

REPORT 2017 - 2018

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Velatia's Sustainability Report

velatia

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Letter from the President



It is a pleasure for me to present the **Corporate Social Responsibility Report** corresponding to 2017-2018, in which we have reaffirmed our commitment to sustainability, which involves the balanced optimisation of the economic results, environmental protection and the firm commitment to society in the countries in which **Velatia** operates.

This Report collects all of the relevant data on the company's performance in accordance with the Global Reporting Initiative guidelines, also expressing its commitment to the development of the Principles del **United Nations Global Compact** and our progress in the implementation of the **United Nations Sustainable Development Goals**.

For **Velatia**, this year has been intense and exhilarating both from the business perspective and emotionally.

In the first case, due to the management of today's complex and volatile scenario, which has enabled us to see how all our people have worked excellently to continue addressing the main challenges we face in a complex, global and constantly evolving society.

Secondly, because in 2017, we celebrated our **first 50 years** since **Ormazabal y Cía. S.A.** (the company which gave rise to **Velatia**) was founded with vast institutional, business and social recognition of our history in the different internal and external events organised, in which we were able to share this celebration with workers, institutions, customers, collaborators and suppliers. This pleases us and encourages us to continue our commitment to innovation and continuous and sustainable development (as we have done up to now).

During this period, we have completed the deployment of the Corporate Social Responsibility Master Plan 2014 – 2017, whereby we can highlight our progress in the **environmental field** (eco-design, energy efficiency), in the relationship with our **suppliers** (standardisation, supplier audits), with **people** (increasing our collaboration with Lantegi Batuak by hiring people with disabilities) and with **society** (ratifying our collaboration with Unicef in line with the fourth United Nations Sustainable Development Goal related to quality education).

Remaining loyal to our commitment to Sustainability, we have developed a **New Master Plan** integrated in the Velatia Strategic Plan 2018 - 2020, which, based on the three cores of sustainability, will deploy its action lines throughout **Velatia** over the forthcoming years.

The objectives we face in 2019 are once more complex, but history has proven that we have overcome difficulties for more than 50 years and we have moved forward whilst continuing to support the sustainable development of the environment in which we operate.

I would like to conclude this letter by thanking all those people at **Velatia** whose commitment, involvement and daily enthusiasm has enabled us to overcome all of the difficulties, moving us towards the path of innovation, success and business excellence.

Javier Ormazabal Echevarria
President



We are Velatia

Velatia

Velatia is a family-run, industrial, technological and benchmark global group. We are a multicultural team made up of more than 3,000 people. We have offices in 19 countries, 16 production 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 aeronautical sector, in which safety, efficiency and reliability are highly valued.

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.

MISSION

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

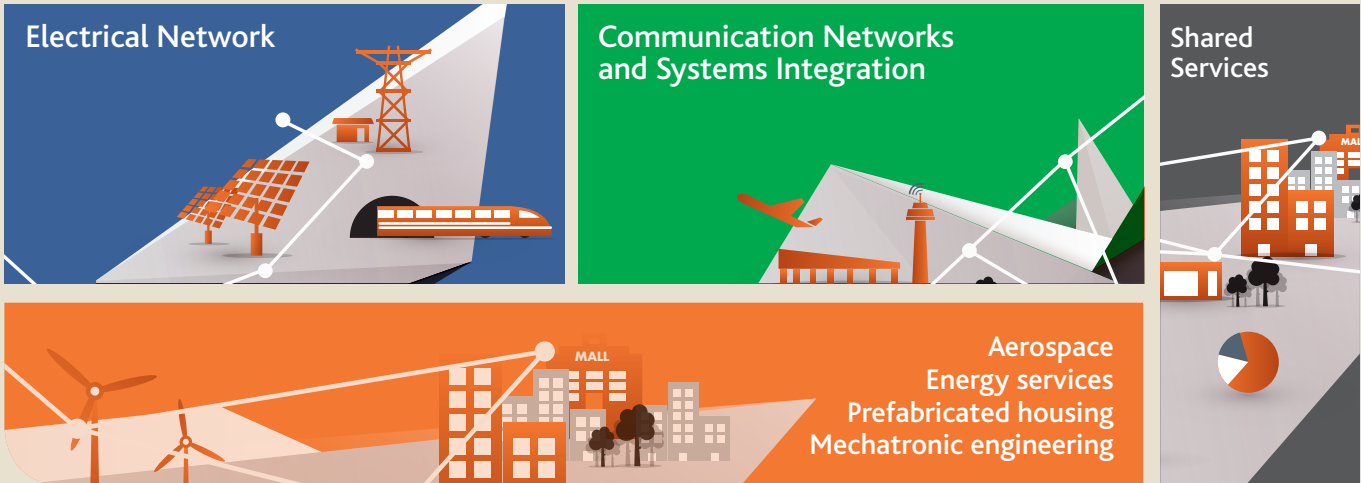
VISION

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.

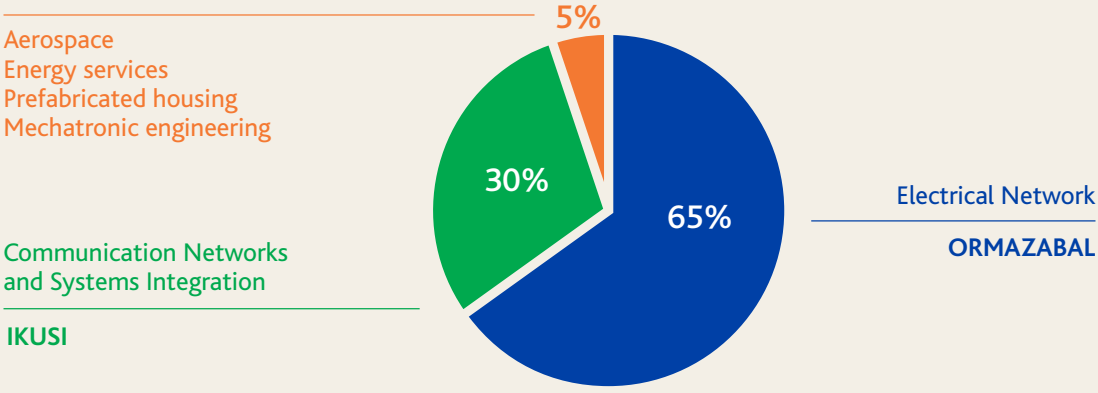


Structure and companies

Corporation



Sectors





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 the reliability of our developments and our in-depth knowledge of the sector and the markets in which 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.



Integrated solutions in the field of electronics and information and communication technologies

TELECOMMUNICATIONS AND IT NETWORKS:
We design, implement and manage telecommunications technology and infrastructure, contributing our knowledge and expertise in fields with specific requirements.

INTEGRATION PROJECTS AND ENGINEERING:
We provide design, engineering and development services for complex turnkey integration projects in different sectors of activity.

SPECIALIZED BUSINESS SOLUTIONS:
We create specialized business applications to increase operational efficiency, revenue and user experience through the use of advanced technologies that drive the digital transformation that is taking place in all sectors.



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.



Electromechanical technology and integration

At Smarmec, we are specialised in the design and industrialisation of mechanical, electric and electronic engineering solutions.

We are experts in joining technologies and cosmetic finishes and we have proven experience in the manufacture of unique solutions, prototypes and short series, providing added value in technologically advanced differential processes.

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.



Energy services for the integral and sustainable management of energy

At Stratenergy, we specialise in the efficient energy management of organisations through the investment and implementation of specific savings solutions, managing and constantly optimising the energy assets of our customers. We become their energy partner, helping them to create differential value and improve their competitive position.

We have expert teams in the identification of specific solutions for each customer, which add value in terms of energy savings, increased efficiency, reduced carbon footprint and promotion of the use of renewable energies at competitive prices.

We offer flexible, comprehensive and tailor-made solutions to our customer needs, from contracting management to the optimisation of the final use, based on energy efficiency and sustainability criteria.



Industrialised concrete homes

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.



MULTIMEDIA:
We are experts in innovative, high quality solutions for the reception, processing and distribution of television and video signals.

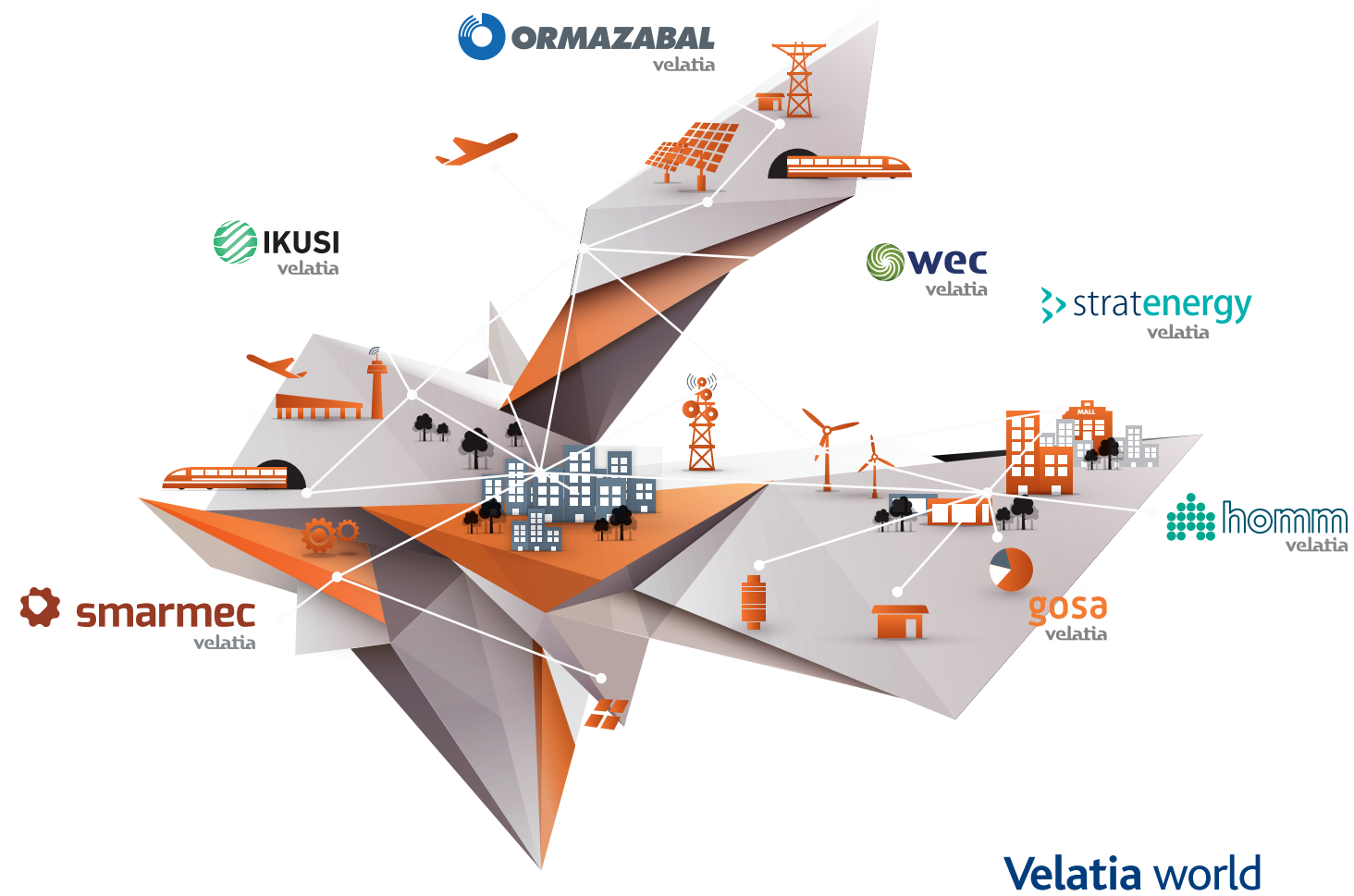


ELECTRONICS:
We provide electronic manufacturing products and services to original equipment manufacturers in various sectors.



Administration and finances

It is Velatia's shared services internal unit in the fields of administration and finances. The Gosa mission is to promote and coordinate the participation of Velatia companies in public financing programmes and obtaining other R&D&I incentives, controlling the fulfilment of the funding guidelines and optimising the risks assumed. We also carry out the group's accounting, staff administration, treasury, insurance and real estate management activities, which are undertaken under quality and cost optimisation criteria, supporting the objectives set out in our Strategic Plan.



During 2017 – 2018, in line with our objective of focusing efforts on increasing Ormazabal’s competitiveness and strengthening its leadership position, the Uniblok centre of excellence has moved to form part of the electrical business, as did Tecnichapa and Polska in 2016.

Participation in external initiatives

Velatia is a member of numerous associations related to its activity, in order to be a key player in the sectors in which we are involved, whereby the following can be highlighted:

Furthermore, at Velatia we participate actively in the development of the public policies of the regulated bodies related to the distribution electrical networks. This is carried out through our proactive involvement, and in many cases leadership, in business associations related to the sector in all fields of national and European action.

At all times, we maintain a position of defence of the regulation leading to the essential sustainability principle of the electrical system, through the development, implementation and maintenance of a reliable, long-lasting, efficient and environmentally friendly electrical network model.

This position, in the regulatory aspect, leads us to the adoption of solid and congruent precepts with respect to the criteria and concepts applied for the design, manufacture and implementation of the products, equipment and services that we offer the market.

In the fulfilment of the institutional activities and those related to business associations in general, all of the people at Velatia maintain strict monitoring and compliance with the precepts established by the "Rules of Competition Law".

