

2015 - 2016

MS/V

Velatia's Sustainability Report

velatia



contents

39

Corporate Social
Responsibility
in Velatia



48

Our commitment
to people



05	Letter from the President
09	We are Velatia
11	Velatia
27	Governing structure
33	Ethics and integrity
39	Corporate Social Responsibility in Velatia
43	Our commitment to ...
45	People
59	Health and safety
67	Quality and service
77	Innovation
87	Our suppliers
93	Environment
101	Society
111	Parameters of the report
113	Scope and coverage of the report
115	Index and GRI indicators
121	GRI Indicators in relation to the Principles of the United Nations Global Compact

73

Getting Closer
to the Customer



103

Our Main
Donations and
Sponsorships





Letter from the President



It is a pleasure for me to present the Corporate Social Responsibility Report corresponding to 2015-2016. Through this report, which follows the Global Reporting Initiative guidelines, I would like to provide stakeholders with a detailed report of our challenges, objectives and achievements over these past two years, and to reaffirm our commitment to the principles of the United Nations Global Compact.

For **Velatia**, this period has been exciting as we have continued to grow. Both our turnover and results have increased, hence confirming that the return to our DNA is the most effective of our strategies.

Performance throughout 2015-2016 highlights our leadership and innovation skills and confirms the strengths and values that impregnate our business strategy and reflects our ability to pragmatically adapt to new environments. It must be pointed out that in order to make all this possible, we have relied on the skills of all of **Velatia's** human resources, the support of our suppliers and the trust of our customers and partners in a permanent example of the support value.

In relation to sustainability, it must be said that it is of great importance to **Velatia**, because we align the company's strategic development with the concerns and needs of our stakeholders, hence combining economic profit with social commitment and environmental friendliness. Therefore, our commitment to continue doing so in the future, will be to further the incorporation of the interests and needs – in terms of sustainability- of our stakeholders into our organisational strategy and the daily management of **Velatia**.

2017 will once more be a year of challenges and opportunities that will put our talent and resistance to the test, but I am convinced that effort, ambition and modesty will lead us to another 50 years full of success.

I would like to conclude this report by thanking all those people whose work, commitment and involvement in the company has enabled us to fulfil the established objectives. Thank you.

Javier Ormazabal Echevarria
President



We are Velatia

Velatia

Velatia (S.L.), with its headquarters on the Bizkaia Science and Technology Park (Spain), is a family-run, industrial, technological, benchmark and global group. We are a multicultural team made up of around 3,000 people from 20 countries. We have offices in 19 countries, 15 manufacturing centres and a world class Research and Technology Centre. We carry out our activity in the field of electrical networks, electronics and communication networks, as well as in the security and aeronautics sectors, where safety, efficiency and reliability are highly valued.



MISSION

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

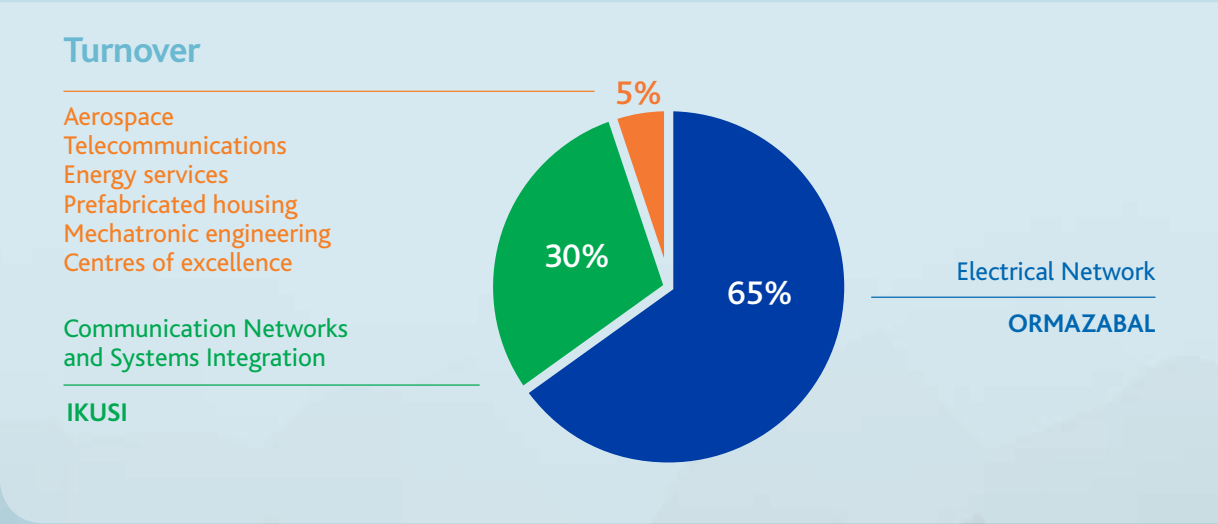
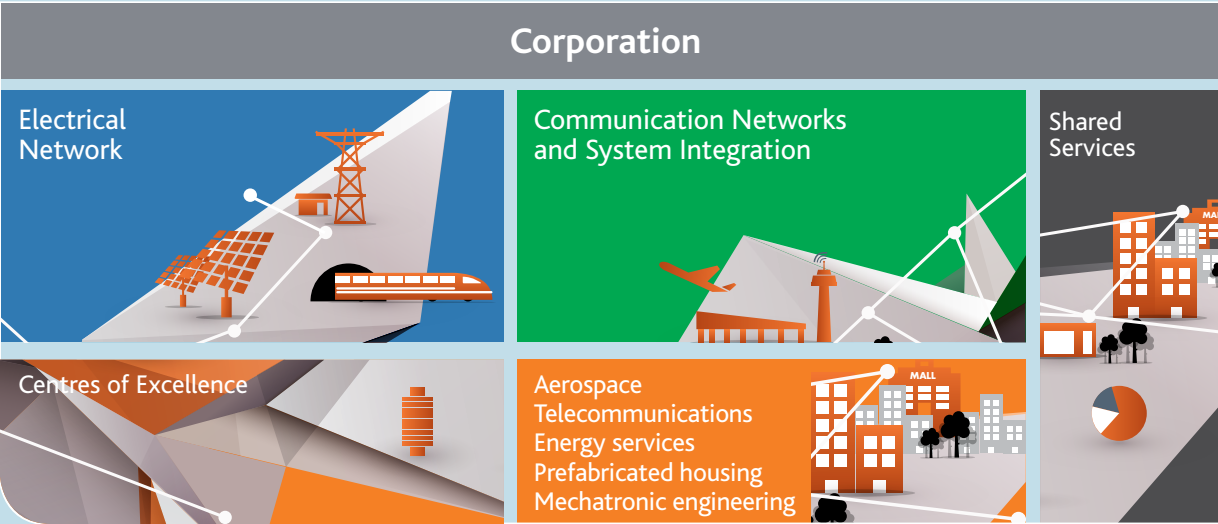
Made up of companies totalling over one hundred years of experience, we are committed to innovation in order to address the present and future needs of our customers, offering solutions that help make the world a better connected, more sustainable, smarter, better communicated and more human place.



VISION

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

Structure and Companies





Global supplier of solutions for the electrical distribution network

Ormazabal is one of the world's leading companies providing high added value products and services for the electrical network.

Our commitment to reliability and our in-depth knowledge of the sector and the markets where we operate enables us to respond to the present and future needs of the electrical network, contributing to its development with innovative solutions and in-house technology.

Since 1967, innovation has been the driving force behind our growth and that of our customers. All the people that make up Ormazabal are dedicated to this objective. We are a highly qualified team of professionals involved with our customers with whom we establish long-term relationships of mutual benefit. This experience places us at the forefront of the electrical sector.

Reliable innovation. Personal Solutions.



Integrated solutions in the field of Electronics and Information and Communication Technologies

Experience and, above all, experiences have made us what we are.

For years, we have specialised in technological solutions and applications that provide greater intelligence and efficiency to areas such as **security in infrastructures, road mobility, railways, airports and cities**; we design, develop and manufacture products aimed at **multimedia** and **remote control** environments and we are a recognised integrator of **telecommunications and IT networks**.

In this process, we have opened up to the world. We have incorporated travel companions and we have joined new projects.

We have always looked ahead because we like to imagine the future and help to build it.



Components for aircraft engines

At Wec, we design, develop and manufacture components for aircraft engines, collaborating with leading global players in the sector.

Thanks to our extensive experience in manufacturing technologies for aerospace propulsion applications, we can offer our customers solutions that are tailored to specific demands.

Our active presence in this sector is a clear sign of our commitment to quality, robustness and technological innovation.



Telecommunications infrastructure solutions

At Knock, we work on the engineering, design and sale of solutions for telecom infrastructures, which facilitate the deployment of fixed and mobile networks.

These include our RDS - Rapid Deployment System, a modular solution that eliminates the need for any type of civil engineering work and enables solar panels and a wind turbine to be integrated for power supply, reducing environmental impact.

Due to its installation time (eight hours compared with a month previously required), its design and modularity, the RDS system increases the efficiency and robustness of sites. Furthermore, its independence from the mains power supply network makes it the ideal solution for any location.

Innovative proposals to anticipate the needs of such a demanding and changing sector as telecommunications.



Energy Demand Management Solutions

At Stratenergy, we specialise in optimising the energy expenditure of organisations through the provision of specific services and solutions, managing and constantly optimising the energy assets of our customers, helping them to create differential value and improve their competitive position.

We have specialist teams to identify specific initiatives that add value to the entity in terms of improving efficiency, linked with the energy plan included in its own business model.

We offer comprehensive, flexible and replicable solutions based on a process of efficient management, from primary energy management to end use. We also implement energy service projects in organisations, seeking to optimise energy, from the contracting phase to consumption in installations.



Prefabricated concrete houses

Homm came about from our **experience and in-depth knowledge of concrete** and its integration with technology, energy and functionality, in a constant search for innovation and the fulfilment of our customers' wishes and needs.

The innovative production process, which highlights Velatia's technological development, is carried out entirely at its factory, later assembling the home that has been co-designed with the customer on the plot. Homm seeks to make the experience of purchasing and living in a Homm home complete for the customer, generating a degree of happiness and absolute satisfaction.



Mechatronics for smart machines

At Smarmec, we are specialised in the **design and industrialisation of mechanical, electronic and computer engineering solutions** in the field of smart machines with the capacity to manufacture **prototypes and short series**.

From Smarmec, we provide added value in differential, technologically advanced processes, in additive manufacturing and joining technologies.

Smarmec is the result of Velatia's specialisation, innovation and customer approach. These qualities make Smarmec the key partner in added value processes for highly complex technologies.



Precast concrete

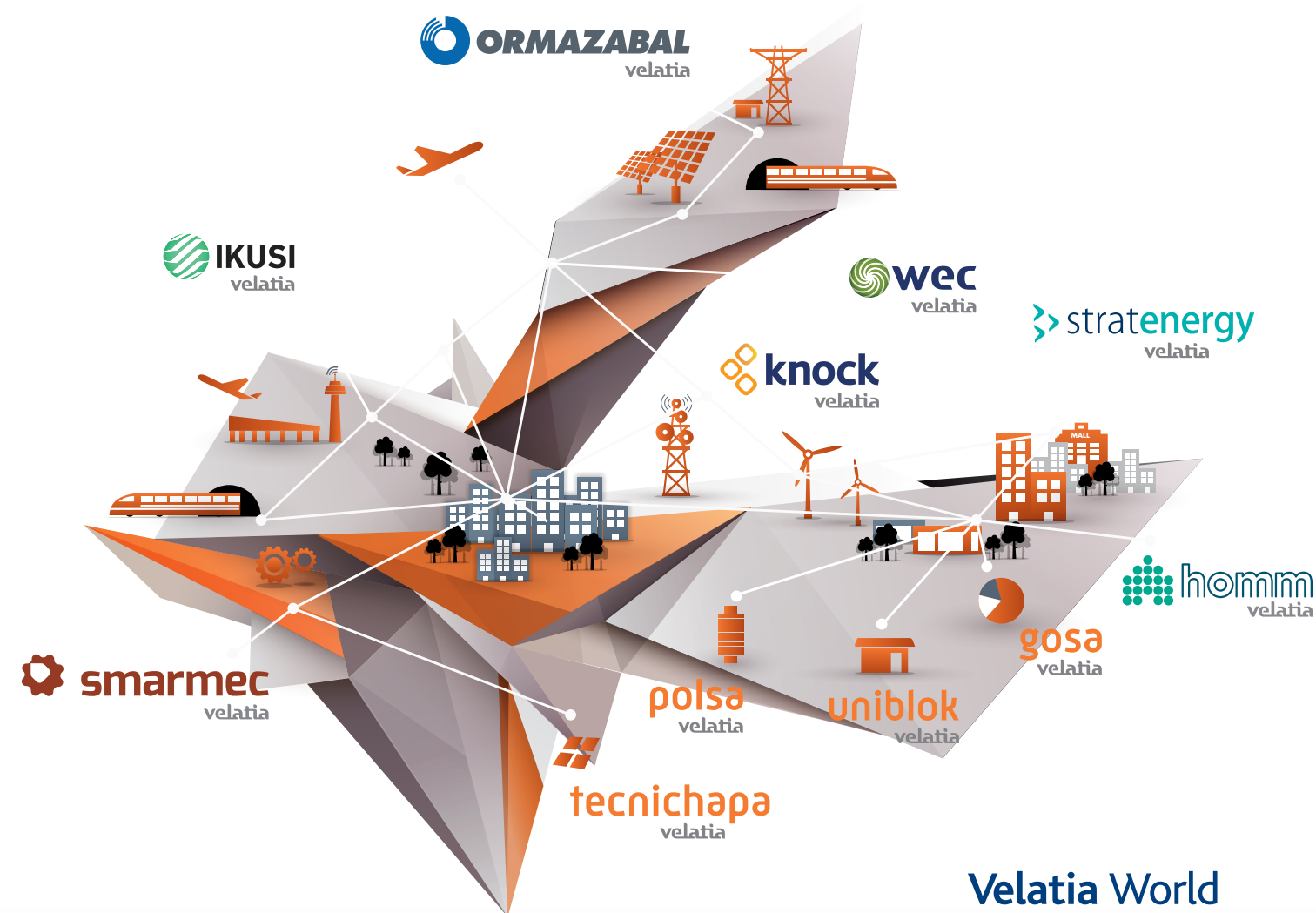
Uniblok focuses its activities on the development, manufacture and supply of integrated solutions in precast concrete buildings.

Over 20 years' experience in the manufacture of concrete enclosures for transformer substations have provided us with an outstanding knowledge of materials and processes to suit any requirement in this area.



Administration and finance

This is the Velatia internal shared services unit working in the areas of administration and finance. Its accounting, personnel administration, treasury, insurance and property management activities for the Group are carried out under the criteria of quality and cost optimization, thereby providing support for the objectives set out in the Group Strategic Plan.



Our economic performance

OUR ECONOMIC PERFORMANCE	2015	2016
TOTAL CAPITALISATION (€M)	557	563
Subscribed capital	325	325
Assets	269	238
Financial debt	121	132
Gross fixed assets	389	392
Accumulated depreciation	-184.5	-194
ECONOMIC VALUE GENERATED (€M)	552	557
Sales and other operating income	563	567
Financial income	0,9	1
Results of disposal of fixed assets	-11.761	-11
DISTRIBUTED ECONOMIC VALUE (€M)	550	568
Purchases and other operating costs and training	410	421
Staff costs	140	147

In relation to the path and changes in the companies that make up the **Velatia** Group, it can be seen that the portfolio of the Diversification businesses was reorganised during the 2015 – 2016 period, based on the evaluation of the value generation potential of each business. Consequently, we dis-invested in **Tecnoexpress** and **RBT Consulting**, whilst three new companies emerged, as a result of current needs, namely **Stratenergy**, **Homm** and **Smarmec**.

Finally, it must be added that the **Tecnichapa** and **Polsa** centres of excellence moved from the diversification area to the electrical business in 2016 in order to focus efforts on increasing **Ormazabal's** competitiveness and strengthening its leadership position, maintaining its own identity, structure and values that are common to the whole group.

Participation in external initiatives

Velatia belongs to several associations linked to its activity, as it wishes to be a key player in the sectors it is involved in. The most significant of these associations are shown in the box on the right (p. 19).



