



2015

**CORPORATE SOCIAL
RESPONSIBILITY**



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2015 CORPORATE SOCIAL RESPONSIBILITY REPORT

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This Corporate Social Responsibility Report was drawn up in accordance with the criteria of the Board of Directors of Duro Felguera which, in the exercise of its non-delegable duty, adopted the Corporate Social Responsibility Policy that underpins the relationships of the Company with its stakeholders and the activity of the Company itself.

1. Our Principles

The Corporate Social Responsibility Policy aims to establish the basic principles and the general framework that form the basis of the corporate responsibility strategy and practices assumed by the Company, all in accordance with applicable regulations, the internal rules of Duro Felguera and the best corporate governance practices.

Duro Felguera is firmly committed to sustainability and corporate social responsibility in the strategy and operating principles of the Company, among which the following are especially relevant:

- A firm commitment to respect for the environment in the execution of all its projects.
- Strict health and safety policies affecting the personnel, facilities and execution of projects.
- Quality policies aimed at continuous improvement of processes in all business lines of the group and in the projects and services provided by the Company to its customers.
- Ongoing training sessions related to the execution of major projects and on technical issues that affect its various businesses for the company's employees.
- Recruitment of young professionals into the workforce, providing them with training and professional development geared towards international business.
- Transparency in all dealings with shareholders and investors through our communications via the corporate website and through active participation in various national and international forums.



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- A strategy of constant dialogue with social agents on labour-related issues.
- Cooperation in developing the communities where the Company carries out its projects, contributing to implementing various types of infrastructure needed in the surrounding areas.
- Collaboration with various social, cultural and sporting organisations in areas where the company operates.
- Compliance, supervision and monitoring of existing legislation, internal company standards and practices of good corporate governance assumed by Duro Felguera while fostering cooperation with authorities and regulators.

2. Corporate strategy in relation to corporate social responsibility

In addition to the general principles outlined above and without prejudice to the specific commitments that the Company may assume with its stakeholders, the corporate strategy of Duro Felguera on questions of sustainability, the environment and social issues shall focus especially on achieving a business model and setting up business goals and strategies that are sustainable and socially responsible.

The Company shall also endeavour to enhance the group's competitiveness by assuming management practices based on innovation, diversity, equal opportunities, efficiency, profitability and sustainability.

Furthermore, Duro Felguera shall foster application of the principles of equality, informative participation, transparency and trust in our dealings with stakeholders, thus helping to meet the present and future needs of the Company.

Contribution to the development of local communities and territories where the group operates is a priority of the Company's corporate strategy with the aim of maximising the economic, social and environmental benefits of its businesses for all concerned. With this aim in mind the Company shall endeavour to reduce the negative impact of its activities by fostering responsible and sustainable management of the risks inherent in the execution of the projects undertaken by the group.



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3. Corporate Governance

3.1. Composition and operation

Duro Felguera has a sound corporate governance aligned with the standards set by the National Securities Market Commission (CNMV) with respect to the good corporate governance practices required for proper management of listed companies. Coinciding with the publication of the Code of Good Governance, Duro Felguera has adapted the operation of its corporate bodies to the established recommendations in order to make improvements for the benefit of the Company by enshrining transparency as an essential factor for creating value, improving financial efficiency and strengthening investor confidence.

Thus our Corporate Governance model is based on the applicable regulations and on the recommendations of the CNMV and meets the quality and transparency standards set by the latter. Duro Felguera is aware of the need to incorporate these provisions and work to continuously improve them. To do so, it has at its disposal a variety of internal policies approved by the Board of Directors and applicable to all areas of the Company, which establish guidelines and procedures to be followed by all the group's employees.

The Company's governing body is the General Meeting of Shareholders, the highest shareholder representation and decision-making body. At its Ordinary Annual General Meeting on 25 June 2015, among other measures for proper administration of the Company, it approved the Annual Financial Statements and amended the Articles of Association, adapting the text to the improvements proposed by the Code of Good Governance and the regulations of the General Meeting itself to introduce technical improvements and adapt it to the reform of the Spanish Capital Companies Act.

In order to improve communication with this stakeholder, Duro Felguera has made a specific section on its corporate website available to shareholders and investors,



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who can access and download content, documents and information of interest for attendance at the General Meeting. It also enabled an Electronic Shareholder Forum prior to the General Meeting in order to facilitate communication among shareholders.

The Board of Directors of Duro Felguera is the highest executive body and is responsible for the Company's decision-making process, in addition to its supervisory role. The mission of the Board of Directors is to make decisions based on the corporate interest, ensuring that the Company strictly complies with the law, respects the customs and good practices of the sectors and countries in which it operates and respects the principles of social responsibility it has adopted.

The Board of Directors is suitably composed to ensure that it operates efficiently, fosters the participation of Board members, enables streamlined decision-making and represents diverse knowledge and experience.

The Board of Directors of Duro Felguera is composed of eight members, among which one is executive, three are proprietary, three independent and one external, in addition to the assistance of a non-member secretary for administrative purposes. Thus the independent directors represent 37.5% of the composition of the Board, a figure that reflects the commitment of Duro Felguera to compliance with the Good Governance recommendations of the National Securities Market Commission by ensuring the independence of the Board of Directors.

The Board of Directors met 14 times in 2015 with a noteworthy 97.91% attendance and participation.

Board committees such as the Audit Committee which held seven meetings in 2015 and the Appointments and Remuneration Committee which met six times also play key roles in the Company's governance.

The Audit Committee, elected by the Board of Directors, is composed of four members with a majority of independent directors who hold office for a term of four years and may be reappointed for the same or shorter periods, in addition to the assistance of the Secretary of the Board of Directors who has speaking but not



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voting rights. The Audit Committee supervises the economic and financial information and the contents of the audit contract, ensuring that the auditor's opinion on the annual financial statements and the management report are drafted clearly and accurately. It reviews the company accounts to enforce proper application of the generally accepted accounting criteria and supervises monitoring of good corporate governance, safeguarding the transparency of corporate activities, compliance with the rules of corporate governance and compliance with the Internal Code of Conduct. It informs the Board of any misconduct or infringements that may occur for rectification and, in the absence of rectification, reports them to the General Meeting.

The Appointments and Remuneration Committee is composed of four members in addition to the assistance of the Secretary of the Board of Directors who has speaking but not voting rights.

The purpose of this Committee is to assess the skills, knowledge and experience required on the Board of Directors. For these purposes it defines the functions and skills required of candidates to fill vacancies on the Board and assesses the time and dedication necessary to carry out their duties efficiently. It also proposes the appointment of independent directors to the Board of Directors by co-optation or for submission to the decision of the General Meeting and proposes the re-election or removal of these directors by the General Meeting. It reports to the Board on proposals for the appointment of other directors and senior managers and on the basic conditions of their contracts; proposes the remuneration policy for directors, general managers and executives who perform their senior management duties reporting directly to the Board and of the Executive Committee and Managing Directors, in addition to the individual remuneration and other contractual conditions of executive directors. Finally, it supervises the application of all the above conditions.

3.2. Fiscal policy

Definition of the fiscal strategy of the Company and the group is a non-delegable power legally attributed to the Board of Directors. In the exercise of this power, the



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Board approved the Corporate Fiscal Strategy Policy and in 2015 reviewed and updated the principles that were already being applied to the activities of the group in accordance with the best tax practices contained in the *Code of Good Tax Practices* approved on 20 July 2010 at the request of the Tax Agency of the Ministry of the Economy and Finance.

Among the priorities of the Board of Directors is to draw up a responsible fiscal strategy with the main aim of ensuring compliance with the law and other regulations in force in the territories where the Duro Felguera group operates, all within the framework of achieving the corporate objectives, creating sustainable value and reducing the fiscal risks inherent in the activity carried out by the Company.

The agreements that the Board of Directors adopts within the framework of its fiscal strategy are guided by the following principles which in turn are rooted in the corporate values of the Company:

- **Transparency and accuracy of information:** the Board of Directors ensures transparency and provides access to the information it deems important in the taxation field and in particular to all taxation and accounting information on the Duro Felguera group's activity that the Company provides to legitimately interested parties.
- **Good faith and cooperation with the competent tax authorities:** the Company cooperates with the Spanish Tax Agency and other competent tax authorities based on the principles of good faith and truthfulness.
- **Principle of prudence:** the Company assesses the possible tax-related risks and implications arising from its decisions and strategies in advance, acting in a responsible manner with respect to assuming risks of a fiscal nature at all times.



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- **Compliance with applicable rules and adaptation to the best tax practices:** the agreements adopted in relation to the fiscal strategy of the Company always comply with the law and all other applicable regulations, respect the internal rules of Duro Felguera and conform to the best taxation practices.

- Duro Felguera Tax Practices

The tax-related activity of Duro Felguera is governed by adoption of and compliance with the following good tax practices, without prejudice to full payment of all taxes, levies and other fiscal obligations to which the Company is subject in the territories in which it operates.

Company management has developed a fiscal strategy based on the priority objective of reducing significant fiscal risks and preventing conduct that could generate them.