ENTITIES		
Velatia	ALIANZA INERCIA	Business Association for the development of Smart Cities
	AMETIC	Association of Electronics, Information and Communications Technologies, Telecommunications and Digital Content Companies
	CEV	Basque Business Circle
	IZAITE	Association of Basque Companies for Sustainability
Ormazabal	EURELECTRIC	The Union of the Electricity Industry
	AEDIVE	Spanish Business Association for the Boosting and Development of the Electric Vehicle Market
	T&D	European Association of the Electricity Transmission and Distribution Equipment and Services Industry
	EMSAD	Electromechanical Industrialist Association
	CENELEC	European Committee for Electrotechnical Standardisation
	AENOR	Spanish Association for Standardisation and Certification
	FVEM	Vizcaya Federation of Metal Companies
	AFBEL	Spanish Association of Electrical Capital Equipment Manufacturers
	GIMÉLEC	French Electrical Equipment Manufacturers' Association
	ZVEI	German Electrical and Electronic Manufacturers' Association
	CLUSTER ENERGÍA	Basque Energy Cluster
	CONFEMETAL	National Employers' Organization of Metal Sector in Spain
Ikusi	ORGALIME	European Engineering Industries Association
	MAFEX	Spanish Railway Association
	AMIITEL	Madrid Association of Telecommunications Integrators
	ABITEL	Biscay Association of Telecommunications Installers
	FENITEL	Federation of Telecommunications Installation Companies and Integrators in Spain
	FECEMINTE	Catalan Federation of Telecommunications Installers and Integration Companies
Wec	AENOR	Spanish Association for Standardization and Certification
	CAINTRA NUEVO LEÓN	Nuevo León Chamber for Manufacturing Industry
Stratenergy	HEGAN	Basque Aerospace Cluster
	CFAA	Business Grouping for Development of Advanced Aerospace Manufacturing Techniques
	A3E	Association of Energy Efficiency Companies

Awards and recognition

2017

King Felipe VI attended the Velatia 50th anniversary celebration

H.M. King Felipe VI, accompanied by the President of the Basque Country, Iñigo Urkullu, and the Deputy General of Bizkaia, Unai Rementeria, among other institutions, accompanied Javier Ormazabal Echevarria, who celebrated the founding of Velatia in 1967, along with 300 people

The event, held at the Research and Technology Centre, included a visit by the institutions to our facilities in Boroa, where they were able to discover Velatia's latest developments and research, after which H.M. King Felipe VI signed the one millionth cubicle, our most characteristic product.

After the visit, Javier Ormazabal addressed all the guests and highlighted the Group's values, recognising and maintaining the spirit and vision of the founder and his father, Javier Ormazabal Ocerin. It was on 15th March 1967, exactly 50 years ago, when he launched a venture in which, as the President of Velatia noted in his speech, "we have been fortunate enough to have the trust of financial institutions, suppliers and, above all, our customers".

Finally, and prior to unveiling a commemorative plaque, the President of Velatia concluded his speech with a look towards the future: "let's be like our founder: ambitious, non-conformist and committed".



Alejandro Ormazabal, Vice-president of Velatia, the new president of the Ametic Electronics Industry area

Ametic, the Association of Electronics, Information and Communications Technologies, Telecommunications and Digital Content Companies, has appointed Alejandro Ormazabal Echevarria, Vice President of Velatia, as new President of its Electronic Industry sectoral area. This area brings together all companies that manufacture or distribute electronic equipment, mainly as suppliers to other companies in the sector.

The goals of this new challenge include defending the interests of companies linked to the electronics sector by demonstrating their important innovation capacity, job creation and export capability to different government bodies.





Javier Ormazabal received the Gold Badge and the Honorary Makila Staff on behalf of the current President of Tecnalía, Emiliano López Atxurra

Javier Ormazabal, President of Velatia and former President of Tecnalía, attended the 5th TECNALIA Perspectives Forum, which brought together more than 200 people in the Auditorium of the Kutxabank Vital Building in Vitoria. The event, which was attended by institutional figures, such as the Vice-Deputy General of Alava and Provincial Councillor for Economic Development and Territorial Balance, María Pilar García de Salazar or the Basque Government's Minister for Economic Development and Infrastructures, Arantxa Tapia, served as a tribute to Javier Ormazabal, for his work at the helm of Tecnalía in recent years.

Javier Ormazabal, who passed the position on to Emiliano López Atxurra in June 2016, received the Gold Badge and the Honorary Makila Staff in recognition of his work during the years he held the post, and he took advantage of the opportunity to thank all the people he worked with during the project for their collaboration, whereby he highlighted his "learning and personal growth" while he was at the helm of the foundation. On the other hand, Javier Ormazabal highlighted the role of Tecnalía as an institution rather than a company, as, in his own words, "it should be managed to generate value in a different way to that of a company, although it must be efficiently".

Gold A Award in recognition of Advanced Management for Ormazabal y Cía.

Ormazabal y Cía, S.L.U. (ODS), has been presented with the Gold A Award in the "Industry" category for its work in the implementation of advanced management methodologies, granted by EUSKALIT, a foundation promoted by the Basque Government to foster the application of advanced management elements in Basque organisations.

Through this award, 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.

The aim of these awards is dual:

- Identify the most advanced organisations in management so that they can serve as a stimulus and reference to others.
- Publicly recognise the effort made by these organisations and the progress made in their management.

Ormazabal y Cía., with its headquarters in Igorre (Bizkaia), has the mission of designing, developing and manufacturing medium voltage electric switchgear, supplying customised products, as well as services for secondary distribution networks.

This organisation uses the Advanced Management Model as a benchmark to assess and improve its management system and has received this award 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.



Recognition for Ikusi

In the field of Telecommunications Networks and IT, **Ikusi** has been awarded Best Partner of the Year by Pure Storage, one of the international companies of reference in data storage.

Our virtualisation software partner, VMware, has named **Ikusi Rising Star Partner of 2017** and **Internal Partner of the Republic**.

In the sphere of **Integration and Engineering Projects**, Genetec has acknowledged **Ikusi** as the **System Integrator of the Year 2017** for the Mexican Metropolitan region, for projects developed for reference clients in the Mexican hospitality and industrial sectors to address the security challenges facing these infrastructures.

Sony México has awarded **Ikusi** the title of Certified Integrator, offering us the chance to expand our portfolio of video surveillance services.

Cisco acknowledges Ikusi with six awards

Ikusi received six awards at the Cisco Partner Summit, which was held in Las Vegas on 13-15 November. These awards recognize and reconfirm **Ikusi's** position as one of Cisco's leading partners in Latin America.

An act that is repeated year after year, but this edition has a special flavour because, for the first time, Cisco wanted to highlight the work that **Ikusi** is doing in other geographical areas, such as Colombia and Chile.

In the case of Colombia, **Ikusi** brought the Enterprise Partner of the Year and Architectural Excellence Partner of the Year awards back from Las Vegas for its collaboration, emphasizing the degree of consolidation that the Telecommunications and IT Networks business is achieving as a Cisco partner in the country.

For Chile, the award received was the Ecosystem Partner of the Year, linked to the project carried out jointly by **Ikusi** and Cisco at Santiago de Chile Airport.

Moreover, the **Ikusi Networks** business in Mexico has been distinguished with the Public Sector Partner of the Year and Digital Transformation Partner of the Year awards. In addition to these, **Ikusi** was acknowledged as Software Partner of the Year in Latin America, which recognises its work in cloud services.

Certified Cloud Security

Ikusi México has obtained the renewal of the ISO-27001 Standard and ISO-27018 certification from AENOR, which guarantees the security of the processes and services that **Ikusi** provides in the cloud. This is a milestone as **Ikusi** has become the **first company in Latin America to obtain this certification**.

This is additional support for the new portfolio of solutions and services in the **Ikusi** cloud.



Ikusi receives the Smart Cities Award

On 24th November 2017, the ceremony for the Smart Cities Awards, hosted yearly by the Premios Ciudadanos (Citizen Awards) association, took place at the headquarters of the State Secretariat for the Information Society and the Digital Agenda in Madrid.

Alejandro Ormazabal, Vice-President of **Velatia**, collected the award granted to **Ikusi** "in acknowledgment of its track record and the innovative technological projects developed in response to the needs of the City and Citizens, optimising the mobility of people through its commitment to the integration, interoperativity and interconnection of the different means of land transport".



2018

The founder of Velatia, Javier Ormazabal Ocerin, is honoured during AHEEE2018 for his entrepreneurial work and its impact on society

The Tribute to Exemplary Entrepreneurs is an initiative promoted by E2IN2, with the aim of shedding light on the role of the entrepreneur as a generator of wealth.

The founder of **Velatia**, Javier Ormazabal Ocerin, was honoured for his entrepreneurial work in the Tribute to Exemplary Entrepreneurs 2018, which held its second edition at Ateneo in Madrid. This award, promoted by E2IN2, aims to highlight the role played by entrepreneurs in society as generators of wealth and drivers of progress.

The event, which in turn acknowledged the members of the Ormazabal family, including Alejandro Ormazabal Echevarria, Vice-President of **Velatia**, who accepted the award on behalf of the Ormazabal family, appraised his father's entrepreneurial character, who he defined as "a businessman with vision, a born business leader", but "first and foremost the leader of our family".





Governing structure

The highest governing body is the **Board of Directors**, whose regulatory framework consists of the Articles of Association, 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 to the management team. In

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

The current structure of the Board of Directors fulfils the recommendations of the Good Corporate Governance Code and the Companies Act in terms of the size and type of Board.

The composition of the Board of Directors at 31st December 2018 is:

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	Ms. Carmen Ormazabal Echevarria	Non-executive
Member	Ms. Begoña Ormazabal Echevarria	Non-executive
Member	Mr. Pau Molinas Sanz	Independent
Member	Mr. Luis Tejada Dunes	Independent
Member	Mr. Ramón Sotomayor Jauregui	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-board) ensures that the Board's actions comply with the law and the Board's Statutes and Regulations.

Regarding the procedure in place to avoid conflicts of interest in the highest governing body, the Administrators communicate any situation of direct or indirect conflict that may exist with the interests of the Company to the Board. The board members who are in this situation do not participate in those matters in which 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.

The **Committees of the Board of Directors** are the following:

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, assessing

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
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 non-executive 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 which ensure the identification and proper management of the risks faced by the organisation.
- To ensure absolute compliance with the applicable rules, laws and regulations which 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

Appointments and Remuneration Committee

This committee has powers of information, advice and proposal on the appointment, removal and remuneration of the company's Board Members and senior management.

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

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 in relation 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	Non board
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

Ethics and integrity

The values that define Velatia

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

- **Flexibility:** Willingness to understand different opinions and adapt to diverse situations.
- **Leadership:** Demostrar espíritu de superación en la actividad diaria quShowing the will to succeed in everyday activities that might act as an example and motivation for others.
- **Innovation:** Dynamic attitude to create and anticipate innovative and successful processes, products and/or services.
- **Pragmatism:** Efficient orientation towards results.
- **Support:** Willingness to offer and request help in order to develop people and achieve goals.

An example of the deployment of values is the project undertaken in 2017 and 2018 within the area of the **Ormazabal Supply Chain**. This project aims to support the fulfilment of the organisation's objectives, acting in accordance with the Group's values and hence obtaining a greater commitment and satisfaction of our people. To do so, diverse training and deployment workshops have been held for each of the values, complemented with diverse activities related to each value.



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 Global Compact" website for the information of all our external stakeholders:

- **Spanish Global Compact Network:**
<https://www.pactomundial.org>
- **United Nations Global Compact:**
<https://www.unglobalcompact.org>

Velatia develops the following sustainable development goals within its activity:

- **Goal 8. Decent Work and Economic Growth.** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Velatia promotes the development of all its people, in a clear commitment to the company's competitiveness. Our objective is to foster the professional and personal development of our employees, boosting the growth of the organisation.

Furthermore, we participate in an external initiative in favour of economic growth and decent work, in which we work with the **Novia Salcedo Foundation**, more specifically in the "Pegasus project".

- **Goal 9. Industry, Innovation and Infrastructure.** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

We are an industrial and technological group, which has been committed to constant innovation since its origins. Proof of this is that in 2018, the **European Investment Bank** has financed the innovation and development strategy that Velatia will implement in the electrical sector. Our philosophy as a company is that we need R&D above all, in order to continue competing with the best. Innovation is part of our DNA.

- **Goal 12. Responsible Production and Consumption.** Ensure sustainable consumption and production patterns.

In order to continue our efforts to be a more sustainable group of companies, we have been working on responsible production and consumption throughout our supply chain. To do so, we have a Regulatory Framework for the Purchasing process in Velatia, which provides a common and compulsory framework reference that serves as a support and creates value for all our businesses. This Regulatory Framework consists of a series of Standards, which regulate the entire Purchasing Cycle, from the identification of the need to its fulfilment. Therefore, all of the businesses must have a supplier standardisation process. The require-

ments include the supplier obligation to undertake to follow the **Velatia Purchasing Policy and Ethical Code**, and for this reason, we have communicated this obligation to all throughout 2018.

- **Goal 4. Quality Education.** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

In 2017, in our desire to continue supporting activities and projects aimed at the education and training of people and social progress through training and research, we have signed an agreement with the **Save the Children Foundation** for the "Strengthening of socio-emotional skills through reading with children from the Old Quarter of Mexico City".

In addition to our collaboration with Unicef that dates back several years, we have worked with them in a more special way in 2018, bringing this alliance to the people that make up Velatia and their families. We have done this through a Children's Drawing Competition, whereby a donation in the form of a Unicef Inspired Gift has been made for each drawing received from the children of Velatia employees. Each of the Inspired Gifts donated by Velatia, contains an education kit – a text book and ten pencils – which will be sent to a child in a deprived area of the planet.

As for the Velatia businesses, we can highlight a further two goals on which we are constantly working, namely Goal 11 in Ikusi and Goal 7 in Ormazabal.

- **Goal 11. Sustainable Cities and Communities.** Make cities and human settlements inclusive, safe, resilient and sustainable.

Part of our commitment to society is to work to make cities more sustainable, not only in terms of transport and security, as we have been doing through Ikusi, but also in maintaining and fostering their culture. To do so, Velatia supports diverse entities that we believe add value to citizens, due to their educational and social nature and for their tourist interest – providing economic

Deploying the United Nations Sustainable Development Goals



growth to the area. An example of this is our collaboration with museums (**Museum of Fine Arts and Guggenheim Museum**), or with a musical association (**Bilbao Choral Society**).

• **Goal 7. Affordable and Clean Energy.** Ensure access to affordable, reliable, sustainable and modern energy for all.

