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Solvency
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2014 Sustainability Report

2014
Sustainability Report

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Letter from the **Chairman**

I am delighted to present the Elecnor Group's 2014 Sustainability Report. This report summarises our commitment to more sustainable global development and describes our efforts to create and share value with other stakeholders.

Our commitment to sustainability is built on the bedrock of robust and prudent business management, responsible corporate culture and governance, developing talent, a customer-centric approach, a commitment to innovation and the social legitimacy of a job well done in all the countries where we operate.

Looking at the business as a whole, we achieved turnover of EUR 1,724 million in 2014. Consolidated net profit and EBITDA were up by 10% and 3.8% year-on-year, respectively. Our order book is also satisfactory. We have achieved this whilst continuing to build up our activity in international markets, which accounted for 54% of our turnover in 2014.

Our search for relationships with reliable partners to help us grow in markets we consider strategic is a clear sign of our commitment to laying the foundations for sustainable growth. In 2014, Elecnor signed such agreements with the Dutch group APG, for the transmission line sector in Latin America, and with Eolectric Club Limited Partnership, to invest in the company managing our L'Erable wind farm in Quebec, Canada.

Turning to creating shareholder value, despite the difficult background over recent years, Elecnor has continued its cash-remuneration dividend policy. Our 2014 dividend was 7% higher than in 2013.

Innovation is likewise a crucial part of our business model and long-term development. 2014 was a tremendous year for us in this regard, with the successful launch into orbit of our Deimos-2 satellite, the first Spanish high-resolution satellite, putting us at the forefront of the aerospace sector.

Elecnor is not content with legal legitimacy for its operations, it also aspires to social legitimacy with its stakeholders

Integration into the local environment is becoming ever more important for us, as a global company with increasing international involvement and activity in countries with different cultures, ethnicities and levels of development. Elecnor does not regard legal legitimacy as being sufficient in itself. We also aspire to social legitimacy in the eyes of the stakeholders directly involved in, and affected by, our operations.

Once again, the Elecnor Foundation has made a significant contribution to social progress and improvement. Since its creation, the Foundation has invested EUR 3.6 million in social infrastructure and training projects, of which EUR 1.4 million was invested in 2014.

In the environmental field, we are committed to helping in the fight against climate change, one of the century's defining global challenges. Our desire to contribute what we can to helping the world become better prepared to combat this phenomenon is demonstrated by Elecnor calculating its carbon footprint under the most widely recognised international standards in 2014.

With regard to occupational health and safety, we have continued working hard to promote the highest degree of awareness and training of every member of our organisation, with over 80,000 hours of specialist training.

I would like to take this opportunity to thank everybody in the Elecnor Group for their commitment and efforts. I would also like to acknowledge our other stakeholders - customers, suppliers, shareholders, social entities and public bodies and so forth- for their positive dialogue with our Group and the mutually beneficial relations we maintain with them.

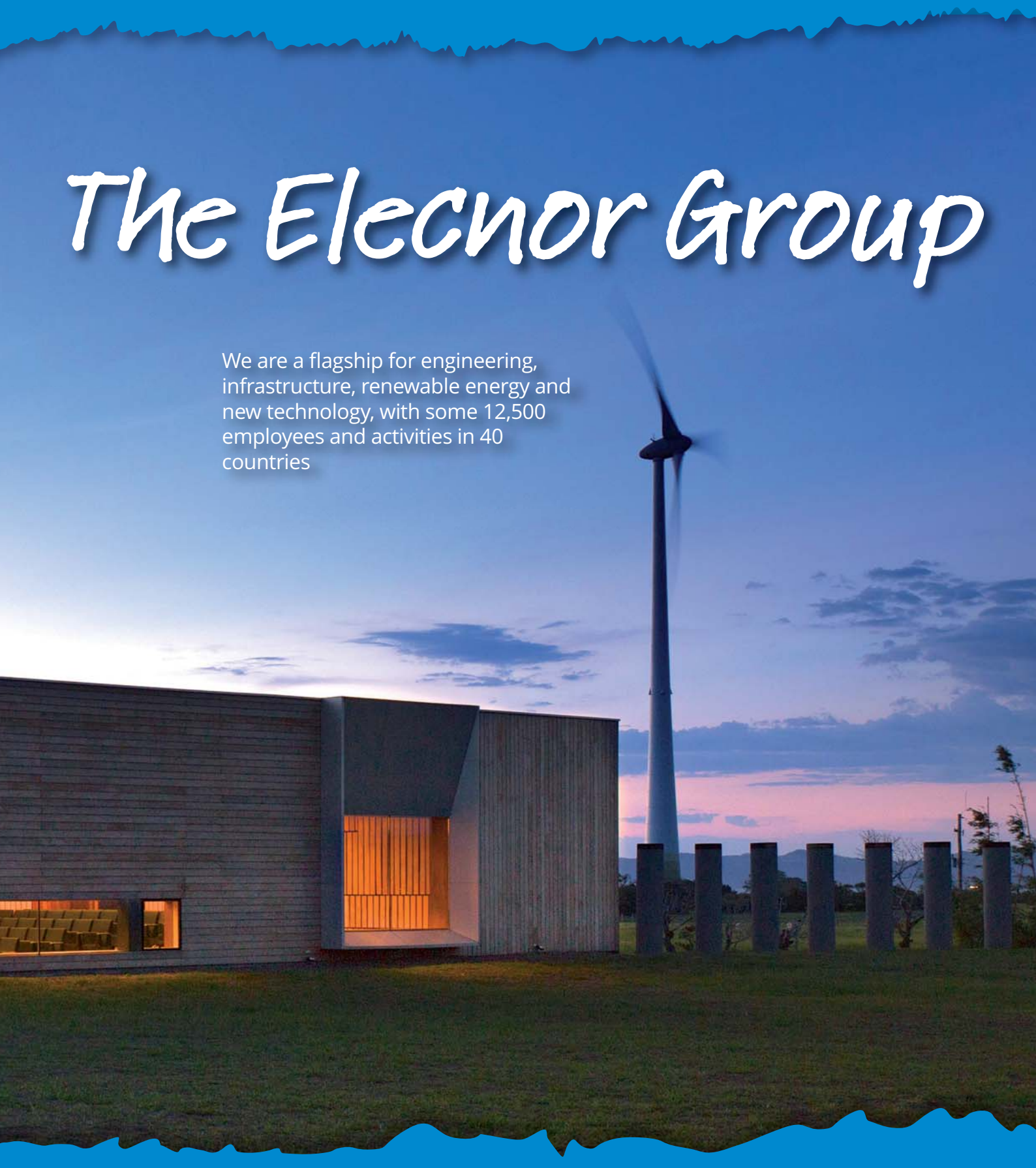
Our 2014 Sustainability Report offers a faithful reflection of all our sustainability commitments. I believe that reading this report will give your an excellent understanding of today's Elecnor Group.

Yours sincerely,

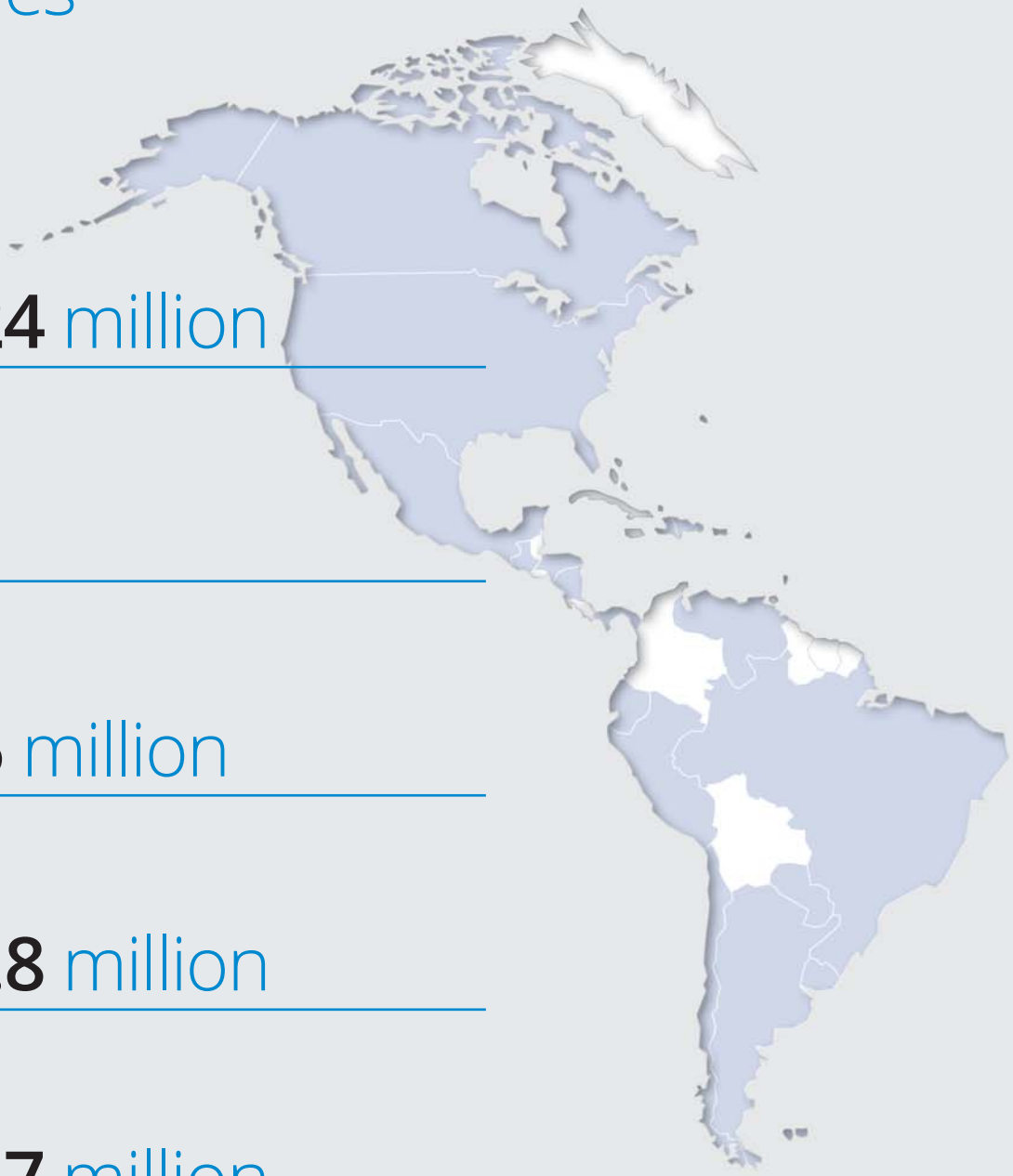
Fernando Azaola
Chairman

The Elecnor Group

We are a flagship for engineering, infrastructure, renewable energy and new technology, with some 12,500 employees and activities in 40 countries



2014 in figures



Turnover:

EUR **1,724** million

Employees:

12,479

Net profit:

EUR **58.5** million

EBITDA:

EUR **228.8** million

Order book:

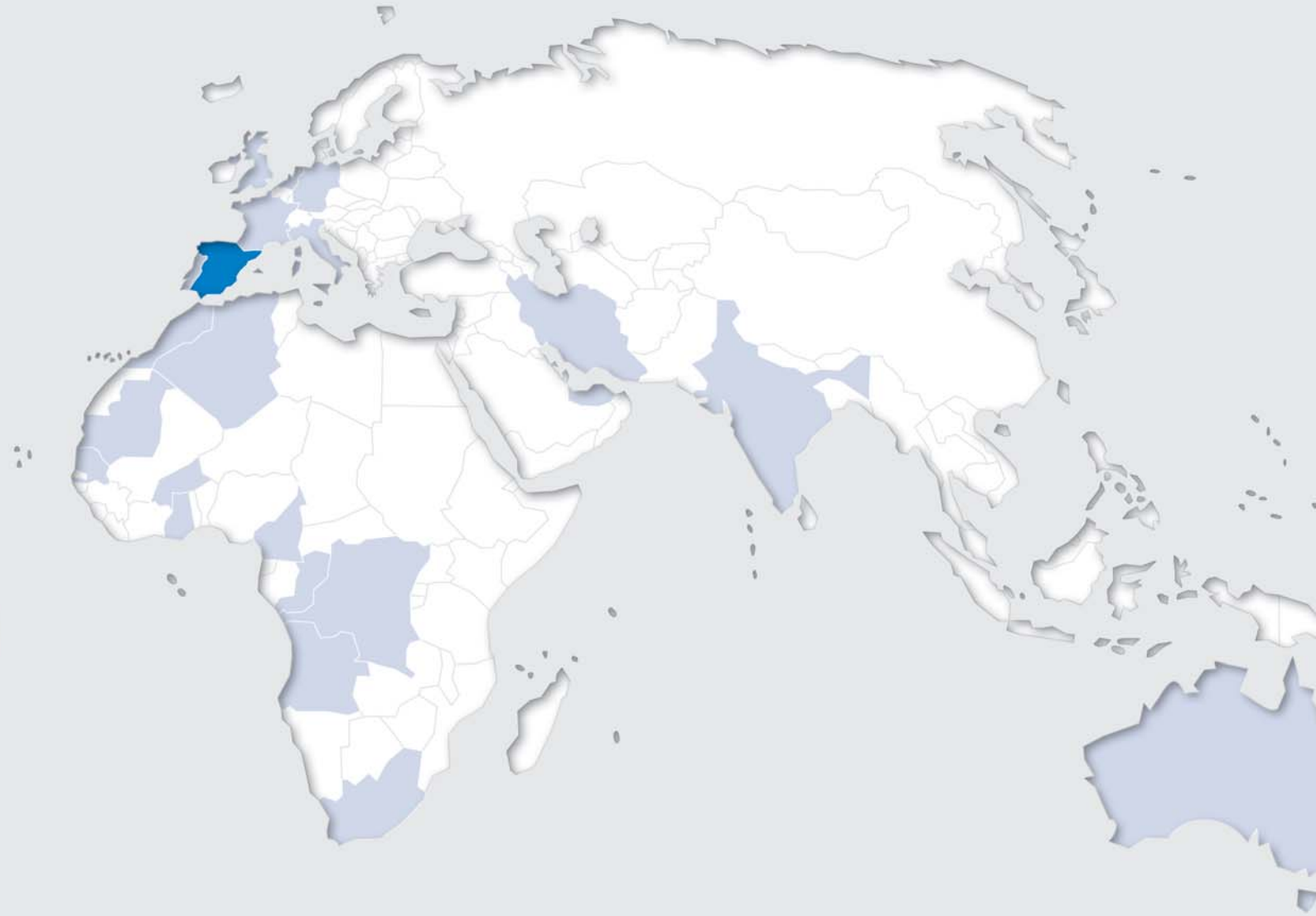
EUR **2,417** million

Hours of training:

160,523 hours

Elecnor Foundation projects:

EUR **1.4** million



Active in 40 countries on five continents:

Germany, Angola, Algeria, Argentina, Australia, Brazil, Burkina Faso, Cameroon, Canada, Chile, Congo, Ecuador, the UAE, Spain, the USA, France, Ghana, Guatemala, Haiti, Holland, Honduras, Iran, India, Italy, Morocco, Mauritania, Mexico, Nicaragua, Panama, Paraguay, Peru, Portugal, the UK, Democratic Republic of Congo, the Dominican Republic, Senegal, South Africa, Uruguay and Venezuela.

Business model and areas of activity

Elecnor is a group of some 80 companies dedicated to comprehensive project development and management, and infrastructure development. The Group comprises Elecnor, S.A. and its subsidiaries.

Elecnor's global business model is based on two main complementary and mutually beneficial activities:

- **Infrastructure:** engineering, construction and services projects for third parties. This business areas focuses on the electricity, power generation, telecommunications and systems, installations, gas, construction, maintenance, environmental, water, railway and space industries.

- **Concessions and investments:** development of, and investment in, wind energy projects, power transport systems and other strategic assets either under the company's ownership or as a concession. This activity is mainly performed through two companies: Enerfín, for wind farm projects, and Celeo, the Group's concessions subsidiary, focusing on the operation of power transmission networks, gas pipelines, thermal solar plants and water treatment plants.

Our business model is designed to anticipate and adapt to changes, seeking profitable and sustainable business growth. This is mainly achieved through international expansion and diversification of activities in both the parent and its domestic and international subsidiaries, and through the acquisition of companies that enhance our presence in certain countries, such as Hawkeye and Belco in the USA and IQA in Scotland.