Within the framework of this commitment, the Company ensures that effective systems and mechanisms for reducing tax-related risks are defined, approved and applied.

Furthermore, management avoids the use of opaque fiscal structures. Neither does the Company use artificial structures unrelated to the Group's inherent activities the only purpose of which would be to evade its tax burden. It does not transfer company profits to tax havens for exclusively fiscal purposes.

Duro Felguera has designed responsible and justified fiscal structures so that the tax paid by all group companies is consistent with the effective performance of an economic activity aimed at creating value.

The Board of Directors fosters transparent, clear and responsible reporting of its main taxation practices and, in particular, of the tax-related data and figures.



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Before drawing up the annual financial statements and filing the corporation tax return, the Chief Financial Officer, as the person in charge of the Company's taxation affairs, informed the Board of the development and implementation of the fiscal policy during 2015, reporting on the tax-related consequences of the same when the transactions must be submitted to the approval of the Board of Directors.

Within the framework of the definition, approval and implementation of the Company's fiscal strategy, the Board of Directors and Management ensured that fiscally significant decisions were made on the basis of adequate analysis and reasonable interpretation of the applicable tax-related legislation in the context of the Company's activity.

The Board of Directors and Management of Duro Felguera fosters a relationship of mutual cooperation with the competent tax authorities based on the principles of trust, good faith and truthfulness. This commitment extends, on the one hand, to the duty of providing the competent tax authorities with all the fiscally relevant information and documents they require and, on the other, to the duty of cooperating with said authorities in the search for solutions in the field of fiscal practices.

The Board of Directors has worked constantly to ensure compliance with the law, the internal rules of the Company, the best fiscal practices assumed by Duro Felguera and other applicable tax-related regulations in the jurisdictions under which the group performs its activity, the international double taxation treaties and other international tax standards. For these purposes, Duro Felguera has adopted the recommendations of the *Code of Best Tax Practices* to the extent that it is applicable to the Company. On implementing these practices, the Economic and Financial Division has set up the control mechanisms and internal rules required to ensure compliance with the current tax legislation. This work will include all the countries and jurisdictions in which the Duro Felguera group is present and cover all areas and businesses in which we are engaged. This will enable the Company to obtain a coherent, integrated view of its fiscal positions and manage them along with other risks. To do so, the Economic and Financial Division, through its Taxation



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Department, has the qualified human resources and operating materials required to achieve the objectives and fiscal practices set forth in the Corporate Fiscal Policy.

The Company has developed a risk control and management system applicable to all departments and levels of the Company and its group that ensures strict compliance with its tax obligations to the competent tax authorities.

The Audit Committee is responsible for overseeing the effectiveness of the Company's internal control, internal auditing and the fiscal risk management systems. It has discussed, with the auditors, the significant weaknesses in the internal control system detected during the last audit.

4. Specific Corporate Social Responsibility practices with respect to stakeholders

4.1. Respect for Human Rights and Crime Prevention

Duro Felguera is concerned about the impact of its business activity on the area where it works. Therefore it adopts the ten Global Compact principles that must form part of good practices with stakeholders. These principles, which enjoy universal consensus, derive from the United Nations declarations on human rights, work, the environment and combating corruption.

- Global Compact principles

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

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

Principle 3: Businesses should uphold the freedom of association and the



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effective recognition of the right to collective bargaining.

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

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

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

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

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

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

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

4.2. The environment

Back in 2012 Duro Felguera had already decided to respond to the challenges and opportunities presented by a business climate that is increasingly sensitive to environmental questions, severe regulatory pressure and constant analysis of our management by stakeholders.

The aim of this commitment was to create a common framework on environmental issues to serve as a reference for the development of objectives and action plans for all the Company's businesses, unifying the various environmental management systems of the individual companies by means of a common methodology for all business lines. The advantages of this system can be summarised as follows:

1. It reduces environmental risks, thus lowering the business costs deriving from their consequences.
2. It harnesses synergies between companies and improves existing internal tools.
3. It improves the environmental training and awareness of employees.



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4. It enhances the environmental performance of suppliers and subcontractors.
5. It strengthens our external image.
6. It improves the perception of socially responsible customers.

Thus comprehensive environmental protection becomes a competitive differentiating factor for the group's businesses and is incorporated into the day-to-day work of the Company. The corporate Environmental Management System is based on the following core concepts:

1. Environmental aims and goals across the entire organisation. The environmental objectives are set taking the strategic lines of action and the most significant environmental aspects of the activities of each business into account.
2. Systematisation of the identification and assessment of the legal requirements. Duro Felguera has implemented a software tool known as SALEM to identify and verify compliance with the legal obligations.
3. Identification and assessment of environmental issues. Any phase of business activity (design, construction, operation and maintenance) implies a certain environmental impact that must be identified and assessed in order to mitigate their impact as far as possible.
4. Thorough operational control. Once the significant environmental aspects have been identified, the measures to be taken in the associated operations are planned and implemented to ensure that they can take place under conditions that enable their control.



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1. Environmental monitoring and tracking plans
2. Control of atmospheric emissions
3. Disposal management
4. Waste management
5. Resource management

5. Emergency response tools. The new "Environmental Emergencies" procedure defines the action plans and protocols for emergency situations that could impact both offices and works from an environmental point of view.

6. Improvement measures. The appropriate action and improvement plans are developed once the environmental aspects of DF's activities have been analysed and assessed and the measures to control the most significant impacts have been established.

Duro Felguera integrates the environmental variable into its strategic management, promoting sustainability and respect for the environment as essential factors in maintaining the success of the Company and its group. To do so, Duro Felguera fosters and encourages protection and conservation of the environment and involves its directors, managers, employees and the group as a whole in this goal, which shall be achieved through continuous improvement, integrating the concept of sustainability into decision-making and assessing the impact of the Company's activities in the territories in which it operates.

Consequently, the Board of Directors ensures that execution of projects and the provision of services carried out by the Company and its group are conducted in a



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sustainable and environmentally-friendly manner, with special emphasis on the following:

- Environmental management reconciles ecological balance and sustainable development of the Company.
- The Company conducts periodic environmental assessments of aspects associated with its activities, identifying and evaluating the environmental impacts they generate.
- The Company coordinates and promotes innovative initiatives to enhance the effectiveness, efficiency and sustainable development of its projects.
- Duro Felguera's commitment to the environment is embodied in the implementation of an Environmental Management System with the goal of controlling and mitigating the environmental impacts of the activities of the group companies.

All these provisions are aimed at achieving the following objectives:

- To integrate the environmental variable and respect for the natural surroundings into the group's strategy.
- To ensure the compatibility of financial performance and environmental protection on a permanent basis, through innovation and ecoefficiency.
- To constantly adapt and improve the Company's Environmental Management System to meet the demands of an increasingly competitive market and a constantly changing environment.
- To protect the environment and prevent pollution through the detection, assessment and management of environmental risks, all in the context of sustainable use of resources.



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- To foster preventive research and development into new technologies and processes aimed at mitigating environmental impacts and helping to combat climate change and other environmental challenges.
- To ensure that employees are informed and trained in the effects of the group's processes and products to minimize the negative effects of their activities on the environment.
- To enforce strict compliance with the applicable environment-related legislation and regulations.

As a complement to the Environmental Management System, Duro Felguera develops specific procedures and manuals with the goal, among others, of reducing the environmental impact of its activities and reinforcing the social and environmental image of the Company perceived by its stakeholders.

In this respect, Duro Felguera has manuals for internal use, including Good Environmental Practices in Offices, that describe actions and procedures to reduce the environmental impact of our activities and strengthen the corporate and environmental image of the Company with customers and the workers themselves as a differentiating and value criterion that shows the concern and commitment of the Company to the environment in which it operates. Therefore this manual for internal use, which is observed by all group employees, promotes the adoption of minor measures aimed at energy efficiency, saving water and sustainable waste management by recycling and reusing products.

The Management of Duro Felguera S.A. recognises the environment as an essential factor in maintaining the success of the organisation. Therefore it assumes the responsibility of implementing an Environmental Management System in accordance with the ISO 14001 standard to be applied in all activities to ensure that the services we perform, in addition to meeting customer needs, are environmentally sustainable.



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Apart from being the frame of reference to achieve the environmental objectives, the Environmental Policy has been disseminated to and understood by all people belonging to the organisation and those working on its behalf.

As a result of this approach our efforts are deployed in various fields of activity:

1. Detection of opportunities for continuous improvement of the Company's Environmental Management System by means of periodic reviews to ensure constant adaptation to the demands of an increasingly competitive market and a constantly changing business environment.
2. Preventing pollution: ensuring continuous improvement and prevention of pollution by updating and reviewing management, achieving goals and assessing environmental aspects and risks.
3. Communication: Maintaining communication channels with stakeholders and society in general with respect to the activities carried out and their relationship with the environment.

Environmental management in 2015

The following actions were carried out in 2015 as part of the continuing effort to integrate the environmental variable into the Company's strategic management:

1. Control and mitigation of harmful environmental impacts. Any phase of business activity (design, construction, operation and maintenance) entails a certain environmental impact that the Company periodically identifies and assesses in order to foresee and mitigate them to the greatest possible extent.