Increasing research efforts, improving technology and increasing energy efficiency are the goals of this SDG that **Ormazabal** fully shares in its everyday activity. We have spent 50 years working on the continuous improvement of solutions for the electrical network, ensuring the quality of our products and services, and maintaining our commitment to the environment.

Our Ethical Commitment

At **Velatia**, we have our **Code of Ethics**, which sets out the general guidelines of ethical conduct for all **Velatia** employees, both in the performance of their duties and in their professional relationships with colleagues, managers, subordinates, customers and suppliers, always acting in accordance with the laws of each country and respecting the ethical principles of their respective cultures.

The foundations of this Code of Ethics are the Principles of the United Nations Global Compact, which are based on:

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

To ensure the commitment by **Velatia** to promote and comply with the Code of Ethics, we have the **Ethics and Corporate Crime Prevention Committee** (made up of members from the following areas: **Velatia** Corporate Management, Management of the President's Office, Legal Advice and Internal Audit), which aims to:

- Disseminate awareness of the Code of Ethics to all **Velatia** employees.
- 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.
- 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.

In 2017, two new training activities related to the Code of Ethics and the Ethical Channel were made available to **Velatia** employees, accessible through our Intranet:

- **Training on the Code of Ethics.** This training raises awareness of the **Velatia** Code of Ethics, providing some guidelines of ethical conduct which must be used as a guide in the development of professional activity.
- **Training on the Understanding and Use of the Velatia Ethical Channel.** This course informs all **Velatia** employees of the existence of a reporting channel, its communication procedures and functioning.

The Ethical Channel is a tool available to employees to confidentially report anything that may be considered to be irregular or simply inappropriate. The Channel serves to communicate actions or situations that are or may be contrary to the **Velatia** Code of Ethics, its corporate policies and procedures, good business practices or against the law.

To ensure the strictly confidential handling of the information provided, it is managed through an independent company, so there are three participants in our Ethical Channel: **Velatia**, the complainant and the company providing the service. This company is responsible for ensuring the availability of the service and its accessibility to all employees, receiving all communication, ensuring the integrity, objectivity and confidentiality of the information provided by the complainant, monitoring the stages of a complaint and acting as an intermediary between the company and the complainant to safeguard his/her identity.

All **Velatia** employees can access this tool which is available on the Intranet, and if our Intranet cannot be accessed at the time of submitting a complaint, we have a website through which the channel may be accessed. Likewise, a breach of the Code of Ethics can be notified by informing one's superior of a breach of the Code or by contacting the Ethics Committee directly at the following e-mail address: ethics@velatia.com.

Anti-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 the transparency, rigour, honesty and reliability of all our actions, at **Velatia** we have assumed various commitments expressed in the "Anti-Corruption Policy":

- **GUARANTEE** compliance with anti-corruption and bribery laws in all countries in which **Velatia** operates.
- **ENSURE** compliance by all **Velatia** employees and directors, with the measures against corruption and bribery set out in our Code of Ethics.
- **COMPLY** with the commitments made in our social action policy, mainly ensuring that our sponsorships and donations are made to entities whose actions are carried out with rigour, honesty, great prestige and transparency 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.
- **PRESENT** information and keep accounting records so that they reflect the payments, expenses, transactions and disposal of assets by **Velatia** with rigour, transparency and accuracy.
- **SPREAD** awareness of this policy to all our stakeholders by making it public and available to them.

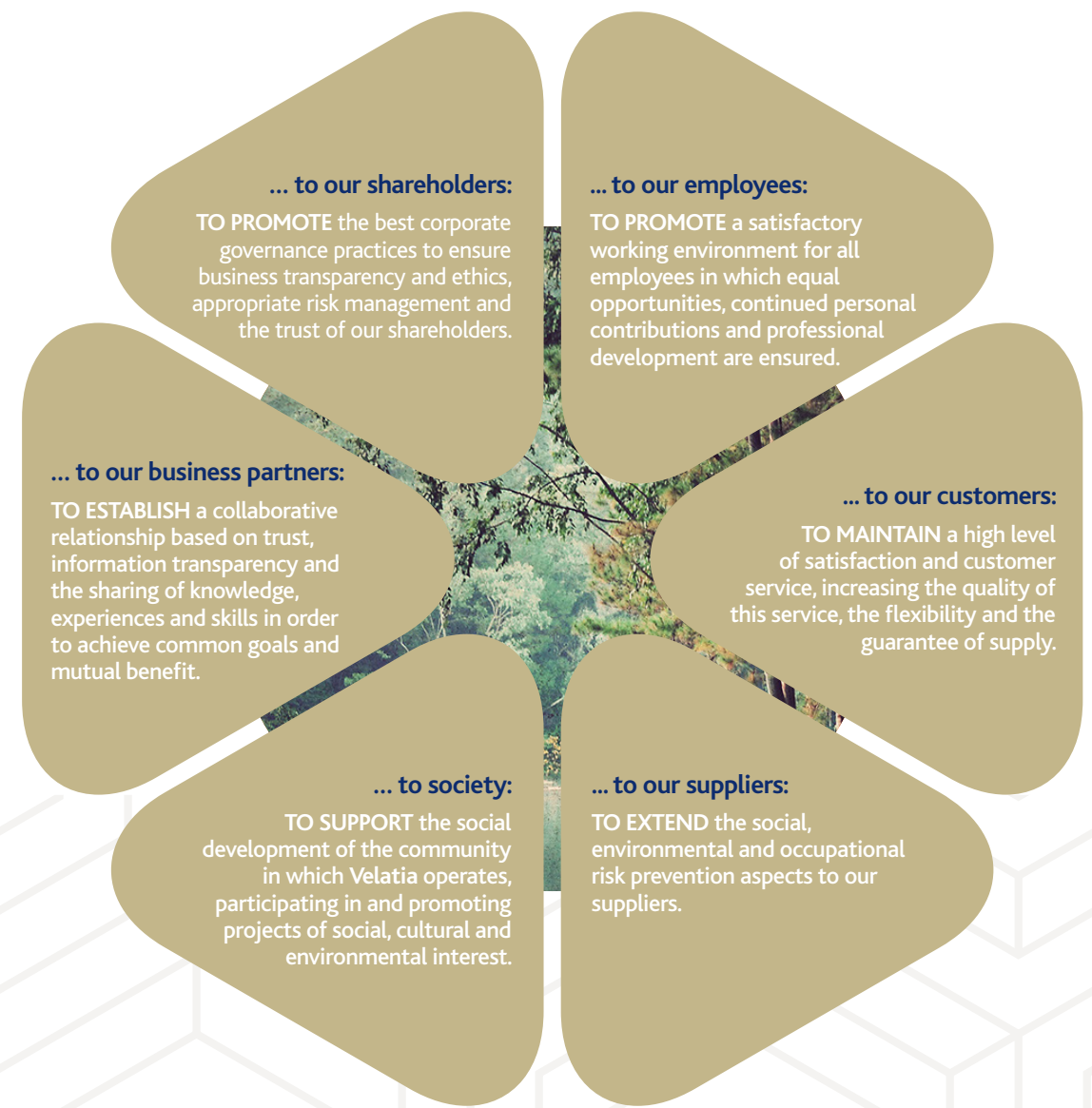
Corporate Social Responsibility in Velatia

At **Velatia**, we recognise the importance of working for **sustainability**, understanding sustainability as the development of our business without jeopardising future needs, hence combining the pursuit of economic benefits with social commitment and respect for the environment.

Therefore, our objective in terms of Corporate Social Responsibility consists of incorporating the interests and needs of our

stakeholders (shareholders, people, partners, customers, suppliers, society) into the organisational strategy and the daily management of **Velatia**.

The commitments assumed are set out in our **Corporate Social Responsibility Policy**:



... to our shareholders:

TO PROMOTE the best corporate governance practices to ensure business transparency and ethics, appropriate risk management and the trust of our shareholders.

... to our employees:

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

... to our business partners:

TO ESTABLISH a collaborative relationship based on trust, information transparency and the sharing of knowledge, experiences and skills in order to achieve common goals and mutual benefit.

... to our customers:

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

... 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.

... to our suppliers:

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

As a result of **Velatia's** commitment to sustainability, we have worked throughout 2017 on the development of our **Corporate Social Responsibility Master Plan 2018 - 2020**, integrating the social and environmental aspects identified as key to **Velatia** on a strategic and operational level, and developing the action lines in order to:

- Increase our people's pride of belonging, their commitment and satisfaction with their company, in line with an increase in their productivity.
- Increase our customer satisfaction by increasing our value, aligning it with their needs in terms of sustainability.
- Improve relations with suppliers and enable the eco-efficient and sustainable management of the supply chain.

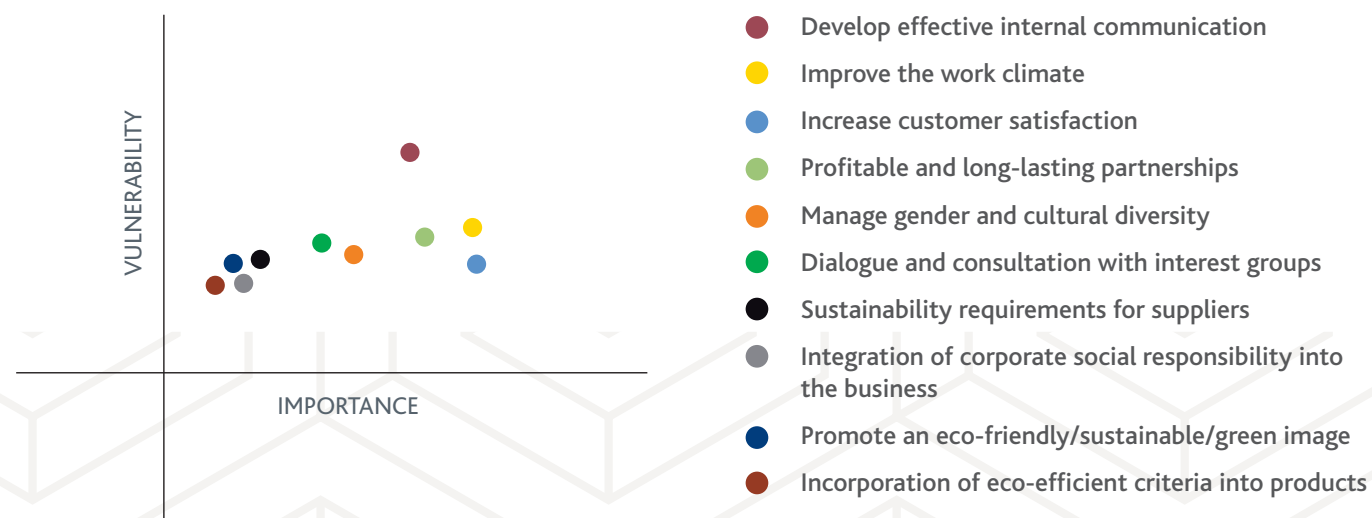
- Boost our potential in the field of commitment to the Environment, projecting a sustainable image of the organisation and its products.

For the development of this Plan and in order to obtain the material aspects in terms of sustainability for 2018 – 2020, we have made a prior analysis in which we set out: the aspects pending development from the previous Master Plan, the expectations of the stakeholders, the Benchmarking of competitors and the regulatory trends to finally prepare the **materiality matrix**.

Once the 12 material aspects obtained through the **materiality matrix** have been identified, they are grouped together in accordance with the three areas of sustainability: **social, economic and environmental**.



Materiality matrix



In the first one, the social field, we have grouped together the key aspects related to the people in our organisation in an initial line of action called **Company Committed to its People** whose objective is to manage talent retention in **Velatia** in order to increase employee satisfaction and commitment.

The second field, economic, brings together key aspects related to the business, in a second line of action called **Responsible Business** with the aim of deploying Sustainability management internally in the **Velatia** businesses and organisations, and extend it to their stakeholders.

Finally, in the environmental field, we have brought together the key aspects related to the environment in a third line called **Company Committed to the Environment** with the aim of promoting our commitment to the Environment through products with eco-efficient criteria throughout the supply chain and aimed at the environmental expectations of **Velatia's** stakeholders and its organisations.



The following action lines are to be developed:

LINES OF ACTION	
1. Company committed to its people	1.1 Develop effective internal communication
	1.2 Improve the work climate
	1.3 Manage gender and cultural diversity
2. Responsible business	2.1 Integration of corporate social responsibility into the business
	2.2 Increase customer satisfaction
	2.3 Dialogue and consultation with interest groups
	2.4 Profitable, long-lasting partnerships
3. Company committed to the environment	3.1 Incorporation of eco-efficient criteria into products
	3.2 Supplier sustainability requirements
	3.3 Promote the eco-friendly/sustainable/green image

For the proper management of the Master Plan and full alignment with Velatia's strategy and the needs of each business, we have the: **Corporate Social Responsibility Committee, Velatia Management Committee** which is involved in the direct management of the Corporate Social

Responsibility area and Social Action, with the **Corporate Social Responsibility Director** who carries out traction and coordination functions in all areas.



The background of the entire image is a repeating pattern of white-outlined cubes. Each cube is oriented with one face towards the viewer, creating a three-dimensional effect. The cubes are arranged in a staggered grid, with each cube in one row offset from the cubes in the rows above and below it. The background color is a solid, light olive green.

Our commitments to...

People

COMMITMENT TO PEOPLE

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

Corporate Social Responsibility Policy

ENSURE the deployment of communication to the entire organisation.

Internal Communication Policy

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

People Development Policy

Gradually INCREASE employee knowledge and skills.

Training Policy

ENSURE objectivity in processes with a commitment to non-discrimination on grounds of age, gender, race, ideology, religion, sexual orientation, nationality, disability or any other personal, physical or social condition; promoting cultural differences as a source of mutual benefit.

Employment Policy

In 2017, we celebrated the **50th Anniversary** of **Velatia**. In March 2017, an event was organised which was attended different public institutions as well as an important network of **Velatia** customers and suppliers de.