Our business model has been designed to anticipate and adapt to changes in the pursuit of profitable and sustained growth

The Elecnor Group's activities are grouped into three main areas:

Infrastructure

The Group's core business is the end-to-end management of electricity, power generation, telecommunications and systems, installations, gas, construction, maintenance, environmental and water, railway and space projects. As a global project manager, the company carries out feasibility studies, basic and detailed engineering, construction, supply, installation and assembly, commissioning, and operating and maintenance services.

In addition to Elecnor's traditional business, it has several specialist subsidiaries operating in this area, helping to enhance the comprehensive services the Group offers to its customers.

Renewable energies

Elecnor is one of the largest developers and contractors of turnkey projects in the renewable energy sector, carrying out wind, solar thermal, solar photovoltaic and hydropower projects. Elecnor's activities also include investing in and developing comprehensive projects in the wind and solar photovoltaic power segments.

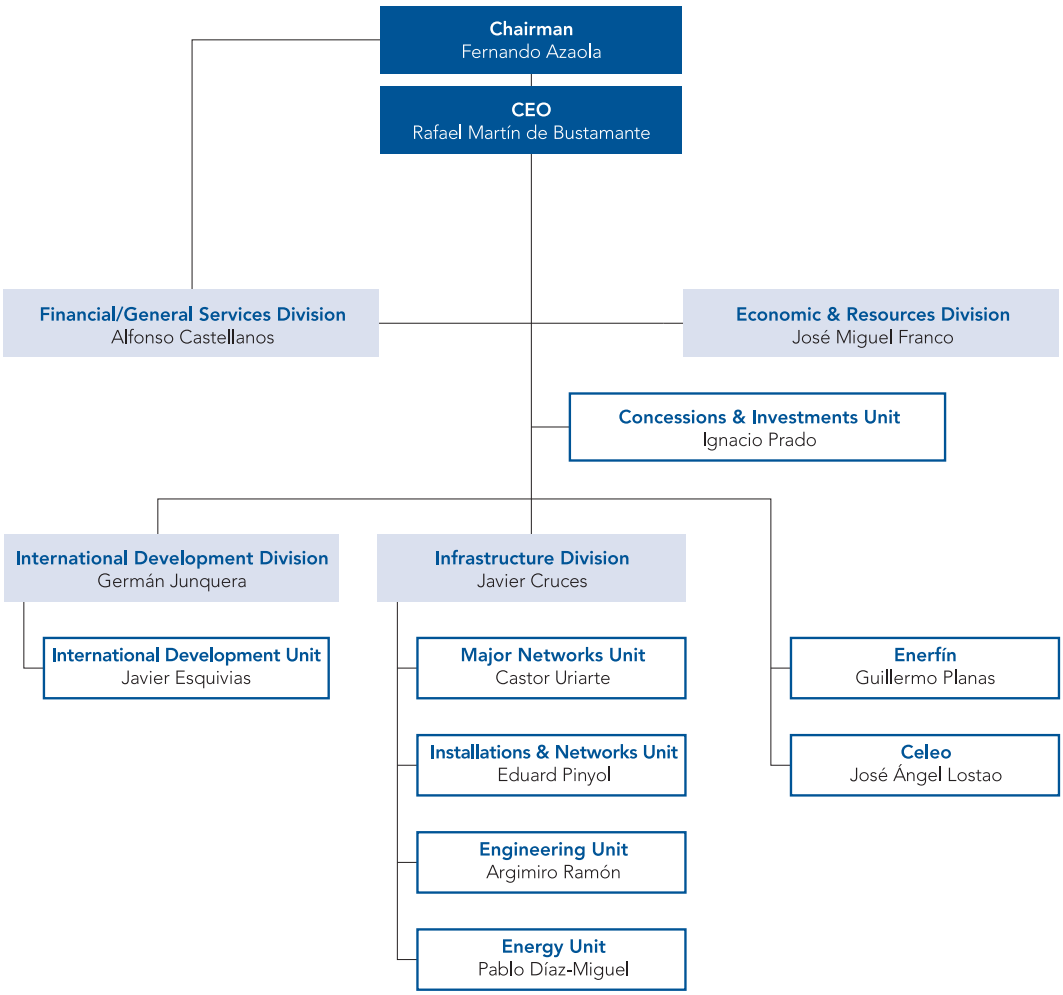
Concessions and investment

Elecnor began operating concessions related to its business areas many years ago, building on its experience in infrastructure construction and operation and its financial resources. Our investment in renewable energy and space projects complements other businesses in which Elecnor, as the developer of its own projects, operates, normally under concession arrangements. These include electricity infrastructure, gas infrastructure and environmental projects.

Organisational structure

Elecnor's organisational structure reflects its global nature and increasing international expansion. It has been designed to achieve the organisation's objectives and challenges in the medium and longer term.

The company's organisational structure at 31 December 2014 was as follows:



Corporate culture

Elecnor's robust corporate culture reflects what the company does, how it does it and why it does it.

Elecnor was not just created to make money, but also to "contribute to economic and technological progress, to social welfare and to sustainable development in the markets in which it operates".

Elecnor's strategy is to consolidate its position as a leading, highly competitive company, through continuous growth and an international presence. Elecnor is set apart by its quality, innovation and respect for the environment in all areas of its activity. It offers its shareholders a steady return on their investment, commitment and safety to its customers, a sound environment for professional and personal development to its employees and a positive contribution to society.

The Group has established five values to help it achieve the objectives that govern all of its actions.

Elecnor seeks to contribute to economic and technological progress, social welfare and sustainable development

Reliability	Elecnor's relationships with its stakeholders are predicated on complying with its commitments and achieving its objectives. Elecnor's track record, corporate governance structure and day-to-day work demonstrate our commitment to our customers, shareholders, employees and suppliers, and their well-being.
Commitment and effort	All Elecnor's employees are committed to our business objectives, demonstrate professional loyalty and are dedicated to their jobs.
Customer focus	Elecnor has a customer satisfaction policy to ensure all their needs and expectations are met and exceeded.
Solvency	Elecnor boasts a proven track record in applying the most efficient and advanced technology to its areas of activity. It has a highly-qualified team of professionals and is constantly incorporating technical improvements to offer highly competitive solutions in terms of quality, costs, time, efficiency and sustainability.
Innovation	For Elecnor, innovation helps drive progress and guarantees our future. The Company's enterprising spirit drives it to always beat its targets and has shaped its diversification strategy in all the sectors in which it operates. A commitment to investing in R&D and innovation is another strategic focus.

We think about a better world

We think about a **better world**

We know full well that the reality of our slogan - **"We think about a better world"**- is a commitment to sustainable development every day. Elecnor's commitment to long-term sustainability is built on the bedrock of robust and reliable business management, responsible corporate culture and governance, developing talent, customer focus, a commitment to innovation and the social legitimacy of a job well done in all the countries where we operate.

It should also be remembered that this management effort is part of a successful on-going international expansion process, with the international market accounting for 54% of turnover in 2014.

Elecnor published the Group's Corporate Social Responsibility Policy (CSR) in 2012. This sets out Elecnor's approach, the role it wants to play in society and the commitments it has been achieving since it was created with all of its stakeholders: customers, employees, shareholders, suppliers and society.

In addition to these pillars, which Elecnor has been working on for many years, the Group wanted a more specific diagnosis of the maturity of CSR in the company, its strengths and weaknesses, how Elecnor compares to other companies in the same sectors and the main domestic and international sustainability issues.

There are two parts to this diagnosis: internal and external. The internal analysis was based on numerous interviews with management and employees and questionnaires on CSR issues, together with documentary analysis.

The external analysis comprised a CSR

In the environmental field, one of the Group's commitments is to help in the fight against climate change, one of the century's defining global challenges

benchmarking exercise against companies operating in the same sectors, interviews with a sample of stakeholders and analysis of the main domestic and international sustainability initiatives.

This study was then used to establish the material issues on which Elecnor should base its sustainability management. These will be reflected in the main strategic lines set out in the CSR Master Plan on which we are working.

Robustness, solvency and reliability

Robustness, solvency **and reliability**

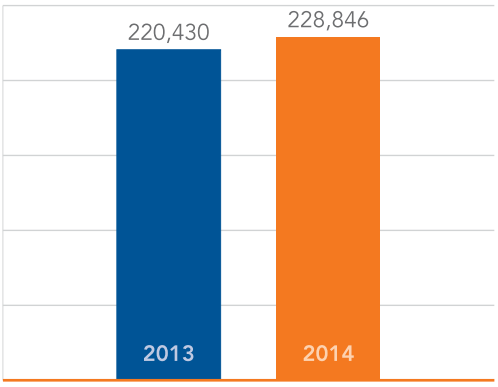
Factors such as meeting our commitments, achieving the objectives we set ourselves, proven technical and professional capabilities, our entrepreneurial spirit, staying one step ahead of events and a strong commitment to the long term have made Elecnor into a successful global company for today and tomorrow. And through our prudent financial management we have expanded our markets and diversified our activities, despite difficult market conditions over recent years.

Below we set out the Group's main figures for the last two years, demonstrating the robustness and solvency of our position:

Thousands of euros

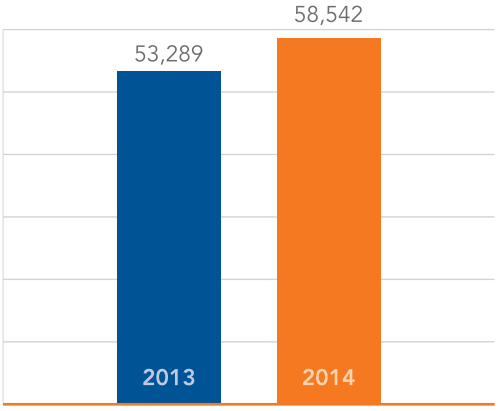
Key economic figures	2013	2014
Turnover	1,864,174	1,723,728
Operating profit	141,541	134,838
EBITDA	220,430	228,846
Pre-tax profit	109,066	115,954
Net profit	53,289	58,542
Dividends	20,341	21,767

EBITDA



Figures in thousands of euros

Net profit



Figures in thousands of euros

Elecnor continued its international expansion in 2014. The following table shows how the foreign market has progressively gained weight:

Turnover breakdown by geographical area

Figures in thousands of euros

	domestic	international	TOTAL
2013	818,004	1,046,170	**1,864,174**
2014	794,539	929,189	**1,723,728**

Order book

Figures in millions of euros

	dom.	international	TOTAL
2013	446	1,969	**2,415**
2014	438	1,976	**2,417**

Economic environment and outlook

Global economic growth in 2014 failed to match expectations. World Bank figures point to growth of 2.6%, similar to 2013. However, growth has varied across markets.

The main factors in Elecnor's principal markets were as follows:

Spain

2014 glimpsed the first signs of a weak recovery. The improvement that started in the second half of 2013 continued, with GDP growth in 2014 expected to come in at 1.4%.

Results in the infrastructure sector were better than in 2013. According to figures from Spain's Confederación Nacional de la Construcción, official tenders in the third quarter of 2014 were up 50% year-on-year. Public-sector investment was mainly concentrated in roads, railway infrastructure and airports.

Wind power was the second largest source of electricity generation, with Spain having the fourth highest installed capacity in the world.

Latin America

There were significant differences across the countries in the region. Brazil remains bogged down, Mexico has not yet taken off and Chile grew by around 1.7%.

Even so, there are some major investment opportunities in Brazil, Chile, Colombia and Peru. The main areas for investment are roads, railways and the airport sector.

In the power sector, Brazil is committed to wind power, with plans to continue investing around

EUR 11,500 million over the next three years. Chile installed twice as much non-conventional renewable energy capacity between January and July 2014 as in the whole of 2013.

Africa

Africa is making substantial progress, with growth of 4.8% in 2014.

Countries such as Angola and Algeria are taking the lead. These two countries offer substantial potential for foreign investment in sectors such as industry and communication technologies, and infrastructure, power and gas projects.

North America

The USA is now the leading producer of oil and gas. Its output of natural gas has increased by 26% over the last 10 years. Investment in renewable energy has increased by 8%, and the outlook is for significant further growth.

Investment in renewable energy in Canada increased by 26%. Installed wind power capacity at year-end 2014 stood at 9,700 MW.

Outlook

Reports such as the International Monetary Fund's "World Economic Outlook" point to the fall in oil prices stimulating global growth, with growth of 3.5% and 3.7% in 2015 and 2016, respectively.

Among developed economies, the USA is expected to grow by more than 3% over the coming years. The recovery will be somewhat slower than expected in the Eurozone, at around 1.2% in 2015.

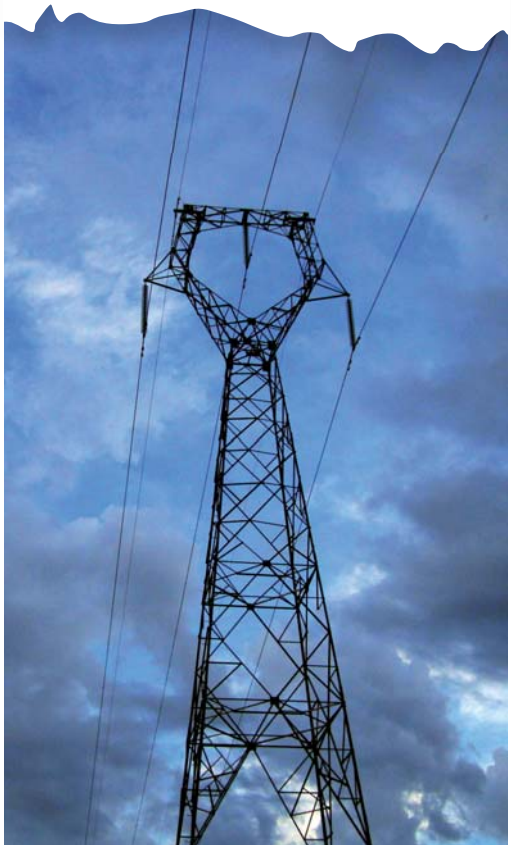
Growth in emerging economies is expected to be around 4.3%.

Finally, in Latin America, the brightest outlooks are for Chile (2.8%) and Peru (4%), whilst growth in Brazil is expected to be a scanty 0.3%.

Elecnor is continuing its policy of expanding in international markets. Figures for our order book and potential investment in infrastructure and renewable energy lead us to be optimistic about the outlook for the coming years.

Elecnor does not expect any regulatory changes in Spain that might affect the profitability of its power generation assets, having absorbed such impacts in 2012 and 2013. We expect the continuing recovery to put us on the path to growth.

Elecnor's objective for 2015 is to increase both is turnover and its profits.



2014 saw an unequal distribution of economic recovery worldwide

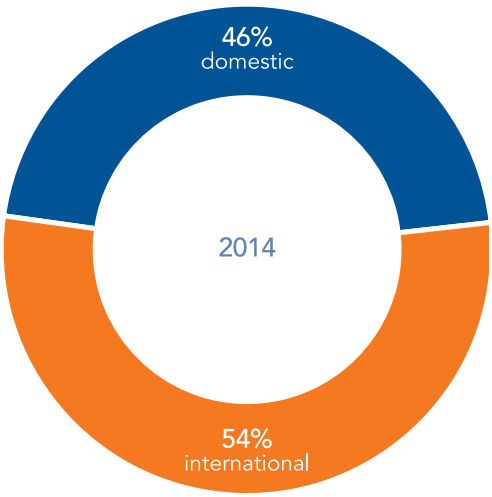
2014 results

Turnover in 2014 amounted to EUR 1,724 million, down 7.5% on the previous year.

2014 results were once again impacted by the Spanish government's 2013 energy reforms, which resulted in a significant reduction in revenues for the renewable energy power generation facilities Elecnor operates in Spain.

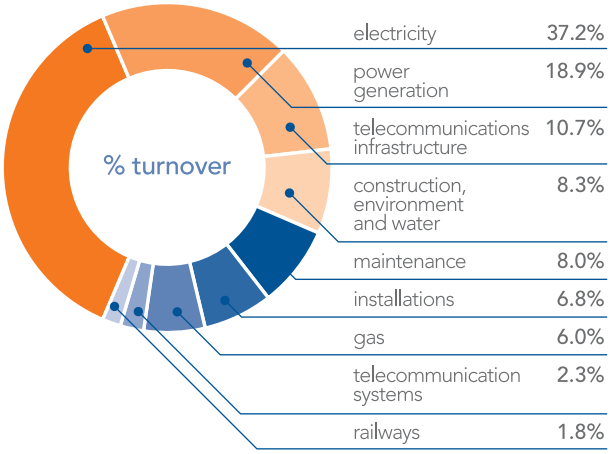
We also continued to notice the effects of lower public and private-sector investment in Spain in the sectors in which Elecnor is active, slower progress on some one-off projects in international markets and the effects of the tax reform approved in November 2014, which obliged the Group to adjust its tax credits in Spain.