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

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

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

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

ENTITIES	
Velatia	Business Association for the development of Smart Cities
	Basque Business Circle
	Association of Basque Companies for Sustainability
Ormazabal	The Union of the Electricity Industry
	Spanish Business Association for the Boosting and Development of the Electric Vehicle Market
	European Association of the Electricity Transmission and Distribution Equipment and Services Industry
	Electromechanical Industrialist Association
	European Committee for Electrotechnical Standardization
	Spanish Association for Standardisation and Certification
	Vizcaya Federation of Metal Companies
	Spanish Association of Electrical Capital Equipment Manufacturers
	French Electrial Equipment Manufacturesrs ` Association
	German Electrical and Electronic Manufacturers' Association
Ikusi	European Engineering Industries Association
	Association of Electronic and Information Technologies in the Basque Country
	Association of Electronics, Information and Communications Technologies, Telecommunications and Digital Content Companies
	Spanish Association for the Internationalisation of Electronics, Information Technology and Telecommunications Companies
	Business Association of Gipuzkoa
Wec	Federation of Telecommunications Installation Companies and Integrators in Spain
	Basque Business Association in Mexico and Colombia
	Leading Brands of Spain Forum
Stratenergy	Basque Aerospace Cluster
	Business Grouping for Development of Advanced Aerospace Manufacturing Techniques
Uniblok	Association of Energy Efficiency Companies
	Scientific-Technical Association for Structural Concrete

Prizes and awards received

2015

Cisco continues rewarding the work of Ikusi

With the recognition in the IoT (Internet of Things) field and in architectures for Service Providers, Cisco rewards the potential of **Ikusi** in these sectors, in which it has a relevant advantage by having the capacity for the integration of communications networks and solutions and services in the same company.

In addition to "Gold Partner" in Colombia, this year Cisco has awarded **Ikusi** a further two prizes: "Partner of the Year in Enterprise Networking" and "Partner of the Year in Service Provider in Mexico". It is a relationship of mutual trust that is growing year after year.



2016

Velatia receives the Sabino Arana award

This prestigious award, granted by the Sabino Arana Foundation, rewards people and organisations that stand out due to their desire to serve society. It represents acknowledgement of the company's commitment, since it was founded, to people, employment and the creation of wealth in the Basque Country. Javier Ormazabal Echevarria, President of **Velatia**, received the award at a ceremony held at the Arriaga Theatre in Bilbao. Other award winners, along with **Velatia**, were important personalities such as former Scottish First Minister Alex Salmond, U.S. Congressman John Garamendi, Olympic slalom canoeist Maialen Chorrut, cultural promoter Leopoldo Zugaza and CEAR Euskadi.



“Bizkaia Saria” award

Deia newspaper awarded **Velatia** the “Bizkaia Saria” prize for being “an economic reference in Biscay/Bizkaia,” as well as “one of the companies offering most employment in the Historical Territory”. This award, presented during the 9th Edition of the Hemendik Sariak prizes, organised annually by this newspaper to acknowledge different personalities and institutions in Biscay, was collected by Germán Ormazábal, Director of the President’s Office and Institutional Relations at **Velatia**.

Germán Ormazábal, who praised the “commitment and efforts of the people who make up **Velatia**”, clarified that this award “belongs to the work and values” with which the group, now approaching its 50th anniversary, first began. Moreover, he emphasised **Velatia**’s constant desire to improve and “remain a reference both in the future of electrical networks and in telecommunications”.



Recognition in Advanced Management

Ormazabal Corporate Technology, **Ikusi** Electronics and **Polso** were presented with the Advanced Management Award 2016 in the “Industry” category, granted by EUSKALIT, a foundation promoted by the Basque Government to foster the application of Advanced Management elements in Basque organisations, during the gala organised by Euskalit at the Europa Conference Centre in Vitoria-Gasteiz.

More specifically, **Polso** won the Gold A Award in Advanced Management, and **Ikusi** and **Ormazabal** Corporate Technology won the Silver A award, respectively. Through these awards, the Basque Government recognises the most advanced organisations in management practices and those which seek the balanced satisfaction of all their stakeholders, customers, workers and society in general.

These organisations use the Advanced Management Model as a benchmark to assess and improve their management systems and they received these awards following an external assessment by independent experts not related to it, members of the EUSKALIT Assessment Club, which is made up of around 2,000 people, mostly in management or executive positions, who collaborate selflessly with EUSKALIT sharing their knowledge and management experience.

The awards were presented at a gala held on Tuesday 14th December at the Europa Congress Palace in Vitoria-Gasteiz.





Ormazabal commitment awards

The work of **Ormazabal** has been recognized this year with several awards, among them three in particular:

- Ormazabal Polska received the Grand President's Cup given by the Polish Energy Transmission and Distribution Association (PTPIREE) at the ENERGETAB trade fair held in Bielsko-Biala in September. The cms.p system for Smart Grid applications presented at the fair was chosen among 54 candidates as the most innovative.
- The Chamber of Industry and Commerce of Mittlerer Niederrhein (Germany) also awarded **Ormazabal** the prize for the Best Vocational Training in the Technical-Commercial Sector for the development of young workers.
- Finally, **Ormazabal's** primary distribution team has received the Kaizen Lean Award from the institute named after it in the category of "Excellence in Productivity". The award recognizes good practices in continuous improvement.



Cisco Latin America and Mexico Best Partner Award

Ikusi has been given a total of seven awards by Cisco, including the Best Partner of the Year Award in Latin America and the Best Partner of the Year Award at the Cisco Partner Summit held in San Diego.

The award recognizes its commitment to aligning the technology and business needs of its clients, acquiring specialized knowledge in key technology and achieving a very high level of satisfaction and quality in the projects developed.

The Cisco Partner Summit Global Awards are intended for exemplary partners who demonstrate best business practices and serve as a model for the industry.

Ikusi Mexico obtains WORLDCOB-CSR Social Responsibility certification

Ikusi Mexico gets WORLDCOB-CRS Social Responsibility certification from World Confederation of Businesses Organization, which is proof that **Ikusi** has a Social Responsibility management system that meets the requirements of Labor, Social relations and Environmental Responsibility.

This was made possible due to **Ikusi's** codes of ethics and social responsibility policies, environmental commitment policies, constant training to members of the company as well as health promotion as required by the CRS norm.

This certification is valid for three years. During this period, **Ikusi** is committed to be continuously evaluated by the certifying company to guarantee the sustainability of the programs.



Expansion Award for Homm's innovation and design

In October, **Homm** received the 'Remarkable Award for Innovation and Design' in the category of housing, awarded by the newspaper Expansion. This award is a recognition to the team which, driven by their passion, has completely changed the concept of prefabricated concrete housing and is beginning to revolutionise the customer experience; it is also a recognition of **Velatia's** commitment to efficiency, quality, safety, the environment and people.

Juan Pablo Andrio, general director of **Homm** and Alejandro Ormazabal, vice president of **Velatia**, collected the prize in an event that took place in the Museum of Contemporary Art in Barcelona.





Governing structure

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

The Board focuses its activity on the general function of guidance, supervision and control and it delegates the daily management of the Company on the management

team. In this regard, the Board has attributed functions related to strategic management, organisation, financial control, risk management, information policy and legal matters and auditing.

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

The Board of Directors at 31st December 2016 comprised:

POSITION	DIRECTOR	RANK
President	Mr. Javier Ormazabal Echevarria	Executive
Vice-president	Mr. Alejandro Ormazabal Echevarria	Non-executive
Member	Ms. Ana Ormazabal Echevarria	Non-executive
Member	Mr. Pau Molinas Sanz	Independent
Member	Mr. Luis Tejada Dunes	Independent
Member	Mr. Ramón Sotomayor Jauregui	Independent
Member	Mr. Jose Galidez Zubiria	Independent
Secretary	Mr. Javier Bicarregui Garay	Non board

The President assumes the duties of the Chief Executive, representing a significant concentration of power. However, steps have been taken to limit the risks of this concentration of power, including: the existence of committees with a majority of independent members, whose agreements are subsequently ratified by the Board; the delimitation of the functions of the President in the Board Regulations, etc.

The figure of Secretary (non-Director) ensures that the Board's actions comply with the law and comply with the Board's Statutes and Regulations.

Regarding the procedure in place to avoid conflicts of interest in the highest governing body, the Administrators communi-

cate any situation of conflict, direct or indirect, that may exist with the interests of the Company to the Board. The board members who are in this situation do not interfere in those matters where a conflict may arise between the interests of the company and its managers or related parties. In the Annual Accounts, transactions with related parties are listed so they are known to all directors and shareholders.

Committees of the Board of Directors in **Velatia** are:

Strategy committee

The Strategy Committee is made up of two independent directors, the President and the Vice-President. All its agreements must subsequently be ratified by the Board of Directors, whereby its main functions include reviewing, as-

sessing and advising on the group's strategy in the medium and long term and monitoring the implementation of the strategy approved by the Board.

POSITION	DIRECTOR	RANK
President	Mr. Javier Ormazabal Echevarria	Executive
Vice-president	Mr. Alejandro Ormazabal Echevarria	Non-executive
Secretary	Mr. Jose Galidez Zubiria	Independent
Member	Mr. Ramón Sotomayor Jauregui	Independent

Audit and compliance committee

The Audit and Compliance Committee, governed by a Regulation approved by the Board, is made up of four directors: two independent and two proprietary directors.

The objectives of this committee are mainly:

- To ensure the transparency, accuracy and timeliness of financial information.
- To evaluate and constantly supervise the internal control system.

- To validate the effectiveness of the policies, systems and procedures that ensure the identification and proper management of the risks faced by the organisation.
- To ensure absolute compliance with the applicable rules, laws and regulations that apply to the organisation's activities.

POSITION	DIRECTOR	RANK
President	Mr. Luis Tejada Dunes	Independent
Member	Mr. Alejandro Ormazabal Echevarria	Non-executive
Member	Ms. Ana Ormazabal Echevarria	Non-executive
Member	Mr. Jose Galidez Zubiria	Independent
Adviser	Ms. Iciar Marquinez Beñaran	Non board

Appointments and remuneration committee

This committee has powers of information, advice and proposal on the appointment, removal and remuneration of Board Members and Senior Management of the company.

POSITION	DIRECTOR	RANK
President	Mr. Pau Molinas Sanz	Independent
Member	Mr. Luis Tejada Dunes	Independent
Member	Mr. Alejandro Ormazabal Echevarria	Non-executive
Member	Ms. Ana Ormazabal Echevarria	Non-executive
Secretary	Mr. Germán Ormazabal Artolazabal	Non board

Mexico Committee

The Mexico Committee is a consultative and advisory body and its nature is purely for the purpose of consultation and strictly professional advice. The main role of this Committee is to support Velatia’s business in Mexico, in the field of its own competencies, providing collaboration and advice and basically acting to resolve issues raised by the Board and the General Directors with regard to any matters they

choose to submit or putting forward any proposals deemed appropriate as a result of its experience and due analysis.

The committee is comprised:

POSITION	DIRECTOR	RANK
President	Mr. Javier Ormazabal Echevarria	Executive
Member	Mr. Alejandro Ormazabal Echevarria	Non-executive
Member	Mr. Luis Tejada Dunes	Independent
Member	Mr. Alfonso Gonzalez-Migoya	Non board
Member	Mr. Francisco J. Garza Zambrano	Non board
Member	Mr. Joseba Jayo Gogenola	Non board
Secretary	Mr. Alex Otaegui Furriel	Non board

Corporate Social Responsibility Committee

Made up primarily of members of the Board of Directors (with those deemed necessary due to expertise in the matter attending as guests), this Committee has the underlying purpose of ensuring compliance with the objectives, commitments and key performance lines in Corporate

Social Responsibility and the definition of the objectives and commitments assumed by the Company in the specific field of Social Action.

POSITION	DIRECTOR	RANK
President	Ms. Carmen Echevarria Vizcargüenaga	---
Vice-president	Ms. Ana Ormazabal Echevarria	Non-executive
Member	Ms. Carmen Ormazabal Echevarria	Non-executive
Member	Mr. Javier Ormazabal Echevarria	Executive
Member	Ms. Begoña Ormazabal Echevarria	Non-executive
Member	Mr. Alejandro Ormazabal Echevarria	Non-executive

POSITION	DIRECTOR	RANK
Secretary	Mr. Patxi Zabala Goiricelaya	Non board
Vice-secretary	Mr. Germán Ormazabal Artolazabal	Non board
Adviser	Ms. Alaitz Macías Blanco	Non board

Ethics and integrity

Los valores que definen Velatia

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

- **Flexibility:** the will to understand different opinions and adapt to different situations.
- **Leadership:** showing the will to succeed in everyday activity that might act as an example and motivation for others.
- **Innovation:** dynamic attitude to create and anticipate new, successful processes, products and/or services.
- **Pragmatism:** orientation towards results in an effective way.
- **Support:** willingness to offer and request help in order to develop persons and achieve goals.

The values that define us

F
Flexibility

L
Leadership

I
Innovation

P
Pragmatism

S
Support



Assumption and development of the ten principles of the United Nations Global Compact

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

As a result of this commitment, since 2005 we have been publishing the annual "progress reports", in which we lay out the progress made by **Velatia** in each of these principles, proceeding to their publication on the intranet for the information of all our employees as well as on the website of "The Global Compact" for the information of all our stakeholders externally:

- **Spanish Global Compact Network:**
<http://www.pm-old.globalincubator.net/component/consultarinformes/?Itemid=599>
- **United Nations Global Compact:**
<https://www.unglobalcompact.org/participant/4649-Velatia>

Our Code of Ethics

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

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

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

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

- Disseminate the code of ethics for the knowledge of all employees of **Velatia**.
- Solve any issues that may arise concerning its interpretation and act as a guide in case of doubt.

- Provide a direct form of communication with all those involved to inform of any breach of the code of ethics.
 - ethics@Velatia.com
 - **Velatia**. Parque Científico y Tecnológico de Bizkaia. Edificio 104. 48170 Zamudio. Bizkaia.
 - Since January 2016, an Ethical Channel has been set up on the **Velatia** Intranet for all workers in Spain, with the aim of providing them with a channel through which they can report any conduct that is contrary to the principles and values set out in our Code of Ethics. To ensure the strictly confidential handling of the information provided, it is managed through an independent company.
- Evaluate and report on compliance with the Code of Ethics.
- Within the field of workplace harassment, manage and resolve any reports, complaints, claims, suggestions or consultations that are not resolved by means of an informal procedure.

Acting against harassment in the workplace

We are pleased to note that, we published the “Protocol for Prevention and Action against Harassment in the Workplace” in June 2015, in line with our commitment to guarantee the protection of an individual’s fundamental rights as assumed in our Code of Ethics.

Our protocol aims to establish the necessary measures to ensure the prevention and action against any type of harassment in the workplace: sexual, discriminatory and psychological (mobbing).

This protocol is available in 10 languages on our Intranet.