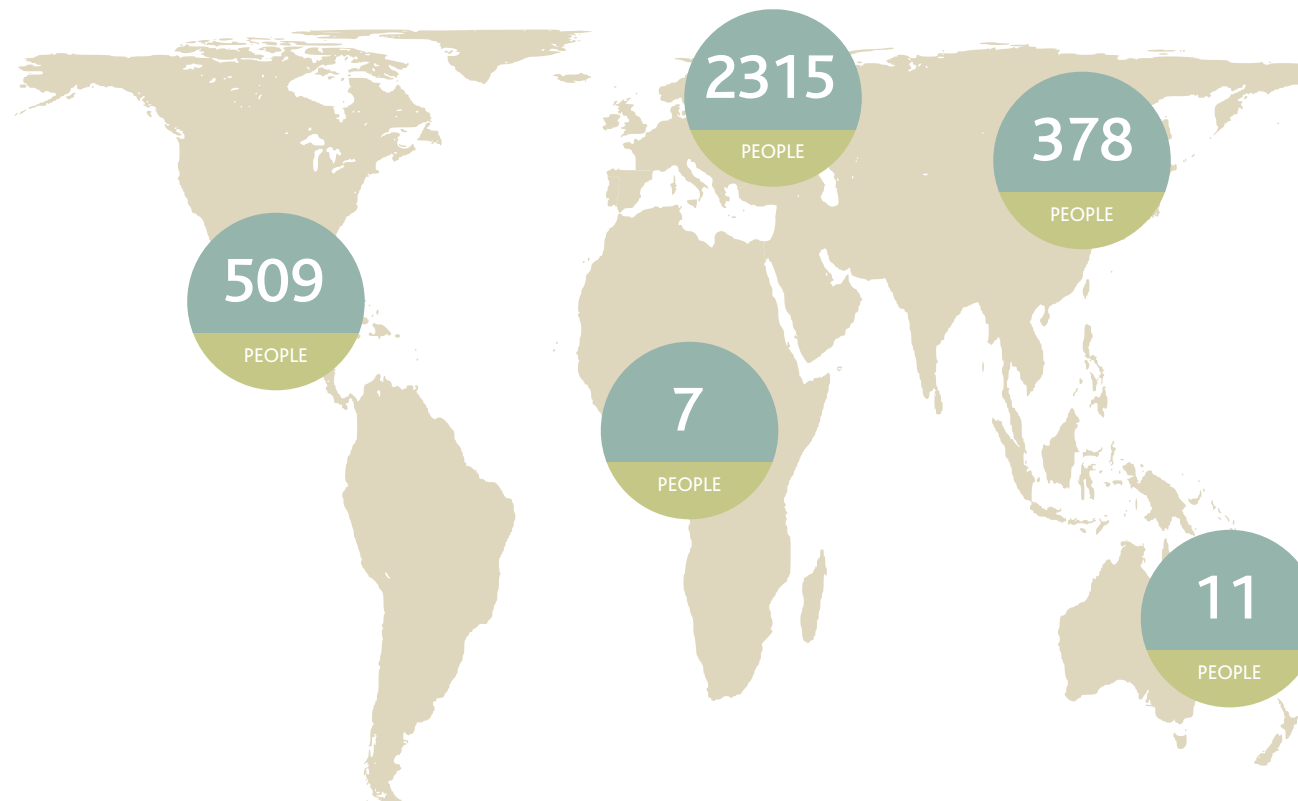
This event headed the different events for employees and their families held throughout the year at all of the production centres and facilities to celebrate the 50th anniversary to thank all of the people belonging to the group.

50
velatia



Our team

In December 2017, Velatia had 3069 employees and this figure increased to 3220 in 2018 distributed all around the world:



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

EMPLOYEES BY COUNTRY*	2018		
	Women	Men	Total
Germany	60	142	202
China	133	228	361
Colombia	15	44	59
Spain	353	1577	1930
France	22	103	125
Mexico	91	288	379

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

EMPLOYEES BY TYPE OF CONTRACT*	2018		
	Women	Men	Total
Permanent	512	1954	2466
Temporary	180	574	754

*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	2018		
	Women	Men	Total
Blue-collar employees	211	1343	1554
White-collar employees	481	1185	1666

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 over these years there has not been any significant sanction for breach of laws and regulations in terms of employment rights.

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 each year to all **Velatia** workers 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 80% in December 2017 and 75% in December 2018).
- 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.

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 October 2017, 6 Breakfasts with the President were held, in which a total of 63 people participated.

The Breakfasts took place in different **Velatia** companies and geographical locations: OCEX - Getafe (Madrid), at the headquarters of **Ikusi** in Miramón, at the corporate headquarters in Zamudio, at the **Ormazabal** facilities in Igorre, at the headquarters of **Ikusi** in Mexico, and finally, at the **Ormazabal** facilities in Boroa.

During 2018, the dynamics of the breakfasts have changed, due to the President's interest in interacting with the management of the different businesses. This year, there have been 9 Breakfasts, which have been attended by members of the Management Committees of each company, who have shared their concerns and problems related to their organisations with Javier Ormazabal.



Committed to talent attraction and the continued development of our people

Throughout 2017 and 2018, we have worked mainly on two areas with the aim of ensuring that we have sufficient talent in order to successfully address the challenges that **Velatia** faces:

Talent attraction

In order to improve our employer brand, which facilitates our access to profiles of interest, relations and agreements have been entered into with universities and business schools (TECNUN, Mondragon University, Engineering School of Bilbao, Madrid Polytechnic- University, Business Institute, ESIC, ESADE, DBS (Deusto Business School), Novia Salcedo Foundation), as well as relations/collaboration with other organisations, such as Bizkaiatalent, Bilbao Chamber of Commerce, Unitech, laeste and IESE.

We also consider participation in conferences, master classes and employment forums to be essential, such as the Annual Employment Forum organised by Bizkaiatalent; Engineering School of Bilbao Employment Conferences; Deusto Industry 4.0 Programme (teaching one module); Participation in Master's classes at DBS; Participation in the Age and Talent project organised by Lanbide; Participation as speakers at the Topagunea Ezkerraldea Talent STRATEGY Event; Participation in the Talent Management class in the final year of the DBS Degree.

We are pleased to highlight that we have worked on the "Employer Branding" project in 2018 with the aim of positioning **Velatia** appropriately as an employer, so that we are competitive when it comes to incorporating talent in the company.

Talent management

During this period, we have developed a model with which we have defined what talent is at **Velatia** and how to identify and manage it through different tools (skills catalogue, assessment, talent map, development programme...). The bases have been established to enable better talent management of the people in an organization in which access to information and coherence of criteria are important.

The Talent Model clarifies how talent is going to be managed in the organisation, including the corresponding updates based on the needs that are detected as the Strategic Plan 2018-2020 advances.

It must also be highlighted that in order to ensure that we have a sufficient pool to cover future talent needs and generational renewal, a programme to welcome and monitor "junior" talent has been developed in 2018 and will be deployed in **Velatia** in the next triennium.

The work carried out to Train and Align Leaders with the Leadership Style set out in the VMM through Transformational Leadership workshops within the framework of Atræ, which were introduced two years ago, must be mentioned. During 2017, sessions were organised with members of the **Ikusi** and **Ormazabal** Management Committees in LATAM, as well as with other leaders of **Ormazabal**, **Ikusi** and Diversification in Spain. In 2018, they were organised in Spain, Germany and China.

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	2018
Social skills	9%
Languages	30%
IT	5%
H&S, quality, environment	24%
Product and technical knowledge	32%
Others	0.3%
Average training hours per employee	19 h

COST OF TRAINING	2018
Social skills	16%
Languages	25%
IT	3%
H&S, quality, environment	19%
Product and technical knowledge	35%
Others	2%
Average training cost per employee	296 €

In line with the tendency over the years, investment in training focuses mainly on 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 sur-

veys revealed that most people were extremely satisfied with the knowledge acquired, and more specifically, the average score obtained is 7.5 out of 10.

People satisfaction

Velatia needs satisfied and committed people in order to fulfil its strategic objectives.

In order to measure the satisfaction of its employees, Velatia has a satisfaction survey that it has been using in accordance with the criteria of each of the organisations, and which offers us key information for decision-making.

In 2018, a project has been addressed to systematize the people satisfaction measurement. This project aims to search for the most appropriate methodology to measure people satisfaction, whereby this may be a combination of an employee survey with an external evaluation, seeking greater objectivity.

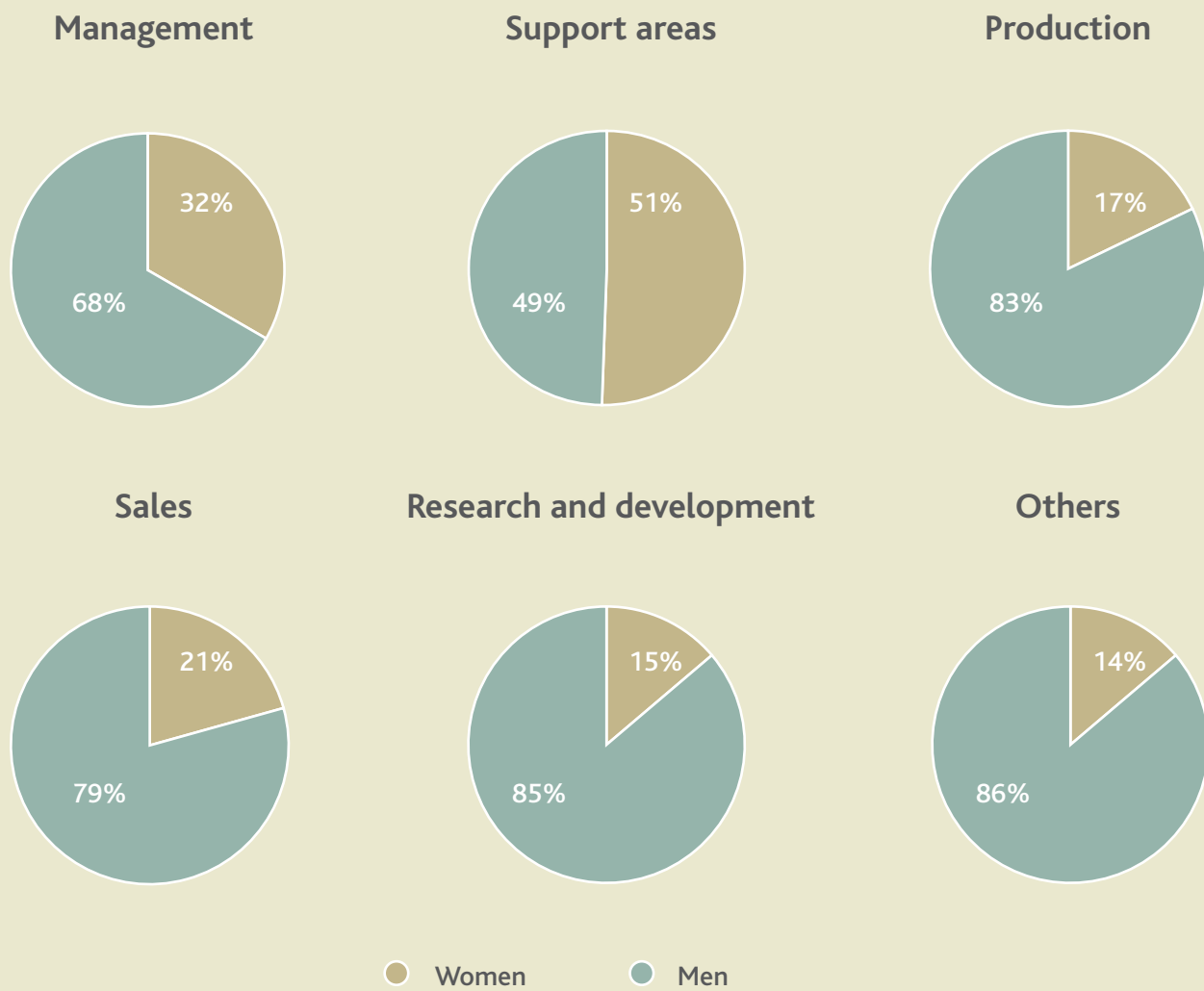
The results obtained with the measurements will enable us to act on variables that generate positive impact on satisfaction, anticipating future demonization problems, low performance, retention, attraction problems, etc.