As in 2013, the international market contributed more to our revenues than the domestic market, 54% compared to 46%. This reflects Elecnor continued push for international expansion.



The continuing growth of our international markets is also reflected in our order book, accounting for 82% of our EUR 2,417 million orders at 31 December 2014.

The biggest contributors to our turnover in 2014 were electricity, power generation and telecommunication infrastructures, at 37.2%, 18.9% and 10.7%, respectively.



Note. Power generation includes both sales of renewable energy and construction of power generation plants.

Overall, we can regard 2014 as positive and giving rise to a degree of optimism, as consolidated net profit rose 10% year-on-year to EUR 58.5 million. In addition, consolidated EBITDA increased by 3.8% to EUR 228.8 million.

Despite the negative factors we discussed earlier, a number of factors impacted positively on our 2014 results, including: an increased contribution from wind projects operated by the Group in Brazil and Canada; new transmission lines coming into service in Brazil; our strong presence in Angola, Chile and Brazil; and increased telecommunications infrastructure activity in the domestic market.

We also continued our policies of containing and controlling costs and matching our resources to our current activity levels.

Generation and distribution of economic value

Elecnor's activity generates a direct economic impact on its main stakeholders. As a global company, Elecnor helps create wealth in different geographical areas across the world.

Thousands of euros

	2012	2013	2014	
Direct economic value generated	2,182,429	2,110,534	1,895,093	
▸ Revenue	2,182,429	2,110,534	1,895,093	*(1)*
Economic value distributed	2,017,916	1,994,105	1,753,335	
▸ Operating costs	1,421,176	1,395,968	1,118,849	*(2)*
▸ Salaries and employee benefits	429,716	451,563	491,178	
▸ Payments to capital suppliers	116,290	121,747	113,570	*(3)*
▸ Payments to governments	50,134	24,827	29,338	*(4)*
▸ Investment in the community	600	-	400	*(5)*
Economic value retained	164,513	116,429	141,758	

Source. These figures are taken from the 2014 consolidated financial statements, except for dividend payments and corporate income tax, which are taken from the cash flow statement in the annual financial statements.

(1) Net revenue + Other operating income + Financial income

(2) Procurements + Other operating expenses + Changes in inventories + Non-controlling interests + Gains/losses on investments accounted for using the equity method

(3) Financial expenses + Exchange differences + Dividend payments

(4) Payment of corporate income tax

(5) Contributions to the Elecnor Foundation

Contracting local suppliers is a major source of wealth creation for the Group. Elecnor seeks to encourage contracting of suppliers in the countries in which it operates. As of 31 December 2014, details of local purchasing by Elecnor, S.A. were as follows:

Location	2014	
	Procurement	% Local procurement
Spain	361,882	98%
Europe		
▸ Italy	6,789	99%
North America		
▸ Canada	9,460	100%
▸ Mexico	5,811	100%
Latin America		
▸ Venezuela	25,649	34%
▸ Dominican Republic	2,412	30%
▸ Chile	6,892	0%
▸ Ecuador	4,571	0%
▸ Honduras	707	62%
▸ Paraguay	2,651	0%
▸ Uruguay	2,422	0%
Asia		
▸ Jordan	2,371	100%
Africa		
▸ Angola	46,609	17%
▸ Congo	5,174	5%
▸ Morocco	3,715	76%
▸ Mauritania	2,684	100%
Total	**489,799**	

The activities of the Elecnor Foundation and Elecnor itself also generate indirect economic value for society. Further details of this are set out in the "Adapting to the environment" chapter of this report.

Investment capacity

At a time of limited financial resources, one of the Group's main strategic priorities, in parallel to its international expansion and diversification strategy, is to seek new ways to access capital so that it can continue developing its investment projects.

In 2014, we pursued partnerships with partners of proven reliability who can help position the Group in markets it considers strategic, such as Canada and Latin America. As a result, Elecnor entered into a partnership with the Dutch group APG to develop new power transmission projects together in Latin America. Under this agreement, APG took a stake in the Celeo Redes subsidiary of our concessionaire Celeo, which holds its investments in power transmission projects.

The Dutch group acquired 49% of Celeo Redes, with Celeo retaining the remaining 51%. Celeo is 100% owned by Elecnor. APG paid EUR 236.7 million for this stake.

In another deal, our wind power subsidiary Enerfín reached an agreement with the Canadian Eolectric Club Limited Partnership fund. This fund paid CAD 71.8 million for 49% of the shares of the company that owns the L'Erable wind far complex in Quebec.

In addition to these alliances, Elecnor has also obtained EUR 600 million of funding from a group of 19 domestic and international financial entities for the investment it has planned for the coming years.

Another highlight was the registration of a company promissory note programme with the Alternative Fixed Income Market in April 2014. This will give Elecnor an alternative to bank funding.

During 2014, the main additions under the heading "Assets under construction" related to investment in the wind farm belonging to the subsidiary Ventos dos Indios, S.A., and the trunk transmission line work of the company Alto Jahuel Transmisora de Energía, S.A., which was under construction as of 31 December 2014.

In 2010, Deimos Castilla La Mancha, S.L. embarked on the construction of our Deimos-2 communications satellite, in which it has invested EUR 49.5 million to date.

We also receive aid from certain organisations to cover some of the Group's investments.

Thousands of euros

Capital subsidies	2012	2013	2014
Deimos	9,163	11,276	14,137
Hidroambiente	27	50	55
Enerfín	323	299	255
Jomar		2	2
IQA			73
Total	9,513	11,627	14,522

In 2014 Elecnor sought strategic partnerships with prestigious partners in strategic markets such as Canada and Latin America

At year-end 2014, subsidies totalling EUR 14.5 million had been received, mainly in the form of two subsidies obtained by Deimos:

- Subsidy from the Castilla y León local government for the construction and launch of the Deimos-1 satellite.
- Subsidy from the Ministry of Industry, Tourism and Commerce for an industrial project: construction and launch of the Deimos-2 satellite.

The Group also received certain operating subsidies. In 2014, the largest slice of these subsidies was obtained by the subsidiary Deimos Space from the Centro para el Desarrollo Tecnológico Industrial (CDTI), to finance the non-capitalised costs associated with the company's R&D activity accrued in the year.

Thousands of euros

Operating subsidies	2012	2013	2014
Elecnor	636	485	812
Deimos	2,116	2,278	1,842
Atersa	256	38	234
Enerfín	100	34	176
Total	**3,109**	**2,835**	**3,064**

Shareholders

Elecnor has a stable shareholder structure, committed to its strategy and supportive of its long-term decisions.

Since it was founded, the majority of the capital of Elecnor, S.A. has been held by a group of shareholders comprising ten family groups, acting as the decision making and controlling unit of the company through the company Cantiles XXI, S.L. This set up gives the organisation stable long-term management and the best possible guarantee of developing its sustainable business model.

The parent company's shareholder structure at 31 December 2014 was as follows:

Shareholders	% ownership
Cantiles XXI, S.L.	52.76%
Bestinver Gestión, S.A., S.G.I.I.C.	4.76%
Other	43.48%

The Other heading includes all shareholders holding less than 5% of the share capital together with Elecnor, S.A. treasury shares, which stood at 2.84% in 2014.

Elecnor's shares are listed on the Continuous Market (SIBE), alongside other major companies in the Spanish economy.

Shareholder remuneration	2013	2014
Dividend per share	0.2338	0.2502
Dividend/net profit (Pay-Out) (%)	73.05	55.24

The proposed appropriation of 2014 earnings made by the Board of Directors to the General Shareholders' Meeting involves distributing a dividend of EUR 0.2502 per share, up 7% on 2013.

Shareholder return	2013	2014
Change in share price	18.1%	(24%)
Dividend yield	2.7%	2.1%

Elecnor's shares ended the year at EUR 8.50, 24% lower than at year-end 2013. The dividend yield was 2.1%, compared to 2.7% in 2013.

However, despite the difficult background over recent years, Elecnor has continued its cash-remuneration dividend policy.

Elecnor has a stable shareholder structure, committed to its strategy and supportive of its long-term decisions

Creating synergies

Through its various organisations, Elecnor plays an active role in associations, forums, congresses, and so on, so as to ensure it has a presence in the main forums for the sectors in which the Group operates.

Some of the main domestic and international associations and platforms to which Elecnor belongs, and in some of which it is active in commissions, committees and working groups, include:

- CEOE, Confederación Española de Organizaciones Empresariales
- CEOE Internacional
- ADEMI, Asociación de Empresas de Montajes, Mantenimientos y Servicios Industriales
- Círculo de Empresarios
- CONFEMETAL, Confederación Española de Organizaciones Empresariales del Metal
- APD, Asociación para el Progreso de la Dirección
- SERCOBE, Asociación Nacional de Fabricantes de Bienes de Equipo
- SEDIGAS, Asociación Española del Gas
- Club Español de la Energía
- Clúster Energía del País Vasco
- Cluster Energía de Extremadura
- UNEF, Unión Española Fotovoltaica

- ASAGUA, Asociación Española de Empresas de Tecnologías del Agua
- ANCI, Asociación Nacional de Constructores Independientes
- Plataforma Tecnológica del Agua
- AEE, Asociación Empresarial Eólica
- AET, Asociación Eólica de Tarifa
- ABEEOLICA, Associação Brazileira de Energia Eólica
- AQPER, Association Québécoise de Producteurs d'Énergie Renouvelable
- CANWEA, Canadian Wind Energy Association
- CCCE, Cámara de Comercio Canada España
- AWEA, American Wind Energy Association
- AMDEE, Asociación Mexicana de Energía Eólica
- ABIDIB, Associação Brazileira da Infraestrutura e Indústrias de Base
- CIGRE, Comitê Nacional Brazileiro de Produção e Transmissão de Energia Elétrica
- COGEN, Associação da Indústria de Cogeração de Energia
- Cámara Oficial Española de Comercio en Brazil
- AEDYR, Asociación Española de Desalación y Reutilización
- ACEX, Asociación de Empresas de Conservación y Explotación de Carreteras
- ASERPYMA, Asociación de Empresas Restauradoras de Paisajes y Medio Ambiente
- AEEFOR, Asociación Extremeña de Empresas Forestales y de Medio ambiente
- ASEJA, Asociación Española de Empresas de Jardinería
- AAEF, Asociación de Empresas Forestales y Paisajísticas de Andalucía

Additionally, Elecnor was involved in a range of congresses, conferences and forums in 2014, including:

- 1st Spanish Solar Forum: The challenges of photovoltaic energy in the post feed-in tariff era
- The 5th Technical Conference organised by the Asociación de Ingenieros Técnicos de Telecomunicación in the Murcia region
- 1st National Occupational Health and Safety Congress
- 4th Occupational Health and Safety Congress
- 8th Business Forum for the Industrial and Aeronautical Sector in Tarrasa
- 12th Company Awards
- World Future Energy Summit, Abu Dhabi
- The 1st Project Management Office event in Spain
- The first energy services day in Elecnor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Ethical management and good governance

Ethical management and good governance

Our responsible corporate governance and our ethical corporate culture have resulted in our internal and external stakeholders recognising us as a reliable and committed company that is responsible and pioneering, with a strong customer focus.

Corporate Governance Bodies

The corporate governance bodies of the parent of the Group, Elecnor S.A., are the General Shareholders' Meeting and the Board of Directors.

The Annual General Shareholders' Meeting was held on 21 May 2014, with attendance of 76.52%.

As of 31 December 2014, the Board of Directors had twelve members, comprising two executive directors, one independent director and nine proprietary directors.

Director's name	Position on the Board	Date of appointment
Fernando Azaola Arteche	Chairman	23/05/2012
Jaime Real de Asúa Arteche	Deputy-chairman	23/05/2012
Gonzalo Cervera Earle	Board member	22/05/2013
Cristóbal González de Aguilar Enrile	Board member	23/05/2012
Joaquín Gómez de Olea y Mendaro	Secretary	19/05/2010
Juan Landecho Sarabia	Board member	23/05/2012
Fernando León Domecq	Board member	23/05/2012
Rafael Martín de Bustamante Vega	Board member and CEO	18/05/2011
Miguel Morenés Giles	Board member	23/05/2012
Gabriel de Oraa y Moyúa	Board member	23/05/2012
Juan Prado Rey-Baltar	Board member	21/05/2014
Rafael Prado Aranguren	Board member	23/05/2012

Following his death, José María Prado García ceased to be a member of the Board in 2014. Juan Prado Rey-Baltar was appointed to the Board in the year.

The Audit Committee and the Appointments and Remuneration Committee report to the Board of Directors.

Audit Committee

The Audit Committee is a permanent committee of the Board of Directors. It meets as often as required for the interests of the Company at the request of any of its members, and at least three times a year. The Committee's members at 31 December 2014 were as follows:

Name	Post	Type
Miguel Morenés Giles	Chairman	Proprietary
Gabriel de Oraa y Moyúa	Board member	Proprietary
Rafael Prado Aranguren	Secretary	Independent

Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprised five directors at 31 December 2014.

Name	Post	Type
Cristóbal González de Aguilar Enrile	Chairman	Proprietary
Gonzalo Cervera Earle	Board member	Proprietary
Fernando León Domecq	Board member	Proprietary
Jaime Real de Asúa Arteche	Board member	Proprietary
Fernando Azaola Arteche	Secretary	Executive

The Board of Directors of Elecnor, S.A. has prepared its 2014 Annual Corporate Governance Report, which is available on the CNMV and Elecnor websites

As specified in the Company's bylaws and internal regulations, the Board of Directors' responsibilities in general include:

- To approve the Company's general strategies
- To define the structure of the Group of companies
- Investment and financing policy
- Directors' remuneration, including additional remuneration for Executive Directors in relation to their executive functions
- The appointment, removal, remuneration policy, management control and assessment of the management team
- To define and set the Company's policy on treasury stock and dividends
- To identify the main risks affecting the Company
- To decide on transactions involved the acquisition and disposal of substantial company assets, etc.
- To determine the information dissemination policy for shareholders, markets and public opinion, and to approve the annual Corporate Governance report.
- To prepare the annual financial statements, general oversight of the Company's different business areas, CSR policy, etc.

The Board of Directors met 11 times in 2014. Additionally, the Audit Committee met 4 times, the Appointments and Remuneration Committee 11 times and the Boards of the Company's subsidiaries 60 times.

In compliance with its legal obligations, the Board of Directors of Elecnor, S.A. has prepared an Annual Corporate Governance Report for the year ended 31 December 2014. This document is available on the websites of the Spanish Securities Commission (CNMV) and Elecnor.

With regard to the remuneration of the Board of Directors and senior executives, the Company's policy stipulates variable remuneration linked to general performance objectives including economic and management aspects in addition to environmental and social factors. Board remuneration is detailed in point C.1.15 of the annual Corporate Governance report and in the 2014 consolidated financial statements.

The Company's bylaws and internal regulations establish the requirements for becoming a member of the Board. Article 15 of the bylaws states the requirement to oversee the selection process for Board members to ensure that the selection of women meeting the necessary profile is respected.

Lastly, a procedure has been included in the Internal Code of Conduct to prevent any conflict of interest in relation to the securities market.

Significant events

All significant event notices submitted by the Group to the CNMV in 2014 are available in the Investors section of the corporate website. No amendments to the bylaws were made during the year.

Regulatory compliance

No significant sanctions were recorded in 2014.

No incidents of discrimination occurred, and there were no breaches of regulations with regard to marketing and advertising, information or labelling of products and services and there have been no complaints relating to privacy issues or loss of customers' personal data.

No cases of bribery or corruption were reported and no complaints were filed in this respect.

Privacy policy

Information is a core asset in Elecnor, as it provides confidence, quality, profitability and significant competitive advantages.

As information is a corporate resource, it must be made available and accessible to everyone who needs it to perform their functions. However, unauthorised use or loss of information would make the company vulnerable and might result in serious economic losses, damaging our activities and even our corporate image.

As a result, Elecnor has been committed to complying with the Data Protection Act, Law 15/1999, and its implementing regulations, since 2002, also helping its Spanish subsidiaries to implement the Act, which they have all done.

The duty of secrecy and confidentiality is one of the Group's core values. It is incorporating this duty by implementing mandatory best practices in Spain internationally.

Risk management and control

Risk management and control is carried out at the Company's most senior management level. The main risks recognised by the Group and the measures taken to manage and mitigate these risks are listed below.