Working against corruption

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

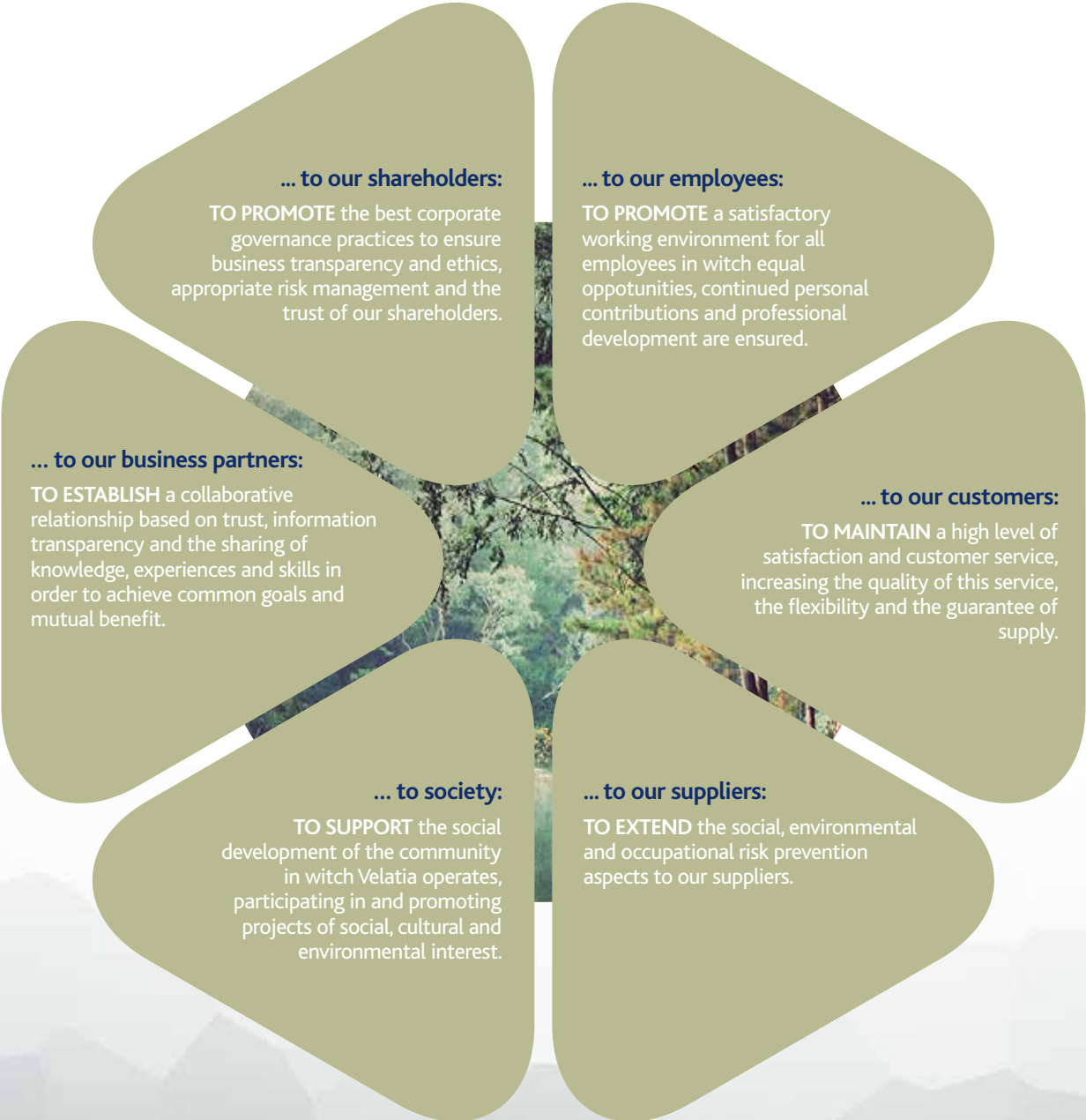
- **TO GUARANTEE** compliance with anti-corruption and bribery laws in all countries where **Velatia** operates.
- **TO ENSURE** compliance by all employees, officers and directors of **Velatia**, with the measures against corruption and bribery set forth in our code of ethics.
- **TO COMPLY** with the commitments made in our social action policy, mainly ensuring that our sponsorships and

donations are made to entities of rigour, honesty, great prestige and transparency in their actions and abstaining from making donations to political parties, representatives or candidates in any country of the world, or from sponsoring any event intended as political propaganda.

- **TO PRESENT** information and perform accounting records so that they reflect the payments, expenses, transactions and disposal of assets by **Velatia** with rigour, transparency and accuracy.
- **TO SPREAD** knowledge of this policy to all our stakeholders by making it public and available to them.

Corporate Social Responsibility in Velatia

In November 2016, we reviewed our **Corporate Social Responsibility Policy**, renewing and confirming our commitments:



In line with our commitments, we have continued to work on the lines of action defined in our “**Corporate Social Responsibility Master Plan 2014 – 2016**”, which has been extended for another year to 2017, in order to develop the next one in line with the **Velatia** Strategic Plan.

For the development of this Plan:

1. First of all, a **map of stakeholders** was developed, upgraded to the new **Velatia** reality in accordance with the VMM (Velatia Management Model).
2. The **expectations of each of the Velatia stakeholders** were identified.
3. In order to identify relevant issues in terms of Corporate Social Responsibility that could have a significant impact on the activities and operations of **Velatia**, an analysis of the following areas was carried out (taking into consideration the most important businesses and countries where **Velatia** has a significant presence):
 - **The requirements of the main Velatia customers.**
 - The relevant issues, initiatives, developments, risks and opportunities in relation to Corporate Social Responsibility of **Velatia’s main competitors** worldwide.
 - **The main regulatory trends** in this field, by reviewing the public information of regulators and sectoral associations.
4. With the information obtained in this analysis and taking into account the expectations of stakeholders, **78 relevant topics** were identified for **Velatia**, which were grouped into 13 categories.
5. In meetings held with those responsible for the businesses and areas, these topics were evaluated in terms of importance (Determined by the impact of the topic on the business – area challenges for the forthcoming years) and Velatia’s vulnerability in each of the issues (Inversely proportional to the level of preparation), in order to draw up the materiality matrix, identifying a series of **material aspects** (Branding; Quality in customer service;

Flexibility -products tailored to customer needs-; Assurance of on time supply and delivery; ESG Aspects in the contracting process. Relevance of the company’s R&D&I to its market position; Partnerships to promote R&D&I; New business -e.g. SmartGrid-; ESG Criteria in the approval, classification, selection and evaluation of suppliers; Effective internal communication to employees; Attraction, retention and management of talent), on which the main lines of action in Corporate Social Responsibility were finally decided and which are the contents defined as essential and selected for the preparation of this Sustainability Report.

These lines of action are as follows:

1. **Communication and Brand:** The objective of this line is to position **Velatia** brands so that they coexist and thrive in different markets through more effective communication favouring, as far as possible, a Group culture.
2. **Customers:** Improve management of relationships with key customers through the systematisation of customer relations and manage reputational risks in countries without a subsidiary.
3. **Product - Innovation:** Optimise Velatia’s innovative capacity and enhance its market position as an innovative company by identifying partners who can add value to **Velatia** in the development of new products or technologies.
4. **Supply Chain:** Strengthen and adapt the procurement processes of the organisation by establishing flexible and adaptable corporate criteria to each business/country with a triple objective: ease of implementation in the different centres, effective management of social and environmental risks of suppliers and management of the reputational risk associated with them.
5. **Human Capital:** Strengthen the management of the area of human capital through better identification of critical areas and the professional development of people, thus creating a better working environment and increased efficiency and productivity of employees.

6. **Management Model:** Boost the implementation of the **Velatia** Management Model at all levels of the organisation and ensure their effective deployment and monitoring by defining a monitoring system and monitoring of KPIs.
7. **Risk control:** Ensure that **Velatia** meets legislation applicable to it in all countries in which it operates and ensure that the risk function identifies and manages the most significant reputational risks.

For the proper management of the Master Plan and full alignment with **Velatia’s** strategy and the needs and performance of each business, we have updated the management model for the Corporate Social Responsibility area, which includes: **Corporate Social Responsibility Committee, Velatia Management Committee** which is involved in the direct management of the Corporate Social Responsibility area and Social Action as well as the Corporate Social Responsibility Director who carries out traction and coordination functions in all areas.





Our commitment to ...

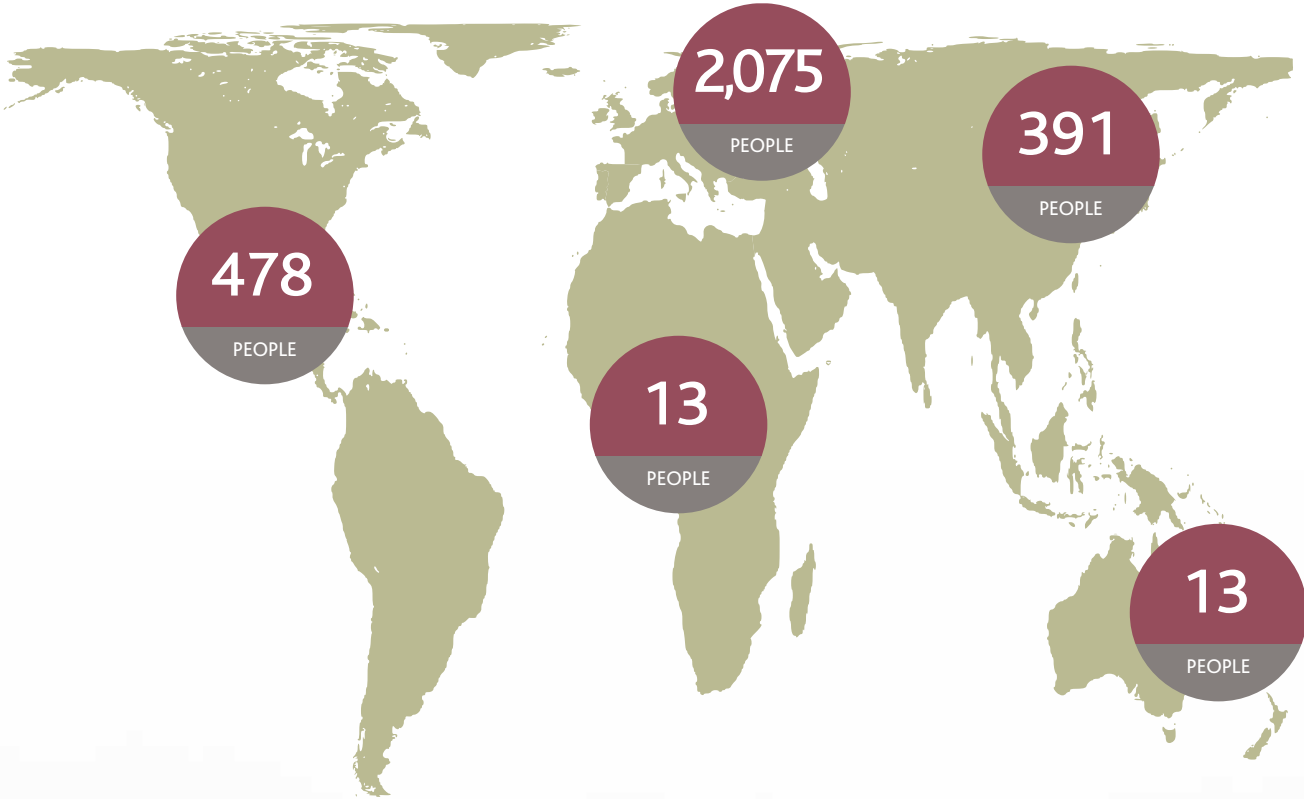
People

COMMITMENT TO PEOPLE

TO PROMOTE a satisfactory working environment for all employees in which equal opportunities, continued personal contributions and professional development are ensured.	Corporate Social Responsibility Policy
TO ENSURE the deployment of the communication to all the organization.	Internal Communication Policy
TO PROMOTE and TO DEVELOP the principle of equal oppotunities between professionals in relation to promotion, as well as to professional and personal development.	People Developmente Policy
TO gradually INCREASE employee knowledge and skills.	Training Policy
TO ENSURE objectivity in processes with the undertaking not to discvrminate on grounds of age, gender, race, ideology, religiom, sexual orientation, nationality, disability or any other personal, physical or social condition; promoting cultural differences as a source of mutual benefit.	Employment Policy

Our team

Velatia had a workforce of 2,921 people in December 2015 and 2,970 in December 2016, spread throughout the world as shown on the map:



The average age of the group is 40, distributed as follows:

EMPLOYEES BY COUNTRY*	2016		
	Women	Men	Total
Germany	100	177	257
China	127	240	367
Colombia	10	39	49
Spain	332	1,314	1,646
France	17	88	105
Mexico	84	274	358

*Note:
We are also present in the following countries: Algeria, Argentina, Australia, Brazil, United Arab Emirates, USA, Hong Kong, Poland, Portugal, Turkey, United Kingdom, South Africa and Switzerland.

EMPLOYEES BY TYPE*	2016		
	Women	Men	Total
Permanent	536	1,929	2,465
Temporary	141	364	505

*Note:
Permanent contract: Employment contracts without a pre-determined time limit for full-time or part-time work.
Temporary contract: Employment contracts with a pre-determined time limit or which end on completion of the works or service, the duration of which was planned.

EMPLOYEES BY TYPE OF WORK	2016		
	Women	Men	Total
Blue-collar employees	180	1,108	1,288
White-collar employees	497	1,185	1,682

Relations with our People

Employment Rights

Employment rights are respected and applied to all workers providing a service in **Velatia**, regardless of the type of contract or position.

It must be highlighted that at **Velatia**, we favour the rights of workers to organise themselves collectively in organisations of their choice and, for example, there is a room dedicated exclusively for this purpose at our companies depending on the size of the workforce, as well as specific bulletin boards.

Communication Channels

Aware of the importance of internal communication, we have developed various channels at **Velatia** to pass on necessary information to all people in our organisation, of which the following can be highlighted:

- Annual Directors' Day: Each year, we address the problems and challenges of each of the organisations, so that the information can be passed on to their teams and it is also a driving force for change.
- Distribution of leaflets to all **Velatia** workers each year with the main messages deployed at the Annual Conference, as well as documents explaining **Velatia's** own strategy. It must be highlighted that a leaflet explaining "our commitment to sustainability" was distributed to all **Velatia** workers in 2016.
- Internal communication plans at business - company level, in which actions, dates, deadlines and managers are detailed; At **Ormazabal**, compliance with the Annual Communication Plan is monitored monthly (standing at 91% in December 2015 and 87% in December 2016).
- Internal magazine: Ikusi Magazine. This points out the main developments that have taken place in recent months.
- On the other hand, it must be pointed out that we regulate and establish the minimum period of notice due to significant organisational changes that may affect the group involved in accordance with the Collective Agreements, Company Agreements or the applicable labour regulations for each company in each country.

Velatia Community

In recent years, our unique Intranet has been implemented throughout **Velatia**: "Velatia Community", which facilitates internal communication, corporate identity and documentation management for all companies of the Group, whilst also maintaining the essence and identity of each company.

In December 2016, a new access page to the personal site was introduced to facilitate user access to the most popular documentation. In 2016, 4 internal blogs and one external blog ("Velatia Network") were also started, in which articles are published and diverse social networks are used for promotion purposes.

At the close of 2016, the "Velatia Networks" external blog had accumulated a total of 107 articles with an impact of 5,500 sessions and 12,500 visits to the pages.

Breakfast with the President

Another initiative is "Breakfast with the President". The objective is to transmit strategic messages from the President, generate a Group culture (as people from different businesses have the opportunity to meet), enable the organisational climate to be detected in a relaxed atmosphere and make contact with people who do not usually have the opportunity to interact with the President in order to understand their concerns and work on them.

They have taken place more or less monthly, attended by 8 to 10 people with varied profiles and from different organisations. From January to December 2016 10 Breakfasts with the President were held, in which a total of 103 people participated.

The Breakfasts took place in different **Velatia** companies and geographical locations: Ormazabal GmbH – Krefeld (Germany), OCEX - Getafe (Madrid), at the headquarters of **Ikusi** in Miramón, at SCD in Boroa, at the corporate headquarters in Zamudio, at **WEC** and at **Smarmec**.



Committed to the continued development of our people

Talent Management

Throughout 2015 and 2016, we worked mainly on two areas of talent management with the aim of ensuring that we have sufficient talent in order to successfully address the challenges that **Velatia** faces:

1. Talent Attraction

We consider it necessary to work on talent attraction not only from the perspective of covering the current needs of the organisation, but also to address the needs in the medium-long term. Our brand as an employer is an important aspect to work on in the long term (and it is closely related to **Velatia**'s activity in terms of institutional relations and External Communication).

We have analysed our need to incorporate people within the framework of the different strategic plans, and we have pooled our level of relations, contacts etc. with different sources of talent attraction (universities, business schools, institutions...).

We then established an action plan which covers immediate needs and those that respond to a longer timeframe, and which allows us to prioritise and identify which actions to carry out (from a **Velatia** and a business perspective).

During this period, we have renewed and established relations with different Talent providers (Engineering School of Bilbao, Deusto Business School, Novia Salcedo Foundation, IESE, Bizkaia Talent, Mondragon University, Unitech, TECNUN, Monterrey TEC...).

2. Definition and deployment of the Talent Model

In order to manage the development of our people properly, different initiatives have been introduced that facilitate their follow-up and monitoring:

- Preparation of the **Velatia** Talent Management Model: What is talent in **Velatia** has been defined and talent committees have been set up for each business to identify key people, analyse their situation and see how development can be fostered.
- Development Programme: Efforts have focused on improving the implementation and quality of the management of the processes and tools that make up the Talent Model deployed the previous year. At the same time, the development plans of the people who form part of the talent group have been considered through the Good Guide and the Development Programme.
 - Improving the implementation of the Good Guide, particularly in relation to the Development Plan, so as to appropriately identify the training and individual development actions in accordance with the profile of each person.
 - A more complete Development Programme has been proposed with contents adapted to the different groups by means of different development itineraries, so that individual development plans for the Talent Group can be drawn up, facilitating progress in the performance/contribution of people, whilst **Velatia** professionals are satisfied and feel that their personal/professional development is being taken into account. From the methodological point of view, patterns of needs within the group have been identified, bearing in mind the different talent profiles, and a catalogue of resources for each profile has been drawn up, which will facilitate the preparation of development plans for each person.