Diversity and equality in Velatia

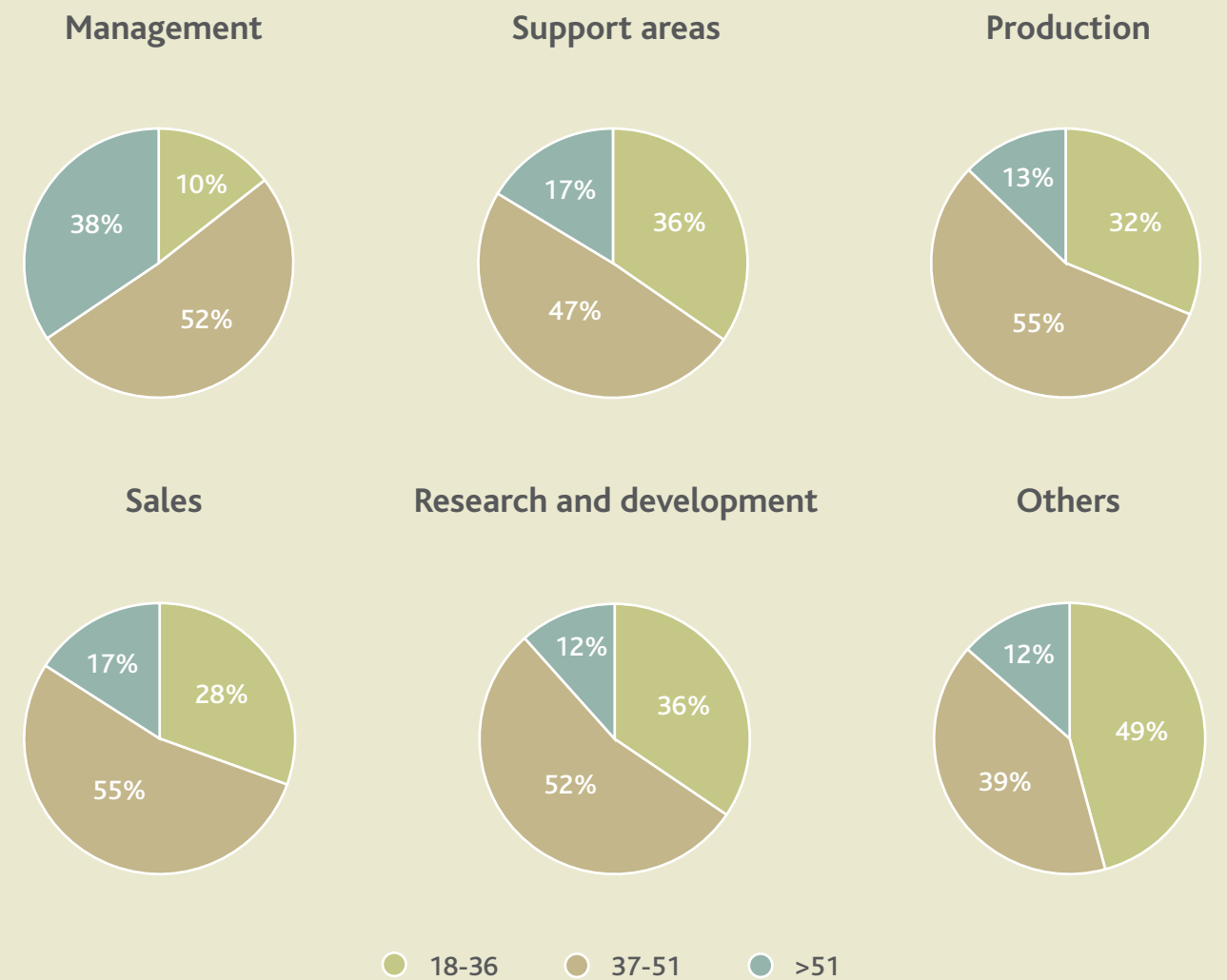
At Velatia, diversity management and support for equal opportunities are intrinsic to our management. Because of this, the company has ratified its commitment to Principle 6 of the United Nations Global Compact, which supports the abolition of discrimination in employment and occupation, constantly working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

EMPLOYEES BY CATEGORY	TOTAL 2018
Management	2.70%
Support areas	11.68%
Production	58.14%
Sales	15.84%
Research and Development	10.31%
Others	1.34%

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.

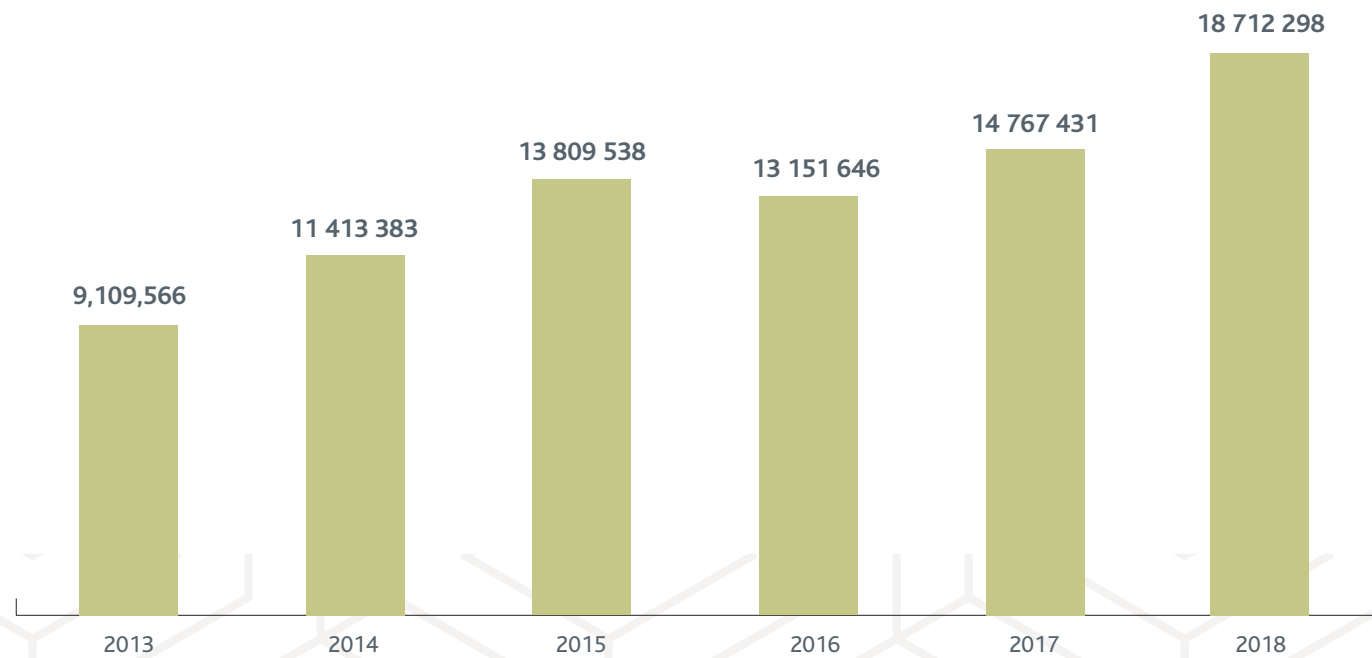
Information to December, 2018.



Working for the insertion of people with disabilities in the workforce

Regarding support for disabled staff, 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.



It must be highlighted that **Ormazabal Anlagentechnik GmbH** has collaborated with AfB ("jobs for people with disabilities") since 2014, collecting computers from the company. AfB employees prepare these computers and the IT equipment to sell them to individuals in their establishment or on their on-line store. They clean the hardware, repair it if necessary, and delete all of the existing data using a revision-proof standardised process.

In cooperation with AfB GmbH, **Ormazabal** supports two important objectives in a single project. On one hand, it fosters the creation of jobs for people with disabilities and, on the other hand, it contributes to environmental protection.



Health and safety

COMMITMENT TO HEALTH & SAFETY

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

Corporate Social Responsibility Policy

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

Quality, Environmental and Health & Safety Policy

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

Quality, Environmental and Health & Safety Policy



Our certificates

OHSAS 18001, until the coming into force of the new ISO 45001 in March 2018, 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 improvements in all aspects related to the health and safety of people in the organisation.

As a result of this commitment, we can say that at December 2018, several of our companies worldwide hold this certificate.

OHSAS 18001		VALIDITY DATE
Ormazabal	Ormazabal Secondary Distribution	2020
	Spain Ormazabal Media Tensión	2021
	Uniblok *	2021
	Ormazabal Beijing Switchgear	2021
	China Ormazabal Zhuhai Switchgear	2021
	Ormazabal Kunshan Switchgear	2021
	Mexico Ormazabal Mexico	2020
France Ormapost	2020	
Ikusi	Spain Ikusi	2020
	Colombia Daxa Colombia	2021

* Uniblok: ISO45001 Certification.

Our main Indicators

Labour accidents

LABOUR ACCIDENTS	WITH LEAVE		WITHOUT LEAVE	
	2017	2018	2017	2018
Ormazabal	60	79	104	112
Ikusi	1	1	6	0
Wec	5	2	20	8
Smarmec	6	2	3	4

Frequency index

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

FREQUENCY INDEX	2017	2018
Ormazabal	18.4	22.21
Ikusi	0.8	0.9
Wec	30.8	12.6
Smarmec	29	8.0

Absolute frequency index

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

ABSOLUTE FREQUENCY INDEX	2017	2018
Ormazabal	50.2	53.7
Ikusi	5.6	0.9
Wec	160.2	63.1
Smarmec	42.8	23.9

Incidence index

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

INCIDENCE INDEX	2017	2018
Ormazabal	7.3	7.8
Ikusi	0.8	0.1
Wec	23.1	9.1
Smarmec	10.5	3.5

Severity index

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

SEVERITY INDEX	2017	2018
Ormazabal	0.37	0.40
Ikusi	0.09	0.02
Wec	0.00	0.04
Smarmec	0.40	0.09

Working to increase safety

ORMAZABAL OCCUPATIONAL RISK PREVENTION MILESTONES	
2017	ODS: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001) without any "non conformities".
2017	Implementation in all organizations located in Igorre of the new tool for document management of Business Activities Coordination.
2017	IBERIA: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001).
2017	ASIA: Passed Audit of the Occupational Risk Prevention Management System (OHSAS 18001) in OBS and OZS.
2017	ODP: Consolidation of the KAIZEN methodology with weekly meetings also for Occupational Risk Prevention incidents.
2017	OMT: Movility and safety on the roads plan presentation.
2017	Ormapost: Consolidation of the KAIZEN methodology with weekly meetings also for Occupational Risk Prevention incidents in France.
2017	ASIA: Passed Government Audits in OBS.
2017	Polsa: The Occupational Health and Safety Committee is established, defining its operating guidelines, as well as the functions of Prevention Delegates and Comitée functions.
2018	Uniblok: Has adapted its prevention management system (OHSAS 18001) to the new ISO 45001 standard, passing the certification audit.
2018	IBERIA: Passed Reglamentary Audit of the Occupational Risk Prevention Management System without any "non-conformities".
2018	TPM (Professional Metal Sector Card qualification) training has been given, as established in the State Agreement for the Metal Sector.
2018	ARGENTINA: The workload devoted to Personnel Training in Occupational Health and Safety issues has increased in relation to INTRODUCTION TO SAFETY AND HYGIENE REGULATIONS as well as to HAZARDOUS WORKING CONDITIONS AND COMMISSION OF UNSAFE ACTS.
2018	Ormazabal UK: Has scored 100% in its 2019 Achilles Verify Audit, in addition to having successfully passed the BOC special product audit to acquire SF6 in the United Kingdom.
2018	Tecnichapa: The CGM3 delta spot ergonomic study has been performed.
2018	OP&A: Modifications are made to the Lay Out that should have an impact on the improvement of the Planning of Preventive Activity, since with the changes, said Planning actions are being implemented.
2018	Cotradis: Corridors and bridge crane shadow areas have been marked to avoid people being in areas when loads are passing.
2018	Polsa: Security in all R&D equipment has been reinforced, both in the discharge test equipment (the safety pole/ whip has been automated and another emergency stop has been added), and in the high voltage electrical test room, where a safety module that was lacking has been added.

IKUSI OCCUPATIONAL RISK PREVENTION MILESTONES	
2017	Spain: Training has been received by 23% of the workforce, with an average of 4.2 hours per person. Training is considered effective, due to both the reduction in accidents and the results of periodic safety inspections carried out.
2017	Awareness of the importance of using Individual Protection Equipment (IPE). None of the accidents occurred in 2017 is related to the lack or misuse of IPE.
2017	Spain: 21 inspections have been carried out: 15 of them affect the Miramón facilities, 2 branch offices and 4 contract management at customer facilities. 15 anomalies detected have already been resolved.
2017	Activities aimed at turning Ikusi into a healthy scenario: anti-flu vaccination campaign; donor campaign; Individualized health promotion programmes; promotion of healthy habits.
2017	Colombia: An audit has been carried out in order to verify the requirements to participate in the best management category for small and medium-sized enterprises by the Occupational Hazard Administrator, which has been approved and the award in this category has been obtained.
2018	The quantity and quality of information available on the intranet has been improved.
2018	An average of 3.85 hours training per person has been given to 55% of the workforce in Spain. The training is considered effective, due to both the decrease in accidents and the results of the periodic safety inspections carried out.
2018	23 inspections have been carried out. 8 of them affect the Miramón facilities while 15 affect contract management at customer facilities. 32 anomalies detected have already been solved.
2018	Activities aimed at turning Ikusi into a healthy scenario are ongoing.

OTHER OCCUPATIONAL RISK PREVENTION MILESTONES	
2018	Wec: Electric Discharge Machine (EDM) oil mist collection.
2018	Wec: Approval of the SPOT welding and Ni dust collection project in the brazing cell.
2018	Wec: Approval of the Psychosocial Risk Assessment project.
2018	Wec: Approval for acquisition of welding and machining screens with individual respiratory protection.



Quality and Service

COMMITMENT TO QUALITY AND SERVICE

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

Corporate Social Responsibility Policy

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

Quality, Environmental and Risk Prevention Policy

PROMOTE training, innovation and continuous improvement through excellence criteria.

Quality, Environmental and Risk Prevention Policy



Our certificates

Standard ISO 9001 specifies the requirements for a quality management system in the company, 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	2019
		Ormazabal Primary Distribution	2019
		Ormazabal Medium Voltage	2020
		Ormazabal Media Tensión	2021
		Ormazabal Protection & Automation	2021
		Ormazabal Corporate Technology *	2019
		Tecnichapa	2021
		Uniblok	2021
		Polsa	2021
		Germany	Ormazabal Anlagentechnik
		Ormazabal Vertrieb Deutschland	2020
China		Ormazabal Beijing Switchgear	2019
		Ormazabal Zhuhai Switchgear	2021
		Ormazabal Kunshan Switchgear	2021
Turkey	Ormazabal Electromekanik	2019	
Poland	Ormazabal Polska	2021	
France	Ormapost	2020	
Brazil	Ormazabal do Brasil	2018	
Mexico	Ormazabal Mexico	2018	
Ikusi	Spain	Ikusi	2020
	Mexico	Ikusi Mexico	2019
	Colombia	Daxa Colombia	2021
Wec	Spain	Wallair Engine Components	2019
Smarmec	Spain	Smarmec	2021
		TKS	2019

* IEC 17025 accreditation.

Standardising criteria for customer and market segmentation

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** -as the result of its 2018-2020 Strategic Plan- has deployed some specific action lines for its strategic market segments and its key customers.