Financial risk: the management of this type of risk, associated with financial market fluctuations, is carried out jointly by the Company's Corporate Management and its business units and subsidiaries. The Group recognises the following financial risks:

- Market risk, arising from foreign currency risk due to the Group's operations in international markets. Exchange rate fluctuations can affect the Group's earnings. This risk is minimised using various hedging instruments such as foreign currency hedges.

- Interest rate risk, which may affects financial debt at floating interest rates, especially in project financing operations. This risk is mitigated through instruments such as swaps

- Liquidity risk, which is offset by holding cash and highly liquid non-speculative short-term instruments.

- Credit risk, relating to trade receivables, whereby the counterparty does not meet its contractual obligations. To mitigate this risk, the Company works with customers with high creditworthiness, using mechanisms such as insurance policies to ensure receipt of payment in the case of non-recurrent customers.

- Regulatory risk, relating particularly to the legal uncertainty affecting the renewable energies segment. The Group consistently monitors the impact of this on its income statement.

Its operational, environmental and occupational health and safety (OHS) control mechanisms are based on its integrated quality, environment and OHS management system.

Elecnor's Code of Ethics came into effect in 2011 and applies to all of its employees worldwide

Ethical management

The Group approved its Code of Ethics in 2011. Through this, Elecnor seeks to spread the importance it gives to ethical and responsible management based on its values - reliability, commitment and efforts, customer orientation, solvency and innovation- throughout the organisation and to all employees in their dealings with our stakeholders: shareholders, employees, customers, suppliers, competitors and representatives of society.

Through this Code, the Elecnor Group is committed to carrying out its activities pursuant to prevailing legislation in the countries and regions where it operates, as well as complying with and upholding human rights and labour rights.

The key principles of conduct when dealing with the Company's main stakeholders are set out below. Click the following link for more information on the Code of Ethics: http://www.elecnor.es/Common/pdf/codigo_etico_en.pdf

Specific principles of conduct with stakeholders

Shareholders	• Creating value • Equal and swift access to information	
Employees	• Equal opportunities • Employee protection • Work-life balance • Occupational health and safety • Training and communication	• Gifts, presents and favours • Conflicts of interest • Business opportunities • Resources allocated • Information management
Customers	• Quality • Integrity in communication • Good faith	
Suppliers	• Impartiality • Confidentiality • Ethical pledge	
Competitors	• Respect • Anti-trust practices • Collaboration	
Social representatives	• Independence and cooperation • Accuracy and veracity of information	

Elecnor has also put in place a procedure to ensure compliance with the Code, which features the following:

- A whistle-blowing channel where all employees can report breaches of the Code of Ethics via the intranet and/or by post:

  • E-mail:
  codigoetico@elecnor.com

  • Postal address:
  PO box nº 26-48080

- Only complaints accompanied by the whistle-blower's name are accepted. These are studied and treated confidentially pursuant to prevailing data protection legislation.

- The Response Committee is responsible for handling all reports and will identify and determine the nature and severity of the complaint received.

- The Committee determines whether or not the complaint meets the following criteria:

  • Does it infringe the Code of Ethics, entail a criminal irregularity or is it of a financial or auditing nature?

  • Does it reflect substantiated facts?

  • It must not be anonymous

- The Committee then decides which department or business unit should deal with the issue.

- Once the matter has been studied, a report outlining the measures to be taken is drawn up and submitted to the Audit Committee, which is responsible for approving the corrective measures.

- The measures are then implemented and the complainant informed.

No complaints were received through this channel in 2014.

With regard to training in the Code of Ethics, a training plan was implemented in 2012 to ensure that most of the workforce understand the contents and methodology of the Code.

153 people from various business areas received training on the Code in 2014 with the intention that this should cascade throughout the organisation.

With regard to corruption, in Chile Celeo will implement a mechanism in 2015 to prevent money laundering, pursuant to Act 20,393, establishing criminal responsibility for legal persons in money laundering offences, terrorist financing and bribery.

All employees of Celeo Redes Chile were informed of the Code of Ethics in 2014.

Our talent, our people

Our talent, **our people**

International trends

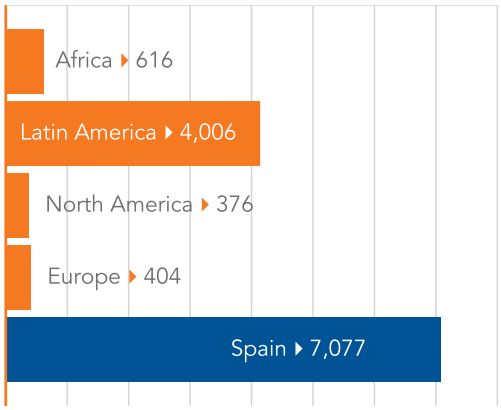
Whilst there is a trend for our international workforce to increase more rapidly than our domestic workforce, two factors at the end of 2014 combined to obscure this.

Firstly, a number of international projects were completed before the end of the year; and, secondly, there was an increase in hiring in Spain in response to signs of increasing demand.

However, international expansion continues to be a cornerstone of Elecnor's approach, as is shown by the international market accounting for 54% of its turnover in 2014 and 82% of the order book pending execution at 31 December 2014.

The Elecnor Group's domestic and international workforce

Distribution of the Elecnor Group's workforce by geographic area



The Elecnor Group was employing 12,479 people at year-end 2014, with an average workforce of 13,224 distributed across Spain, Africa, Latin America, North America, Europe and Asia.

One of the clearest expressions of the Group's international expansion is the composition of its workforce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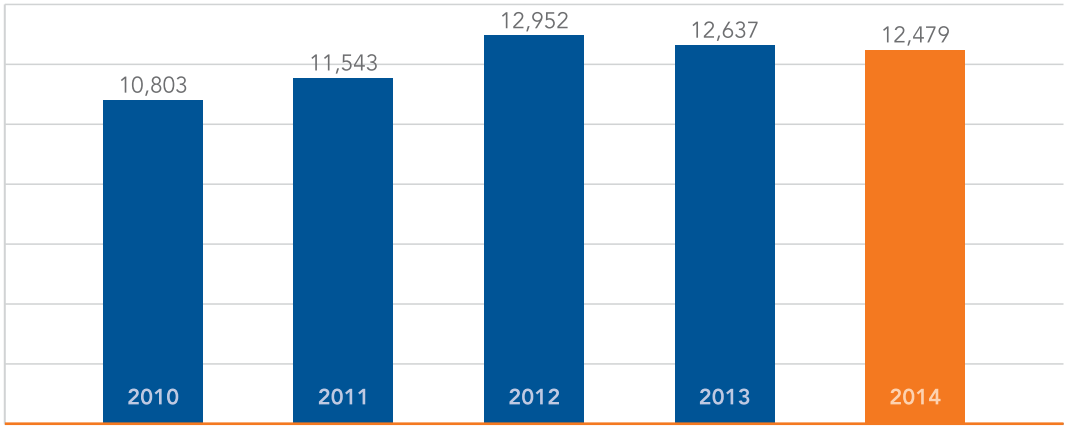
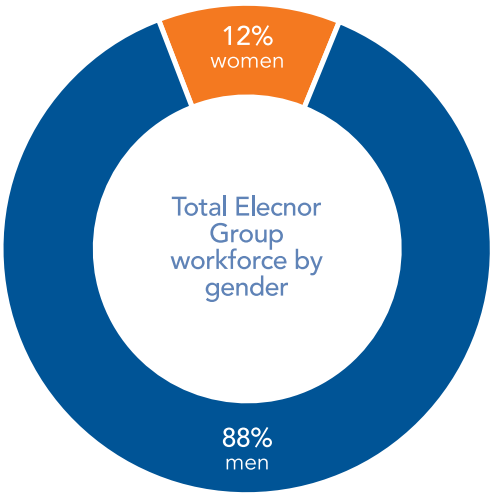
Our people

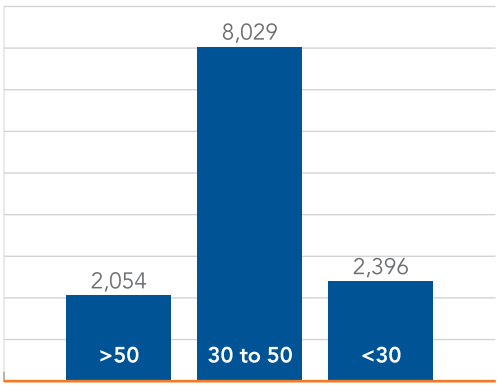
In general terms, one of the main characteristics of Elecnor's human resources policy is stability. This is demonstrated by the changes in the workforce during the global economic crisis and by our recruitment policy, with 65% of our team having permanent contracts, compared to 35% on temporary contracts, an appropriate set up for a business that is labour intensive and project related. Finally, it is noteworthy that 65% of the workforce is aged between 30 and 50.

The Elecnor Group workforce

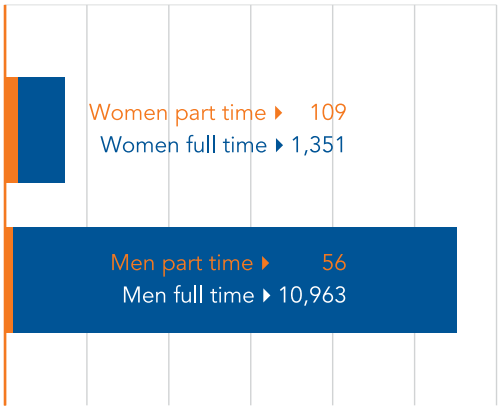




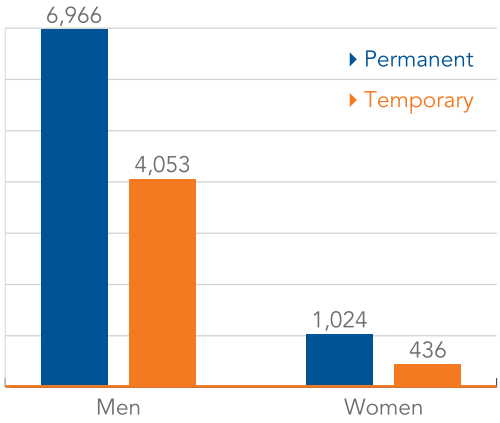
Distribution of the Elecnor Group's workforce by age



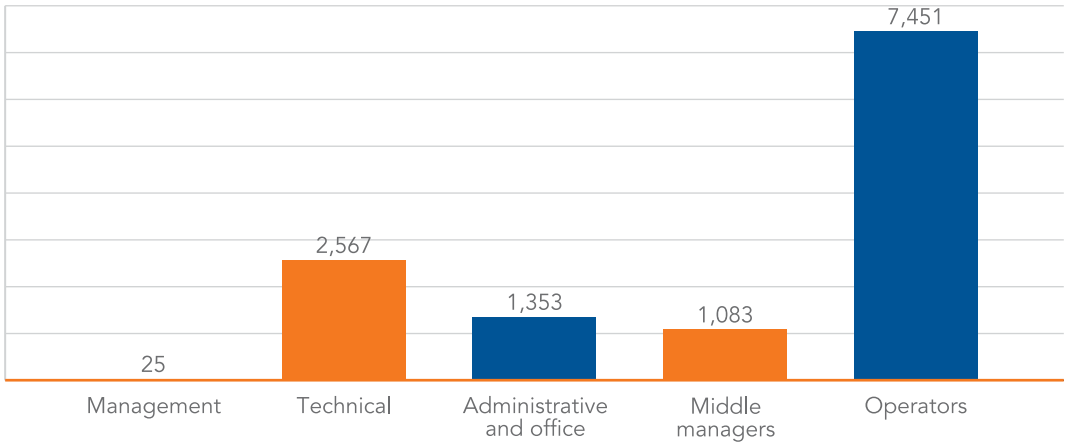
Elecnor Group workforce by type of employment and gender



Elecnor Group workforce by contract type and gender



Professional categories in the Elecnor Group

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Percentage voluntary rotation by age range, gender and region

Region	Gender	Age range	Total leaving	Average employment	% voluntary rotation.
Spain			1,826	6,971.01	4.26%
	Men		1,565	5,976.34	4.25%
		< 30	345	564.92	14.34%
		30 to 50	944	4,032.42	3.97%
		>50	276	1,379.00	0.94%
	Women		261	994.67	4.32%
		< 30	101	135.67	18.43%
		30 to 50	134	722.42	2.35%
		>50	26	136.58	0.73%
Africa			223	602.08	5.82%
	Men		201	526.59	6.08%
		< 30	104	216.67	7.90%
		30 to 50	92	274.67	5.15%
		>50	5	35.25	2.84%
	Women		22	75.49	3.98%
		< 30	9	28.83	6.94%
		30 to 50	13	43.33	2.31%
		>50	0	3.33	
Americas			5,584	5,258.74	15.42%
	Men		5,333	4,852.66	15.47%
		< 30	2,329	1,602.33	20.90%
		30 to 50	2,473	2,573.33	13.10%
		>50	531	677.00	11.67%
	Women		251	406.08	14.77%
		< 30	77	129.83	13.10%
		30 to 50	149	225.25	15.54%
		>50	25	51.00	15.69%
Europe			74	391.59	9.45%
	Men		61	349.84	8.58%
		< 30	15	77.17	12.96%
		30 to 50	33	192.75	7.26%
		>50	13	79.92	7.51%
	Women		13	41.75	16.77%
		< 30	3	9.08	33.04%
		30 to 50	9	27.75	14.41%
		>50	1	4.92	-
Asia			1	0.58	-
	Men		1	0.58	-
		30 to 50	1	0.58	-
The Elecnor Group			**7,708**	**13,224.00**	**8.92%**

A shared commitment

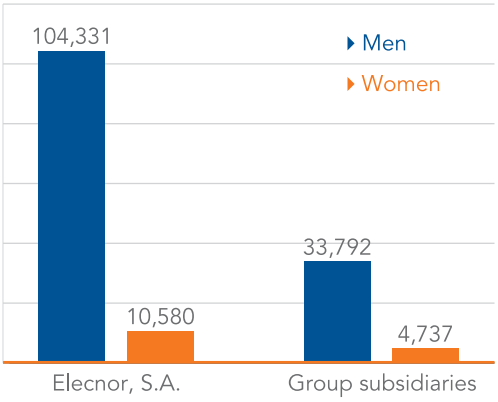
With our international growth over recent years, the Group has developed into a global company with new challenges and opportunities. These include improving and adapting the management of our human resources, particularly with regard to talent management, performance and commitment, so as to empower growth by marshalling all the capabilities of our team.

In 2014, we established some of the foundations of this management system. We will continue to develop this in 2015, emphasising in particular managing commitment, through work-place climate surveys, and managing performance, by communicating the project throughout the organisation, defining a map of competences and posts, and training assessors.

The Elecnor Group is committed to training, which is demonstrated by our investment of EUR 2.9 million in 2014.

Elecnor Group training indicators	2014
Investment in training (euros)	2,948,939
Total training hours	160,523
Attendees	23,358
Subsidies (euros)	449,989
Training hours / employee	11.20

Hours training by gender in the Elecnor Group



Managing talent is one of the Group's main challenges for the coming years

Elecnor Group training courses, attendees and hours, by area and gender 2014

	Attendees				Hours		
Area	Courses	Women	Men	Total	Women	Men	Total
Management	41	75	230	305	1,027	2,026	3,053
Technology	524	79	3,509	3,588	1,721	50,053	51,774
IT	12	8	19	27	104	362	466
Languages	573	218	355	573	6,334	12,960	19,294
Quality and the Environment	94	96	1,160	1,256	441	5,078	5,519
Occupational health and safety	730	239	17,370	17,609	2,193	78,224	80,417
Total	**1,974**	**715**	**22,643**	**23,358**	**11,820**	**148,703**	**160,523**

Hours training and attendees by professional category in the Elecnor Group 2014

Group	Attendees	Hours
Elecnor, S.A.		
Executives and technical	1,145	20,149
Administrative and office personnel	290	5,878
Site managers	856	7,425
Operators	5,720	77,962
Short sessions relating to Occupational Health and Safety given by health and safety officers	10,084	10,580
Group subsidiaries		
Domestic / International subsidiaries	5,263	38,529
Total	**23,358**	**160,523**

Some of our most significant training programmes and objectives include:

- Management programmes: focusing on implementing productive procedures in electricity activities, involving 47 managers.
- The most significant technical training included:
  - Generation and renewable energy, with specific conferences on energy management, mining, oil and gas.
  - Electricity distribution, focusing in particular on occupational health and safety.
  - Telecommunications, particularly fibre optics.
  - Gas. We organised basic courses relating to NPS agents, hot water for sanitation and heating, and sales managers.
  - In our maintenance activity, we provided training in maintaining generators, legionnaire's disease hygiene-sanitation in irrigation installations and maintenance and testing and basic electricity measures in high-voltage transformer centres.
  - We also provided training for vehicle operators and railway activities.
- Finally, and reflecting our culture of safety, we also organised 730 safety training courses, providing 17,609 attendees with 80,417 hours of training.