- Assessments: This is a tool that enables us to carry out an external evaluation of the skills of our people (based on the **Velatia** Skills Dictionary).
- Good Guide: It must be pointed out that the GOOD GUIDE 2.0 was implemented in 2016, which maintains the traditional philosophy of the Good Guide (tool we use for people development), but allows for better monitoring at an individual and global level. Monitoring of the fulfilment of the Good Guide in December 2016 was 79%.
- ATRAE Programmes. The "Values in Motion", "Customer Focus" and "Opportunities Management" ATRAE programmes have taken place with diverse people from the organisation and in different locations, developing values at an internal level and strengthening the corporate identity between our teams. In the first half of 2016, work was carried out on the **Velatia** Leadership style with different Group Directors, with the aim of establishing a common focus and deployment framework that facilitates the fulfilment of individual and business challenges for them and their teams and fosters the development of their management skills. The results were highly satisfactory and 4 new groups have been created to give continuity to the programme in 2017. Furthermore, within the ATRAE framework, work has also been carried out on different initiatives (Customer Focus and Effective Communication - in France - and Consultative Sales), with a high level of satisfaction.

Management of the work climate

In order to increase the satisfaction of our people, we have defined the methodology to conduct satisfaction surveys and it has been made available to those organisations that decide to measure the satisfaction level of their people. Furthermore, during the first half of 2016, with the launch of the people process map, the **Velatia** "satisfaction evaluation process" has been defined.

Bearing in mind the VMM requirements, satisfaction and climate surveys are starting to be carried out in the different group companies. For example, a survey was carried out at **Ikusi** in 2015. A climate survey was conducted at Ormazabal Corporate Technology in June 2016 and at **Polsa** in July 2016.

In addition to the climate analyses that were previously carried out, the analysis of the Corporate organisational culture (**Velatia** SL) was carried out in July 2016 and an external comparison was made by Euskalit in October 2016, in which, among other aspects, the **Velatia** system of finding out the general satisfaction of its employees was evaluated, as well as the associated performance indicators.

Improving the training of our people

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

HOURS OF TRAINING	2015	2016
Social Skills	6%	12%
Languages	41%	34%
IT	3%	7%
H&S, Quality, Environment	12%	13%
Product and Technical knowledge	37%	34%
Others	0%	0%
Average training hours per employee	27	20

COST OF TRAINING	2015	2016
Social Skills	8%	14%
Languages	39%	29%
IT	2%	9%
H&S, Quality, Environment	9%	10%
Product and Technical knowledge	44%	39%
Others	0%	0%
Average training cost per employee	307 €	273 €

We have invested mainly in product and technical knowledge, as well as languages, in order to improve our professional skills. It must be added that after the training provided, the

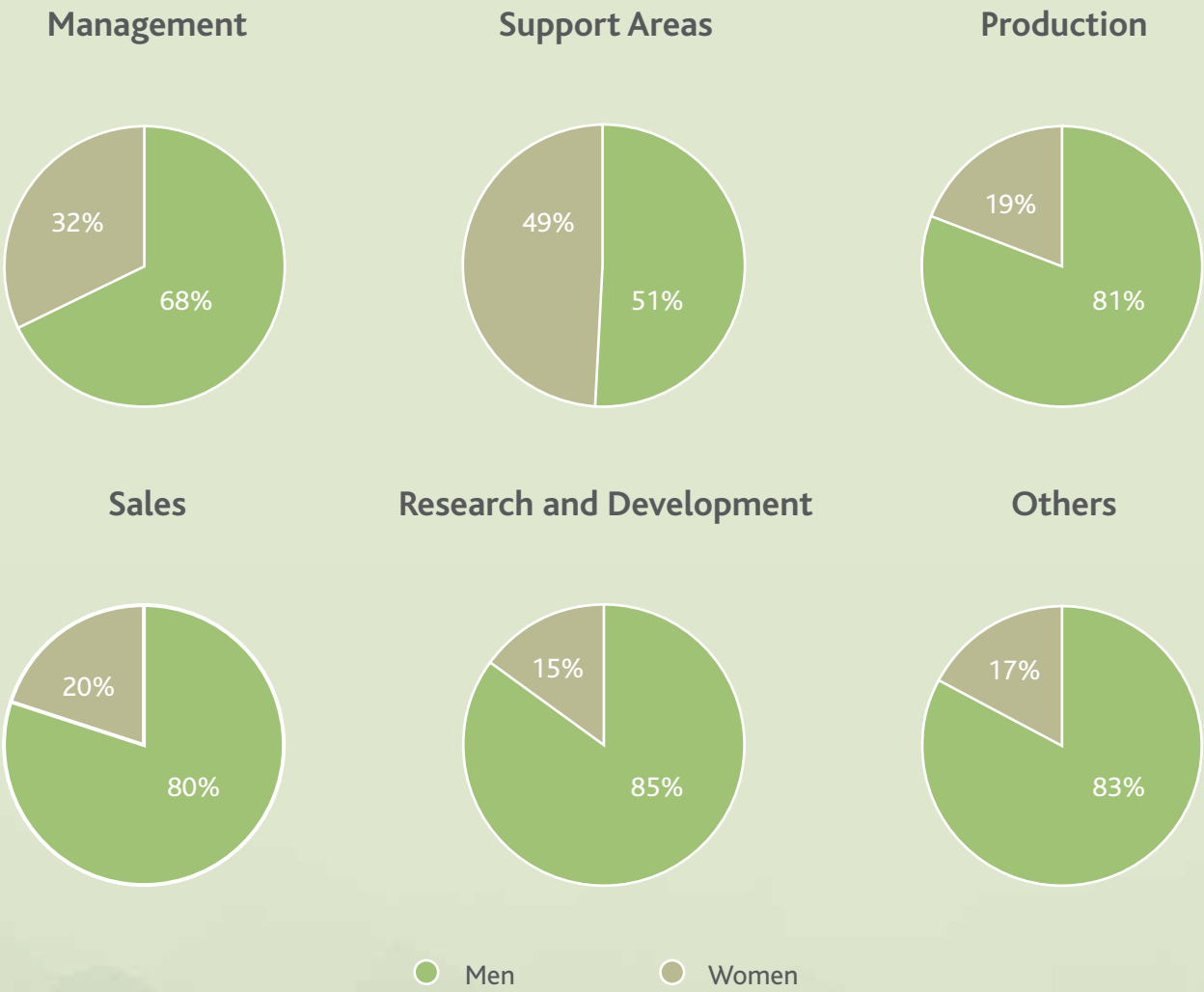
training satisfaction surveys revealed that most people were extremely satisfied with the knowledge acquired.

Diversity and Equality at Velatia

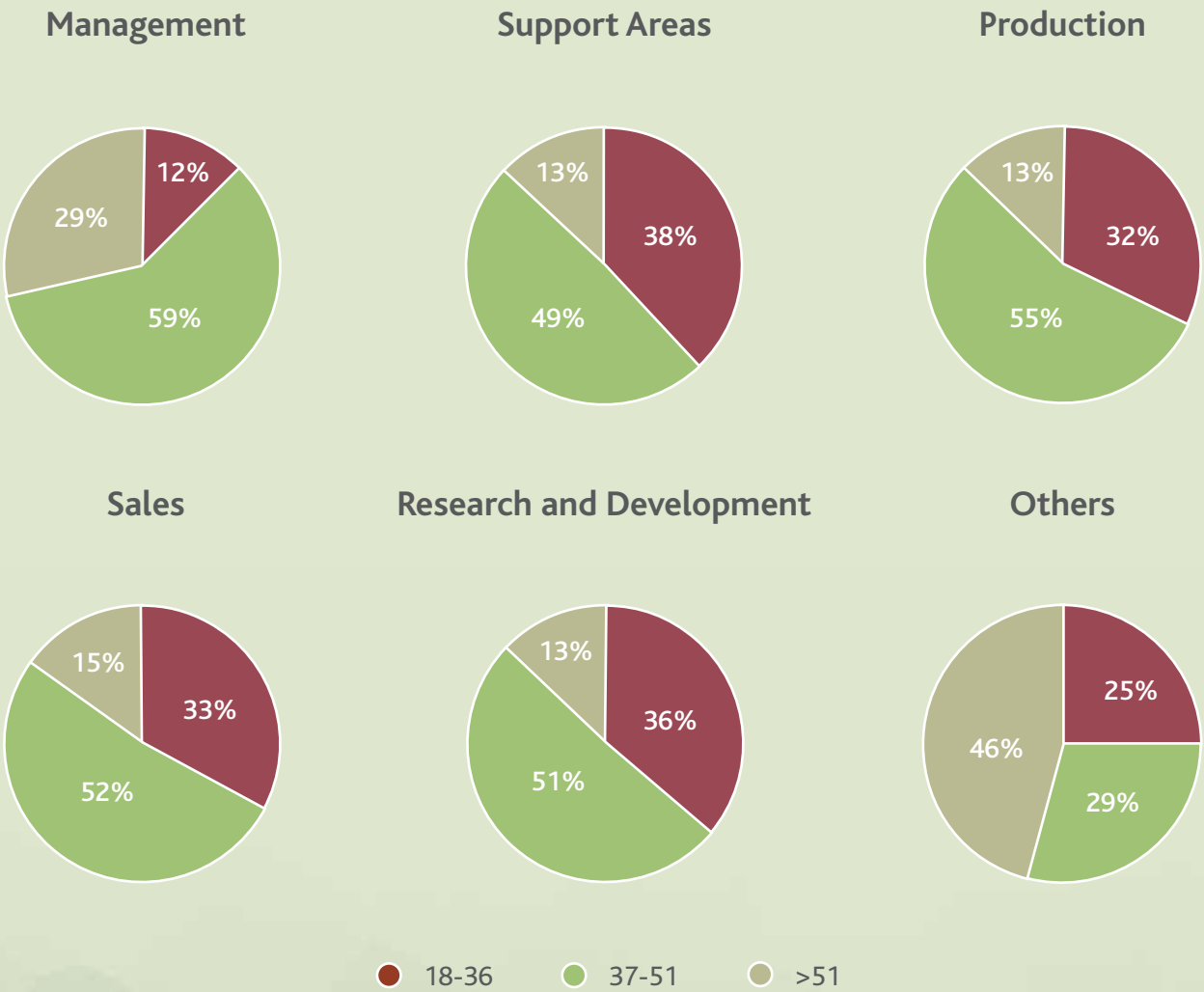
At Velatia, diversity management and support for equal opportunities are intrinsic to our management. Because of this, the company has ratified its commitment to Principle 6 of the United Nations Global Compact, which supports the abolition of discrimination in employment and occupation, constantly working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

EMPLOYEES BY CATEGORY	Total 2016
Management	2.86%
Support Areas	12.46%
Production	55.59%
Sales	16.97%
Research and Development	10.74%
Others	1.38%

Composition of the workforce by gender



Composition of the workforce by age



It must be pointed out that we do not have any staff under the age of 18 at any of our companies and that we support the abolition of child labour.

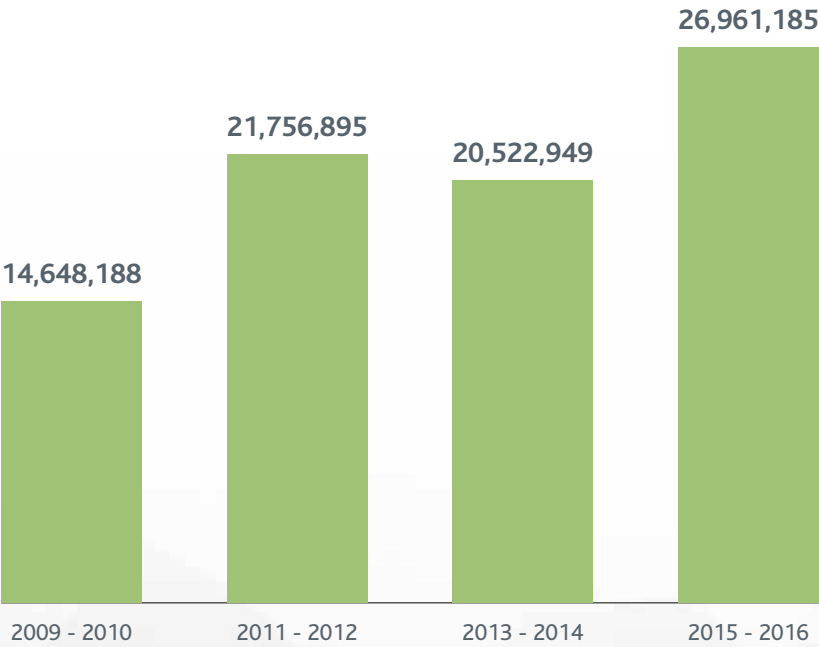
Furthermore, in our constant promotion of equal opportunities, we are pleased to highlight that at **Velatia**, we encourage

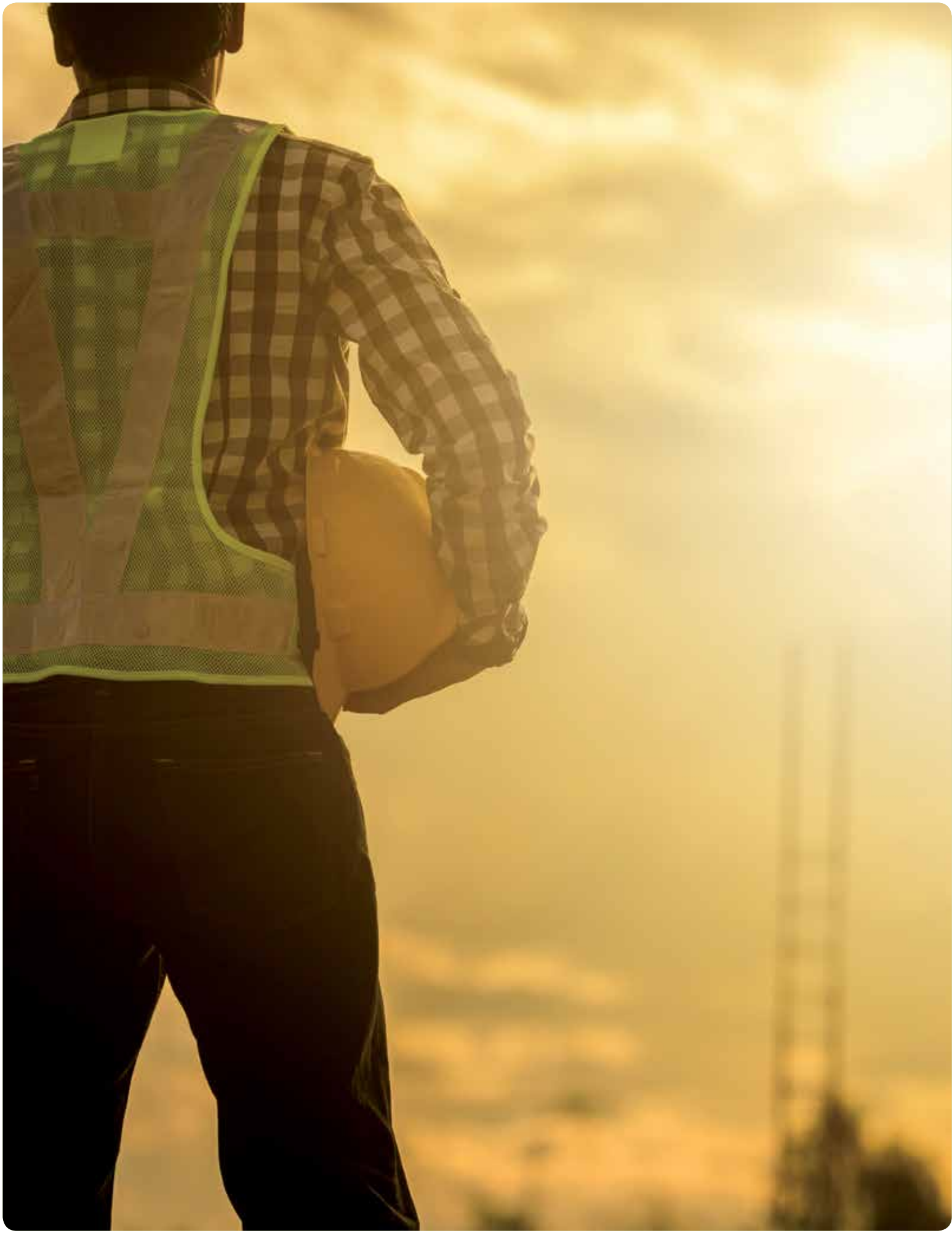
the full use of the established periods for maternity and paternity leave, and we have a 100% rate of return to work after these periods.