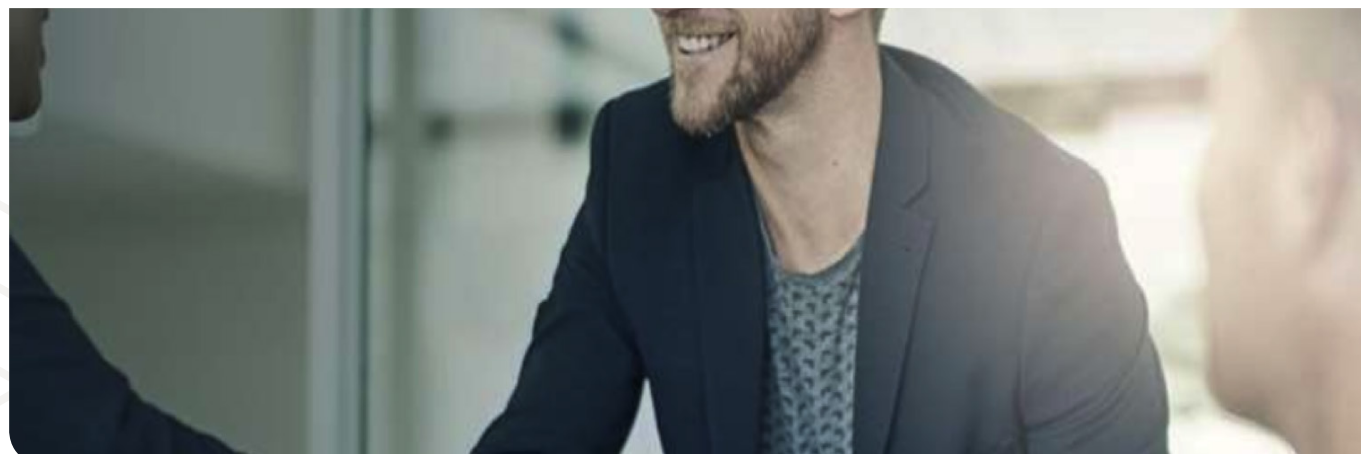
Ikusi has carried out the segmentation of its customers and markets within the scope of its Strategic Plan corresponding to its businesses.

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.

At **Ikusi**, it is worth mentioning the score of 9.1 out of 10 obtained at **Ikusi Multimedia** in relation to satisfaction with the after-sales service. In the Projects business (IKP), the global result of the satisfaction survey is 65%.



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.



Getting closer to the customer

MILESTONES FOR ORMAZABAL CUSTOMERS

2017	Enel entrusts Ormazabal with its biggest solar project.
2017	Ormazabal equipment in the Advanced Research and Development Centre of the multinational Bosch in Renningen.
2017	Ormazabal installs its first offshore wind power plant in Asia.
2017	Ormazabal in the first rural smart grid installed in France.
2017	Ormazabal and Vestas move in tune.
2017	New contract with Iberdrola within the STAR project.
2017	Ormazabal chosen as preferred supplier of Mainnova AG.
2017	One million medium voltage cubicles manufactured in Bizkaia/Biscay.
2018	Ormazabal modernizes the electric network at Barcelona airport.
2018	BA Glass, a new Ormazabal customer.
2018	Ormazabal collaborates with ZITY on development of an electric vehicle to carry out a project to expand and improve its service.
2018	Ormazabal takes a step forward, together with German power company Ewe Netz, towards a sustainable electricity supply by supplying the first intelligent transformer.
2018	Ormazabal and Ionity team up to promote electric mobility in France.
2018	Ormazabal supplies the first transformer substation to electric utility UTE.
2018	Ormazabal carries out its first smart grid project in Vietnam.
2018	Ormazabal has taken part in renewing the distribution network at the University of Panama.
2018	The Ormazabal office in Colombia was instrumental in supplying an interconnection centre to the Ikakos plant in order to provide a remote-controlled and automated solution for the facility.
2018	Ormazabal takes part in Gas Natural Fenosa Renewables Plan 667.
2018	Supply for the largest photovoltaic plant in Europe.
2018	Ormazabal obtains its first contract with the third turbine manufacturer in China.
2018	Present in the largest wind farm in Australia and the southern hemisphere.

MILESTONES FOR IKUSI CUSTOMERS

2017	Sedecal reinforces its commitment to Ikusi Electronics with 4 new projects.
2017	Bombardier proposes Ikusi Electronics as a global supplier.
2017	Etzegarate toll: a pioneering project in Spain, executed in record time.
2017	The Vidanta hotel group becomes a new Ikusi client.
2017	Actren repeats and entrusts Ikusi with the remodelling of its trains.
2017	Security and information systems projects for Tocumen airport in Panama.
2017	Telum - iZZi entrusts Ikusi Networks with engineering at its Core and Regional Growth.
2017	Telcel - Ikusi provides Professional Equipment and Services for Data Centre and Telecommunications.
2017	AFIRME - Entrusts Ikusi with Data Centre Equipment and Services (PaaS).
2017	Pepsico - Entrusts Ikusi with Asset Modernization MEXICO 2018 project.
2017	CFE - Ikusi provides the network for data centres with HyperFlex technology.
2017	PEMEX - Ikusi participates in the Convergent Network Expansion.
2017	SCT - Ikusi provides managed voice and data services for Port Administrations.
2018	Agreement with Danfoss to supply electronic cards.
2018	Development of a framework agreement with Grupo Vidanta.
2018	Walmart, a recurring customer.
2018	Basque Government extends contract for police station updating and maintenance.
2018	Talgo and Stadler, new Ikusi clients in the Onboard sector.

Ikusi and Ormazabal showcase their offer for sustainable mobility at Go Mobility

- The companies will showcase their proposals as specialists in both mining intelligence from data and also in products and services for charging infrastructure connection to grid.
- The fair will be held in Ficoba (Irun) on 27th and 28th November.

Ikusi and **Ormazabal**, both part of **Velatia**, will take part in the first edition of Go Mobility, Southern Europe's leading industrial fair devoted to sustainable mobility of the future, aimed at professionals and companies in the electromobility and energy storage fields.

Ikusi's proposal

Ikusi attends this event to show off its capabilities as a company specialising in mining intelligence from data generated in the different spheres intervening in sustainable mobility.

Ikusi has its own software platform, Spider OIM, which monitors and manages a large volume of data from multiple sources and operational mobility systems. The Spider platform centralises, processes and exploits data through multiple modes thanks to advanced Business Intelligence tools.

This gives transport planners, operators and authorities access to simplified, orderly, straightforward information, helping them to optimise decision-making in order to reduce operational costs in services, coordinate resources, and anticipate future problems and trends.

Furthermore, **Ikusi** develops complex integration and technological engineering projects that promote safe, sustainable and accessible mobility in both road and rail infrastructure, as well as in urban and regional environments.

Ikusi rounds off its offer with a range of services to improve uptime for the client's business-critical systems, transparency in management, and quality of public service.

Ormazabal's proposal

Ormazabal, a **Velatia** company specialising in developing, manufacturing and supplying power grid connection solutions, offers products and services for promoters or operators of charging networks, public transport and fleet operators, and electricity retailers, allowing them to implement their business project from the engineering stage through to installation, commissioning and maintenance. All this with the reassurance of knowing that the electrical energy is supplied on time, reliably, safely and in accordance with the client's needs and the specific requirements of each country and/or grid operator.

Deploying charging infrastructure poses challenges to the distribution grid that can only be met through its digitalization. **Ormazabal** offers its experience as the driving force behind smart grids, based on its knowledge of the network and its multiple qualifications by leading Distribution System Operators (DSOs) around the world.

Ormazabal's network connection solutions can be found in leading public transport operators and fleets, as well as in promoters of charging networks in the main European countries.

Ikusi forms part of the fair's Technical Committee

The Go Mobility - Basque Sustainable Mobility Industry Exhibition, held on 27th and 28th November at Ficoba trade fair hall (Irún-Spain), is promoted by the Department for Economic, Rural and Territorial Balance of the Provincial Government of Gipuzkoa.

Ikusi, together with a qualified representation of institutions, companies, business clusters and technology centres from the industry, forms part of the Technical Committee that will provide support in organising the fair.

The purpose of this Committee is to offer advice, endorse the technical content of the event, and provide the expertise of agents in the Sustainable Mobility sector, therefore ensuring the event helps bring together the interests of the different sectors involved.

OTHER MILESTONES FOR CUSTOMERS

2017	Smarmec: Starts working with a new customer, Gunnebo.
2017	Wec: Contract with LIEBHERR AEROSPACE renewed.
2018	Smarmec: Starts working with a new customer, Ekasa.
2018	Smarmec: Starts working with a new customer, Heidelberg.
2018	Wec: Contract with HONEYWELL renewed.
2018	Wec: New LEAP programme reference in portfolio.



Innovation

COMMITMENT TO INNOVATION

ESTABLISH continuous improvement lines in quality, reliability, security, robustness, flexibility, adaptability and environmental features of the products.

Corporate Social Responsibility Policy

PROMOTE innovation and continuous improvement through excellence.

Quality, Environmental and Risk Prevention 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 2017 and 2018 which have enabled us to reach different milestones in the field of commitment to technological innovation.

In 2017, a new "Strategic Technological Plan" was drawn up for **Ormazabal**, synchronised with the Business Strategic Plan 2018-2020. The areas of action of this plan are network distribution, sustainability and decarbonisation, integration of renewable energies, electro-mobility and asset management. In each of these areas, projects have been proposed that enable the company to fulfil the strategic vision.

ORMAZABAL TECHNOLOGICAL MILESTONES

2017	ORTZE-CV Project: On the research and development of technologies toward zero emissions coastal vessels.
2017	NAenCAT. Project: Experimental development of new automation technologies in the Catalan MV network.
2017	Mgridstorage. Project: Research and development of an advanced micro-grid model with electric energy storage for distribution networks.
2017	MERIT. Project: Method for efficiently reducing the inrush current in transformers.
2017	INTREPID. Project: Method for efficiently reducing the inrush current in transformers.
2017	CPGWIND. Project: Method for efficiently reducing the inrush current in transformers.
2017	STAP. Project: Method for efficiently reducing the inrush current in transformers.
2017	FLOW. Project: Development of a floating wind turbine at BIMEP for its real-scale demonstration.
2017	HVDCLINK 3. Project: HVDC links for marine energy evacuation: solution for the future.
2017	VIPSensor. Project: Vacuum interrupter pressure sensor for online monitoring.
2017	GADEM. Project: New dielectric gases for medium voltage equipment.
2017	Constitution of the company BELA "Basque Electrical Laboratories Alliance" together with Artech and Tecnalia.
2017	Quality Innovation Award. Euskalit 2017.
2017	Market launch of the first Smart transformer units with proprietary OLATC technology.
2018	NaSSOR. Project: Development of storage systems for Na batteries with solid electrolyte for use in stationary applications.
2018	AISLA. Project: Research into new electrical insulation systems.
2018	GADIA. Project: Wind Turbine Interconnection Asset Management.
2018	NEOSUB. Project: Innovative design and development of electrical equipment and components for electrical substations and transformer substations with ecodesign and sustainability criteria.
2018	IOENERGY. Project: Capitalization of the digitization of critical components in electrical networks with support and optimization of digital platforms and test benches.
2018	EIB. European Investment Bank. Electrical network automation and digitalization projects.
2018	PASTORA. Preventive analysis for Smart Grids, with real-time operation and integration of renewable resources.
2018	ERIGrid. European Research Infrastructure supporting Smart Grid Systems Technology Development, Validation and Roll Out. Transnational Access in Boroa.

IKUSI TECHNOLOGICAL MILESTONES

2017	Ikusi Projects: Multilane Freeflow System implementation.
2017	Networks: Routing and Switching (Wi-Fi, LAN and WAN, Equipment, Implementation).
2017	Networks: Cybersecurity (SOC, Equipment, Consultancy).
2017	Networks: Cloud (IaaS, PaaS, SaaS, Consultancy).
2017	Networks: After Sale Services (Extended guarantee, Administrative Services, Monitoring, Turnkey).
2017	Networks: Collaboration (Voice and Video, Equipment and Implementation).
2017	Networks: IT Best Practices Consultancy (ITIL, Business Continuity, Information Security).
2018	Ikusi Electronics: New IRIS Rev-03 ISO TS 22163 certification.
2018	Ikusi Projects: Processing capacity in virtualized environment for onboard systems.

OTHER TECHNOLOGICAL MILESTONES

2017	Wec: Implementation of vacuum furnace braze welding of honeycomb structures.
2017	Wec: Implementation of EDM machining of honeycomb structures.
2018	Wec: Implementation of laser welding for nickel-based alloys.
2018	Wec: Automation of deburring and polishing processes.



In 2017, **Ormazabal** won the **Quality Innovation Award**, granted by Euskalit, for the UDEX project: Demonstration and Experimentation Unit for Electrical Networks, recognising its innovative nature.

In 2018, the European Union Bank has provided a loan under the Investment Plan for Europe, known as the Juncker Plan. More specifically, the Vice-President of the EIB, Emma Navarro, and the President of **Velatia**, Javier Ormazabal, signed a 32.5 million-euro finance agreement which will enable new digital technologies to be incorporated into the products we develop for electricity networks.

The funding provided by the EIB will contribute to us improving our competitiveness in light of the changes that are occurring in the energy sector. **Ormazabal** will drive forward projects in the field of the automation and digitalisation of power grids, and the development of patents and products that enable us to access new markets and customers.

This EIB support for **Ormazabal's** R&D&I project will also have environmental benefits, helping to achieve the European goal of decarbonising the energy system. Specifically, the project will make it possible to adapt the electricity distribution networks to a renewable and well-distributed energy mix and the electrification of transport. These aims will be achieved by developing technologies incorporating new electromechanical equipment and electronic hardware, communications systems provided with new cyber-security solutions and innovative power grid management software.

The agreement signed will help to safeguard quality employment and create new jobs in the firm's R&D&I division. The loan is backed by the Investment Plan for Europe, which enables the EIB to finance projects that have particular value added and a higher risk profile owing to their structure or nature.