Operations such as integrated water management, control of atmospheric emissions (noise and particles) and efficient waste management are some of the practices that DF implements in its projects.



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2. Fulfilment of corporate environmental objectives. Annual targets based on continuous improvement are set in accordance with the Corporate Environmental Management System certified under the ISO 14.001 standard.

To do so, each item in the Corporate Environmental Policy is taken as a point of reference and indicators are designed to enable knowledge and assessment of the environmental performance of our activities.

100% of all environmental objectives proposed in all business lines were met in 2015.

3. Environmental training and awareness

-Environmental awareness in offices

Workshops to improve environmental awareness in company offices were conducted throughout 2015.

The aim of the workshops, which were organised by department and totalled 687 participant hours, was to present the "Manual of Good Environmental Practices in Offices" which aims to improve environmental communication so that it reaches all levels of the company. The employees were informed of the environmental practices carried out in the offices so that they could acquire the tools to form part of the campaign.

-Environmental training at the worksite

Aware of the importance of the environmental risks of our activities, in 2015 we continued to focus on training of our workers on the worksite. They are the leading players in Duro Felguera's major projects and must be familiar with the group's environmental strategy.

In 2015 a total of 3,975 participant hours was devoted to dissemination and prevention of DF's environmental principles in its projects.

The following subjects usually form part of training on the worksite:



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- 1- Prevention of environmental emergencies: dumping and spillage
- 2- Waste separation and management
- 3- Atmospheric emission control measures
- 4- Pollution prevention measures

4.3. Commitment to the Employees

In 2015 the HR Department was required to focus on two fundamental questions especially related to the progress of Duro Felguera's business.

1.- Providing support in all aspects related to expatriate employees who travel to other countries to carry out international projects involving the different business lines. The collaboration and planning measures required to achieve optimum results from this activity were intensified.

2.- The demand for qualified talent as a result of requests from various areas of the company to recruit professionals with the required experience and competence within the planned timeframes.



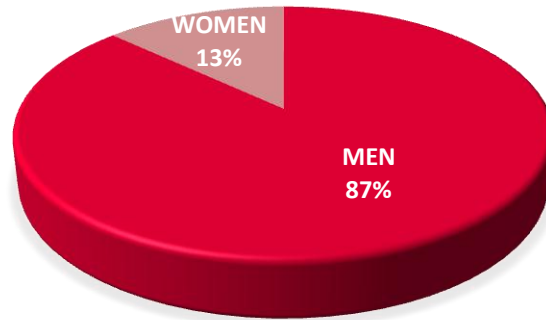
The following graphs show the distribution of DF's workforce taking various aspects into account:



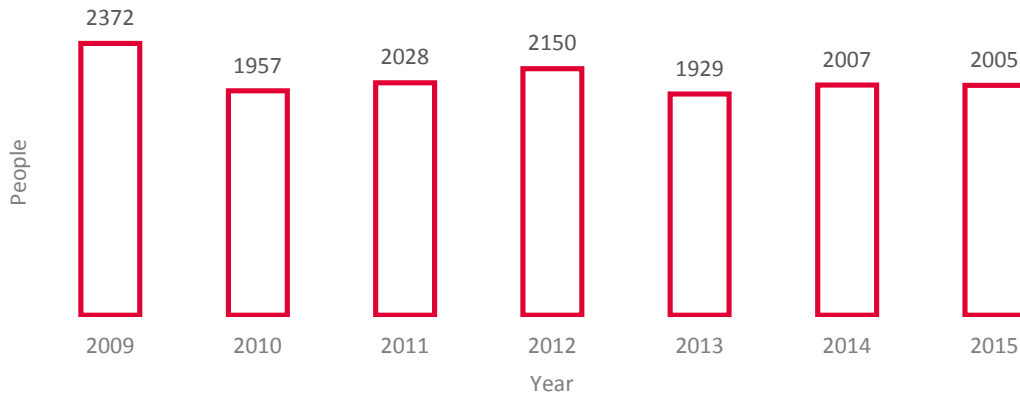
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DISTRIBUTION OF WORKFORCE BY GENDER



Variation in average workforce



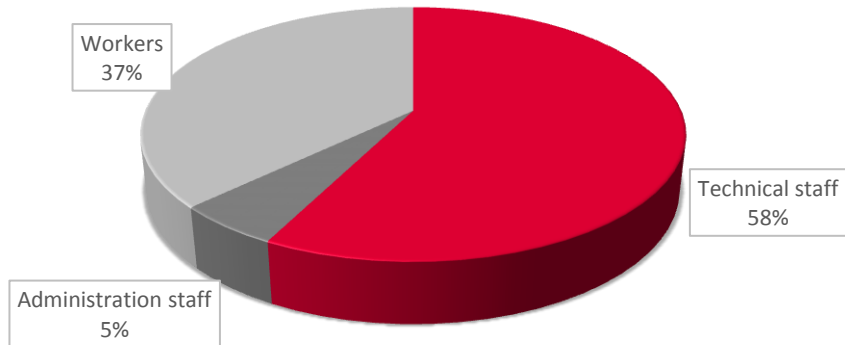
Local staff has not been included in the data on variation in the average workforce.



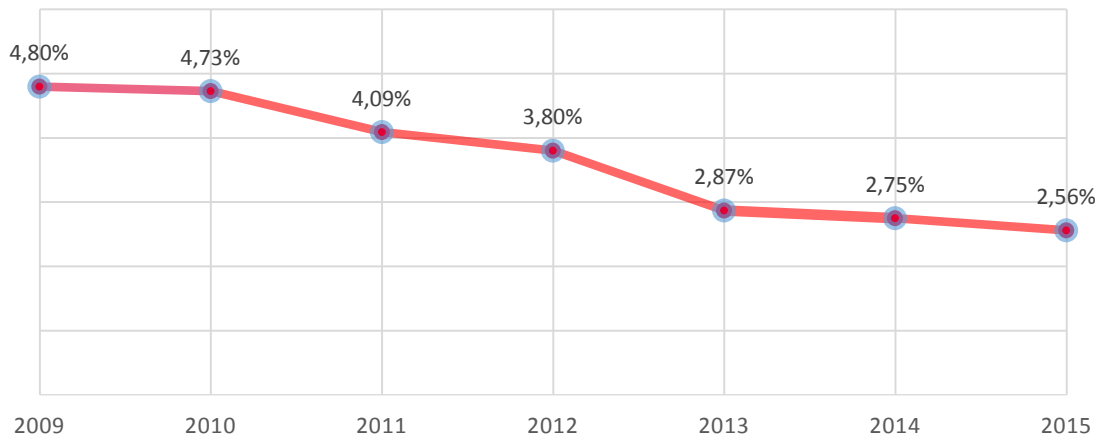
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Distribution of workforce by professional groups



Variation in absenteeism in the Industrial Group

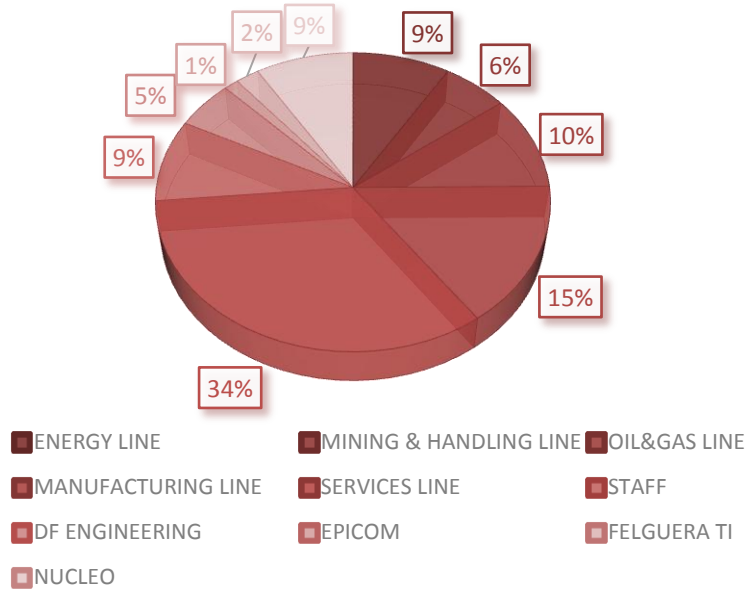




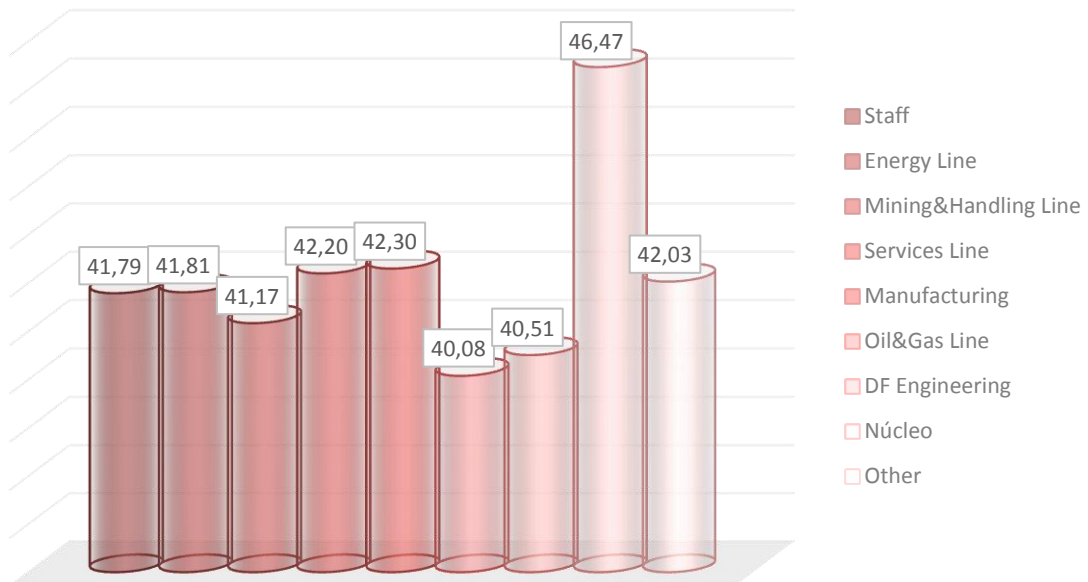
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WORKFORCE AT 31.12.2015