Working for the insertion of people with disabilities in the workforce

Regarding support for staff with disabilities, it must be pointed out that diverse Velatia companies have collaborated with **Lantegi Batuak** (a non-profit organization that aims to promote and achieve social and labour integration for people with disabilities) since 1986, creating jobs for over 100 people with disabilities in different production activities both nationally and internationally.

The turnover figures (€) in recent years reflect our commitment and high level of satisfaction with the work done.





Health and safety

COMMITMENT TO HEALTH & SAFETY

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

Corporate Social Responsibility Policy
- TO PROMOTE respect for people´s health & safety by preventing accidents, illnesses or damage to health.

Quality, Environmental and Health & Safety Policy
- TO ACHIEVE and MAINTAIN the internationally recognised certificates for hazard prevention systems.



Our certificates

OHSAS 18001 is the most important technical specification for the implementation and management of occupational risk prevention systems. It specifies the requirements for an occupational health and safety management system so that organisations can control occupational risks and hence improve their performance and results in this area.

Obtaining this certificate, which is entirely voluntary, shows that the company is pro-active in exceeding the legal requirements and achieving excellence in terms of health and safety at work. The certificate entails improve-

ments in all aspects related to the health and safety of the people in the organisation.

As a result of this commitment, we can say that at December 2016, several of our companies worldwide held this certificate:

OHSAS 18001		VALIDITY DATE
Ormazabal	Spain	Ormazabal Distribución Secundaria 2017
		Ormazabal Media Tensión 2018
	China	Ormazabal Beijing Switchgear 2018
		Ormazabal Zhuhai Switchgear 2017
		Ormazabal Kunshan Switchgear 2019
Ikusi	France	Ormapost 2019
	Spain	Ikusi 2017
		Ikusi-SIS 2017
		Ikusi Electronics 2017
	Colombia	Daxa Colombia 2018
Uniblok	Spain	Prefabricados Uniblok 2018

Our main indicators

Work-related Accidents

LABOUR ACCIDENTS	WITH LEAVE		WITHOUT LEAVE	
	2015	2016	2015	2016
Velatia	84	80	116	123
Ormazabal	66	51	64	78
Ikusi	6	4	11	5
Polsa	2	2	7	4
Uniblok	7	6	9	11
Wec	1	7	17	15
Tecnichapa	2	3	10	6
Tecnichapa Kunshan	N.A.	7	N.A.	0
Smarmec	N.A.	0	N.A.	4

Frequency Rate

This indicator expresses the number of work-related accidents with sick leave per million hours worked.

FREQUENCY INDEX	2015	2016
Velatia	20.6	16.1
Ormazabal	29.5	17.5
Ikusi	4.6	3.0
Polsa	24.5	18.9
Uniblok	48.5	42.5
Wec	7.8	51.9
Tecnichapa	11.6	22.1
Tecnichapa Kunshan	N.A.	49.0
Smarmec	N.A.	0.0

Absolute frequency rate

This indicator expresses the number of work-related accidents (with and without sick leave) per million hours worked.

ABSOLUTE FREQUENCY INDEX	2015	2016
Velatia	49.1	40.9
Ormazabal	58.0	44.1
Ikusi	13.0	6.8
Polsa	110.3	56.6
Uniblok	110.8	120.3
Wec	140.4	163.1
Tecnichapa	69.7	66.2
Tecnichapa Kunshan	N.A.	49.0
Smarmec	N.A.	70.4

Incidence rate

This indicator expresses the number of work-related accidents (with and without sick leave) for every thousand workers.

INCIDENCE INDEX	2015	2016
Velatia	7.1	5.9
Ormazabal	8.4	6.4
Ikusi	1.9	1.0
Polsa	16.0	8.2
Uniblok	16.1	17.4
Wec	20.4	23.6
Tecnichapa	10.1	9.6
Tecnichapa Kunshan	N.A.	10.2
Smarmec	N.A.	7.1

Severity rate

This indicator expresses the number of days missed due to a work-related accident per thousand hours worked.

SEVERITY INDEX	2015	2016
Velatia	0.31	0.28
Ormazabal	0.45	0.38
Ikusi	0.07	0.02
Polsa	0.31	0.14
Uniblok	0.91	0.36
Wec	0.04	0.79
Tecnichapa	0.03	0.18
Tecnichapa Kunshan	N.A.	0.37
Smarmec	N.A.	0.00

Working to increase safety

ORMAZABAL OCCUPATIONAL RISK PREVENTION MILESTONES	
2015	ODS: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001)
2015	ODP: New production lay-out that reduces excess effort
2015	IBERIA: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001)
2015	ASIA: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001) in OBS and OZS
2016	ODS: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001) without any "non-conformities"
2016	ODS: Action Plan as a result of the psychosocial risk assessment
2016	ODS: Improved SR results with respect to 2015
2016	ODP: consolidation of the KAIZEN methodology also for Occupational Risk Prevention incidents
2016	ODP: Improved FR and SR results with respect to 2015
2016	OP&A: Regular audits with 5S implemented
2016	Cotradis: Improved results of all the indicators with respect to 2015
2016	Cotradis: consolidation of the KAIZEN methodology also for Occupational Risk Prevention incidents
2016	IBERIA: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001) without any "non-conformities" in Spain
2016	LATAM: Establishing Occupational Risk Prevention management at subsidiaries in Mexico, Argentina and Brazil
2016	LATAM: OHSAS 18001 implementation projects in Mexico and Brazil
2016	EMEA : Obtained OHSAS 18001 certification in Ormapost
2016	EMEA: Improved FR, AFR and IR results in Ormapost
2016	ASIA: Obtained OHSAS 18001 certification in OKS
2016	ASIA: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001) in OBS and OZS
2016	ASIA: Passed Government Audits in OBS



IKUSI OCCUPATIONAL RISK PREVENTION MILESTONES	
2015	Spain: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001)
2015	Spain: Increased internal occupational risk prevention inspections at ISS and Ikusi Electronics
2015	Colombia: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001)
2016	Spain: Obtained OHSAS 18001 certification in Ikusi, S.L.U.
2016	Mexico: Obtained Socially Responsible Company Certification from the World Confederation of Businesses
2016	Colombia: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001)

OTHER OCCUPATIONAL RISK PREVENTION MILESTONES	
2015	Wec: Risk communications as a means to involve workers in Occupational Risk Prevention
2015	Tecnichapa: Improved FR, AFR, SR and IR results with respect to 2014
2015	Polsa: Improved AFR and IR results with respect to 2014
2015	Uniblok: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001)
2015	Uniblok: Improved AFR and IR results with respect to 2014
2016	Wec: Better ergonomics project
2016	Polsa: Improved FR, AFR, SR and IR results with respect to 2015
2016	Tecnichapa: Improved AFR and IR results with respect to 2015
2016	Uniblok: Improved FR and SR results with respect to 2015



Quality and service

COMMITMENT TO QUALITY AND SERVICE

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

Corporate Social Responsibility Policy

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

Quality,
Environmental and Health
& Safety Policy

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

Our certificates

Standard ISO 9001 specifies the requirements for a company's quality management system, including a strong customer focus, motivation and the involvement of top management, the approach based on processes and con-

tinuous improvement. At **Velatia**, we are convinced of its importance and true to our commitment, we have certified companies around the world:

ISO 9001		VALIDITY DATE	
Ormazabal	Spain	Ormazabal Cotradis	2018
		Ormazabal Distribución Primaria	2018
		Ormazabal Distribución Secundaria	2017
		Ormazabal Media Tensión	2018
		Ormazabal Protection & Automation	2018
		Ormazabal Corporate Technology (*)	2017
	Germany	Ormazabal Anlagentechnik	2018
		Ormazabal Vertrieb Deutschland	2018
	China	Ormazabal Beijing Switchgear	2018
		Ormazabal Zhuhai Switchgear	2017
		Ormazabal Kunshan Switchgear	2017
	Turkey	Ormazabal Electromekanik	2018
	Poland	Ormazabal Polska	2019
	France	Ormapost	2017
	Brazil	Ormazabal do Brasil,	2017
Mexico	Ormazabal México	2018	
Ikusi	Spain	Ikusi	2017
		Ikusi-SIS	2017
		Ikusi Electronics	2017
	Mexico	Ikusi Mexico	2018
		Micronet	2018
	Colombia	Daxa Colombia	2018
Polisa	Spain	Aislantes Solidos	2018
Uniblok	Spain	Prefabricados Uniblok	2018
Wec	Spain	Wallair Engine Components	2018
Tecnichapa	Spain	Tecnichapa	2018

(*) IEC 17025 accreditation

Standardising criteria for the segmentation of customers and markets

In order to focus on those markets and those customers to which **Velatia** companies can supply more attractive products and services, **Ormazabal** and **Ikusi** have launched initiatives that aim to segment customers and markets and also to identify those customers who are key for the business.

To do so, **Ormazabal** defined and unified its strategic market segments in the Strategic Plan 2015-2017 and has proceeded to identify its key customers.

Ikusi has carried out the segmentation of its customers and markets within the scope of its Strategic Plan corresponding to its businesses.

Developing the relations map with key customers

As a result of learning from the experience of other organisations, particularly **Ikusi** with its CRM commercial management tool, **Ormazabal** has launched its own and has been working on the creation of the organisation chart of its five Global Key Accounts (GKA) in terms of companies and people. This will help to define the communication plan and the relations map with these customers bearing in mind their reality.

Work has also been carried out on the launch and fostering of specific actions that will help towards the objective of increasing knowledge of our key customers and their needs. In this respect, specific technical seminars were held with customers throughout 2015 and 2016, providing access to their different areas and "Supplier Open Days" were also held. In order to improve our efficiency, specific tools were used within the Key Account Teams (GKA) throughout 2016, measuring our performance in the fulfilment of the

strategic objectives agreed for them, providing evidence of the good performance of these teams at the end of the year, particularly in the renewable segment.

In its ISS business, **Ikusi** has established criteria for the classification of accounts in accordance with an account management model. The criteria has been applied, the map of key/target accounts has been obtained for which an account service group is configured, led by an AM (Account Manager). Account monitoring is carried out monthly at the commercial committee meetings, which establish the daily tasks of the group led by the AM in order to fulfil the objectives.

Improving customer satisfaction

As in previous years, **Ormazabal** has continued to gain a better understanding of the needs and expectations of its customers over the past two years through customer satisfaction surveys. We use them to measure specific aspects that help us detect what our response is to the needs expressed by our customers, and which areas for improvement require further work. These aspects include the treatment they receive from our staff, meeting deadlines, efficiency, the quality of our products and services, troubleshooting and technical assistance.

In recent years, these **Ormazabal** customer surveys have been conducted in diverse countries, such as Spain, France, Germany, China and Poland, where there is not only commercial presence but also our own industrial activity.

On a general level, **Ikusi** has worked hard and evolved from a system of measurement at the project close to a system of measurement of key accounts (commercial / decision-making level) and to representative projects carried out (technical / execution level). Therefore, customer surveys have been conducted in the ISS, Remote Control and Networks businesses with favourable results.

Wec, **Polsa** and **Tecnichapa** conduct surveys of leading customers either annually or bi-annually. It must be highlighted that the **Tecnichapa** surveys include an open section in which the customer can specify all kinds of comments. After each survey, a meeting is held with the customer to analyse the results obtained.

Increased quality of service for our customers

Within **Ormazabal's** history spanning almost 50 years, our customers have been and remain one of our biggest stimuli, to continue working in order to better meet their needs each day.

Therefore, in order to improve the service to our customers in those countries in which **Velatia** itself is not present, we use distributors. In recent years, both **Ormazabal** and **Ikusi** have pursued initiatives to improve relations and service to the distributor.

As a result of this, we can highlight that **Ormazabal** has updated its database of international distributors and has

issued a communication in order to update their knowledge of our products and services.

In parallel and within the framework of the CRM strategic project, a dynamic has been established to keep this information updated and certain distributors are trained in **Ormazabal** products each year.

At **Ikusi** Telecontrol, we have been developing the relationship with certain distributors in the United States in line with the constitution of **Ikusi** USA.

Getting closer to the customer

MILESTONES FOR ORMAZABAL CUSTOMERS	
2015	SP Energy Networks chooses Ormazabal reliability
2015	Ormazabal technology reaches the highest point in Mexico on the BBVA Bancomer Tower
2015	With the leading wind power projects in Latin America
2015	Turning towards solar power in the United Kingdom
2015	Ormazabal and Vestas move in synch
2016	The Bosch Advanced Research and Development Centre is illuminated with Ormazabal equipment
2016	Ormazabal at the Rafa Nadal Academy
2016	The Guadalajara light train moves with Ormazabal
2016	Ormazabal in the highest hotel in Latin America
2016	In the Oyala Twin Towers, Equatorial Guinea
2016	Over 100 pieces of equipment for renewable energy in USA
2016	First offshore wind farm in China
2016	At the hydroelectric power station on River Escondido in Argentina



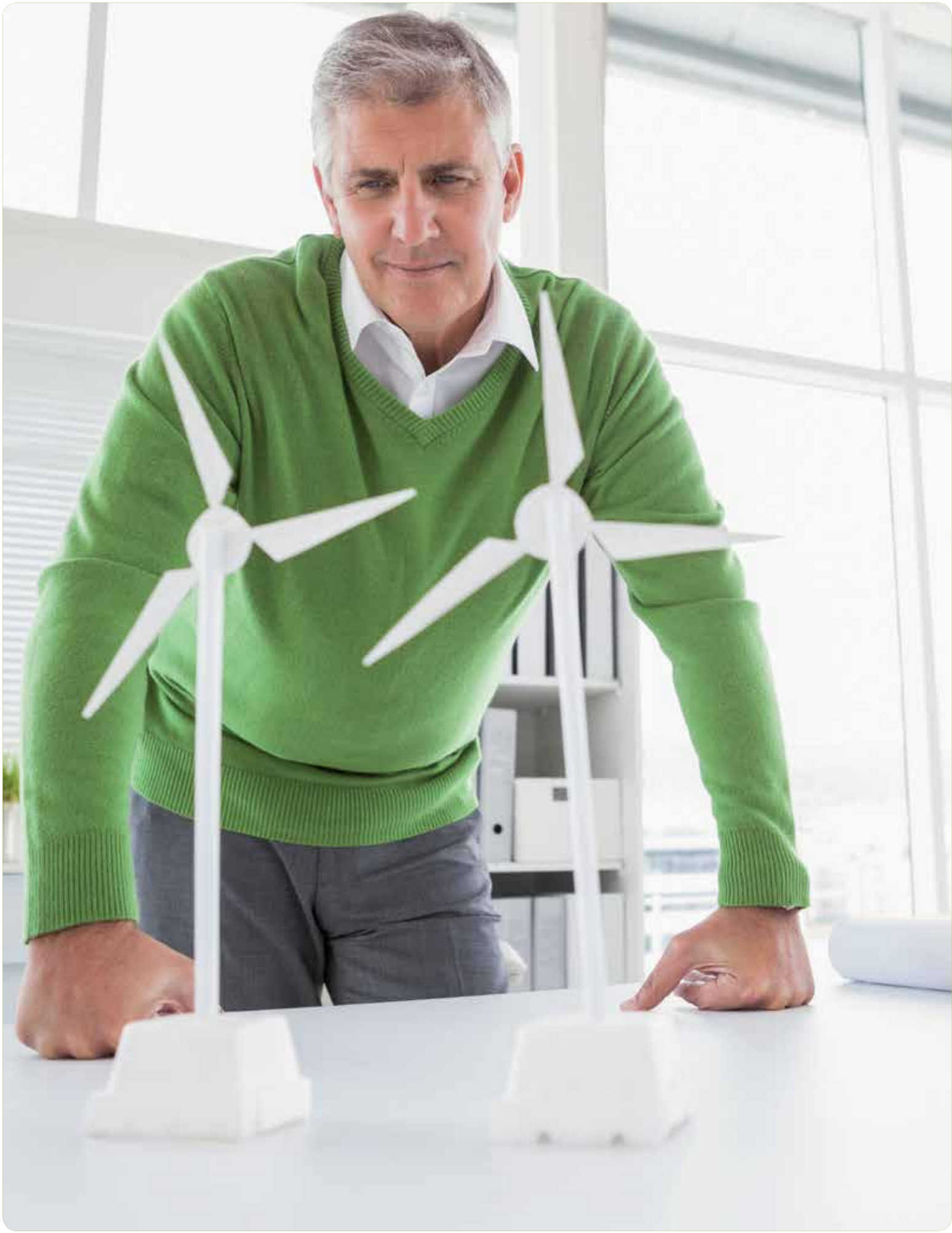
MILESTONES FOR IKUSI CUSTOMERS

2015	Smart networks project for the Mexican Federal Electricity Commission
2015	Ikusi and Pepsico extend their collaboration
2015	Increasing the efficiency of the Mexican tax authority
2015	Televisa trusts in Ikusi to increase its competitive advantage
2015	Megacable, one of the leading operators in Mexico, chooses Ikusi
2015	Ikusi accompanies the Modelo Group in its growth strategy
2015	Ikusi distributes the television signal for the European Games in Baku
2015	Airport solutions reach cruising level
2015	The new subsidiary in the United States takes off
2015	Madrid-Barajas T4 chooses the Ikusi information solution
2016	Ikusi continues its deployment at national and international airports
2016	Ikusi and iZZi grow together
2016	Voice and data network for the corporate offices of Banorte in the KOI Tower in Monterrey
2016	New digitalisation development for Sky Italia
2016	Line 1 of the Guadalajara Light Rail train (Mexico) connected with the Ikusi loudspeaker and CCTV system
2016	Opening of the revamped operations centre in Mexico
2016	Integration of the Kansas City Southern security systems
2016	Strategic alliance with Effer, world reference in truck mounted cranes