Recruitment and hiring

As usual, Elecnor took part in many fairs and events to recruit new talent at various universities. These included the ETSI Industrial Faculty at Madrid's Carlos III University, the

Aeronautics and Industrial School of Terrassa and Valencia's Polytechnic University.

We also signed agreements with schools with which we had not previously worked (IMF, international schools, etc.), extending the range and number of internships in the Group considerably.

With regard to local hiring, in 2014 our Recruitment Department worked with our production areas to recruit candidates for local middle-management positions in countries such as the USA, Chile, Jordan and Haiti. In 2015, we will also be seeking local candidates for positions in Italy and various secondments to Latin America and Africa (mainly Brazil, Chile and Angola). To this end, Elecnor has signed agreements with local employment sites in the Dominican Republic and Jordan, taking advantage of the usual employment portals and professional social networks (Linkedin) to cover other positions.

In a new development, we are enhancing internal mobility for Elecnor employees (in both Elecnor, S.A. and its subsidiaries) through an internal tool that we are currently launching. We have started applying this to various positions in the USA. We have also welcomed student interns from groups at risk of social exclusion and we attended seminars on the personal data protection act for candidates with disabilities.

Social benefits

The Group does not have a single social benefit policy for all of its employees: rather, each company establishes its own criteria. In general, the benefits offered might include: flexible hours, flexible remuneration, pensions plans, educational assistance for children aged between 4 and 16 and health and life insurance.

Benefits*	Cost to company	Nº employees
Educational assistance	226,824	1,278 (1,811 children)
Flexible remuneration plan	24,030	1,335

* Elecnor, S.A.

Equality and work-life balance

The Elecnor Group's equality plan sets out the foundations and basic principles of its policy to ensure real equality between men and women in the company, and our commitment to non-discrimination.

In 2014 we set up a permanent Equality Committee, which met for the first time in December. The Committee has a gender-balanced membership of three women and three men.

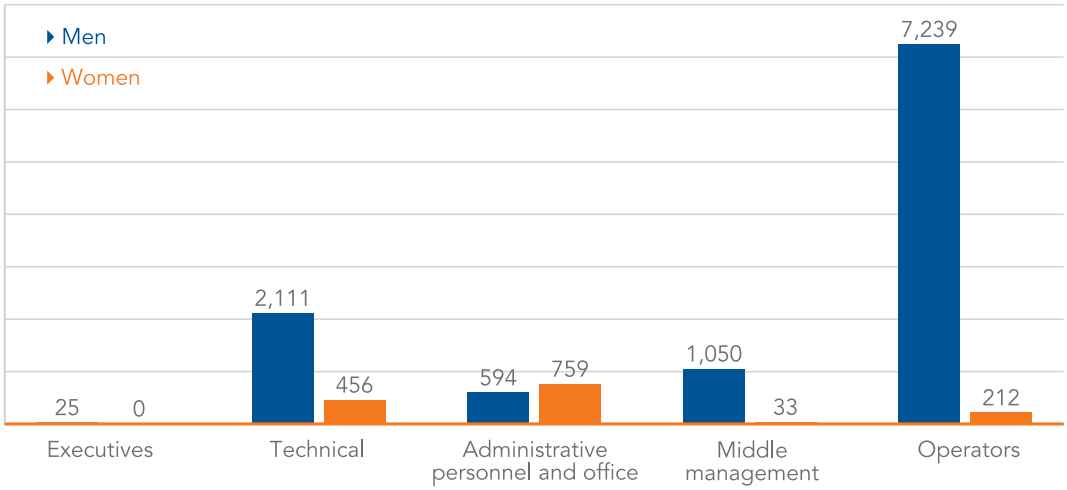
In addition to setting up the Committee, in 2014 we also worked on indicators to assess the representation of women in the Group, promoted our equality plan and included equality aspects in recruitment and training processes.

In addition, we also set up a new communication channel for the Group, igualdad@elecnor.com, and put in place OHS procedures to prevent sexual harassment and manage risks to pregnant women and their children.

As of 31 December 2014, the Elecnor Group was employing 11,019 men and 1,460 women, i.e. 88% and 12%, respectively.

Women are particularly strongly represented in the Group's technical and administrative areas. This gender gap should be considered from both a sector perspective and in the context of the labour market situation in Spain in order to be fully appreciated. The difference in the percentages of men and women is mainly due to the infrastructure sector being traditionally male dominated, until just a few years ago.

Elecnor Group workforce by professional category and gender



The difference in the percentages of men and women is due to the infrastructures sector having traditionally been a masculine area until very recently

It should be noted that equality of opportunity and avoiding bias in recruitment and promotion to positions of responsibility are cornerstones of the Group's values. However, with regard to the deliberate search for women, particularly for the Board of Directors, we believe that such appointments should be based on objective merits, such as experience and professional competence, based on gender equality. In this regard, we do not consider being of a particular gender to be an objective recruitment criteria.

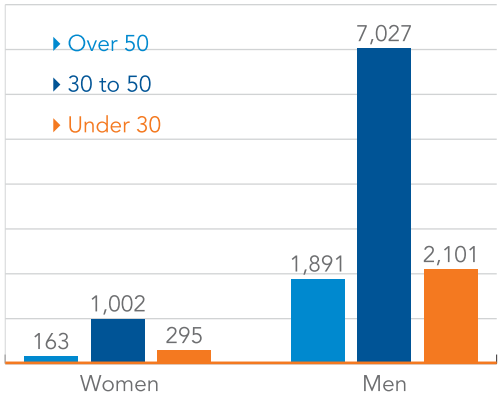
Furthermore, the company seeks to implement practices that promote work-life balance in posts where this is possible. These include: ensuring that internal training takes place during the working day; avoiding holding meetings at the end of the working day or, if this is the case, setting a maximum length for the meeting; flexible hours; intensive working days during summer; and shorter working days to care for children.

The Elecnor Group does not differentiate between men and women in its remuneration policy, or in its basic remuneration for each professional category.

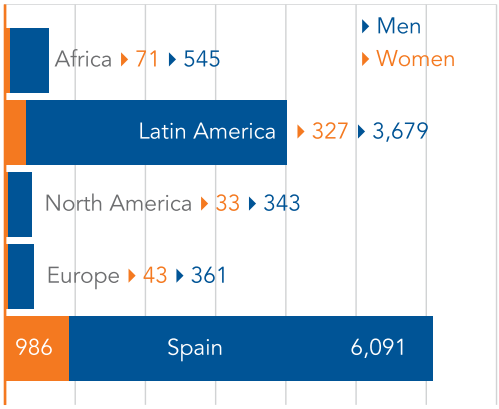
All of the 183 men and 54 women entitled to paternity and maternity leave in 2014 took this, with 176 men and 47 women returning to work in the company in the following 12 months.

Some representative figures are given below:

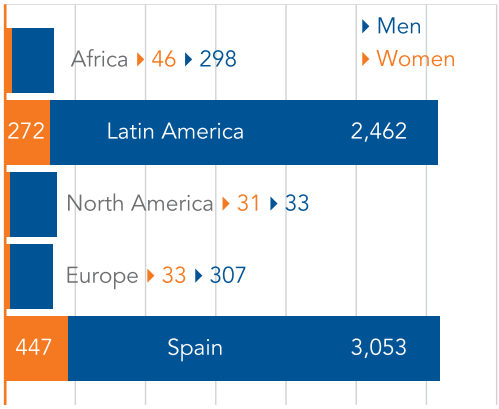
Elecnor Group workforce



Distribution of the Elecnor Group workforce by gender and region



Elecnor Group workforce permanent contracts by gender and region



Disability

The Elecnor Group includes six companies employing over 50 employees, jointly employing a total workforce of 6,789. Pursuant to Spain Law on the Social Integration of People with Disabilities (LISMI), the company employs 57 people with disabilities, and has been granted an exception certificate until it reaches the 2% representation required by the Law. Under the alternative measures provided for in the LISMI, in 2014 Elecnor contracted a range of services worth EUR 1,963,328, as detailed below, taking the equivalent percentage to 2.17%, thus exceeding the percentage required.

There are no differences in the remuneration received by men and women at the Elecnor Group, even in terms of the basic salary for each professional category

Adesa Romanos, S.L.	70,983 euros
CEE Apta	26,328 euros
CEE Terramar	2,179 euros
Comercial Mathius Unceta	88,305 euros
Ditosal Servicios Especiales	30,433 euros
Gelim Madrid, S.A.	47,637 euros
IAV Viajes	210,988 euros
Ibergrupo-Officeservice	72,886 euros
Integra MGSI	73,402 euros
Integra PML	110,711 euros
IPD, S.L.	18,516 euros
Iturri CEE	27,035 euros
Osga, S.L.	6,831 euros
Protec & Marti, S.L.	1,161,415 euros
Servicios y suministros Arza	13,968 euros

Communication, transparency and team work

The economic times we are living in mean that companies like Elecnor, and the people who work for them, have had to become more creative and efficient. This involves being able to do what we are doing better and cheaper, establishing synergies with other Group companies through partnerships in new projects, sharing experiences and useful information with suppliers and so on. Achieving this requires corporate communication that helps us understand who we are, where we are working, our new projects and so forth, whilst also developing the cohesion of a Group that is becoming ever more global.

Our Intranet is an essential tool for enhancing such communication with our employees, whilst also being an important way of disseminating technical, organisational and employment information, and policies and procedures in various areas, such as quality, OHS, R&D and innovation and sales. We received more than 132,000 inquiries in 2014.

Some major initiatives included:

- The preparation of the Elecnor Group Sustainability Report, setting out the company's efforts in its business, social, HR, corporate governance and environmental management. Preparing this report was a major exercise in compiling information on Elecnor and its subsidiaries, and an important exercise in transparency. The report has been translated into 3 languages -English, Brazilian Portuguese and French- and is available on the Group's website.

- We have also continued producing our weekly newsletter, "Our intranet today", providing news on all the companies in the Group. The newsletter features a survey section that promotes employee interaction and involvement. This deals with current issues such as sustainability, the importance of renewable energy, our position on climate change, initiatives such as the Earth Hour, and so on.

- Finally, we have set up a blog to share the corporate volunteering experiences of Elecnor employees in the Sinergia project in Chile with the whole organisation.

The highest internal priority is given to our occupational health and safety policy

A culture of safety

In general, we have set up joint company-workers committees in all countries where the Company operates, depending on local legislation. In Spain, for instance, there are more than 20 OHS committees, covering more than 90% of the employees of Elecnor S.A.

Our main occupational health and safety activities in 2014 included:

- External OHSAS 18.001 certification audits of two Units, four Organizations and the Northern Regional Office, the activities of Elecnor Medio Ambiente and our subsidiaries Ehisa and Audeca, all with satisfactory results. Enerfín and Jomar Seguridad also obtained OHSAS 18.001 certification. The external legal audit of all Joint Prevention Service companies that must be conducted every two years also took place, covering 14 companies in addition to Elecnor.

- Enhancement and extension of Internal Audit's OHS oversight of our projects. 824 audits of this kind were conducted this year.

- 24,496 safety inspections took place in Spain to monitor actual working conditions. These resulted in 11,014 corrective measures being implemented to improve safety. A further 17,262 working condition checks were carried out by line managers to monitor conditions in their projects. 6,229 international safety inspections were carried out, with a total of 6,229 corrective measures implemented.

- On-going monitoring of the activities of subcontractors, including managing the inspections of many of these. Coordination and information meetings were also held with sub-contractors.

- In addition to continuing to compile indices for our subsidiaries and branches abroad, we encouraged greater integration with the activities carried out in Spain. Especially noteworthy was a programme of visits to several countries with the aim of learning about prevention activities, applicable legislation, etc, in these countries to assess their strong points and areas for improvement. This included visits to the USA, Mexico, Italy, Morocco, Mauritania, the UK and Brazil.

More specifically, in Mexico, Italy and Brazil training was provided to foster a common Group culture, increasing staff involvement in prevention activities and strengthening their knowledge of specific aspects of health and safety (working at height, electricity risk and confined spaces). Four sessions were attended

by a total of 82 people from all levels of the organisation, from country managers through to project supervisors.

These efforts were rewarded with our second-best accident frequency rate in Spain since 1967, when the Group started preparing these statistics. This index stood at 14.1 in 2014. In the international market, the rate was 12.8. This means the overall Group-wide accident frequency rate stood at 13.5, the joint second-best performance since the Group started compiling these statistics. However, we are sad to report that there were 2 fatal accidents in Spain and Latin America.

Accident indices

Frequency index		Severity index *		Incident index **	
2013	2014	2013	2014	2013	2014
12.5	13.5	0.78	0.85	24.06	25.92

* Index of seriousness, using working days as the yardstick

** Calculated per 1,000 workers

Elecnor Group accident rate 2014 — 2014

Location	Number of accidents			Hours worked			IR
	Men	Women	Total	Men	Women	Total	
Spain	183	4	187	11,582,975	1,594,470	13,177,445	2.8
Europe	3	0	3	334,976	39,718	374,694	1.6
North America	9	0	9	1,427,178	135,996	1,563,174	1.2
Latin America	133	0	133	8,953,164	799,738	9,752,902	2.7
Asia	0	0	0	0	0	0	0.0
Africa	20	0	20	1,103,852	146,264	1,250,116	3.2
Total abroad	165	0	165	11,819,170	1,121,716	12,940,886	2.6
	348	**4**	**352**	**23,402,145**	**2,716,186**	**26,118,331**	**2.7**

Programmed training and information activities for workers were also performed. There were a total of 80,417 hours of OHS training, with 17,609 beneficiaries. This training focused on three areas:

- General and organisational: basic level training aiming to provide general knowledge of occupational health and safety issues and first aid for managers and workers, etc.

- Specific risk: working at height and in confined spaces, electrical risk, handling loads, construction, operators of machinery (backhoes, dump trucks, hoists, forklift trucks, lorries, cranes, etc.) and so on.

- Health and safety aspects of technological issues: qualifications and skills for electrical work with electricity companies (local operators, discharge agents, low and high-voltage work, etc.), welding using a range of technologies, driving railway vehicles, etc.

In terms of raising awareness, we held a special campaign for the World Day for Safety and Health at Work, with the slogan "If you care for your life, protect it at work":

This year the campaign focused on a video establishing the similarities between risks in personal life and at work. The objective was to raise awareness of the need to take every precaution in both areas, particularly at work, where such precautions are sometimes ignored. The video was aimed at an international audience. It was translated into English, French, Italian, Portuguese, Brazilian and Arabic, and distributed to all the countries where the Group is active.

An event was also held featuring executives, representatives of Elecnor's management chain and workers, representatives of customer companies (Telefónica and Endesa), the regional government of Madrid, and employers' and workers' representatives. This event was then extended to all of our business units, with the company's workers taking part in workshops to analyse their attitudes to health and safety. Our workers were also presented with an updated Occupational Health and Safety Folder, improving the OHS documentation previously provided.

With regard to healthcare, more than 7,000 medical check-ups were carried out in Spain. The situation in other countries where the Group is active varies: in some regular check-ups are carried out; in others where it is compulsory to have an on-site medical service, this is responsible for carrying out check-ups; and some countries require a check-up at the end of the contractual relationship to ensure that the work carried out has not impacted on the health and safety of the workers.

In general, our employees do not perform activities that are exposed to high rates or risks of specific illnesses, other than those that can be considered locally endemic in the foreign market. Specifically, our workers may be at risk of malaria, dengue fever, yellow fever, typhoid, AIDS, hepatitis, and so on. These are combated through vaccinations, healthy habits to avoid infection, etc.

Raising employee awareness is one of the keys to our occupational health and safety policy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Excellence and innovation

Integrated management

Elecnor's search for excellence in its activities is an essential part of being a leading company in the sectors where it is active.

Elecnor's search for excellence in its activities is an essential part of being a leading company in the sectors where it is active.

Elecnor has put in place an integrated environmental, quality, occupational health and safety, energy management and R&D and innovation management policy. It is also fully informed of the nature and scale of its environmental impact, its energy use and consumption in its facilities and projects, the expectations of its customers and the risks faced by its workers.

The Elecnor Group has established and is committed to general principles governing all the organisation's operations, providing a reference point for defining and revising objectives to continuously improve the effectiveness of management systems.

