Long term debts	42.696	26.572
Long term debts with group companies and associated	1.661	-
Deferred tax liabilities	459	250
CURRENT LIABILITY	23.648	23.282
Long term debts	11.451	2.626
Short term debts with group companies and associates	-	305
Commercial creditors and other payables	12.197	20.351
TOTAL EQUITY AND LIABILITIES	108.834	88.441

> Values expressed in thousands of Euros

TOWARDS

2016

10

- 
- Our purpose is to maintain responsible, safe, quality production, to help preserve and sustainably use oceans, seas and marine resources.

INTEGRAL SUSTAINABILITY

In Vicinay Sestao we address sustainability in its multiple dimensions: environmental, economic, social, institutional and, above all, as a change process to set a new style of development-oriented sustainability of the global human and natural system in continuous interaction.

Through a transparent information policy and strategy of ongoing dialogue, we aim to address our stakeholders' expectations to preserve the environment, in line with the latest Sustainable Development Goals approved by the United Nations (2015-2030).



Increase the
ADDED VALUE
of the company



Manage
INNOVATION



Increase
SATISFACTION
of customers
and persons



Improve
EFFECTIVENESS



Ensure
SUSTAINABILITY



Impulsar la
RENTABILIDAD



Increase
COMPETITIVITY



Minimise
RISKS



—
THE FUTURE IS UNCERTAIN, BUT THIS
UNCERTAINTY IS AT THE VERY HEART OF
HUMAN CREATIVITY.

Ilya Prigogine

—

FOR MORE INFORMATION:

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