OTHER MILESTONES FOR CUSTOMERS

2015	Wec: Long distance contract with ITP
2015	Knock: Rapid Deployment Systems advance in Saudi Arabia
2015	Knock: Vodafone and Telefónica protect their fibre optic with Knock solutions
2015	Stratenergy: EMS project for Desigual fashion company
2015	Stratenergy: EMS project for OHL Ingesan
2015	Tecnichapa: with Sener in the world's largest thermosolar plant
2015	Tecnichapa: Production begins in China for the new HP printer
2016	Wec: Manufacturing for the new General Electric and Safran engines
2016	Smarmec: supply of solar receptor panels for the Sener plant in Morocco
2016	Smarmec: new collaboration with HP for its new large format printer
2016	Stratenergy: new experience in the telecommunications sector
2016	Stratenergy: leading an ambitious energy efficiency project in the Basque Country





Innovation

COMMITMENT TO INNOVATION

TO MAINTAIN a high level of customer service, increasing the quality of this service, the flexibility and the guarantee of supply.	Corporate Social Responsibility Policy
TO PROMOTE innovation and continuous improvement through excellence criteria.	Quality, Environmental and Health & Safety Policy

From the very beginning, innovation has been part of our DNA. We must be a technological benchmark in the markets in which we are present, for our customers and for society. We think that our own technology and research is a fundamental strategic activity to face the challenges of tomorrow. We therefore spend a substantial part of our resources on the development of R&D&I projects in all our business lines.

Therefore, in order to be at the technological forefront, we participate with the leading European industrial and technological players in research projects to face the challenges of the development of our planet.

Our main milestones in technological innovation



We want to be a reference, particularly due to the high level of innovation applied to each project. This is translated into the search for competitive and differentiated solutions that satisfy the needs of our customers in priority areas, such as electrical networks and Smart Grids, electronics, information technologies and communications.

Through the different projects and with the reference framework of our Velatia Strategic Technological Plan (VSTP), the organisation has implemented initiatives throughout 2015 and 2016 which have enabled us to reach different milestones in the field of commitment to technological innovation.

ORMAZABAL TECHNOLOGICAL MILESTONES	
2015	OPTIMUS Project: diagnosis of electrical distribution networks
2015	MVS Project: Medium voltage sensors
2015	GRID4EU Project: Smart electrical networks
2015	New vacuum bottle: Vacuum electrical cutting
2015	MEAN4SG Project: Promotion of experts in metrology of smart networks
2016	ERIGRID Project: Development of technologies for the deployment of proposals, solutions and concepts of smart networks
2016	MONICA Project: Advanced monitoring and control of distribution networks
2016	AMI4UDEX Project: Environment for testing technologies for smart metering and communication
2016	SMARTTRAFO Project: Transformer with smart regulation

IKUSI TECHNOLOGICAL MILESTONES	
2015	Smart networks project for the Mexican Federal Electricity Commission
2015	Spider Smart City Platform: Transformation of data to information with Business Intelligence tools
2015	Ikusi Flow Platform: Management of contents designed for the hospitality sector
2015	Dolphin Solution: Integration of systems and services for the airport sector
2016	Spider Smart Cities: Urban management for the government of city subsystems
2016	Ikusi Flow Header: Device Manager for the hospitality sector

OTHER TECHNOLOGICAL MILESTONES	
2015	Uniblok: Industrial adaptation and manufacture of the first pilot of an industrialised home
2015	Tecnichapa: CMT welding technology
2016	Smarmec: New company specialised in smart engineering and mechatronics
2016	Homm: Launch of the prefabricated concrete housing business
2016	Wec: Implementation of the Advanced Manufacturing Centre in the aeronautical sector
2016	Wec: Signing of a technological collaboration agreement

Integrated Technological Innovation Management System

This commitment to innovation has obtained diverse awards from customers and different entities, such as the Cisco Award for the Best Partner in Latin America and Mexico for Ikusi, the award granted to **Ormazabal** by the Polish Power Transmission and Distribution Association (PTPIREE) for innovation in its products, or the "Outstanding Innovation and Design" Award granted to **Homm** by the Expansión newspaper, among other examples.

These recognitions consolidate us in our innovation goal: the development of new technologies that make sustainable development possible and lead to improvements in the life quality of people.

As a result of our permanent commitment to innovation and supported by the Integrated Technological Innovation Management System (SIGIT), **Velatia** has monitored the leading indicators that enable the deployment of its technological strategy throughout the organisation in 2015 and 2016.

R&D&I Employees (People)	2015	2016
Velatia	182	171
Ormazabal	100	96
Ikusi	63	62
Diversification	19	13

Turnover in New Products (Mil €)	2015	2016
Velatia	153,161	131,551
Ormazabal	96,574	86,924
Ikusi	37,308	31,413
Diversification	19,279	13,214

Patents and Industrial Property Records	2015	2016
Velatia	358	278
Ormazabal	325	248
Ikusi	25	23
Diversification	8	7

R&D&I Expenses (Mil €)	2015	2016
Velatia	24,558	24,367
Ormazabal	15,925	14,723
Ikusi	7,548	6,264
Diversification	895	3,571

Patent Applications	2015	2016
Velatia	7	10
Ormazabal	4	9
Ikusi	3	1

Industrial Property Average Age (Years)	2015	2016
Velatia	8.7	9.1
Ormazabal	8.8	9.2
Ikusi	6.7	6.2
Diversification	9.3	9.8

In this way, information related to the workforce, R&D expenditure, investment and funding, new products launched on the market, patents and industrial property is available, not only enabling us to analyse trends in the results obtained but also to establish actions that help the future technological challenges to be fulfilled effectively and efficiently.



Ormazabal in the Basque Science, Technology and Innovation Network

Ormazabal Corporate Technology (OCT) is an agent of the Basque Science, Technology and Innovation Network (RVCTI) within the category of R&D Business Units. OCT joined the RVCTI in 2005 and was accredited in 2016 in accordance with Decree 109/2015 on the restructuring of the RVCTI.

This accreditation enables OCT to continue holding a significant position within the set of agents that foster technological innovation in the Basque Country.

Thanks to the annual report of the RVCTI Scorecard indicators and the analysis carried out by the RVCTI of the R&D Business Units, OCT is aware of its position, in comparison with the set of these R&D Business Units in terms of specialisation, excellence and position in the R&D&I value chain.

Complementarily, OCT has performed benchmarking exercises with other RVCTI agents, in order to compare good management practices that have led not only to mutual learning but also the strengthening of ties between similar organisations in the field of technological innovation.

Promoting R&D&I with technological allies

At **Velatia**, we give a central role to joint creativity. Joining capacities as a way of understanding innovation, which can be summed up in a single concept: co-creating.

Therefore, joint creativity is understood at an internal level and in collaboration with external agents from sectors in which our companies operate.

As a result of this approach, **Ormazabal**, in conjunction with Artech and Ingeteam, have been participating together in a project for the Provincial Council of Bizkaia. This project aims to create a smart electric micro-network.

It is an installation equipped with its own electricity generation, power supply and distribution systems, as well as a connection to the main network to dump excess energy and have an alternative power supply, if required.

The initiative aims to lay the bases for the future Energy Intelligence Centre and also includes the collaboration of the electricity company, Iberdrola.

Board of the Tecnalia Foundation

Between 2015 and 2016, **Velatia** continued to be a trustee of the Tecnalia Research Centre and Javier Ormazabal Echevarria was the Chairman of Tecnalia until June 2016.

Tecnalia is the leading private Applied Research and Technological Development Centre in Spain and one of the most important centres in Europe, with 1,400 experts from over 30 different nationalities focusing on transforming technology into GDP to improve the quality of life for people, by creating business opportunities for companies.

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



Responsibility for our products

It must be pointed out that at **Velatia**, safety and environment aspects are covered by the regulations and laws applicable to our products. In this respect, our products fulfil the applicable regulations in the region in which they are installed, as well as the specifications of the customers who buy them.

The products also comply with national regulations where they exist. Specifically, in the European case with the existence of directives and regulations, the legislative elements that may apply to products are carefully monitored so as to ensure that the defined specifications and requirements are fulfilled.

In the case of **Ormazabal**, there is an internal forum that meets twice a year, where the regulatory and legislative developments that affect our products are analysed, and in which the Marketing and Engineering technical directors are involved.

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

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

Our suppliers

COMMITMENT TO OUR SUPPLIERS

TO EXTEND the social, environmental and occupational risk prevention aspects to our suppliers. Corporate Social Responsibility Policy

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

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

In order to carry out the commitments acquired, it is necessary to consider the entire supply chain; especially considering that the company's purchasing volume is a high percentage of the total turnover of the organisation.

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

As the main advances in 2015 and 2016, **Velatia** has continued consolidating and optimising relations with its suppliers. It has reinforced its commitment with local suppliers and has introduced sustainability criteria in the search and selection of new suppliers, in order to extend its own commitments to the entire supply chain.

Consolidating and optimising relations with our suppliers

As a result of the reflection carried out by the corporate function, the need for the development of the **Ormazabal** "Suppliers Forum" was identified, whereby its first edition was held in October 2015, in accordance with a previously defined methodology and which was called the "Ormazabal Purchasing Conference".

40 strategic international suppliers from the Spanish Business Units participated in this Conference, whose most representa-

tive act was held at the **Ormazabal** Research and Technology Centre. Its main objective was to establish a meeting space to transmit the **Ormazabal** strategy for the forthcoming years to suppliers and what **Ormazabal** expects from them to fulfil this strategy.



Commitment to local suppliers

At **Velatia**, we understand that our influence on the local economy goes beyond the generation of direct jobs and the payment of salaries and taxes, indirectly generating positive economic impact, supporting local firms through its supplier chain.

% PURCHASE VOLUME FROM LOCAL SUPPLIERS		2015	2016
Ormazabal	Spain	79.5%	75.3%
	France	76%	77%
	Germany	49%	53%
	China	100%	93%
Ikusi	Spain	88%	87%
Wec	Spain	49.40%	47.80%
Uniblok	Spain	93.09%	69.78%
Smarmec	Spain	N.A.	99%

Therefore, we maintain the commitment acquired to companies located in the main geographical areas in which **Velatia** operates. This commitment takes on greater relevance in those organisations with production plants in different geographical areas.

Therefore, the volume of purchases associated with each geographical area is regularly monitored, enabling the organisation to consolidate the percentage of local suppliers in a relevant percentage range.

Integration of sustainability criteria in the selection of new suppliers

Velatia organisations have been developing purchasing management processes that give real value to their own businesses and those of their suppliers, ensuring the results and fostering adaptation to the local environment, hence promoting the creation of wealth and jobs wherever it operates.

To do so, during 2015-2016, some sustainability criteria were included in the selection of suppliers, such as human rights, social repercussion and the minimisation of the environmental impact.

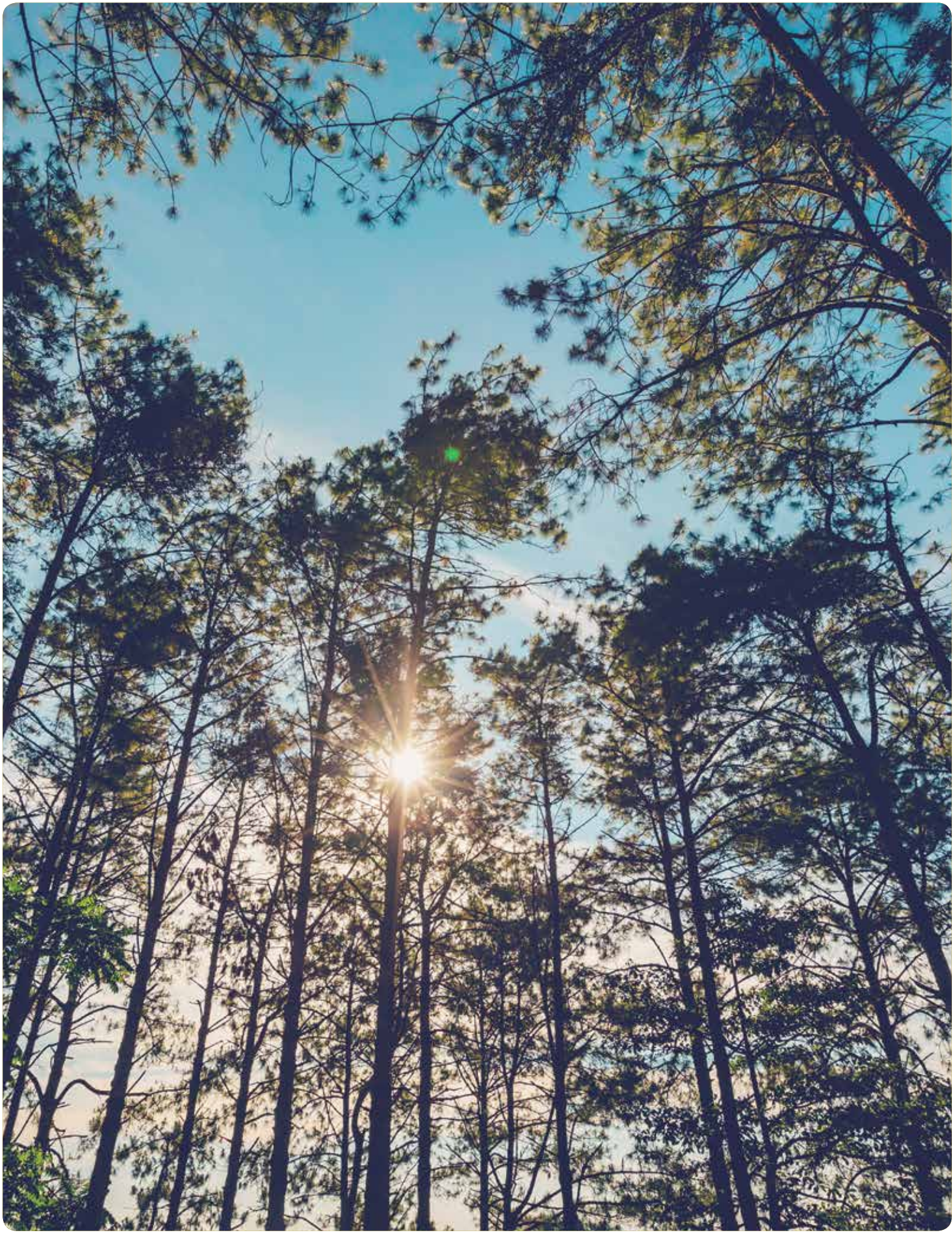
% NEW SUPPLIERS TESTED ACCORDING TO HUMAN RIGHT CRITERIA	2015	2016
Ormazabal	100%	100%
Ikusi	100%	100%
Wec	100%	100%

As a company that fosters responsible management in its supply chain, the Velatia organisations have started to transmit the commitments assumed and promoted by the United Nations Global Compact or the Anti-Child Exploitation Code to the companies that wish to work with it.