Average age in 2015



4.3.1. Continuous training



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As in previous years, the 2015 Training Plan benefited from social security subsidies through the Tripartite Foundation for Training in Employment.

The following are the data from 2015 compared to those of 2014 and 2013 (in Euros):

<i>Items</i>	<i>Year 2013</i>	<i>Year 2014</i>	<i>Year 2015</i>
Training Activities	101	96	78
Participants	368	460	328
Hours of Training	11,580	13,162	11,295
Training Costs	152,050	151,359	148,532
Salary Costs	154,901	68,485	82,379
Total Cost of the Training Plan	306,951	219,844	230,912
Total Assigned Credit	216,703	220,080	229,126
Total Credit Used	101,239	113,977	88,477
% Credit Used	46.72 %	51.79 %	38.62 %

4.3.2. 2015 DF Grant Programme

The Duro Felguera Grant Programme aims to promote practical training of young recent graduates. The following are the main objectives of the grant programme:

- ✓ To foster the professional development of graduates with a practical focus on learning in real work situations with the aim of eventual recruitment by the Company.
- ✓ To train young professionals within the framework of the Company's organisational culture to strengthen and enrich our human capital.

Throughout 2015 a total of 76 young people collaborated with us thanks to the grant program. Of these:

- Incoming interns in 2015: 36.



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- Outgoing interns in 2015: 41.
- Recruited on finishing the internship: 18.

The 2015 grant programme resulted in the recruitment of 18 young graduates representing a job access rate of 43.90%.

4.3.3. Recruitment of personnel

276 recruitment processes for employees with experience were carried out in 2015, distributed as follows:

▪ <i>Corporate DF</i>	<i>23</i>
▪ <i>DF Engineering</i>	<i>12</i>
▪ <i>DF Energy</i>	<i>40</i>
▪ <i>DF Mining & Handling</i>	<i>11</i>
▪ <i>DF Services</i>	<i>24</i>
▪ <i>DF Oil & Gas</i>	<i>133</i>
▪ <i>Núcleo</i>	<i>30</i>
▪ <i>Epicom</i>	<i>2</i>
▪ <i>Manufacturing</i>	<i>1</i>

The profile most often required for all positions is for professionals available for international geographical mobility who are interested in making a career in an international environment and possess language skills at a level that enables them to work competently in a foreign language. The required experience is to have a solid track record in projects similar to ours in both size and sector. The majority of the selected recruits hold degrees in the various engineering disciplines.

This year the number of selection processes in the Oil & Gas business line has risen considerably.

More than 9,700 CVs were processed, most of them received through the employment portals, official bodies, professional associations, press advertisements and recruitment agencies, although the latter source is by far the least significant. More than 900 interviews were held.

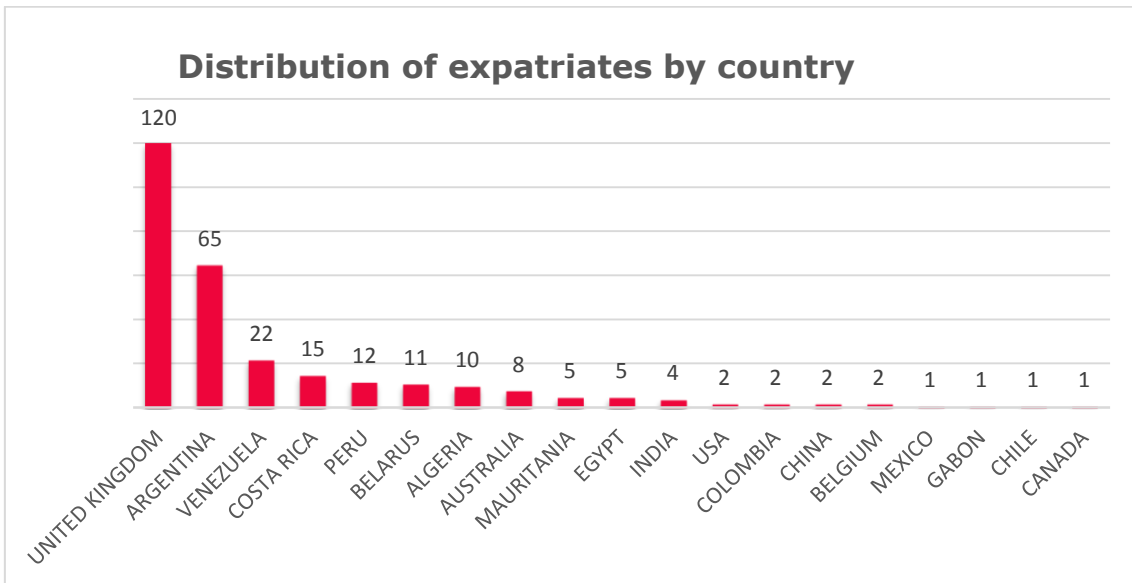
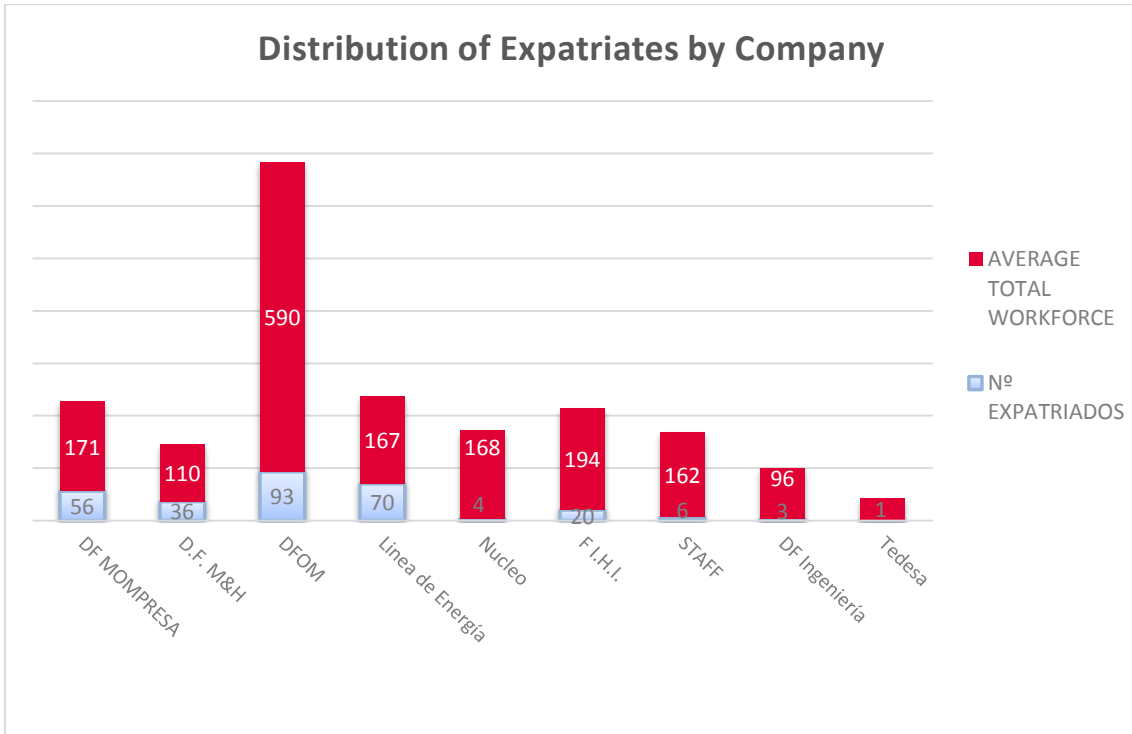


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4.3.4. Expatriate staff by country

DF currently has a total of 289 expatriate professionals in the various countries in which we operate.





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4.3.5. Local personnel at worksites

431 local workers were employed at worksites on 31 December 2015. An average of 444 local workers were employed throughout the year.