Integrated Technological Innovation Management System

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

R&D+i employees (people)	2017
Velatia	167
Ormazabal	95
Ikusi	63
Diversificación	9

R&D+i expenses (Mil €)	2017
Velatia	21 800
Ormazabal	14 693
Ikusi	6 340
Diversificación	767

Turnover in new products (Mil €)	2017
Velatia	155 255
Ormazabal	117 911
Ikusi	23,036
Diversificación	14 307

Patent applications	2017	2018
Velatia	4	4
Ormazabal	4	4

Patents and industrial property records	2017	2018
Velatia	296	286
Ormazabal	269	271
Ikusi	20	9
Diversificación	7	6

Industrial property average age (years)	2017	2018
Velatia	9.2	9.3
Ormazabal	9.3	9.4
Ikusi	6.5	5.5
Diversificación	11.3	11.6

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.

Fostering research

Between 2017 and 2018, Velatia has continued to be a Trustee of the Tecnalía Research Centre. Tecnalía is the leading private applied research and technological development centre in Spain and one of the most important centres in Europe. It is made up of over 1,400 experts from more than 30 different nationalities, focusing on transforming technology into GDP to improve the life quality of people, by creating business opportunities in companies.

Tecnalia's research activity falls under the premises of excellence and specialisation, contributing to the strengthening of economic development, social cohesion and sustainability. Open to collaboration, it fosters relationships and enters into agreements with other agents of the innovation system.



Fostering innovation



Velatia forms part of the Management Board of Inno-basque (Basque Innovation Agency), whose objective is to make the Basque Country a leading region in innovation in Europe, fostering new innovation initiatives (in collaboration with all of the member entities and with all of the agents of the Basque Innovation System), and improving the design and implementation of new innovation policies.

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.

Fostering 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 the Tecnalia Technological Centre, set up the Basque Electrical Laboratories Alliance in March 2017, with the aim of joining testing capacities and being able to offer customers a more complete and competitive offer.

The participation of **Ormazabal Corporate Technology** in the EriGRID project has enabled our UDEX network to be positioned as a European reference for the Smart grid new technology development tests for electrical networks through international transnational access agreements, funded within the H2020 framework programme.

With regard to the European projects we take part in (ER-IGrid and Means4SG), two Transnational Access projects have been carried out, one of them was hosted by our Technology Centre, and has served to develop network diagnostic technologies, whereas the second Transnational Access project, carried out at the German Fraunhofer Institute, was aimed at developing and testing technological solutions to maximize the Hosting Capacity for the integration of renewable energies using our Smart Transformer technology. In the Means4SG project, it is worth noting that the "2018 Summer School" was held at our Technology Centre, hosting 11 researchers from different European institutes.

As regards our position in the digital strategy and the IoG (Internet of Grid) strategic project, participation in two exceptional projects stands out: the Pastora project led by Enel-Endesa and the Bidelek Sareak 4.0 project led by Iberdrola. Inside these projects, we will be able to develop hardware and software solutions to manage our reference clients' network over the next few years.

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

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

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

RESPECT the principles of sustainable development by promoting the fulfilment of human rights and the laws, rules and regulations of the countries in which **Velatia** operates. Purchasing Policy

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 on the management of our suppliers in order to ensure that the principles of sustainable development are respected throughout the entire supply chain.

Among the main advances in 2017 and 2018, **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

We are pleased to highlight the second **Ormazabal** "Suppliers Forum" which was held in November 2017, in accordance with a previously defined methodology and which was called the "Ormazabal Purchasing Conference".

50 strategic international suppliers from the Spanish Business Units participated in this Conference, whose most representative act was held at the **Ormazabal** and ODP / ASSL Research and Technology Centre. Its main objective was to establish a meeting space to transmit the main pillars of the **Ormazabal** 2018-2020 strategy to suppliers and what **Ormazabal** expects from them to fulfil this strategy.

Furthermore, coinciding with the 50th Anniversary of **Ormazabal**, we paid an emotional tribute* to several key people (now retired) from our main suppliers, who have supported us for several decades.

In order to control risk with suppliers, a Risk Management system has been established in the supply chain during 2018. For this, a panel of suppliers, with critical direct and indirect suppliers, all classified by different levels of criticality, is available at **Ormazabal**. Moreover, with the aim of combining certain processes in the different **Ormazabal** organizations for risk management, a series of additional and common processes has been defined in all purchasing departments, such as approval of new suppliers or inclusion in the panel of suppliers and the awarding of new parts and projects to current suppliers.



*Ormazabal Supplier Forum.

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		2017	2018
Ormazabal	Spain	81%	85%
	France	92%	94%
	Germany	64%	56%
	China	96%	96%
Ikusi	Ikusi Electronics	89%	86%
	Proyectos	84%	81%
	Redes	24%	81%
	Multimedia	85%	85%
Wec	Soluciones	90%	87%
	Spain	42%	57%
Smarmec	Spain	37%	37%

Integration of sustainability criteria in the selection of new suppliers

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.

The purchasing strategy has a panel of global suppliers of basic raw materials (copper, aluminium, steel...) and STD and/or high rotation product to personalise it with local suppliers, close to the consumption points to gain flexibility and proximity to the final client.

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, **Velatia** organisations have started to transmit the commitments assumed and promoted by the United Nations Global Compact to the companies that wish to work with it.

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.





Environment

COMMITMENT TO THE ENVIRONMENT

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



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 2019
	Spain	Ormazabal Primary Distribution 2021
		Ormazabal Secondary Distribution 2020
		Ormazabal Medium Voltage 2021
	Germany	Ormazabal Anlagentechnik 2020
		Ormazabal Vertrieb Deutschland 2020
		Ormazabal Beijing Switchgear 2020
	China	Ormazabal Zhuhai Switchgear 2021
		Ormazabal Kunshan Switchgear 2021
	Poland	Ormazabal Polska 2021
Ikusi	Spain	Ikusi 2020
	Colombia	Daxa Colombia 2021
Wec	Spain	Wallair Engine Componets 2019

Our main environmental management milestones

OTHER ENVIRONMENTAL MILESTONES	
2017	Elimination of particle emissions produced in busbar cleaning at Tecnichapa , while also achieving, through this measure, suppression of the burning process at the supplier.
2017	Gradual replacement of the acetone used at Tecnichapa by a natural-based degreaser.
2017	Replacement of the usual pallet and stretch film packaging with returnable wooden crates in the covers circuits with Tecnichapa suppliers.
2017	Ormazabal participation in the "Climate Change in the Competitiveness of Basque Companies" working group, promoted by CONFEBASK and the Basque Government.
2017	40% decrease in Non-Hazardous Waste (NHW) at Ormazabal Primary Distribution (ODP) compared to 2016.
2017	5% reduction in electricity consumption at Ikusi plant 3 in Miramón, the one with the highest number of people, mainly by stressing awareness to people, communicating a series of good practices through the different internal communication channels (screens, newsletter, Ikusi Magazine, posters, etc.).
2017	Completion of all relevant communications to the public administration and the official Integral Management System (IMS) companies: Ecotic, Ecopilas, Ecoembes, and annual packaging declaration by Ikusi .
2017	All the printers at Ormazabal Protection & Automation (OP&A) have been modified / replaced so they can perform double-sided printing, with the consequent saving in paper. In addition, all PCs are configured by default with the required settings.
2017	Conventional packaging and shipping systems used by OP & A suppliers have been replaced with returnable packaging, thus reducing the consumption of wood, cardboard and filling materials and optimizing their transportation.
2017	At Ormazabal Secondary Distribution (ODS) and Ormazabal Protection & Automation (OP&A), Lantegi personnel hired to weigh and remove waste now check wooden pallets and leave those that are in good condition next to Dispatch so they can be reused.
2017	Change of packaging for OP&A product not assembled in cubicles, eliminating film and optimizing their transport, with the consequent reduction in CO ₂ emissions.
2018	At ODP, a Life Cycle Analysis of all products has been carried out and certified through PEP ecopassport.
2018	Ormazabal organizations that have certified environmental management system have adapted and certified them according to the new ISO14001:2015.
2018	The Energy Efficiency of Velatia Buildings project has continued at Aislantes Solidos, with Stratenergy carrying out the renovation of solar panels in the photovoltaic installation, as well as the installation of electric meter monitoring equipment.
2018	Cotradis has improved the destruction factor in the assembly of live parts 5%, thus reducing the consumption of sheet metal.
2018	At Cotradis, the coil drying oven space/time has been optimized.
2018	LED lighting has been installed in the C1-C2 factory workshops at Cotradis.
2018	Change of spare part packaging material from non-recyclable (polystyrene) to recyclable (cardboard) at ODS.
2018	The appropriate separation and minimization of all types of waste has been promoted in Ikusi , promoting commitment to the environment through internal communication channels.
2018	At Ikusi , in order to perform more responsible environmental management, the waste management effort has increased from 27 types of waste identified in 2017 to 32 in 2018.
2018	Registration of Wec as a producer and manager of hazardous waste.
2018	The kilos of degreaser handled as hazardous waste at Wec has been maintained, despite a greater amount being generated.

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.

Power consumption

The reduction in electrical power consumption data for each year with respect to the previous year is presented below:

REDUCTION IN ELECTRICAL POWER CONSUMPTION	2017	2018
Ormazabal	98.2%	-12.7%
Ikusi Spain	12%	0.17%
Ikusi Mexico	-60%	1.1%
Smarmec	-	27.4%
Wec	0.9%	5.7%

During 2017, Ikusi has been working on raising staff awareness at the Miramón Plant 3 through the communication of a series of good practices using the different internal communication channels (screens, newsletter, Ikusi Magazine, posters,) whereby it has managed to reduce power consumption by 5%.

Ormazabal has been systematically working on the optimisation of power 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 the technological change to led lighting at the work centres of these organisations can be highlighted. The 2017 figure has been increased due to the fact that data for Ormazabal organizations that were not being contemplated until that year have been included in the calculation.

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.

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

REDUCTION IN DIRECT CO2 EMISSIONS	2017	2018
Ormazabal	5.3%	-20.7%
Wec	-9.9%	71%

The emission factors for calculating the 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. En cuanto a las emisiones indirectas, consideramos el consumo eléctrico de las instalaciones.

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

Treatment of the waste generated

The destination of the hazardous and non-hazardous waste generated is shown below:

HAZARDOUS WASTE (KG)	RECOVERY		DISPOSAL		REUSE		LANDFILL	
	2017	2018	2017	2018	2017	2018	2017	2018
Ormazabal	7.9%	3.9%	85%	86%	7%	10%	0%	0%
Ikusi Spain	64.6%	88.2%	35%	11.8%	0%	0%	0%	0%
Ikusi Colombia	100%	100%	0%	0%	0%	0%	0%	0%
Smarmec	-	0%	-	0%	-	100%	-	0%
Wec	1.5%	7.1%	88%	77%	10%		0%	16%

NON-HAZARDOUS WASTE (KG)	RECOVERY		DISPOSAL		REUSE		LANDFILL	
	2017	2018	2017	2018	2017	2018	2017	2018
Ormazabal	31.3%	30.1%	0%	0%	63%	63%	5%	7%
Ikusi Spain	100%	62.7%	0%	37%	0%	0%	0%	0%
Ikusi Colombia	1.5%	100%	0%	0%	0%	0%	99%	0%
Smarmec	-	0%	-	4%	-	96%	-	0%
Wec	39.5%	25.3%	1%	1%	59%	61%	0%	13%

Water consumption

The data for water consumption is presented below. It must be highlighted that this indicator started to be managed at Ormazabal and Smarmec in 2018, so we only have data for this year:

WATER CONSUMPTION (M3)	2017	2018
Ormazabal	-	23,684.44
Ikusi Spain	3,082.52	2,954.67
Ikusi Mexico	1,493	2,542
Wec	1,261	1,354
Smarmec	-	116

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 eco-design 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. In 2017, new environmental impact studies have been conducted (life cycle analysis) of different models of distribution transformers. Continuing with the Velatia environmental transparency policy, in 2018 the environmental impact analyses of new primary distribution cubicle models (CPG-0) were carried out. The environmental impact analyses have been verified externally, and the environmental statement will be published in the PEP ecopassport 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.

Society

COMMITMENT TO SOCIETY

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
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.	Social Action Policy
GUARANTEE the long-term relationships of activities and projects to be undertaken, as well as the intention of their continuity.	Social Action Policy
DIRECT our social action towards mutual benefit, ensuring the growth of local communities jointly with our business activity in those areas.	Social Action Policy



Advancing in social action management

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.

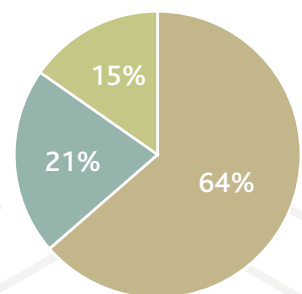
In this respect, we are pleased to mention our "Social Action Policy", in which we state that our objective in this field is to contribute to the development of the society in which **Velatia** operates and/or maintains trade relations, driving innovation in search of a better quality of life for that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

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

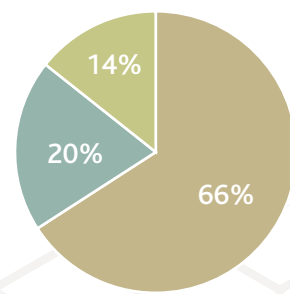
- **Social Area:**
 - **Training and Research:** Activities and projects aimed at the education and training of people and social progress through education and research.
 - **Social Integration and Community Development:** Activities and projects aimed at community progress which promotes the integration and advancement of disadvantaged social groups.
- **Cultural Area:** Programmes or partnerships aimed at promoting and developing the visual, performing and/or musical arts, enabling the society in which **Velatia** operates access to them.
- **Environmental Area:** 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 2017



Social action 2018



● Social ● Cultural ● Environmental / Other

Our Main Donations and Sponsorships

Social Area



Aware of the need to support and protect 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.

However, in order to align our collaboration with our Social Action Policy and as Training is one of our main focuses, since 2013 we have focused collaboration with Unicef supporting a specific project: 'Schools for Africa' and focusing our attention on **South Africa** (where **Ormazabal** has a subsidiary in Africa).

This Unicef and Nelson Mandela Foundation initiative offers children the opportunity to access education and dream of a better future.