- Strict compliance with current applicable legislation and other requirements that Elecnor must subscribe to in all markets in which it operates.
- Customer satisfaction.
- Prevention of damage to and deterioration of our employees' health, by improving their working conditions in order to improve protection of their health and safety.
- Prevention of pollution, protection of the environment and efficient consumption of energy resources.
- Efficient energy use and consumption
- The generation of a favourable impact by our activities on local communities.
- Improving competitiveness through R&D.

Further developing our continuous improvement, in 2015 we will be orientating the current Integrated Management System to achieving results. To this end, we have established general objectives for the whole organisation, which in 2015 crystallise into two objectives relating to productive activities and standardising quality and environmental indicators. These will enable us to align the objectives of the System with those of the company more clearly.

The objective relating to productive activities has already been implemented in some of the company's activities. This consists of preparing, updating and implementing integrated on-site production processes that reflect and incorporate preventative, environmental, quality verification and testing aspects, to comply with applicable regulations and the expectations of all of our customers. The result of this in a general document applicable to each of our jobs that applies to the whole company.

We are also starting to combine the most important data for the main quality and environmental areas of all Elecnor companies, so as to define baseline values for each activity. In 2015, we will be starting to process data relating to on-site inspections and audits, customer satisfaction, environmental accidents and climate change.

In parallel to this, the Corporate Department has developed a simplified pack setting out the basic structure of Elecnor's integrated management system. This will significantly reduce the cost and time needed to implement the system in countries where it is required.

Over the medium term, one of Elecnor's quality and environmental priorities is to unify the document structure of the integrated management system.

The objective is also to simplify the current certification system and gradually move towards a multi-site certification model that is cheaper, more flexible and more appropriate for an organisation such as Elecnor.

Innovation management

R&D and innovation is one of the cornerstones of the Elecnor Group's strategic approach, as it seeks to ensure sustainability, competitiveness and differentiation.

Our over-riding objective is to work on projects that get results or that generate new opportunities for the Group. The technological areas of interest relate to energy, the environment and sustainability, infrastructure and ICTs, among others.

R&D and innovation is also one of the bedrocks of our integrated management policy, this is based on:

- Elecnor promotes systematic generation of innovative ideas within the company and supports them until they are transformed into R&D and innovation projects.
- The purpose of the systematic use of R&D and innovation tools is to generate new opportunities and projects in this field.
- These projects are the driving force of Elecnor's R&D and innovation management system and are aimed at increasing skills and competitiveness.

The R&D and innovation management systems of Elecnor, S.A. and its Atersa, Audeca and Elecnor Deimos subsidiaries have all been certified under the UNE 166002:2006 standard. One of the objectives set for 2015 is to adapt to the new UNE 166002:2014 standard.

In 2014, certification was maintained for all of these companies, with the following scope:

Company	Scope
Elecnor	- Railway electrification technology - Non-conventional energy technology. - Computer software science for simulation and management of wind energy production, electricity infrastructure and railway infrastructure - Electricity transmission and distribution engineering and technology - Development of software tools to improve process management - Environmental engineering and technology relating to wastewater and water treatment technologies
Elecnor Deimos	- Atmospheric sciences relating to atmospheric structure - Satellite geodesy - Computer science for space navigation and telemetry systems, development of virtual and augmented reality systems, design of system sensors and environment control systems - Aeronautical engineering and technology in flight testing and research - Technology for urban transit and passenger information systems
Audeca	- Meteorology for operational and numeric weather forecasting - Real-time analysis of infrastructure conservation, maintenance and operational management - Agricultural engineering for efficient irrigation of green spaces
Atersa	- Photovoltaic power generation systems

The overriding objective of our innovation management is to foster projects that are aligned with the Group's business strategies

The Group has established the following areas for R&D and innovation:

- **Energy**, including activities such as fossil-fuel and renewable power generation, hybrid systems, storage, fuel cells and improvements and solutions for project execution.
- **Environmental**, including managing and exploiting the energy potential of waste.
- **Water**, including activities such as processing, drinking water treatment, desalination, transport, distribution and efficiency.
- **Infrastructure**, including activities such as railways, electricity and gas transmission, construction solutions, district heating/cooling, and so on.
- **Installations**, including activities such as security, electrical installations, energy services, buildings (ports, airports, industry, hospitals, etc.) and so on.
- **Other projects** identified as being relevant for the Group.

Innovation objectives

Consistently with previous years, we have set ourselves the following objectives for 2015:

- Continue the international expansion of R&D and innovation. As the Elecnor Group's activity is becoming ever more concentrated in foreign markets, our R&D and innovation management system needs to focus on international activity. We are aiming to achieve:
  - Increased project generation in our international subsidiaries, encouraging them to take part in internal project financing rounds.
  - Add more international subsidiaries to the corporate tax deduction system.
- Improve project profitability.
- Align R&D and innovation with the development of new business.
- Increase project quantity and quality
- Adapt R&D and innovation management systems to the new UNE 166002:2014 standard.

Prominent projects and initiatives in 2014

The Group has continued to use a range of internal tools to foster its R&D and innovation: Focus R&D and innovation and themed workshops.

Focus 2014

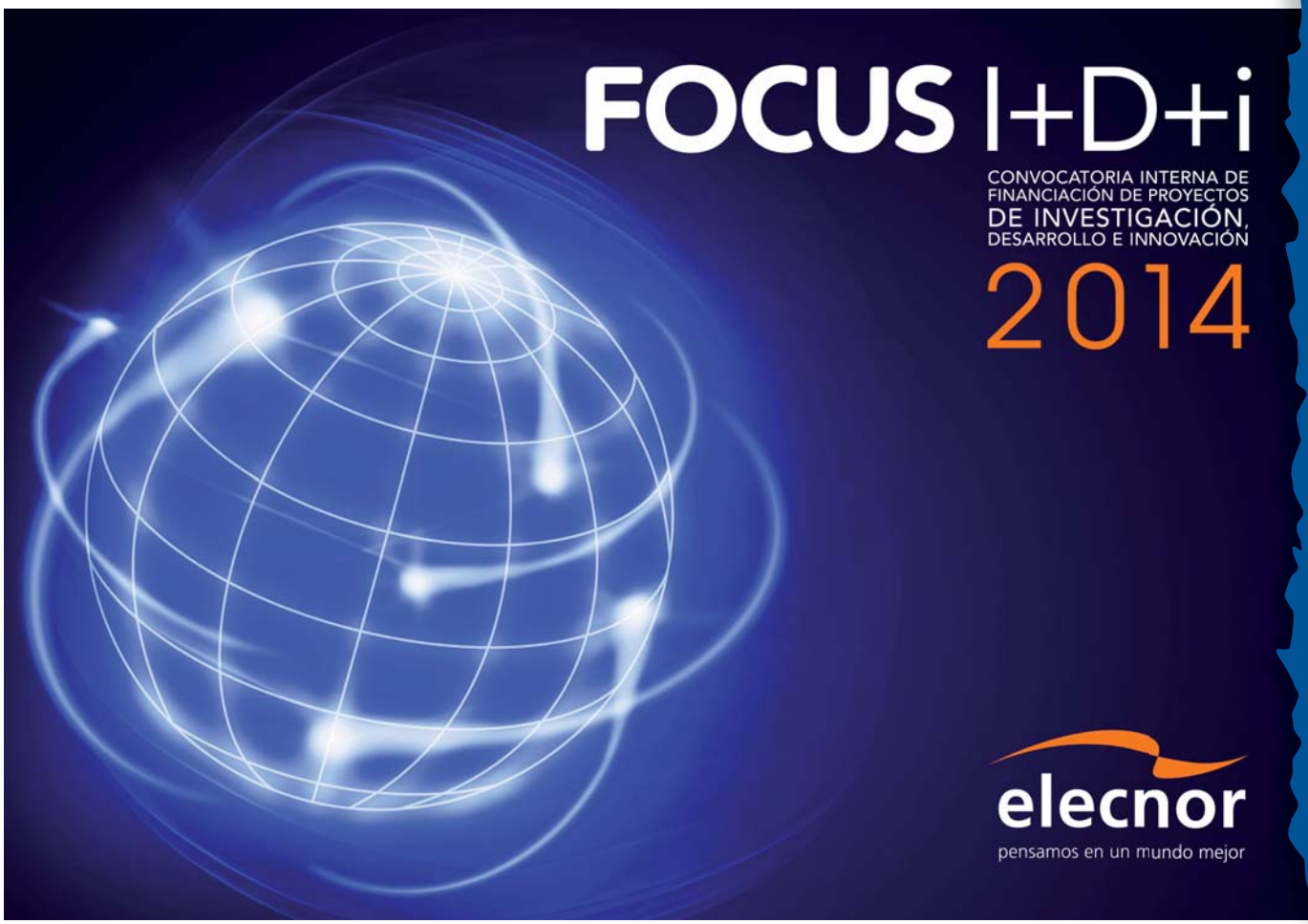
At the end of 2013, we launched a new internal financing round for research, development and innovation projects, subject to the requirement that projects are clearly focused on achieving results.

One of the Group's challenges is to incorporate its international subsidiaries into the Focus programme. Our subsidiaries in Mexico, Brazil, Chile and the USA took part in Focus for the first time in 2014.

Twelve projects were submitted, of which two were approved, with the collaborative "Wastewater phyto-treatment" project involving Elecnor Medioambiente and Audeca finally going ahead.

There have been three Focus funding rounds to date:

- Over 100 projects have been submitted, and 19 implemented
- With investment of EUR 1.67 million.
- Elecnor has invested over EUR 800,000 through the Focus programme.



Themed workshops

In 2014 we held two themed workshops of particular interest, involving energy services and hybrid diesel-photovoltaic power plants. These workshops took a strong international approach attracting professionals involved in the field. We aim to continue organising such themed workshops.

Some of our 2014 R&D and innovation projects are summarised below.

One of the Group's challenges is to incorporate its international subsidiaries into the Focus programme

Group company	Project	Objective
Elecnor	New transversal business management systems	This involves the creation of new lines of innovation covering both improvements in the shared corporate platform and development of IT applications to optimise activities and provide new functionality. The activities implemented have mainly resulted in improving Elecnor's business process management, serving all of the Group's organisations. New functionality has also been created for process control tools and we have implemented new virtualisation developments in the back-end used by Elecnor.
	Boomerang	This project is developing new functionality for the Boomerang platform, designed to produce remote-control terminals in electricity transformer centres so as to automate configuration and parameter setting for the terminals. The improvements will increase the system's automatic control, providing the production process with autonomy and remote management capabilities.
Elecnor-Audeca	Phyto-treatment of wastewater	This project aims to achieve a natural waste-water purification system using the purification capacity of different types of plants, making the process entirely sustainable and environment-friendly. The research is focusing on eliminating solids in suspension, organic material, nitrogen, phosphorous, iron and manganese in waste and raw water. Pilot technology has been installed at a WWTP (wastewater treatment plant) and a DWTP (drinking water treatment plant) for testing purposes.
Atersa	New photovoltaic solutions for the construction industry through integration and eco-efficiency in buildings	A project developing technology to substantially boost the efficiency of today's structures. Atersa is working as part of a consortium on the development of electricity generation using BIPV photovoltaic technology (Buildings Integrated Photovoltaics). New developments in the field of architectural efficiency enable us to consider effects on buildings such as convection on facades and solar radiation on roofs.
Ehisa	Construction of a new habitable module based on new construction systems	Manufacture of a new wooden module through research into new construction systems making the module self-sustaining.

Hidroambiente	BIODEPUR	Development of a biomass bioreactor on a mobile bed with membrane filtering for processing wastewater. The incorporation of a support in the bioreactor for fixing a biofilm with membrane filtration (MBMBR system) enables removal of organic material, together with simultaneous nitration-denitration through water nitration. This will reduce running costs, optimising energy consumption and enabling reuse of the water treated, minimising the production of sludge for disposal and reducing investment in decanting and traditional nitrogen removal by incorporating membrane technology.
	GABE	Research and development into a new drinking water system using coagulation systems based on electric currents (electro-coagulation) and the safety of flocculation through the addition of harmless substances used in the food and drink industry. The objective is to make the process for optimising electro-coagulation more sustainable, not using chemical reactions in treating water for human consumption.
Enerfín	METEO-MIDP	Development of a model to refine wind power forecasts based on data provided by forecasting companies and the anemometry towers of operating wind farms, together with output data obtained online from the wind farms. The model aims to minimise the deviation between actual and projected output, reducing costs and achieving better returns from electricity sales.
Elecnor Deimos	PERIGEO	Development of a research platform for testing new technologies in a controlled environment. Space missions of interest to Elecnor Deimos will be analysed to develop technologies within the company's areas of operation: G&C (guidance and control) systems, robust estimation and navigation, image processing for navigation, design of aircraft for atmospheric flights and optimised HW/SW design and development processes.
	GEO-CLOUD	Validation of cloud-based satellite-image processing and distribution infrastructures. This involves implementing and testing a complete Earth-observation system, ranging from data acquisition from a constellation of satellites to distribution to end users over the Internet.
	ARID LAP	Development of new technological solutions to minimise the detrimental impact of weather conditions on high-speed rail lines in dry areas. This involves taking large-scale satellite images of areas where the technology might be applied, and then monitoring railway lines using sensors to identify and quantify changes that might make them more vulnerable.
	RECONFIGURE	Research and development of guidance and control (G&C) technologies for aircraft, so as to facilitate automated handling of abnormal operating events and optimise aircraft conditions and flights.
	THOFU	Research into improving the tourist experience of travellers by developing technologies and technological concepts for hotels, providing new services and improving customer experiences.
	WoO	Building automation by simplifying the roll out of "Web of Objects" infrastructure. This involves researching data acquisition and processing, ubiquitous computing and development of intelligent systems in the framework described.

Elecnor seeks to set itself apart through cutting edge and pioneering technologies

Some of the leading technological centres and institutes we have worked with over recent years include: Gaiker, Azterlan, Tecnalia, Cartif, Tekniker, CENER/CIEMAT, ITE-Instituto Tecnológico de la Energía and AIDO-Instituto Tecnológico de la Óptica.

Results

Following completion of the project, we use indicators to assess the profitability of the investment one year later and over the following five years. Some of these projects are generating profits for the Group, particularly through savings and optimising the operation of facilities and infrastructure.

Technological excellence

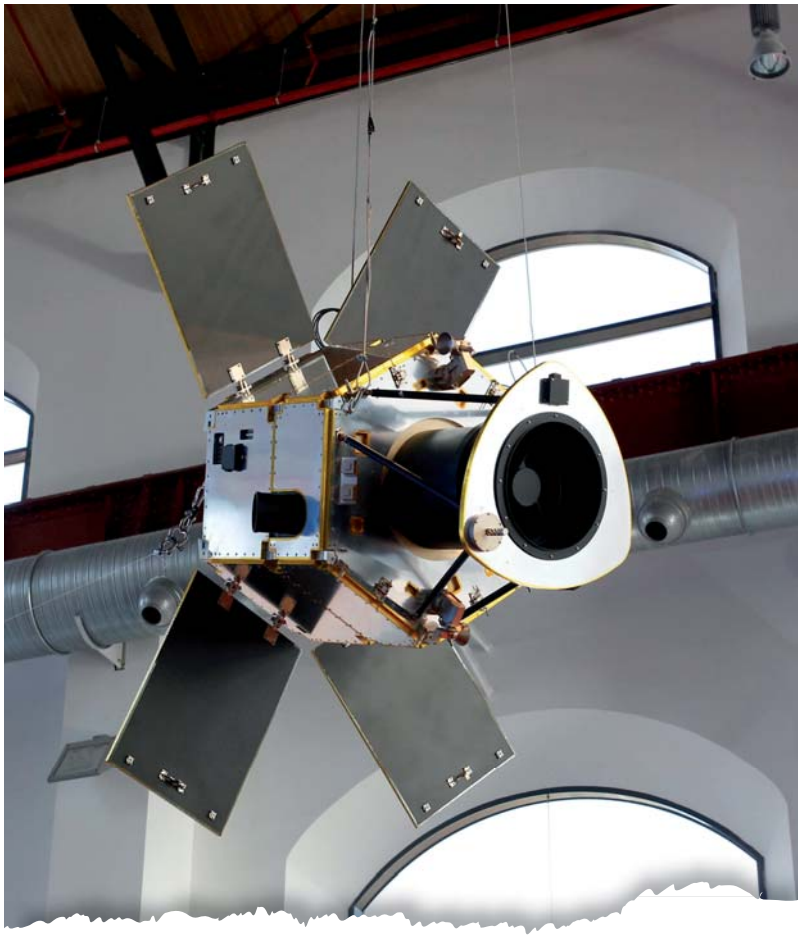
Elecnor seeks to set itself apart through its search for cutting edge and pioneering technologies.