4.3.6. DF Joint Prevention Service

All aspects relating to Occupational Health and Safety are fully consolidated and integrated into the day-to-day running of the Company. The effort to achieve the integration of occupational hazard prevention at all levels of the organisation and in all fields of activity is now a reality in the Company.

The more than 48,000 hours of training provided in 2015 shows our clear commitment to transferring knowledge and providing adequate training to enable employees to perform their tasks with guarantees. More than 6,000 training hours were devoted to ensuring that our employees and contractors are conversant with the principles of prevention in order to instruct them in the need to integrate OHS into the performance of their activities.

Knowledge of working conditions is fundamental for planning the corresponding preventive measures. Similarly, the company works to find out whether the implemented preventive measures are correct and achieve appropriate results. With this aim and in line with previous campaigns, DF ran 434 environmental activities at all the company's locations attended by a total of 162 employees judged to be representative of different real working conditions.

These activities are compiled in 69 health and safety reports that, together with records kept during previous years, provide extensive knowledge to enable assessment of the impact of working conditions on workers' health.

This last aspect is the specific role of Occupational Medicine. More than 2,000 medical check-ups, each with the particular laboratory test specified by workstation, were carried out in strict compliance with the established medical protocols in collaboration of the external prevention service. The results have been used to produce epidemiological studies of each business line, always respecting



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the confidentiality of the doctor-patient relationship. Analysis of the results provides the required information, which is transferred directly to planning of preventive measures for the coming years.



In view of all this, the magnitude of the monetary cost of the campaign is evident. However, this financial cost must be clearly understood as a direct investment the most obvious and quantifiable results of which are found in the workplace accident rate.

In 2015 these rate have once again undergone reductions compared to previous years. This reduction affects both the total number of accidents entailing sick leave and the duration of the leave in days and has direct repercussions on absenteeism in the organisation.

The number of accidents involving sick leave decreased by 23.28% (*) in 2015 in comparison with the three previous years (2012-2014), resulting in an incidence rate of 2.79% for the Duro Felguera group. The number of accidents involving sick leave has fallen and those that have occurred have involved less time off work. 2,002 working days were lost in 2015 due to accidents while the average of the



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three previous years was 3,080.33, a drop of 34.35% which means that 1,058 fewer working days were lost.

Thus Duro Felguera consolidated the steady downward trend in the workplace accident rate, once again achieving in 2015 the best data since the Joint Prevention Service was set up in 2003. These accident rates mean that most of Duro Felguera's business lines were eligible for the incentive system restricted to companies that make an outstanding contribution to reducing accidents in the workplace. The incentive can reach reimbursement of up to 10% of the Social Security cost for occupational contingencies.

Duro Felguera's management of the health and safety aspects of its activity has merited the praise of various customers.

The Company received several mentions in this respect during 2015. Among these, the following are especially noteworthy: Iberdrola to DF Operaciones y Montajes at its Lada and Velilla thermoelectric facilities; ALSTOM to DF MOMPRESA at its GuD Niehl 3 project in Cologne (Germany); ENDESA Generación for work done by DF MOMPRESA at the Compostilla thermoelectric power facilities; PETROPERU to FIHI for its work at the Talara refinery (Peru).

The "Alstom Gas Project EHS Awards" in which Alstom Power recognises the works in Carrington, Manchester, United Kingdom as the best performer in terms of health and safety for 2015, deserves special mention. It represents an important international accolade in which Alstom Power recognises and commends Duro Felguera's work through its subsidiaries DF Energy, DFOM and DF Mompresa.

These results and awards endorse the work of Duro Felguera in the field of health and safety, and indicate that we are on the right track in this field. The concept of continuous improvement enshrined in the OHSAS 18000 standard on which our OHP Management System is based is a stimulus for improving the company's proposals and objectives.

However, over and above the operating systems, the real merit belongs to the human factor represented by the employees and their representatives who are to



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be congratulated on their cooperative attitude and contribution to achievement of the objectives. We would also like to thank all the members of the Joint Prevention Service for their dedication and day-to-day efforts in the various national and international contexts in which they perform their work.



4.3.7. International mobility

Due to the growing international activity of DF and its subsidiaries, the Human Resources (HR) Department has set up a new International Mobility Service aimed at managing and supporting both personnel from Spain who are sent to work on projects in other countries and the foreign personnel recruited by the Company.

The role of the new service is to facilitate the procedures and conditions of assignment of personnel to international mobility. In this respect, it attends to compliance with the formalities and regulations applicable in each case, providing support and following up the worker during the international experience and his/her family before, during and after the assignment as required.

The following are the goals of Duro Felguera's International Mobility Service in this context and depending on the specific nature of the assignment:

- Planning of the timeframes and formal aspects (basic questionnaire), clarification of expectations (letter of assignment, remuneration package, objectives...), aid with managing legal issues (visas, work and residence



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permits...), prior information on the destination (communication with expatriate staff on arrival, cultural aspects...) and travel insurance prior to beginning the assignment.

- During the assignment the Service supports the assigned person and his/her family, provides tax and social security-related advice, help with relocation (support in the search and selection of housing, schools...), driving licenses, fluctuations in exchange rates, updates on roles, security, periodic visits and satisfaction surveys.
- On repatriation: assessment of the experience, satisfaction survey and professional future.

We understand that communication, support and monitoring of personnel on international assignments with our Company is extremely important since these professionals are fundamental to the activities and business lines that Duro Felguera plans for the present and future, and we are confident that this new department will take care of all these needs.