Throughout the period object of this Report, the objectives set within the project are: Ensure that children have access to quality education and finish their studies, improve pre-school education services particularly for children in vulnerable situations and increase the number of child friendly schools.

The following achievements can be highlighted:

- Through the Care and Support for Teaching and Learning (CSTL) Model, children at risk have been supported through the strengthening of their skills.
- Training and awareness in Water, Hygiene and Sanitation issues has been implemented in 292 primary schools, reaching more than 1,800 teachers and 200,000 students.
- A programme to reinforce reading in the first year at 230 primary schools has been implemented, showing that support in the classroom, appropriate curricular plans and trained readers can improve learning.

- A Programme of Job Skills (TechnoGirl), particularly designed for teenage girls in underprivileged communities, has been implemented. The programme offers opportunities in Science, Technology, Engineering and Mathematics (STEM) degrees and 3,500 girls have benefitted from the support of more than 70 qualified mentors in 2017. The evaluations carried out show that the programme helps to develop skills and confidence among girls to study STEM subjects.

Over the past two years, **Velatia's** collaboration with Unicef has supported children in emergency calls as a result of natural disasters, launched fund raising campaigns among its employees, doubling the amount that they donate, under the slogan: "TOGETHER, WE CAN": for each € you donate, **Velatia** will donate another €".

In 2017, the victims of the terrible earthquakes that devastated Mexico in September were supported.

In 2018, another campaign was launched to help the victims of the earthquake measuring 7.4 on the Richter Scale, followed by a violent tsunami that affected the island of Sulawesi, in Indonesia in September.





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. Since 2015, we have refocused our collaboration, supporting the **Pegasus Project**.

In the years corresponding to this Report, the focus of the project has been on youth employment worldwide. In this respect, an ambitious and intense programme has been developed, full of actions and initiatives to continue moving forward in the three main lines of action from which youth employment is fostered in general and the **Sustainable Development Goal 8** (Decent work for all and sustainable economic growth): Institutional Relations, Communication, Raising Awareness and Presence in Society, and Creation and Dissemination of Knowledge.



We are also pleased to highlight the agreement signed with the Save the Children Foundation in 2017 to support the **Reading Me! Project, (Strengthening of socio-emotional skills through reading with children)** which seeks to help to strengthen socio-emotional skills among 3rd to 6th grade children in public primary schools through reading and the analysis of written texts.

In Mexico, 41% of students do not reach a basic level of reading skills and, according to the Programme for International Student Assessment (PISA), they lack a command of basic skills in mathematics.

Through our collaboration, we will help to foster the development of literary skills and socio-emotional skills in three schools in the Old Quarter of Mexico City, helping 450 children a year to have a greater capacity for decision-making applicable to both the educational environment and the external community.



Área cultural

GUGGENHEIM BILBAO

The Guggenheim Museum Bilbao is an international artistic reference 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.

Identified 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 since its constitution.



Bilboko Koral Elkarte
Sociedad Coral de Bilbao

The Bilbao Choral Society was set up at the end of the 19th century to promote the knowledge and dissemination of music in general and choral music in particular. This same purpose led the choral society to continue working with this institution, heritage of Bilbao and Bizkaia and for whoever enjoys music in the 21st century.

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

**BILBOKO ARTE
EDERREN MUSEOA
MUSEO DE BELLAS
ARTES DE BILBAO**

For more than 10 years, **Velatia** has been collaborating with the Bilbao Fine Arts Museum as one of its corporate Friends, thereby contributing to its Foundation, whose mission is to gather, preserve, study and disseminate the collection of ancient, modern and contemporary art in Bilbao, actively contributing to educating society and projecting the values of the Basque Country, Euskadi.

Our main collaborations



BILBOKO INGENIARITZA ESKOLA
ESCUELA DE INGENIERÍA DE BILBAO



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

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

- Recruit potential students after the training and the development of projects in areas of interest for **Velatia**. It must be pointed out that we have hired 3 students from the Classroom in our companies in 2017 and 2018.
- Disseminate the image of **Velatia** in the School, 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. 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 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.



Since 2016, we have had a collaboration agreement with the aim of increasing the knowledge acquired by students through work placements in the different companies of the Group.

Thanks to this agreement, students 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 Foundation**, and Javier Ormazabal Echevarria is a member of the Board on behalf of **Velatia**.

Since its establishment in 2011, the Euskampus Foundation has aspired to become a key element in the revitalization of Basque R&D&I and its 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.

The Euskampus Foundation 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, and 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 of 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 2,200 senior management hours to this type of actions in 2017 and 2018.





Report parameters

Report scope and coverage

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 2017 and 2018 as the publication of our reports is on a biennial basis.

To develop the contents of this Report, we have followed the principles and guidelines in accordance with the **GRI Standards** for the preparation of sustainability reports 2016, according to the "essential option" of 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 10 lines of action of the CSR Master Plan 2018-2020. 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.

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

Corporate Social Responsibility Area:

corporate.social.responsibility@velatia.com

GRI content index

GRI STANDARD				
INDICATOR	CONTENTS	SDG	COMMENTS AND OMISSIONS	PAGE
GRI 101: Foundation				
GRI 102: General Disclosures				
Organisation profile				
102-1	Name of the organization			11
102-2	Activities, brands, products, and services			14-15
102-3	Location of headquarters			11
102-4	Location of operations			11-15
102-5	Ownership and legal form			11
102-6	Markets served			11-15
102-7	Scale of the organization			48-49
102-8	Information on employees and other workers	8		47-59
102-9	Supply chain			91-95
102-10	Significant changes to the organization and its supply chain			91-95;17
102-11	Precautionary Principle or approach			
102-12	External initiatives			18-19
102-13	Membership of associations			18-19
Strategy				
102-14	Statement from senior decision-maker			47,63, 69,79, 91,97, 105
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	8		33-37
Governance				
102-18	Governance structure			27-31
Stakeholder engagement				
102-40	List of stakeholder groups			39
102-41	Collective bargaining agreements			50
102-42	Identifying and selecting stakeholders			39-43
102-43	Approach to stakeholder engagement			39-43
102-44	Key topics and concerns raised			39-43

Reporting practice			
102-45	Entities included in the consolidated financial statements	Not applicable	
102-46	Defining report content and topic Boundaries		117
102-47	List of material topics		40
102-48	Restatements of information		
102-49	Changes in reporting		117
102-50	Reporting period		117
102-51	Date of most recent report		117
102-52	Reporting cycle		117
102-53	Contact point for questions regarding the report		117
102-54	Claims of reporting in accordance with the GRI Standards		117
102-55	GRI content index		119-123
102-56	External assurance	Not applicable	
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary		39-43
103-2	The management approach and its components		47,61, 69,79, 91
103-3	Evaluation of the management approach		97,105
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	7,8,9	Our economic performance (€M) 2017 2018 Total capitalisation 573 628 Economic value generated 578 633 Distributed economic value 566 619
GRI 202: Market presence			
202-2	Proportion of senior management hired from the local community		100% high executives (CD Velatia, GSB Ormazabal CD Ikusi, other business managers)
GRI 203: Indirect economic impacts			
203-1	Infrastructure investments and services supported	7,8,9,11	Not applicable
203-2	Significant indirect economic impacts	9	There have been no significant ones

GRI 204: Procurement practices			
204-1	Proportion of spending on local suppliers	12	93
GRI 205: Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures		100% of the employees have training available on the Ethics Channel which includes anti-corruption 37
205-3	Confirmed incidents of corruption and actions taken		There have not been any
GRI 206: Anti-competitive behaviour			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		There have not been any
GRI 301: Materials			
301-1	Materials used by weight or volume	12	Not applicable
GRI 302: Energy			
302-4	Reduction of energy consumption	7,12	100
GRI 303: Water and effluents			
303-1	Water withdrawal by source		Not applicable
GRI 304: Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	12	101
305-2	Energy indirect (Scope 2) GHG emissions	12	101
GRI 306: Effluents and waste			
306-2	Waste by type and disposal method	11,12	101
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental laws and regulations		There have not been any
GRI 308: Supplier environmental assesment			
308-1	New suppliers that were screened using environmental criteria	12	In process 92-95
GRI 401: Employment			
401-1	New employee hires and employee turnover	8	48-50
401-3	Parental leave	8	According to regulations applicable

GRI 402: Labor management relations			
402-1	Minimum notice periods regarding operational changes	8	Absenteeism regulations applicable
GRI 403: Occupational health and safety			63-65
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	8	Absenteeism rate 2017: 5.37 Absenteeism rate 2018: 5.17 Occupational accident deaths: 0
403-3	Workers with high incidence or high risk of diseases related to their occupation		There are none
GRI 404: Training and education			
404-1	Average hours of training per year per employee	4,8	54
404-2	Programs for upgrading employee skills and transition assistance programs	4,8	51-55
404-3	Percentage of employees receiving regular performance and career development reviews	4,8	51-55
GRI 405: Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	8	56-57
GRI 406: Non discrimination			
406-1	Incidents of discrimination and corrective actions taken		There have not been any
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	8	There have not been any
GRI 408: Child labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	8,12	There have not been any
GRI 409: Forced or compulsory labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		There have not been any
GRI 410: Security practices			
410-1	Security personnel trained in human rights policies or procedures		Not applicable
GRI 412: Human rights assesment			
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		There have not been any
GRI 414: Supplier social assesment			
414-1	New suppliers that were screened using social criteria		In process

GRI 416: Customer health and safety			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		There have not been any
GRI 417: Marketing and labeling			
417-2	Incidents of non-compliance concerning product and service information and labeling		There have not been any
417-3	Incidents of non-compliance concerning marketing communications		There have not been any
GRI 418: Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		There have not been any
GRI 419: Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area		There have not been any

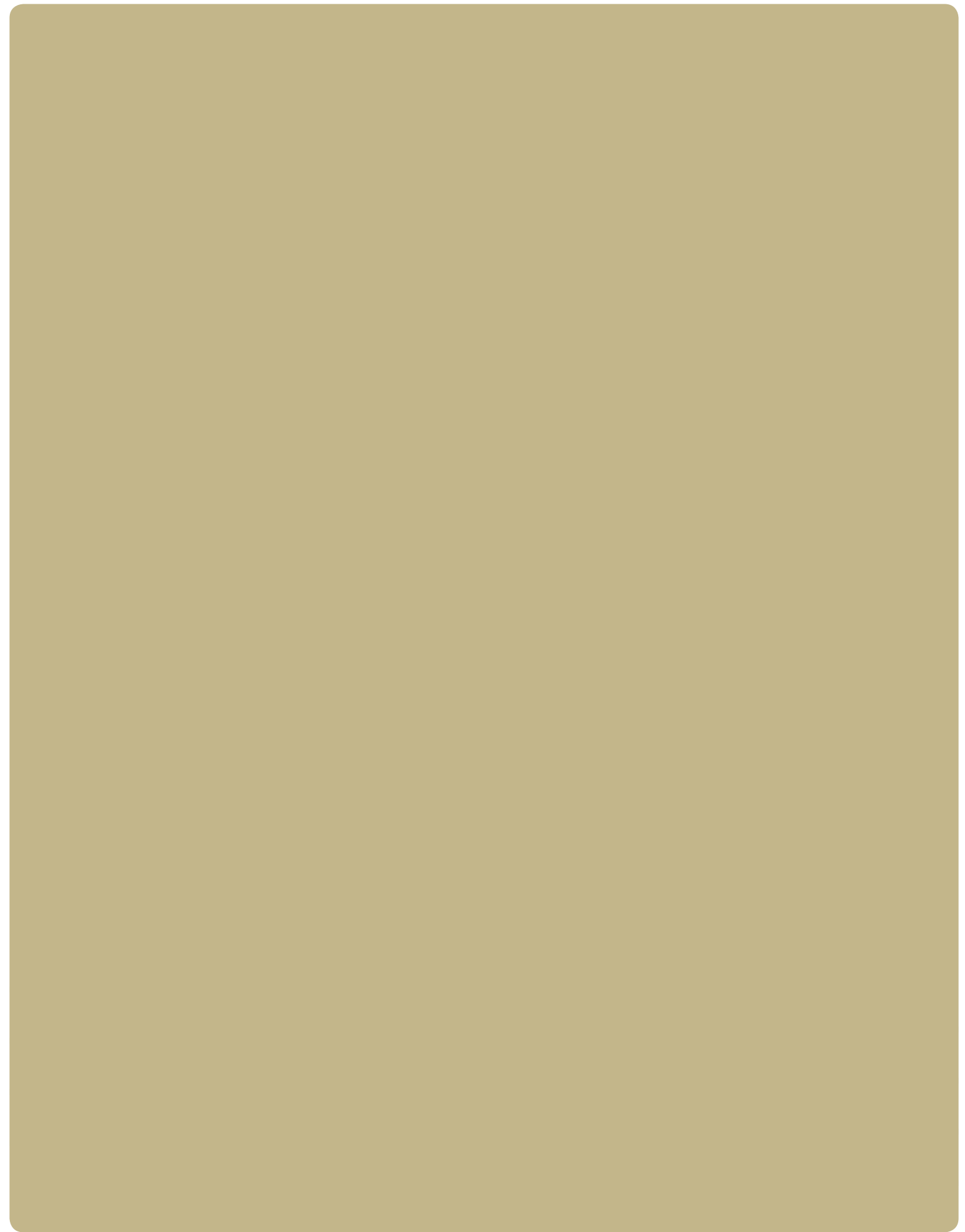
GRI indicators in relation to the United Nations Global Compact Principles

The following table shows the GRI indicators of this report that provide the most relevant information on the implementation of the 10 Global Compact Principles, so that it is possible to assess Velatia's progress in 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.	103-2
	Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	412-3, 414-1, 103-2
	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	102-41, 407-1, 402-1
Labour regulations	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	409-1
	Principle 5. Businesses should uphold the effective abolition of child labour.	408-1, 406-1
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	102-8, 401-1, 401-3, 404-1, 404-3, 405-1, 406-1
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	
	Principle 8. Businesses should foster initiatives to promote greater environmental responsibility.	302-4, 305-1, 305-2, 306-2, 307-1, 308-1, 303-1
	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.	205-2, 205-36

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