Elecnor Deimos is an excellent example of this. This Elecnor technological area is at the forefront of the aerospace sector.

In June 2014, Elecnor Deimos successfully put Deimos-2 -the first Spanish very high resolution satellite- into orbit. This project involved investment of EUR 60 million, which is expected to increase to EUR 100 million by the end of the satellite's useful life.

The satellite is expected to have a useful operational life of more than seven years, and it will contribute to projects in a number of fields, with applications in agriculture, the environment, monitoring of climate change or natural crises, and for civil protection (fires and flooding), defence, intelligence and border control.

Deimos-2, weighing more 300 kg and measuring more than 2 metres in length, is a multi-spectral very high-resolution satellite that generates pan-sharpened images with a resolution of 75 cm per pixel.



Its advanced camera can capture panchromatic images in four multi-spectral bands, with a swath width of 12 km (extensible to 24 km in extended capture mode), with the stable capacity of generating more than 150,000 km^2/day. Deimos-2 can also capture stereoscopic pairs in a single orbital sweep, enabling the creation of 3D models of the surface observed.

Elecnor Deimos has developed Deimos-2 en in partnership with Satrec-I (South Korea). It is the highest-resolution fully private satellite in Europe and one of the few commercial earth observation satellites able to capture sub-metric images.

After 2,000 orbits of the Earth, Deimos-2 successfully completed its commissioning phase on 31 October, after reaching operational orbit after 1,033 orbital manoeuvres and in-flight calibration of its main instrument. During this period, it captured more than 3,000 images to contribute to the calibration of its payload and to test all its image capture modes.

On 1 November, Elecnor Deimos declared the start of Initial Operational Capability (IOC) for Deimos-2, which is now providing operational commercial services to clients worldwide.

During IOC, the service level of Deimos-2 was gradually enhanced by increasing production capacity and reducing delivery times, until it achieved Full Operational Capability (FOC) in early 2015. This marked the start of complete 24/7 commercial operations.

Elecnor Deimos has developed the innovative Puertollano Satellite Assembly and Operations Centre to build and subsequently control the Deimos-2 mission. With investment of close to EUR 8 million, this complex, inaugurated in 2013, enables the Company to assemble and control not only its proprietary satellites, such as Deimos-2, but also those of third parties.

Through Deimos-2 and the Satellite Assembly and Operations Centre, Elecnor Deimos operates across the entire space mission value chain, giving it the capability to manage entire space programmes; design, assemble, test, launch and operate earth observation satellites; operate observation satellites commercially; and develop earth observation systems for third parties.

One of the main technological achievements in 2014 was the launch of Deimos-2, the Group's second Earth observation satellite

Environmental Management

The Elecnor Group performs its activities subject to strict environmental criteria, in line with the principles set out in its environmental management policy.

It is also involved in activities that help to protect the environment and natural resources, such as water treatment and recycling, renewable power generation and energy efficiency.

This commitment is reflected in the company's integrated environmental policy. This sets out the following principles for action, seeking to balance the company's objectives with protecting the environment.

- An on-going search for a balance between profitability and environmental protection, seeking mutually reinforcing approaches.
- Considering environmental aspects in all investment decisions for new projects and activities being studied by the Group.
- Involving employees through appropriate training and awareness activities.
- Involving our other stakeholders (shareholders, customers, suppliers and society in general) in our search for useful solutions to the challenge of preserving the environment and conserving energy resources.

During the year AENOR audited the Elecnor Group's organisations, maintaining our UNE-EN ISO 14001:2004 certification for Environmental Management Systems and UNE-EN ISO 9001:2008 certification for Quality Management Systems.

As part of our continuous improvement, we set annual environmental targets, both quantitative and qualitative, consistent with the objectives set out in the Group's environmental policy. Following up the work done in 2013, in 2014 we continued working on:

- Reducing diesel consumption.
- Reducing the carbon footprint of solid urban waste (SUW) services.
- Improving awareness of environmental aspects and the guidelines to be respected by works managers.
- Including environmental criteria in more of our assessments of new suppliers.
- Reducing the waste produced in our facilities.
- Reducing production of hazardous waste.
- Reducing annual kg paper usage per head by office personnel.
- Reducing energy consumption in our facilities.
- Increasing reuse of earth left over after construction work.
- Environmental awareness campaigns.
- Compilation of documentation on recyclable materials or with environmentally friendly labelling for possible on-site use.

Managing basic resources: power and water

Consumption by the Elecnor Group over the last three years:

Consumption	2013	2014
Electricity (kWh)	6,572,666	32,803,695
Fuel (litres)	5,720,049	14,270,443
Water (m^3)	61,815	1,607,619
Ordinary paper (kg)	36,755	48,141
Recycled paper (kg)	67,246	38,600

One of our major 2014 objectives was to increase the scope to include the international part of Elecnor, S.A. and incorporate new Group organisations. This explains the significant changes between 2013 and 2014.

Our objective for the coming years is to continue increasing the scope until we have incorporated the whole of our organisation.

Direct power consumption in 2014 was as follows:

Direct power consumption	2014
Natural Gas (GJ)	33,568
Diesel (GJ)	28,845
Petrol (litres)	1,029,962
Gasoil (litres)	11,016,014
Biodiesel (litres)	2,224,467

Elecnor is an active participant in energy management projects, particularly for public lighting

Energy management

Energy management is a strategic area for the Elecnor Group. For example, Elecnor is a certified Energy Services Company (ESC).

Elecnor is actively involved in tenders for public lighting contracts as an ESC, an area where there is huge potential for increasing energy efficiency, reducing costs for our customers by up to 70%.

In 2014, Elecnor was awarded 15 such public lighting contracts in Spain, distributed throughout the country. 48,209 new lighting points were contracted in 2014, bringing the total lighting points managed under this system to 155,899.

Elecnor performs comprehensive turnkey public lighting projects, including studying the current public lighting system and possible improvements, funding, energy management and maintenance. It also provides a guarantee for the whole period of the concession or supply and services contract, usually running for between 10 and 15 years.

Elecnor uses an exclusive tool called GISAL for such projects. This is comprehensive software for managing public lighting that monitors installations to improve supervision and operations, and also includes maintenance and energy management.

We have continued racking up successes in the context of energy services for buildings. These include a contract for power supply and maintenance of power installations and equipment service for five hospital belonging to Galicia's health service.

Turning to the private sector, we have signed a contract with the VIPS Group as its energy efficiency supplier. Elecnor is responsible for improving the lighting of the VIPS Group's restaurants and cafes to reduce their power consumption. This includes installing the latest generation LED lights and carrying out light audits to maintain the ambient light conditions in each location, which is of the utmost importance in such premises.

These efficiency measures are expected to achieve a 60-70% reduction in lighting power, and a 30% saving in energy costs.

2014 also saw the consolidation and certification of our Energy Management System under the UNE-EN ISO 50001:2011 standard, enhancing the Group's commitment to sustainability.

Internal energy saving and energy efficiency initiatives

One of the company's objectives is to reduce its own energy consumption. In 2014 we were involved in a range of initiatives, including:

- Optimising the climate control system of the offices of the Central Regional Office: Elecnor has been working since February 2014 to improve the energy usage in the facilities over which it has direct control, and which it pays for directly: this has both energy efficiency and economic advantages. The main energy costs in the offices of the Central Regional Office come from its climate control system (heating and cooling). Therefore, efforts have focused on understanding the behaviour of this system and how to optimise it. Electricity consumption has been reduced by:

  - Consumption monitoring systems, enabling demand for the building's central climate control system to be analysed hour-by-hour.

  - Changing timers, bringing forward the time they cut off depending on temperatures on the day. This has provided a significant opportunity for improvement, with an expected pay-back period for the investment of less than 2 years.

  - Internal temperature control for each of the 4 floors occupied by Elecnor.

  - Control of CO_2 levels on the floor with the most employees, to automate primary air renewal inflows.

  - Control of the capacity to govern start up and switching off of the main elements in the installation based on the desired temperature (the temperature on one of the floors or the combined average of the probes).

  - Controlling the capacity to change the operating times of the installation.

- A system to analyse the most significant data for the installation graphically and export this information for the records:

  - External temperature.

  - Primary air impulsion temperature

  - Heat pump impulsion temperature

  - The temperatures of the floors

  - The V3V aperture of the primary air conditioner.

- Public holidays can be programmed into the system.

In 2014, we achieved a 10% year-on-year saving in electricity consumption, from 335,261 KWh/year in 2013 to 301,887 KWh/year in 2014.

- Efficient driving: this is a driving style that helps reduce fuel consumption and atmospheric emissions, whilst at the same time improving journey safety. Efficient driving achieves average savings on fuel costs and CO_2 emissions of around 15%. This style of driving uses a number of simple and effective rules that take advantage of the possibilities offered by today's car engines.

  Our Audeca subsidiary is currently training its on-site personnel, with two training sessions having been attended by 24 employees.

Water management

The Elecnor Group is involved in the water sector through its Audeca and Hidroambiente subsidiaries. Audeca is involved in the construction, operation and maintenance of drinking water treatment plants (DWTP), wastewater treatment plants (WWTP) and desalination plants.

Hidroambiente specialises in industrial water processing solutions.

As part of its asset management business, the Group has three water treatment plant concessions in the Autonomous Community of Aragon, details of which are as follows:

Cubic metres of water recycled (m^3)	2013	2014
Concessions		
▸ Sadar	3,432,095	3,570,449
▸ Sadep	3,034,147	2,599,766
▸ Sapir	1,272,321	1,446,347
Other		
▸ Calamocha and Daroca	672,091	639,598
▸ Cuencas Mineras	767,593	642,556
▸ Xeraco and Xeresa	942,333	851,882

Cubic metres of drinking water processed (m^3)	2013	2014
▸ Oliete WWTP	2,155,610	1,769,053
▸ Pedraza region supply	764,132	719,169

Water is one of the Group's key R&D and innovation areas. In 2014, the Group launched a joint "wastewater phyto-treatment" project involving Elecnor Medioambiente and Audeca.

The initial project involved analysis of the capacity to remove suspended solids, organic matter, nitrogen and phosphorus in wastewater. The scope was subsequently expanded to include the elimination of iron and manganese in raw water. The pilot plant for wastewater treatment is the Xeraco WWTP (Valencia) and for drinking water the Comunidad Villa y Tierra de Pedraza DWTP (Segovia).

The wastewater treatment part of the project involves verifying the urban wastewater phyto-purification capacity of a combined system of macrophyte aquatic plants such as cattails (Typha sp.) followed by microalgae, creating a wastewater phyto-purification plant (WWPP). Testing was carried out in a pilot plant in the Xeraco wastewater treatment plant, owned by EPSAR, the Valencian regional government's water treatment body. Elecnor is responsible for operating this facility.

Water is one of the Group's key R&D and innovation areas, and a sector with great potential

The WWPP (wastewater phyto-purification plant) introduces two utility models developed by Madrid's Polytechnic University, with which we have signed a cooperation agreement to develop the project based on two of their prototypes: firstly, a helophyte flotation device (HFD), designed specifically for this purpose and developed by the University's Agro-Energy Group, and approved by the Spanish Patent and Brands Office as a Utility Model; And secondly, a rotating biological photo-bioreactor, with a floating axis, which was also developed by Madrid's Polytechnic University's Agro-Energy Group and approved by the Spanish Patent and Brands Office as a Utility Model.

The second raw water treatment pilot plant is at the Comunidad Villa y Tierra de Pedraza drinking water treatment station, jointly operated by Elecnor and Audeca and owned by Aguas de las Cuencas de España (ACUAES),

a public body involved in the project. This project is testing the capacity of various combinations of freshwater filamentous macroalgae to eliminate iron and manganese, which are found in continental waters as a result of the dissolving of rocks and minerals. In the case of the Ceguilla river dam in the Comunidad Villa y Tierra de Pedraza DWTP, this appears to be a natural process following a dynamic common to lakes and reservoirs that experience periods of thermal stratification.

The monitoring phase will last until the middle of 2015. This will involve the monitoring of both systems to check the development of coverage of macrophytes and algae and the results obtained in the usual parameters for water treatment and purification (COD, suspended solids, nitrates, ammonium, total nitrogen, total phosphorus, pH, conductivity, etc).

Waste management

	2013	2014
Non-hazardous waste (kg)	2,686,305	11,073,926
Hazardous waste (kg)	66,353	453,456

The differences between 2013 and 2014 are due to the inclusion of other Group entities and extension of the scope of this report.

The waste is managed in accordance with current regulations by authorised handlers, striving to find the best available recycling techniques wherever possible.

Audeca is involved in various notable initiatives to find a second life for waste through reuse.

For example, in its conservation work in north-west Madrid it has developed a system to strengthen snow-plough blades through reuse of the remains of previous blades. When the worn steel blade is replaced by a new part, the two steel parts (the remains of the one removed and the new part) are welded together. This increases the normal width of the blade in contact with the road from 20 mm to 40 mm. This reduces the volume of metal waste, whilst also saving on purchases of new material.

Audeca	% reuse
Reuse of snow-plough blades	20%
Reuse of vertical signposts	60%
Reuse/treatment of earth	40%
Reuse of road markers	20%
Plant waste	20%
Big-bag waste and plastic containers	20%
Reuse of security barriers	40%

As part of the maintenance service for the gardens of the Vallecas Hospital, a small hand-made container was set up for composting (transformation of organic waste into compost, natural fertiliser) of plant waste from pruning and weeding. This involves controlling parameters such as the volume of plant waste, its humidity and the qualities of the resulting compost.

Atersa also signed a cooperation agreement with the ECOTIC Foundation. This certifies that when the photovoltaic panels distributed by the Group's photovoltaic company come to the end of their useful lives, they are removed and processed as set out in the cooperation agreement, under which Atersa undertakes to comply with current regulations on the disposal of waste electrical apparatus and electronics.

Climate change: managing emissions

Climate change is one of the main global challenges of the century, because of its significant impact on economic activity, the welfare of the population and eco-systems.

The Elecnor Group is playing a major role in this through one of its main activities: renewable energy. The Group is involved in wind, photovoltaic solar, solar thermal and hydroelectric projects. Generating electricity from renewable sources avoids greenhouse gas emissions, the main driver of climate change.

The following table shows the Group's estimated emissions savings due to renewable generation in 2014:

	2014 output (GWh)	Emissions avoided (tCO_2)
Wind power	2,375	615,000
Solar thermal plants	288	69,120

In 2014, the Group estimated the emissions saved by power generated in its wind and solar thermal plants

Emission reduction initiatives

A number of initiatives relating to calculating our carbon footprint are of note.

In 2014, Elecnor calculated its carbon footprint pursuant to the most widely recognised international standards: the Greenhouse Gas Protocol (GHG Protocol) Corporate Accounting and Reporting Standard and the ISO 14064 standard.

This project was launched in 2013 with the dual objective of controlling and decreasing the emissions generated in the Group's activities. There are two stages in this project: the first involved a pilot assessment of the characteristics and activities of the Group's units to determine the scope of the study, the nature of the processes, the analysis levels and relevant indicators. This involved selecting a sample of units, offices and subsidiaries for the first phase of analysis.

The results obtained were used to define the operational control to be used in calculating the indicator for Elecnor. This involved including direct and indirect emission sources in the control of each organisation.

In the second stage of the project, Elecnor's units reported the information needed to calculate our carbon footprint.

The approach for calculating our carbon footprint can be defined as follows:

- Consumption figures for contracts that are fully subcontracted out are not included.
- In the case of Joint Ventures (JVs), Elecnor only includes information for the service managed under the contract if it owns more than 50% of the JV, or if it is responsible for quality and environmental policies.
- For ESCs, we only consider the fields directly involved in execution of the improvement activity. This does not include the energy and other consumption of the facility in which the improvement is carried out.
- In the case of concessions and operating contracts, we have provided data only when Elecnor has responsibilities for

introducing environmental improvement measures without needing customer approval.