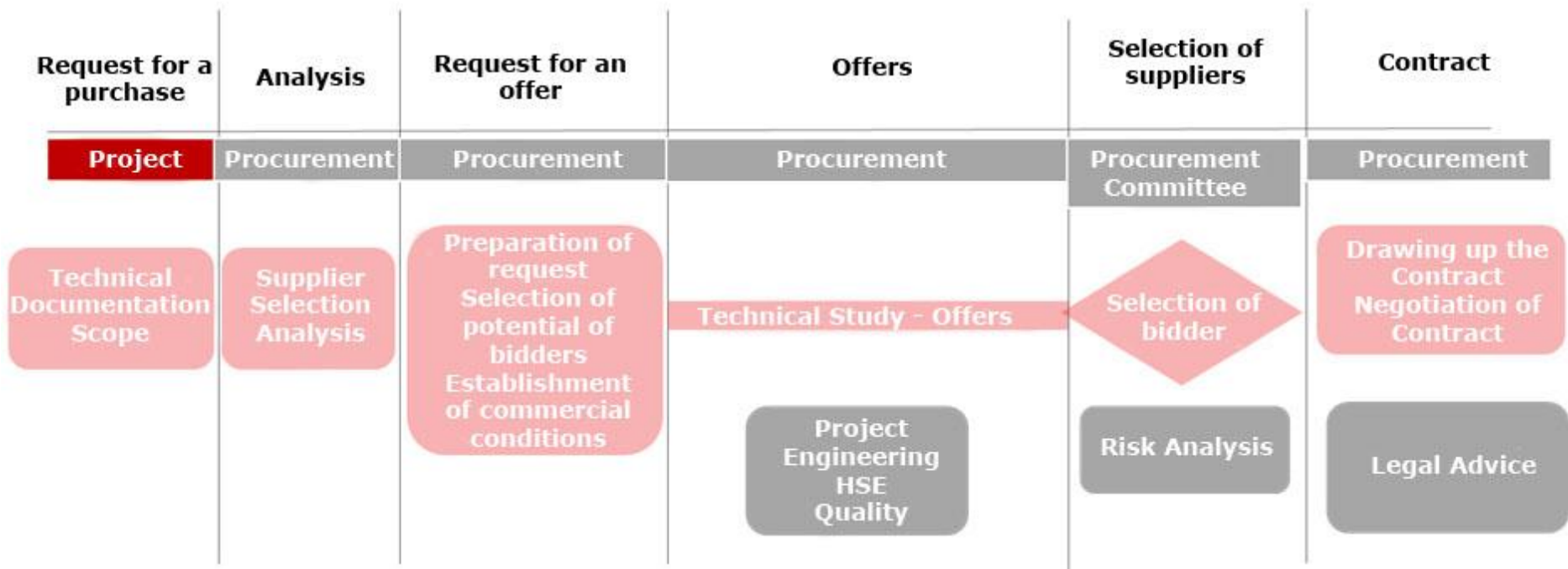
4.4. Relationships with suppliers



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df Purchases Flowchart

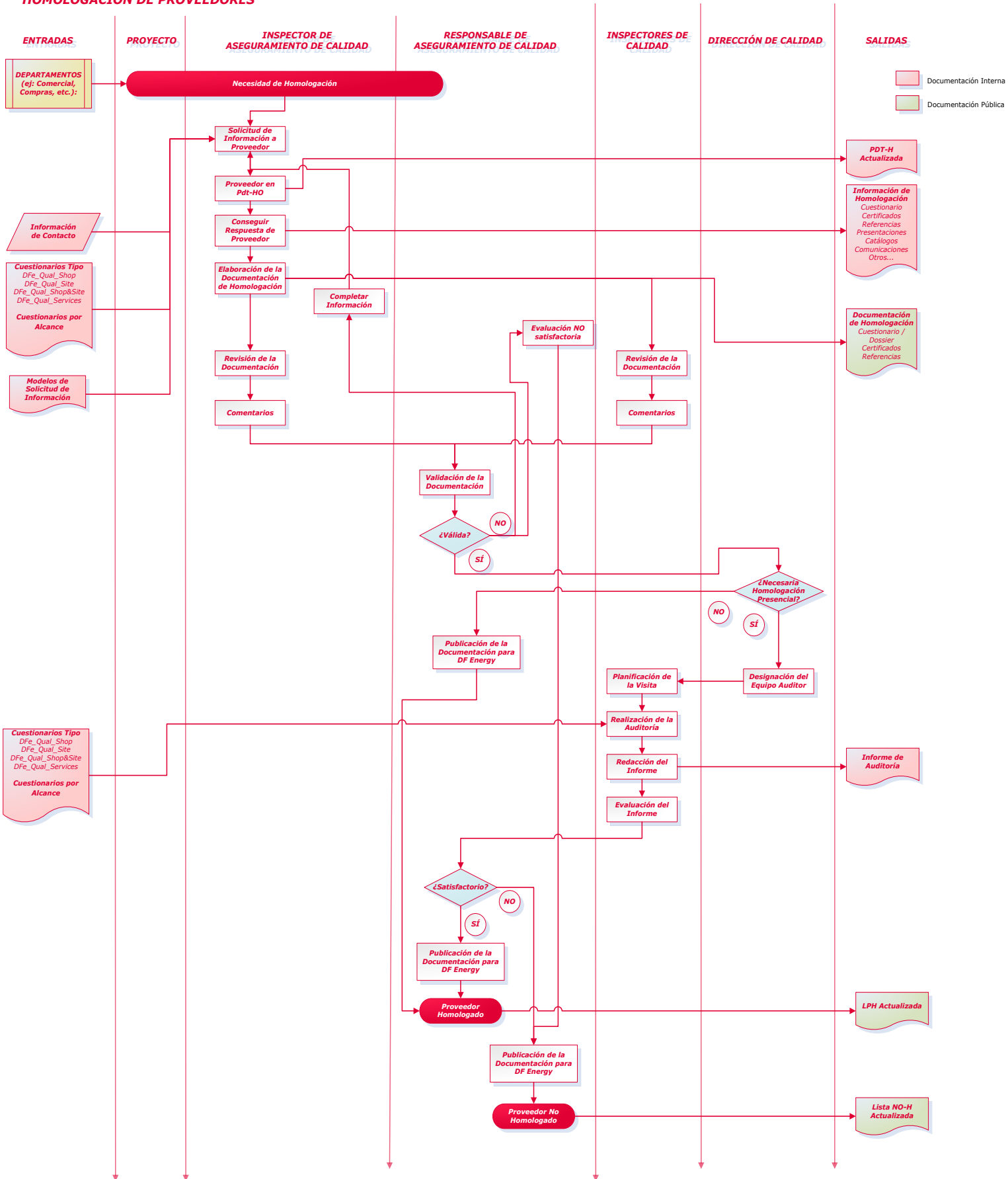




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HOMOLOGACIÓN DE PROVEEDORES

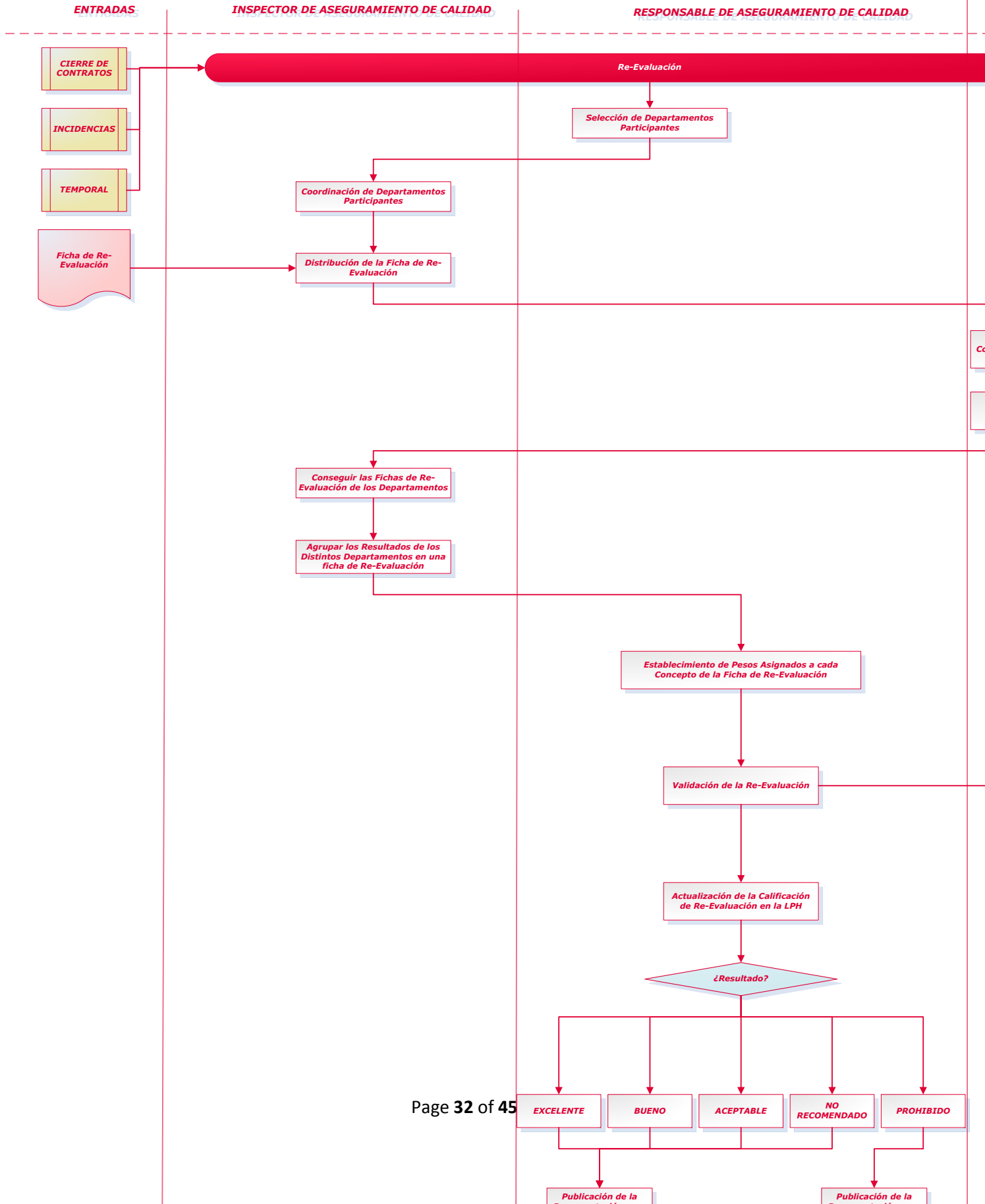




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PROCEDIMIENTO DE RE-EVALUACIÓN DE PROVEEDORES



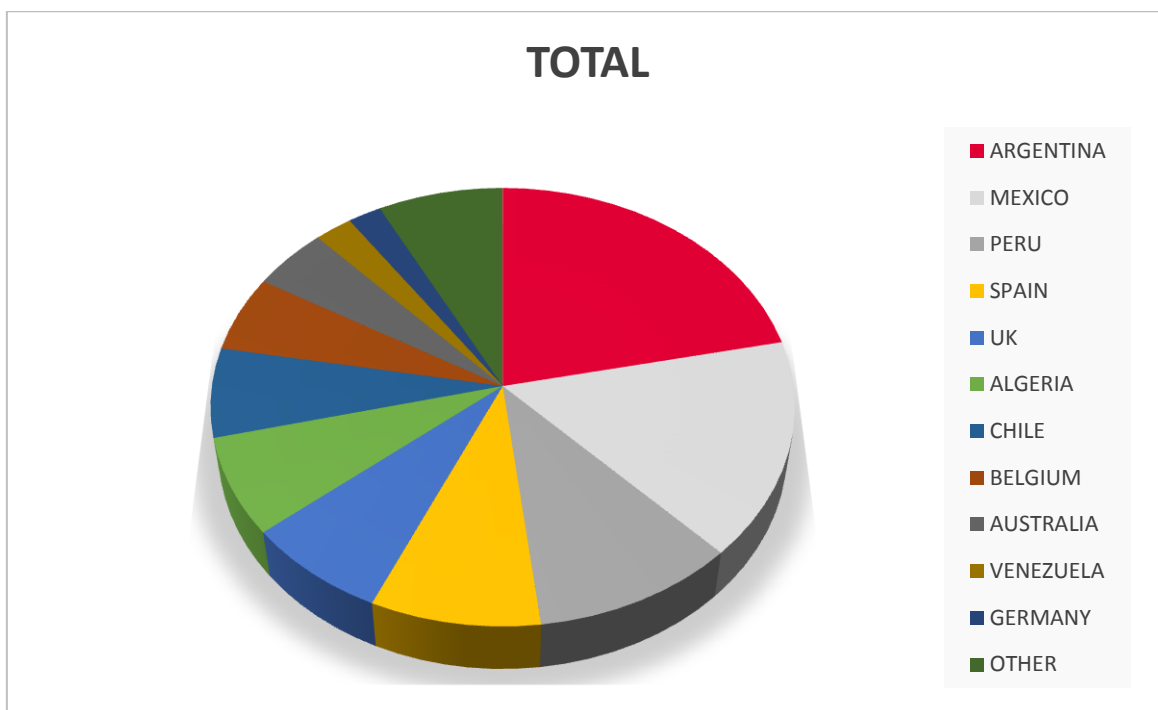


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Destination of purchases by countries