% NEW SUPPLIERS TESTED ACCORDING TO SOCIAL IMPACT	2015	2016
Ormazabal	100%	100%

Furthermore, alignment of the corporate purchasing function with each operating department has enabled the best evaluation criteria to be identified and applied in each procurement or purchasing process, staying at the forefront in terms of sustainability criteria, environmental assessment and human rights.

% NEW SUPPLIERS TESTED ACCORDING TO ENVIRONMENTAL CRITERIA	2015	2016
Ormazabal	100%	100%
Wec	18%	19%



Environment

COMMITMENT TO THE ENVIRONMENT

TO ENCOURAGE initiatives that reduce the environmental impact arising from the activity of Velatia.	Corporate Social Responsibility Policy
TO PROMOTE and INTEGRATE an environmentally friendly culture.	
TO PROMOTE environmental protection by preventing pollution.	Quality, Environmental and Health & Safety Policy
TO ACHIEVE and MAINTAIN the internationally recognised certificates for environmental systems.	



Our certificates

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

in nature, it demonstrates the pro-activity of the company in exceeding the legal requirements and achieving levels of excellence in environmental matters.

At **Velatia**, our constant concern for the environment has enabled different organisations to obtain UNE-EN ISO 14001 certification over the years:

ISO 14001		Validity Date
Ormazabal	Spain	Ormazabal Cotradis
		Ormazabal Distribución Primaria
		Ormazabal Distribución Secundaria
		Ormazabal Media Tensión
	Germany	Ormazabal Anlagentechnik
		Ormazabal Vertrieb Deutschland
	China	Ormazabal Beijing Switchgear
		Ormazabal Zhuhai Switchgear
		Ormazabal Kunshan Switchgear
	Poland	Ormazabal Polska
Ikusi	Spain	Ikusi
		Ikusi-SIS
		Ikusi Electronics
	Colombia	Daxa Colombia
Wec	Spain	Wallair Engine Componets
Polsa	Spain	Aislantes Solidos
Uniblok	Spain	Prefabricados Uniblok

Our main environmental management indicators

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

Energy Consumption

The energy consumption reduction data for each year compared to the previous year is presented below:

REDUCTION IN ELECTRICAL POWER CONSUMPTION	2015	2016
Ormazabal	-6,0%	0,1%
Ikusi	1,6%	-1,0%
Polsa	-41,0%	---
Uniblok	-7,3%	-36,9%
Wec	-2,0%	-7,0%

During 2015, **Ikusi** established the reduction of electrical energy consumption at Ikusi Electronics so a multi-disciplinary team was set up in order to analyse the reasons behind the highest consumption levels, carrying out a study of efficient consumption on the machines with the highest consumption. Furthermore, individual meters were installed for each line, in order to monitor consumption more accurately, fluorescent lighting at the new production plant was replaced with eco-friendly fluorescent lighting and communication was issued raising awareness of good practices in the shutdown of machines.

Ormazabal has been systematically working on the optimisation of energy consumption, through energy studies at its leading organisations in Spain. As a result of these studies, different initiatives have been implemented at Ormazabal Primary Distribution, Ormazabal Secondary Distribution, Ormazabal Medium Voltage and Ormazabal Protection & Automation, among which the implementation of technological change to led lighting at the work centres of these organisations can be highlighted.

Direct and indirect emissions of greenhouse gases

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

CO2 direct emissions reduction data for each year with respect to the previous years is shown below:

REDUCTION IN DIRECT EMISSION	2015	2016
Ormazabal	-66.8%	-10.4%
Uniblok	3.5%	5.2%

The emission factors for calculating CO2 equivalent derive from estimates by the IPCC for Global Warming Potential (GWP) over 100 years, as explained at: http://unfccc.int/ghg_data/items/3825.php.

As a result of a resolution by the Basque Government, Ikusi does not carry out regular controls of emissions to

the atmosphere as its activity is not considered to be potentially polluting.

As for indirect emissions, we consider electrical consumption of the installations.

Treatment of the waste generated

Over these years, the reduction of the waste generated is shown below:

HAZARDOUS WASTE	RECOVERY		DISPOSAL		REUSE		LANDFILL	
	2015	2016	2015	2016	2015	2016	2015	2016
Ormazabal	29%	-15%	-41%	-100%	100%	--	0%	0%
Uniblok	62%	-41%	-99%	53%	0%	0%	0%	0%

NON-HAZARDOUS WASTE	RECOVERY		DISPOSAL		REUSE		LANDFILL	
	2015	2016	2015	2016	2015	2016	2015	2016
Ormazabal	1%	-11%	0%	0%	-12%	-5%	-38%	-13%
Uniblok	15%	51%	0%	0%	0%	--	96%	-10%

Complementarily, **Ikusi** reduced the waste generated in 2015 by 23.2%, whilst we can highlight the initiatives implemented in 2016 for the optimisation of paper consumption, leading to a reduction of 6%.

In compliance with RD 110/2015 on waste from electric and electronic equipment (EEE), all of the products from the diffe-

rent **Ikusi** business units that fall into the field of application were reviewed. Therefore, for EEE, we have adhered to an Integrated Management System (IMS) in which we declare the EEE that are put on the market so as to manage the waste that the products become at the end of their useful life.



Our products and the Environment

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

Under this initiative, between 2015 and 2016, **Ormazabal** became the first Basque company to have Environmental Product Declarations (EPDs) under the French PEP Eco Passport system.

As public documents, the Environmental Product Declarations (EPDs) compile the information and the results of the Life Cycle Analysis (LCA) of the products, carried out in accordance with some specific rules (PCR, product category rules), to show the environmental impact of the product and they serve as an instrument for transparency and environmental comparison between products.

In our case, the EPDs have been issued for **Ormazabal's cgmcosmos-2lp** and **cgm.3-2lp** products, both of which are references in electric switchgear for medium voltage electricity distribution networks.

Registration number: ORMA-00001-V01.01-EN	Drafting Rules: PCR-ed-EN-2015 04 02 Supplemented by: PSR0005-ed1-EN-2012_12_11	
Verifier accreditation number: VH18	Information and reference documents: www.pep-ecopassport.org	
Date of issue: 02-2016	Validity period: 5 years	
Independent verification of the declaration and data, in compliance with ISO 14025: 2010		
Internal: <input type="radio"/> External: <input checked="" type="radio"/>		
The PCR review was conducted by a panel os experts chaired by Phillippe Osset (SOLINNEN)		
The elements of the present PEP cannot be compared with elements from another program		
Document in compliance with ISO 14025:2010 "Environmental labels and declarations. Type III environmental declarations"		

OTHER ENVIRONMENTAL MILESTONES

2015	Change from diesel to natural gas for the heating and ACS system at Cotradis
2015	Change from butane forklifts to electric forklifts at Cotradis
2015	Gradual replacement of products considered to be hazardous for non-hazardous ones (mainly paints used in the finish of concrete enclosures) at Uniblok
2016	Participation of Ormazabal in the "Climate Change in the Competitiveness of Basque Firms" working group, promoted by CONFEBASK and the Basque Government
2016	Collaboration of Ormazabal in the review of the IHOBE Environmental Monitoring Guide
2016	Ormazabal attended the United Nations conference on Climate Change in Paris

Society

COMMITMENT TO SOCIETY

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

Corporate Social Responsibility Policy

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

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

Social Action Policy

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

Advancing in the management of Social Action

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

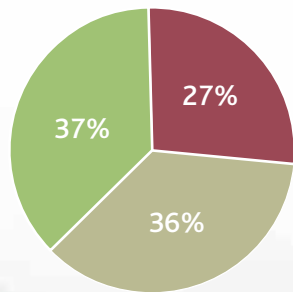
In this regard we are pleased to mention our "Social Action Policy", in which we stated that our objective in this field is to contribute to the development of the society in which **Velatia** operates and/or maintains trade relations, driving innovation in search of a better quality of life for that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

In line with this, we also have the "Social Action Management Process", which allows us to effectively manage contributions to the **Velatia** community, minimising risks and maximising reputational opportunities that these contributions may involve in accordance our policy and outlining the areas in which **Velatia** will focus its contributions:

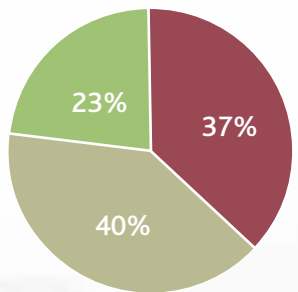
- Social Area:
 - Training and Research: Activities and projects for education and training of people and for social progress through education and research.
 - Social integration and community development: Activities and projects aimed at community progress which promotes the integration and advancement of disadvantaged social groups.
- Cultural Area: Programmes or partnerships aimed at promoting and developing the arts, which will in particular allow access to the visual, performing and/or musical arts for the society in which **Velatia** operates.
- Environmental Area: Environmental projects or activities aimed at preserving the environment in which **Velatia** operates.

Therefore, the contributions made over these years have been distributed as follows:

Social Action 2015



Social Action 2016



● Social ● Cultural ● Environmental

Our main donations and sponsorships

Social Area



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

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

But in order to align our work with our "Social Action Policy" and because Training is one of our main focuses, during 2013 we focused our collaboration on UNICEF by supporting a specific project: 'Schools for Africa', focussing our support on South Africa (where **Ormazabal** has a Sales Office for Africa).

This Unicef and Nelson Mandela Foundation initiative offers children the opportunity to access education and dream of a better future. The approach taken at these schools guarantees children the right to enjoy safe and protective schools, to have access to drinking water, facilities to wash their hands, etc.

At these schools, children also learn about hygiene and how to protect themselves and their families against infectious diseases.

Furthermore, over these two years, **Velatia's** collaboration with Unicef can be highlighted, supporting children in the emergency appeals as a result of the natural catastrophes that have occurred.

In 2015, we launched a campaign through the Corporate Social Responsibility area, aimed at the entire **Velatia** workforce worldwide, following the earthquake that measured 7.9 degrees on the Richter Scale and which devastated Nepal, leaving over 3 million children at serious risk of suffering diseases due to homelessness, a lack of drinking water, etc. with the aim of obtaining aid to send essential emergency supplies.

In 2016, we increased our direct collaboration by launching a campaign to all of our employees in Spain, calling on them to respond to the Unicef emergency appeal following the earthquake measuring 7.9 degrees on the Richter Scale and which devastated Ecuador.

In this case, we informed our employees that their contribution would be doubled: "For each € donated by you, **Velatia** will donate another €, doubling efforts in search of a common cause: To help children in Ecuador".

We informed all the employees of the results and the total amount raised, which was € 6,730.





Having identified with the Foundation's mission of accompanying young people in the process of professional and social integration for more than 7 years, we have worked not only on the integration of young people into our company but also sponsoring the "Award for excellence in the professional integration of young people" which seeks to highlight the commitment and actions of people, companies and institutions which stand out for their efforts and history in this field.

We have refocused our collaboration, supporting the Pegasus Project – "International Campaign for the Declaration of the Youth Employment Decade"

The International Campaign for the Declaration of the Youth Employment Decade is a public-private cooperation initiative that began in June 2013 by the Novia Salcedo Foundation and an Advisory Committee for Spanish public-private, which aim to generate an international movement for reflection, thought, debate and action which provides ideas, contents and solutions to the situation of unemployment or undignified employment suffered by hundreds of millions of young people in hundreds of places around the world.

The final purpose of this Campaign is for the General Assembly of the United Nations to declare the Youth Employment Decade as an opportunity and driving force for the economic and social transformation of the organisations and countries, as well as a tool to deploy and achieve the 8th objective of the Sustainable Development Objectives "Foster sustained, inclusive and sustainable economic growth, full and productive employment and a dignified job for all".

Cultural Area

GUGGENHEIM BILBAO

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

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



Bilboko Koral Elkarte
Sociedad Coral de Bilbao

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

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

Our main collaborations



In 2001, we signed a collaboration agreement with the University Engineering School of Bilbao to create a Company Classroom.

Through this collaboration, **Velatia** aims to:

- Recruit potential students after the training and the development of projects in areas of interest for **Velatia**.
In this respect, it must be pointed out that of the five students who started doing a project in the Classroom in the 2015 – 2016 academic year, four of them ended up joining **Ormazábal**.
- Disseminate the image of **Velatia** in the School by raising awareness of the company among students of the Engineering School and increasing the prestige of **Velatia** therein as a benchmark company in the technological field.

Regarding this second objective, over the past two years we have carried out various communication activities directly related to the Classroom:

- Participation in the presentation of company classrooms at the School.
- Participation in the School's newsletter, reporting on progress and projects developed in the Classroom itself.



The Ormazabal Classroom at the Polytechnic School at Mondragon University was opened in 2007. It specialises in power electronics, protection and automation and communications for the medium voltage network. It aims to train through the development of projects by final year undergraduates in disciplines of interest to the company.

The work carried out by the students is led by the lecturers, whilst the tutors who are appointed by the company for each project oversee their work in the classroom.



The Ormazabal Classroom at the Madrid Polytechnic-University School of Engineering and Industrial Design opened in 2006 and has a dual purpose: teaching and research, in order to train future engineers about transformation centres (types, components, manoeuvres, safety enclosures, etc.), practical simulation of different faults that may arise at these facilities and the study and understanding of the protection associated with transformation centres.



The collaboration agreement with Deusto Business School can be highlighted, covering different areas such as training, access to talent and other services.

This agreement offers preferential conditions to access programmes, executive masters' degrees and in-company training offered by Deusto Business School, while we can participate with the Business School in the design and implementation of training programmes or joint research, as well as in certain subjects, seminars or workshops, so that we are able to transmit our own professional experiences to students and foster national and international work placement agreements with Deusto Business School.

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



The technology and industrial company, **Velatia**, and TECNUN - Navarra University Engineering School in Donostia/San Sebastian have entered into a collaboration agreement with the aim of increasing the knowledge acquired by students through work placements in the different companies of the Group.

The agreement was signed today by the President of **Velatia**, Javier Ormazabal and the director of Tecnun, Raúl Antón, at the technological campus of the academic centre. They both consolidate their commitment to promoting the relationship between the university and the company, and succeed in bringing together both agents, which will lead to better prepared professionals and more competitive companies.

Thanks to this agreement, students will have the opportunity to be accompanied by **Velatia** professionals, who will help them put their studies into practice. Furthermore, the students will be able to visit Velatia's installations and production plants so that they can learn how the group functions firsthand.

Likewise, in accordance with its possibilities, **Velatia** will incorporate Tecnun students on placements and final projects to foster their practical training and the acquisition of new skills.



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

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

Euskampus Fundazioa works in several areas:

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

Sharing our knowledge

At **Velatia**, we consider that both the time devoted by the Presidency to attending acts of representation at Associations, Foundations and Governmental Institutions, such as those attended by the President and by members of the **Velatia**, **Ormazabal**, **Ikusi** and Diversification Management Committees in the capacity of speakers at diverse organised events, are of great value to society due to:

- Their driving force in economic and social development.
- The contribution of value in terms of knowledge and experiences and support to the organisers.

It must be highlighted that we have dedicated over 500 senior management hours to this type of actions.





Parameters of the report

Scope and coverage of the report

Following the publication of the first Sustainability Report in 2012, we have continued working with the aim of providing reliable, complete and quality information on our progress in this area, developing the current report to cover the years 2015 and 2016 as the publication of our reports is on a biennial basis.

To develop the contents of this report we have followed the GRI (Global Reporting Initiative) principles and guidelines in its G4 version, according to the “essential option” of conformity with the guide. In this respect, we declare our wish to progress in development of the report and its level of fulfilment, subject to verification by external entities.

To determine the contents of this report, the Corporate Social Responsibility area has analysed the following points:

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

- GRI Indicators and the information available for these two reporting years.