COUNTRY	TOTAL	%
ARGENTINA	€113,138,353.41	21.69%
MEXICO	€83,425,804.98	15.99%
PERU	€54,298,317.93	10.41%
SPAIN	€45,014,190.09	8.63%
UNITED KINGDOM	€38,373,347.64	7.36%
ALGERIA	€37,327,847.22	7.16%
CHILE	€34,331,252.65	6.58%
BELGIUM	€29,266,968.76	5.61%
AUSTRALIA	€24,184,148.44	4.64%
VENEZUELA	€12,027,830.51	2.31%
GERMANY	€10,548,539.15	2.02%
OTHERS	€39,649,849.73	7.60%
Overall total	€521,586,450.50	





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5. Monitoring mechanisms for non-financial risk, corporate ethics and business conduct

With the aim of adapting the operation of the corporate bodies and the Company in general to the new requirements imposed by regulatory changes that have occurred over the last year, Duro Felguera has updated and improved its Articles of Association and the Rules of the Board of Directors.

Law 1/2015 dated 30 March amending the Criminal Code with respect to the criminal liability of legal persons directly affects DURO FELGUERA. In compliance with the provisions of the same and due to its concern for the proper operation of an organisation that carries out its activities within the framework of a diligent and committed business management involved in all areas that affect it, the Company has adapted the Rules of the Board of Directors to update and improve compliance with the applicable regulations.

The Head of Compliance now operates autonomously with powers of initiative and control of all entities that comprise the DURO FELGUERA group, assisted by a Compliance Committee with operational advisory functions.

It has also involved the Company's other governance bodies in these compliance tasks. The position of DURO FELGUERA S.A. demonstrates its commitment to compliance with the applicable legislation by both the Company and its employees at all times and its effort to avoid situations that could entail infringements.

5.1. Ethics and Integrity as values that guide the actions of Duro Felguera

Duro Felguera operates in complex and highly regulated sectors in which compliance with the currently applicable regulations is a determining factor for the success of its projects. The Company's activity is characterised by firm and diligent compliance with the legislation in all its activities and it has made a notable effort to adapt its internal procedures to the requirements of the regulatory changes.



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With regard to this last point the respect that the Company has shown for the instructions and guidelines set by the National Securities Market Commission deserves special mention. The recent *Code of Good Governance of Listed Companies* was published in February 2015. It makes recommendations for listed companies (which includes us) with the aim of enhancing the companies' competitiveness, building trust and transparency for shareholders and investors and improving the internal control and corporate responsibility of Spanish companies. Consequently, to achieve these objectives - which ultimately benefit the Company - Duro Felguera has adapted the Rules of its Board of Directors by including the recommendations set forth in the Code.

As in the case of the Rules, certain recommendations have also been introduced into the Code of Good Governance to adapt it to the new regulatory scenario. The following changes have been made:

In relation to the powers of the Board, approval of the policies of selection of directors; communication and contacts with shareholders, institutional investors and proxy advisors; the policy of communication and contact with shareholders; the policy on fees for attendance at the General Meeting; and the minimum content of the risk management and control policy have been added to Article 5 of the Rules (recommendations 4, 11, 14 and 45 CGG).

The wording of Article 5.7 of the Rules concerning the annual assessment of the Board and its Committees has been amended (recommendation 36 CGG).

Assessment of the Board's reports on the activities of the Appointments and Remuneration Committee and the Audit Committee that these Committees shall publish on the corporate website a suitable time before the Annual General Meeting is also introduced into Articles 18.7 and 19.10 respectively of the Rules (recommendation 6.b) CGG). The criteria that must govern the actions of the Board of Directors and the definition of the corporate interest have also been amended in Article 6 of the Rules (recommendation 12 CGG).

With regard to the composition of the Board of Directors, the number of boards on which directors may serve (recommendation 25 CGG) has been limited in Article



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7.6 of the Rules, and in Article 8.2 the provisions that proprietary and independent Directors must make up a broad majority of the Board and that independent directors must comprise at least one third of the members of the same have been added. Moreover, the wording has been amended to include a limit on the proportion of proprietary directors over the total number of non-executive directors (recommendations 15, 16 and 17).

In Article 7 of the Rules a new paragraph 7 has been introduced that requires the Company to publish the biographical profile of its Board members and other information about the same on the corporate website and to keep it updated (recommendation 18 CGG).

The functions of the Chairman of the Board of Directors has been supplemented with the provisions of Article 9 of Rules (recommendation 33 CGG), as have those of the Coordinating Director in Article 10 (recommendation 34 CGG). With respect to the functions of the Secretary of the Board of Directors, ensuring that the Board bears in mind the good governance recommendations (recommendation 35 CGG) is expressly added to the role of the Secretary in Article 12.

Regarding the rules for operation and composition of the internal committees, the provisions of Article 16 of the Rules has been supplemented by including, among others, the requirement that said committees must consist of a majority of independent directors, taking into account the knowledge, skills and experience of the same, the option of seeking external advice as they deem appropriate and the obligation of the committees to report to the full Board (recommendation 52 CGG).

In relation to the Audit Committee, the rules of composition and the powers provided for in Article 17 of Rules and the Recommendations of the Code of Good Governance has been amended in the following terms:

- On the one hand, the requirement that the Commission must consist of a majority of independent directors and that its members must have knowledge and experience in accounting, auditing and risk management has been added to Article 17.2 of the Rules (recommendation 39 CGG).



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- On the other, the regulation of the control and risk management unit (recommendation 46 CGG) and the internal audit unit (Recommendations 40, 41 and 42.1.b) CGG) are added.
- The following competences of the Committee are added: (i) new functions with respect to the external auditor (recommendation 42.2 CGG); (ii) competence to inform the Board on operations involving structural and corporate changes (recommendation 44 CGG); (iii) Company risk assessment (recommendation 53 CGG); (iv) to ensure that the Board of Directors submits the financial statements to the General Meeting in a manner that precludes limitations or reservations in the audit report drawn up by the Company's auditors (recommendation 8 CGG); (v) new functions related to information and internal control systems and in particular to monitoring the drafting process and integrity of the financial information of the Company; and (vi) the power to ensure the independence of the unit to assume the internal audit functions (recommendation 42.1.a) and b) CGG).
- The obligation to publish the reports on auditor independence and related operations on the Company website well in advance of the Annual General Meeting (recommendation 6 CGG) is added.

With respect to the Appointments and Remuneration Committee, the rules regarding the composition and competences provided for in Article 18 of the Rules has been adapted to the Recommendations of the Code of Good Governance as follows:

- Article 18.1 of the Rules is amended to include the provision that the majority of the members of this Committee shall be independent directors (recommendation 47 CGG).
- The powers of the Committee are supplemented in Article 18.9 of the Rules by adding, among others, the functions of verifying the information on remuneration contained in the various corporate documents; ensuring that any conflicts of interest are not detrimental to the independence of external advice provided to the Commission (recommendation 50 CGG); verifying the policy of selection of directors (recommendation 14 CGG);



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periodically reviewing the remuneration policy for directors and senior executives and proposing the basic conditions of senior management contracts to the Board (recommendation 50 CGG).

Paragraph 9 of the same article also introduces functions on supervision of the rules of corporate governance, corporate social responsibility and the minimum content of the corporate social responsibility policy of the Company (recommendations 53 and 54 CGG). Publication of the report on the corporate social responsibility policy and the methods used in its preparation on the corporate website is also added to this paragraph (recommendations 6 and 55 CGG).

- Finally, the Committee's consultancy option or proposals by other directors with respect to the appointment of the executive directors and the remuneration of senior executives and executive directors (recommendations 49 and 51 CGG) are also added.

Various recommendations including the following are proposed in connection with Board meetings:

- Article 19.1 of the Rules introduces the requirement that the Board of Directors meet at least eight times a year (recommendation 26 CGG).
- Article 19 adds provisions on the requirement that the Agenda clearly sets forth the items on which the Board must adopt a resolution and the approval of agreements for reasons of urgency (recommendation 31 CGG).
- Article 19 also incorporates provisions related to the information to be provided to Directors on the shareholder movements and the opinions of significant shareholders, investors and rating agencies on the Company (recommendation 32 CGG).
- Article 20 is supplemented by provisions regarding the absences of directors (recommendation 27 CGG).
- A new paragraph 6 is also inserted into Article 20 to introduce the provision that the minutes must reflect the concerns of the directors in the event that they are not resolved by the Board meeting (recommendation 28 CGG).



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The following improvements have been introduced into Article 24 which governs the resignation, removal and dismissal of directors:

- The term "sell" is deleted from Article 24.2 d) on the reasons for director resignations in order to adapt the wording of this clause to the terms of the new Code of Good Governance (recommendation 20 CGG).

A new paragraph is also incorporated into Article 24.2 of the Rules to introduce the circumstances which may be detrimental to the credit and reputation of the Company as causes for resignation of Directors (recommendation 22 CGG).

- Article 24.3 of the Rules adds the provision that any director who resigns before the end of his/her term of office shall explain the reasons in a letter to all members of the Board (recommendation 24 CGG).
- The definition of just cause for the removal of independent directors (recommendation 21 CGG) is supplemented in Article 24.4 of the Rules.

With respect to the remuneration of directors, a new paragraph is incorporated into Article 27 regarding the general criteria for remuneration of the office of director (recommendation 56 CGG).

Article 29 of the Rules on the due diligence of directors adds the duty of opposition of the same when they feel a proposal submitted to the Board may be detrimental to the corporate interests (recommendation 23 CGG).

On relations with shareholders, a new provision has been adopted in Article 33.4 of the Rules concerning the duty of the Chairman of the Board to report orally at the General Meeting on the most significant aspects of corporate governance of the Company and in particular on the degree of compliance with the recommendations of the Code of Corporate Governance (recommendation 3 CGG).

Furthermore, the reform of the Capital Companies Act implemented by Law 22/2015 dated 20 July on auditing incorporates certain amendments relating to the composition and operation of the Audit Committee which will come into force on 17 June 2016. The following changes have been made in this area:



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In relation to the composition and requirements of the members of the Audit Committee governed by Article 17 of the Rules, it is proposed to introduce the requirement that said Committee be made up of a majority of independent directors, and that its members as a whole possess "*significant expertise in relation to the sector of activity to which the audited entity belongs*" (Article 529 quaterdecies.1 Capital Companies Act).

Article 17.9 of the Rules on the functions of the Audit Committee adds the following competences, among others:

- That the Committee inform the General Meeting of the outcome of audit, explaining how it has contributed to the integrity of financial reporting and the role of the Committee in the process (Article 529 quaterdecies.4.a) Capital Companies Act).
- The submission of recommendations or proposals to the Board of Directors on monitoring the effectiveness of the Company's internal control, internal audit, risk management systems and the integrity of the required financial information (Article 529 quaterdecies.4.b) c) Capital Companies Act).
- That the Committee assumes responsibility for the selection of the external auditor of the Company and the independence of the same (Article 529 quaterdecies.4 d), e) and f) Capital Companies Act).

Duro Felguera makes all information and the relevant documents on corporate governance for the Annual General Meeting available to shareholders and investors on the corporate website. The Company has also created an Electronic Forum for Shareholders with the aim of fostering the transparency of management and information and to encourage dialogue with shareholders and investors.

5.2. Code of Ethics

Duro Felguera has a Code of Ethics in place since 2009 which must be observed and applied to the work of all employees of the group so that their actions are guided by the principles of integrity, honesty and transparency. The Code was reformed at the



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end of 2015 in order to update and adapt it to the amendments introduced in the Crime Prevention Model as technical improvements.

Here at Duro Felguera we are convinced of the importance of this Code, which represents an added value to the relationship of the Company with its stakeholders. It is based on respect for legality, human rights and people; the development of professional conduct and equal opportunities among different groups; honest and ethical actions by each member of the company; environmental friendliness; financial reporting transparency; and transparency, objectivity and honesty in relationships with customers and suppliers. For these reasons, Duro Felguera encourages practices that ensure that its suppliers comply with this ethical model in order to provide high quality service and final work and commitment to society in general.

Duro Felguera also seeks to prevent criminal conduct by its employees and expressly prohibits corruption between individuals and bribery in the broadest sense of the term.

As a means of implementing compliance with this Code of Ethics, Duro Felguera has set up an Incidents Channel that can be used by any employee to file complaints concerning noncompliance. The person responsible for this channel is the Standards Compliance Manager to whom all complaints relating to offences that could be defined as criminal conduct are forwarded. Duro Felguera guarantees that this procedure respects the assumption of innocence and the absence of reprisals.

Law 31/95 on Occupational Health and Safety lays down the basic legal framework for recognition of the right of workers to protect their health and physical integrity in the workplace, and drove the development of an occupational health and safety policy based on the prevention of occupational hazards. Consequently, the DF Group of Companies has made a considerable human, social, economic and organisational effort to incorporate occupational hazard prevention into its business units as a routine process in business management and which in practical terms has involved assuming commitments aimed at protecting the health and safety of workers through implementation of measures and performance of the required activities.



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The preventive organisation model adopted by the DF Group of Companies is known as the Joint Prevention Service, a specific technical unit that forms part of the Human Resources Department. It is provided with the necessary human resources through affiliated professionals qualified in the preventive disciplines and the material resources required to carry out preventive activities. The selected model involves integration into the management system of all group companies, into all their production processes and at all hierarchical levels with the aim of ensuring that the managerial and technical personnel, team leaders and workers in general assume the functions and responsibilities attributed to them under the provisions of Law 54/2003 on the reform of the regulatory OHS framework.

DF's Joint Prevention Service is complemented by outsourcing the Occupational Medicine discipline by signing an agreement with an external prevention service to meet the legal obligation to ensure that the health of our workers is checked regularly by applying specific medical protocols based on the risks inherent in the job.

Duro Felguera has implemented a consistent and appropriate occupational hazard prevention policy as a framework to ensure that the management of occupational hazard prevention is carried out effectively at all levels of the organisation. The Company publishes manuals and procedures that establish the roles and responsibilities of OHS at all levels in order to apply the principles of preventive action and continuous improvement to ensure the occupational health and safety, professional performance and welfare of all our workers.

Proper implementation and continuous monitoring of the effectiveness of these manuals and procedures has meant that the companies that belong to the Joint Prevention Service have passed the successive mandatory Occupational Health and Safety Management System Regulatory Audits. They also benefit from the international prestige of the OHSAS 18001:2007 certification that the companies belonging to the DF-JPS have enjoyed since July 2005.



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6. R&D+i

The Company has created the position of the R&D+i Coordinator with the aim of promoting research, development and innovation work in DF and improving coordination in this area between the subsidiaries and business lines.

The goal is to establish a common reference point for all subsidiaries of the group based on this position which will be capable of coordinating and advising them on seeking funding for new R&D projects or to recover the investment already made.

The R&D+i Coordinator performs an active search for funding for the projects, working in close collaboration with several of the subsidiaries' departments.

This search for funding brings to his/her notice a variety of funding lines applicable to various activities, not necessarily limited to R&D+i. Therefore, he/she is responsible for managing the application and substantiation process for various business areas, from aid for international tenders to management of grants for the extension of facilities.

An Innovation Mailbox has also been made available on the internal website to all Company employees in which they can post suggestions to improve both the product and its manufacturing process and the organisation and marketing side.

- R&D+i in 2015

DF's commitment to innovation has been maintained to the levels seen in recent years. During 2015 new research projects have been initiated by numerous business lines to enable them to contest technological leadership of their sectors with their competitors.



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DF Mompresa is committed to renewable energy and is developing a new mobile biomass drying system. As of late 2015 this mobile dryer is in the final stages of testing and is expected to be operative by the first quarter of 2016, when it will enter the commercialisation phase. The system's technical quality has been recognised by the Centre for Technological Industrial Development (CDTI) which has supported the project by providing funding through ERDF.

DF Operaciones y Montajes completed the behavioural study on new high yield strength steels with good results, in turn opening up new lines of research. Furthermore, a new project has begun with high yield strength thermo-ductile materials to assess whether they can be used without post-welding treatment. This project will be completed in 2016.

Duro Felguera Calderería Pesada launched a project aimed at optimising thicknesses of manufactured equipment through the use of high yield strength materials, thus maintaining its leading international position in the use of advanced materials.

The company specialising in rail equipment, DF Rail, continues to focus on the high speed sector and has developed two new turnout models for double crossovers during 2015. In addition, it expanded its rail equipment reference catalogue to include the development of highly complex triple crossover turnouts.

With respect to the Group's Intelligent Systems line, the new "Augmented Factory 4.0 (AF4)" project led by Felguera Tecnologías de la Información and developed in partnership with a range of engineering companies and technology centres deserves special mention. The aim of this project is to create a new tool to serve as decision making support in the real-time process industry through a cyber-physical system.

These projects are developed by the Company's in-house staff, often in partnership with different technology centres and universities to achieve the best possible solution.



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With respect to innovation, the recent creation of the association *Polo del Acero* (Steel Pole) - of which DF is one of the founding partners - is worth highlighting. Its aim is to promote innovation, technological development and applied research in the field of steel production and processing, through which the development of future partnerships in the sector is expected.