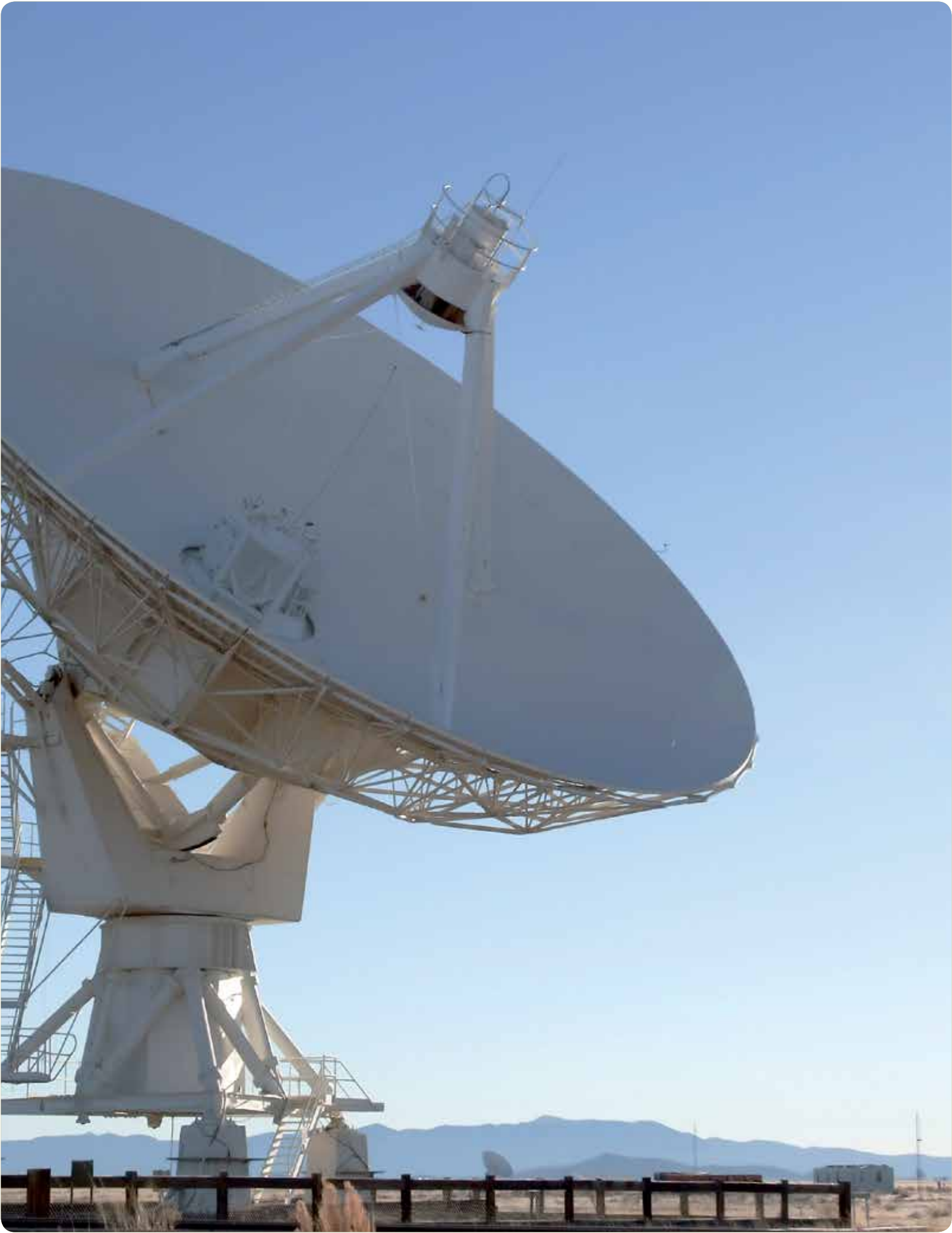
With all this, we have defined the optimal set of specific standard disclosures to be reported.

Regarding stakeholders, we have considered the segmentation of those defined in the materiality analysis carried out, focusing the Corporate Responsibility Report mainly towards employees and customers as recipients.

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

Corporate Social Responsibility Area:

corporate.social.responsibility@velatia.com



Index and GRI indicators

PART I: GENERAL STANDARD DISCLOSURES		
GRI INDICATOR	DESCRIPTION	PAGE
STRATEGY AND ANALYSIS		
G4-1	Statement from the organisation's most senior decision-maker	7
ORGANISATION PROFILE		
G4-3	Name of the organisation	11
G4-4	Primary brands, products and services	14-15
G4-5	Headquarters	11
G4-6	Countries where there are relevant operations	14-15
G4-7	Nature of ownership and legal form	11
G4-8	Markets served	14-15
G4-9	Main indicators	17
G4-10	Workforce	46-47
G4-11	Percentage of employees covered by collective bargaining agreements	48
G4-12	Description of the organisation's supply chain	87-91
G4-13	Significant changes during the financial year	16
G4-14	Precautionary principle	85
G4-15	External principles or initiatives to which the organisation subscribes or endorses	34-37
G4-16	Main associations to which the organisation belongs	19
MATERIAL ASPECTS AND COVER		
G4-17	Entities included in the financial consolidation and perimeter of this report	17;113
G4-18	Definition of the contents and scope of the report application of the GRI Principles	113-121
G4-19	Material aspects identified	40-41
G4-20	Cover of each material aspect within the organisation	45-99
G4-21	Cover of each material aspect outside the organisation	101-109
G4-22	Reformulation of information facilitated in previous reports	45-109
G4-23	Significant changes in the scope and cover of each aspect with respect to previous reports	None

STAKEHOLDER PARTICIPATION		
G4-24	List of stakeholders related to the organisation	39
G4-25	Basis for the selection of stakeholders	39-41
G4-26	Approaches adopted for the relationship with stakeholders, including the frequency of their contacts by type and category of stakeholders.	39-41
G4-27	Key questions and problems that have been raised through stakeholder participation.	39-41
REPORT PROFILE		
G4-28	Reporting period	113
G4-29	Date of previous report	113
G4-30	Report presentation cycle	113
G4-31	Contact point for questions related to the report	113
G4-32	GRI Index in relation to the chosen "conformity" option	115-119
G4-33	External verification of the report	None
GOVERNANCE		
G4-34	Governing Structure	27
ETHICS AND INTEGRITY		
G4-56	Description of values, principles, standards and rules of behaviour, such as codes of conduct and codes of ethics	33-37

PART II: SPECIFIC STANDARD DISCLOSURES		
GRI INDICATOR	DESCRIPTION	Page / Comment
CATEGORY: ECONOMY		
Economic Performance		
G4-EC1	Direct economic value generated and distributed	17
G4-EC4	Financial assistance granted by government entities	None of significance
Indirect Economic Impact		
G4-EC7	Development and impact of investment in infrastructures and types of services	101-109
G4-EC8	Indirect economic impact and scope	101-109
Procurement Practices		
G4-EC9	Percentage of spending with local suppliers at places with significant operations	89
CATEGORY: ENVIRONMENT		
Energy		
G4-EN6	Reduction of energy consumption	95
Emissions		
G4-EN15	Direct greenhouse gas emissions (Scope 1)	96
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	96

Effluents and Waste		
G4-EN23	Total weight of waste by type and disposal method	97
Products and Services		
G4-EN27	Mitigation of the environmental impact of products and services	98;99
Regulatory Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions due to non-compliance with environmental laws and regulations	None
Environmental Assessment of Suppliers		
G4-EN32	Percentage of new suppliers that were screened in accordance with environmental criteria	90,91
Environmental Claims Mechanisms		
G4-EN34	Number of environmental claims that have been presented, addressed and resolved through formal claims	No Claims
CATEGORY: SOCIAL PERFORMANCE		
LABOUR PRACTICES AND DECENT WORK		
Employment		
G4-LA1	Number and rate of new hires and average employee turnover, broken down by age, gender and region	47;53-55
G4-LA3	Return to work and retention rates following maternity or paternity leave, broken down by gender	100%
Employee/Management Relations		
G4-LA4	Minimum notice periods for operational changes and possible inclusion in collective agreements	48
Occupational Health and Safety		
G4-LA6	Type and rate of injuries, professional diseases, days missed, absenteeism and number of work-related fatalities by region and gender	60-63
G4-LA7	Employees whose profession has a high incidence or risk of serious illness	No employees at serious risk
Training and Education		
G4-LA9	Average hours of training per year per employee, broken down by gender and employee category	50-52
G4-LA10	Skills management programmes and continuous training that fosters the employability of workers and help them manage the end of their professional careers	48-51
G4-LA11	Percentage of employees whose performance and professional development is regularly evaluated, broken down by gender and professional category	48-51
Diversity and Equal Opportunities		
G4-LA12	Composition of the governing bodies and breakdown of the workforce by professional category and gender, age, minority group membership and other diversity indicators	53
Evaluation of Supplier Labour Practices		
G4-LA14	Percentage of new suppliers that were screened in accordance with criteria related to labour practices	90-91

HUMAN RIGHTS		
Investment		
G4-HR1	Number and percentage of contracts and significant investment agreements that include Human Rights clauses or which have been subject to analysis in terms of Human Rights	90-91
Discrimination		
G4-HR3	Number of cases of discrimination and corrective measures adopted	None
Freedom of Association and Collective Bargaining		
G4-HR4	Identification of significant centres and suppliers in which freedom of association and the right to join collective agreements may be breached or threatened, and measures adopted to defend these rights	No centres or suppliers at risk
Child Labour		
G4-HR5	Identification of centres and suppliers with a significant risk of child exploitation and measures adopted to contribute to the abolition of child labour.	No centres or suppliers at risk
Forced Labour		
G4-HR6	Centres and suppliers with a significant risk of episodes of forced labour and measures adopted to contribute to the elimination of all forms of forced labour	No centres or suppliers at risk
Supplier Assessment in terms of Human Rights		
G4-HR10	Percentage of new suppliers that were screened in accordance with Human Rights criteria	90-91
Human Rights Claims Mechanisms		
G4-HR12	Number of Human Rights claims that have been presented, addressed and resolved through formal claims mechanisms.	No Claims
SOCIETY		
Fight Against Corruption		
G4-SO4	Communication and anti-corruption training policy and procedure	37
G4-SO5	Confirmed cases of corruption and measures adopted	None
Unfair Competition Practices		
G4-SO7	Number of demands for unfair competition, monopolistic practices or against free competition and their results	No Demands
Regulatory Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions due to non-compliance with laws and regulations	€7,000 for Risk Prevention non-compliance at Cotradis (corrected)
Impact on Society Claims Mechanisms for		
G4-SO11	Number of social impact claims that have been presented, addressed and resolved through formal claims mechanisms	No claims

PRODUCT RESPONSIBILITY		
Customer Health and Safety		
G4-PR2	Total number of incidents derived from non-compliance with regulations or voluntary codes concerning the health and safety impact of products and services during their life cycle, broken down in accordance with the type of result of these incidents	No incidents
Product and Service Labelling		
G4-PR4	Total number of incidents of non-compliance with regulations or voluntary codes in relation to product and service information and labelling, broken down by type of result	No cases of non-compliance
G4-PR5	Results of surveys measuring customer satisfaction	71
Marketing Communications		
G4-PR6	Sale of banned or disputed products	Not sold
G4-PR7	Total number of incidents of non-compliance with regulations or voluntary codes in relation to marketing communications, such as advertising, promotion, and sponsorship	No cases of non-compliance
Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data	None
Regulatory Compliance		
G4-PR9	Monetary value of significant fines for non-compliance with the regulations in relation to the supply and use of products and services	No fines

PART III: VELATIA's MATERIAL ASPECTS

VELATIA'S MATERIAL ASPECTS	RELATED GRI INDICATOR	REPORT SECTION
Branding	G4, GR-PR6, G4-PR7	We are Velatia
Quality in customer service		
Flexibility (products tailored to customer needs)	G4-PR2, GR-PR4, G4-PR5, G4-PR6, G4-PR7, G4-PR8, G4-PR-9	Our commitment to quality and service
Guarantee of “on time” supply and delivery		
ESG Aspects (Environmental, Social and Corporate Governance) in the contracting process		
Relevance of the company's R&D&I to its market position	G4-EC7, G4-EC8	Our commitment to innovation
Partnerships to promote R&D&I		
New business (e.g. Smart Grid)		
ESG Criteria (Environmental, Social and Corporate Governance) in the approval, classification, selection and evaluation of suppliers	G4-12, G4-EN32, G4-LA14, G4-HR10	Our commitment to suppliers
Effective internal communication to employees	G411, G4-LA14	Our commitment to people
Talent attraction, retention and management	G4-LA9, G4-LA10, G4-LA11	Our commitment to people

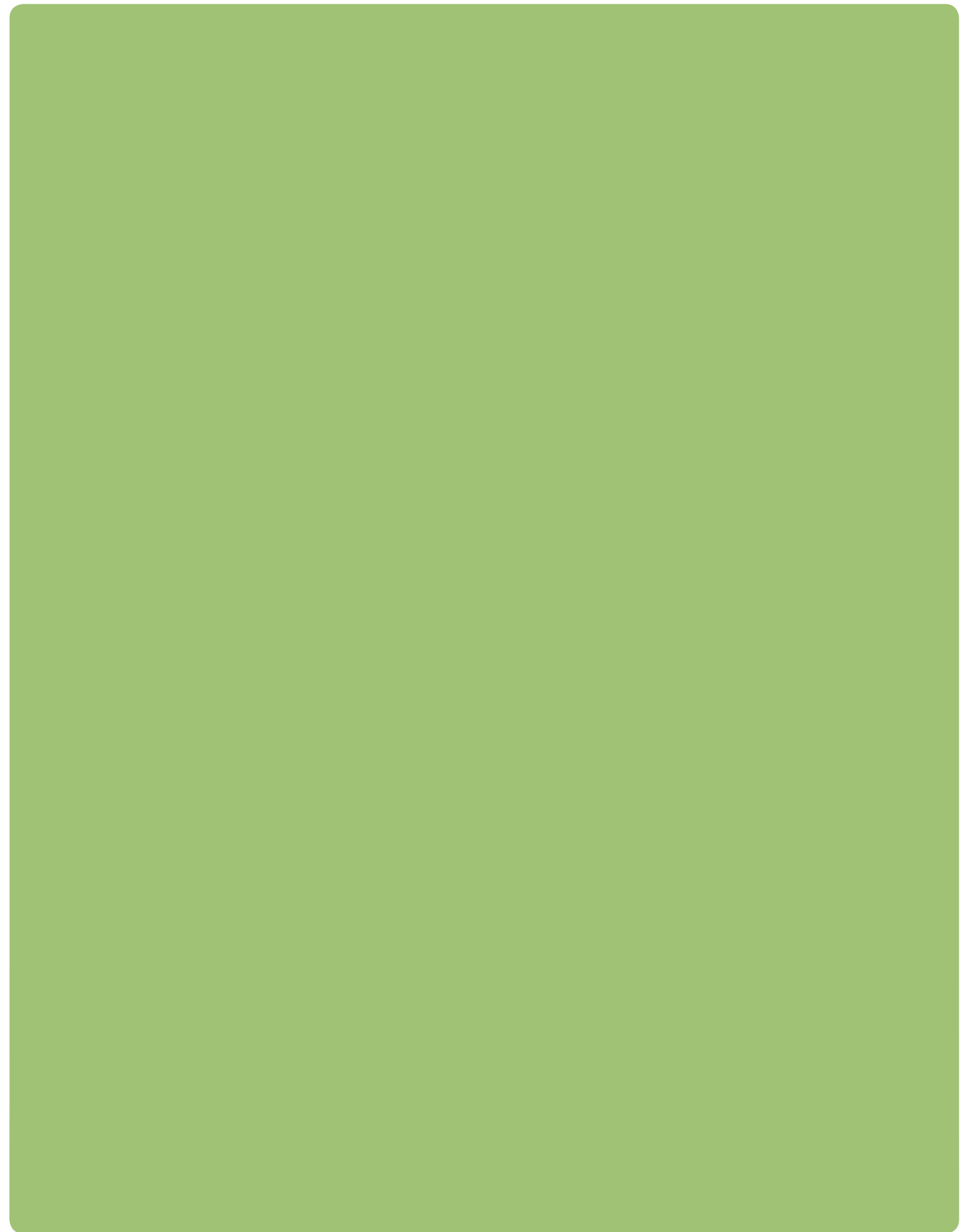


GRI indicators in relation to the Principles of the United Nations Global Compact

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



AREA	GLOBAL COMPACT PRINCIPLES	RELATED GRI INDICATOR
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR12
	Principle 2. Businesses should make sure that they are not complicit in human rights abuses	G4-HR1, G4-HR10, G4-HR12
Labour Regulations	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11, G4-HR4, G4-LA4
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour	G4-HR6
	Principle 5. Businesses should uphold the effective abolition of child labour	G4-HR5, G4-HR3
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	G4-10, G4-LA1, G4-LA3, G4-LA9, G4-LA11, G4-LA12, G4-HR3
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges	G4-EN6, G4-EN15, G4-EN16, G4-EN23, G4-EN27, G4-EN29, G4-EN32, G4-EN34
	Principle 8. Businesses should foster initiatives to promote greater environmental responsibility	
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies	
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery	G4-S6, G4-SO4, G4-SO5





www.velatia.com



RECYCLED PAPER