Therefore, we have opted for an operating control approach to calculating our carbon footprint, where we account for 100% of greenhouse gas emissions (GHG) attributable to activities over which we have control; in other words, where we have the authority to introduce and implement policies at the operational level. This therefore does not include:

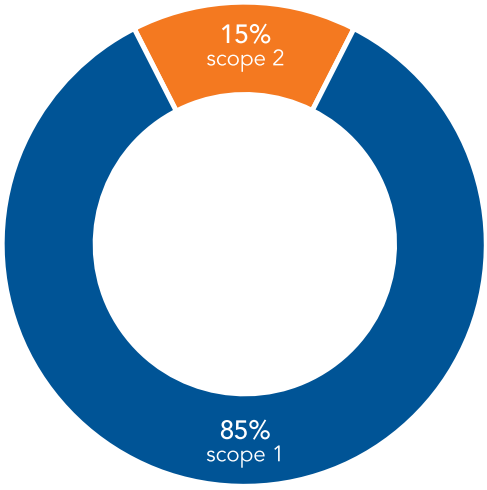
- Subcontracted machinery.
- Transport of subcontracted machinery.
- Transport of our own machinery when the vehicle used is hired (e.g. trailers, etc.).
- Company travel and transportation of machinery by airplane, train, ship and other subcontracted transport in general, as this falls within scope 3 (excluded from the scope of this study).

This project has quantified our direct (scope 1) and indirect (scope 2) greenhouse gas emissions from energy consumption. As a result of this project, we have obtained Elecnor's 2014 carbon footprint.

Elecnor has designed a tool for calculating the carbon footprint (CO_2data). This allows each Group company to report the activity data required for the calculation and to obtain details of the greenhouse gas emissions associated with its activity. Thus, each organization reports its electricity and fuel consumption and use of refrigerants, broken down by office, warehouse, sites and plant.

Greenhouse gas emissions in 2014 totalled 55,916 tCO_2e for the Elecnor Group as a whole, as follows:

Scope 1	Scope 2	Total
tCO_2e/year	tCO_2e/year	tCO_2e/year
47,561.3	8,354.5	55,915.8
85%	15%	100%



Scope 1 differentiates between emissions associated with fuel consumption and those associated with fugitive refrigerant gasses.

Scope 1 tCO_2e/year

Fuel	Fugitive emissions
47,020.9	540.4
98.9%	1.1%

Similarly, total emissions can be broken down by installation type: Our sites and plants make the largest contributions, at 77% and 15%, respectively.

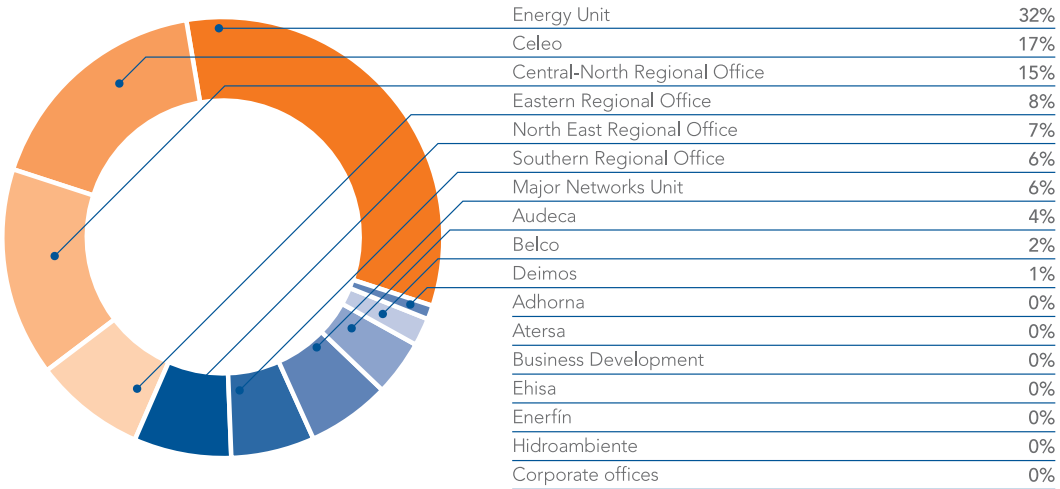
Scope 1 and 2 emissions by type of installation (tCO_2e/year)

Offices	Warehouses	Sites	Plants
3,764.7	593	43,083.1	8,474

Emissions by organisation at 31 December 2014:

Organisation	Emissions (tCO_2e)
Major Networks Unit	3,610.3
Energy Unit	17,751.3
Central Regional Office	8,242.3
Audeca	2,214.2
Corporate offices	74.1
Hidroambiente	55.2
Belco	1,154.7
Celeo	9,550.1
Business Development	18.5
North East Regional Office	3,910.1
Eastern Regional Office	4,719.6
Southern Regional Office	3,588.6
Deimos	421.7
Enerfín	81.6
Atersa	216.9
Adhorna	203.4
Ehisa	103.2
Total	**55,915.8**

Emissions (tCO_2e) by organisation



The Energy Unit, Celeo and the Central Regional Office make the largest contributions to the Elecnor Group's total emissions.

Moreover, Audeca, in collaboration with the Ecoembes professorship at Madrid's Polytechnic University developed a calculator for determining the carbon footprint of Audeca's waste collection services in Algete in 2012, which totalled 195.47 tCO_2 equivalent.

Following some improvements, such as modifying routes, changing fleet vehicles and efficient driving, we achieved a reduction of 22.75% tCO_2 equivalent.

	Baseline year	Year 1
▸ tCO_2eq	195.47	151

"Baseline year": from 1 January 2012 to 31 December 2012.

"Year 1": from 1 June 2013 to 31 May 2014.

A 5% reduction target has been set for 2015. This involves monitoring the litres of fuel consumed per 100 km for each road maintenance vehicle and studying the following proposals for decreasing scopes 1, 2 and 3: use of more fuel-efficient tyres; responsible electricity use; acquisition of more energy efficient electrical equipment and recycling of containers that cannot be repaired.

In addition, in order to determine the direct and indirect greenhouse gas emissions associated with its Madrid offices and its generating activity at the Osório wind farm complex, and to identify its main sources of carbon emissions, Enerfín has had its carbon footprint certified, as follows:

- Activities at Enerfín's Madrid offices (186.8 tCO_2 eq), under the ISO 14064-1 standard, which covers: direct greenhouse gas emissions (GHG), indirect GHG relating to power and other indirect GHG associated with consumption of office material, services and contracts, office rental, IT equipment and waste generated.

- Production at the Osório wind farm complex (12.25 $grCO_2$ eq/KWh), under the ISO/TS 14067 standard, which covers: production and transport of fuel and auxiliary substances for activities at the wind farm and for its construction, operation, maintenance and dismantling.

The certification of the Osório wind farm complex was a pioneering calculation because of its wide-ranging scope (with the functional unit being the whole farm complex) and because of the positive nature of the results in comparison with other studies with narrower scopes (with the functional unit being just the wind turbine).

In 2014, Applied Energy magazine, one of the leading international research publications in the "energy & fuels" and "engineering, chemical" fields, agreed to publish an article on the calculation of the wind farm complex's carbon footprint. This will be published in early 2015.

In 2014, Elecnor calculated its carbon footprint under the most widely-recognised international standards

Respect for biodiversity and protecting the environment

Elecnor works to protect the environment, protected spaces and biodiversity.

The Group is involved in numerous projects that are subject to the Environmental Impact Assessment process. This process is carried out by the responsible government body in the country where the project is being developed. It results in an Environmental Impact Statement setting out the environmental protection and mitigation measures needed for each environmental aspect affected by the project, such as biodiversity, water, soil, air, etc.

Prime examples of this include the prevention and mitigation measures carried out by the Major Networks Unit as part of its flora and wildlife conservation and protection programme along the length of the Morelos gas pipeline, transporting natural gas from the state of Tlaxcala to the state of Morelos, in central Mexico.

The wildlife measures implemented include three rescues of "Casquitos de Mulas" and Scorpion Mud turtles. These turtles are subject to special protection and it is therefore vitally important to maintain existing populations. The turtles were collected and moved to a habitat with similar environmental characteristics.

Flora protection measures include the moving of 30 young "biznaga" mammillaria cacti. This species is not subject to special protection, but it is a conservation priority as it is endemic to Mexico. The cacti were moved to a habitat with similar environmental conditions, with a warm climate and clay soil.

Other environmental conservation activities include reforestation work carried out by our Celeo subsidiary in Chile as part of the Ancoa project in the Alto Jahuel and Charrúa areas.

Legal requirements establish a 1:1 reforestation ratio. However, Celeo has voluntarily reforested an area 20% larger than legally required in Alto Jahuel and 13% larger in Charrúa. It is also monitoring the performance of the new plantations, which achieved 80% during the first two years and 75% in the following 3 years.

Project	Total reforestation area (ha)	Mandatory reforestation (ha)	Voluntary reforestation (ha)	Native forest species
Ancoa-Alto Jahuel	418.11	336.11	82	42.7
Charrúa-Ancoa	427.69	371.19	56.5	86.73

In Brazil, Celeo has supported the Arará Azul project studying the biology and ecological relationships of the hyacinth macaw (Anodorhynchus hyacinthinus), which is threatened with extinction and classified as vulnerable on the IUCN Red List of Threatened Species. The objective is to maintain the viable populations in Ararás Azules, by checking nests in their natural habitat and promoting the conservation of the species and the biodiversity of the ecosystem. Elecnor is sponsoring a nest, where the birth of a healthy chick, which is now growing successfully, was registered.

Finally, Enerfín has been involved in environmental projects and measures related to the wind farms of the Asociación Eólica de Tarifa, of which the Group company that owns the La Herrería and Pasada de Tejeda wind farms in Tarifa is a member. The following environmental measures were carried out in 2014:

- Upgrading of the environmental monitoring system.
- Monitoring and analysis of populations of species of special interest.
- Development of an automatic bird-detection and wind turbine shut-off system.
- A proposal for partial recovery of wetlands in La Janda.

The overriding objective of these measures is to minimise the deaths of birds in wind farms and to understand the impact of such deaths on local populations.

Elecnor is also working on the preservation of protected spaces, mainly through Audeca, the subsidiary responsible for the Group's environmental activity. Some of the environmental activities carried out in the Castilla y León region in 2014 included:

Elecnor works to protect the environment, protected spaces and biodiversity

- Environmental improvements and habitat conservation work in the Sierra de Gredos Nature Reserve in the Valle de Iruelas valley, including:
  - Reintroducing and promoting populations of Senecio Coincyl.
  - Restoration of the habitats of amphibians, reptiles, insects and other species linked to the aquatic environment.
  - Improving aquatic habitats in the mountains.
  - Improving damaged habitats in the Sierra de Gredos mountains.
  - Naturalising repopulations in Colmenar and Orzaduero.
  - Recovery of rabbit populations in the La Francesa estate.
- Ecological restoration of Lavajo de la Lavandera in Carpio. A small part of the municipal area of El Carpio is included in the "Humedal de los Arenales" Site of Community Importance (SCI). The following actions were carried out:
  - Construction of a new branch of the channel to enable a larger area of flooding and increase water processing through tertiary treatment, as the water flows through microphyte plantations, providing a second round of processing after the treatment plant.
  - Removal of sludge that has accumulated over recent years from untreated wastewater.
  - Weeding of areas with a large accumulation of vegetation, to improve re-growth of macrophyte plants.
  - Improving access to the wetlands for public use, by building a parking area, a bird observatory and a recreation area with tables and planting of trees.
  - Panels with nature information and signs for the car park and wetlands in the town, the parking area and the recreation area.

Audeca generates positive impacts on the environment through its conservation and improvement work. This is demonstrated by its activities in 2014, which included:

- Organic pest control: Combating infestations in plants and trees in garden areas using living creatures and natural elements. The advantages are directly related to lower insecticide use, with all the benefits that brings.

We have undertaken an organic campaign in the town of Petrer, where Audeca currently provides the maintenance service for its green spaces. Our study will provide the local council with the technical information it needs to sustainably combat infestations in the town.

Another example of our organic approach is the testing of aphid control using natural predators -ladybirds (Adalia bipunctata)- in San Vicente del Raspeig.

- Plant endotherapy: This is a phytosanitary treatment for urban trees, consisting of injecting phytosanitary products or fertilisers directly into tree trunks. The benefits include decreased use of insecticide sprays, making this process harmless to people and animals.

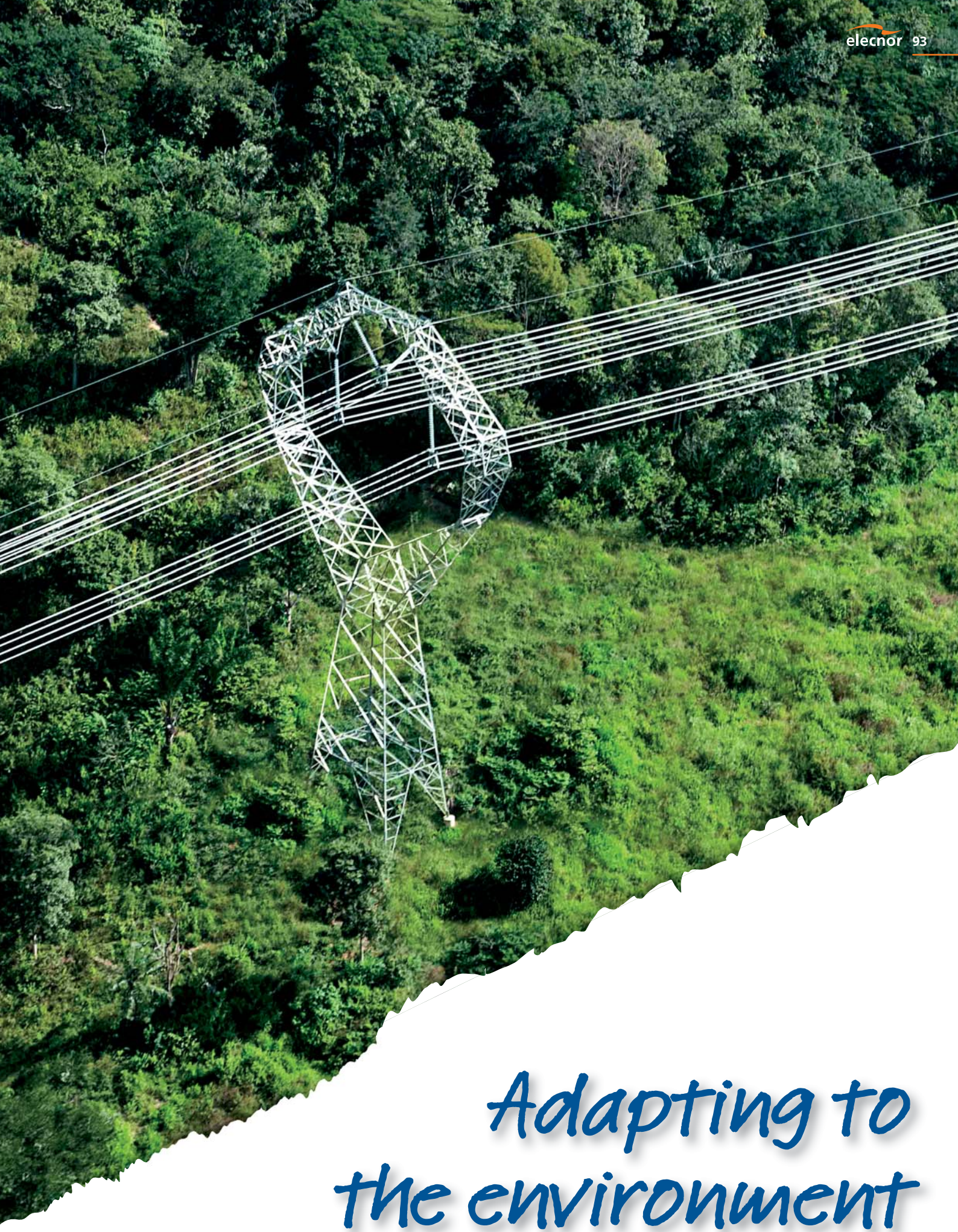
One example of the application of endotherapy is the project in the town of Mogán, where the system is being used as an ecological alternative in the fight against whitefly.

2014 awards and recognition

The Elecnor Group received the following prizes and recognition in 2014:

As part of the 10th National Acex Awards, the expert jury awarded Audeca special recognition for having been involved in pioneering projects since the first round of the Awards, recognising its contribution to a culture of employment and road safety in its infrastructure maintenance and operation work, and fostering a positive and proactive attitude to promoting safety.

Celeo received an award for its film "Nem Caroço Nem Casca-Uma Historia de Quilombolas", which was sponsored by Elecnor. The film tells the story of six Quilombo communities in Maranhao state. It was awarded the Vale prize for the best film and best documentary at the Guarnicé film festival. The film was included in the Official Selection of the Olhares Film and Religion Festival, the International Nile's Diaspora Festival and the Bajada Fluminense Brazilian Film Festival.



Adapting to the environment

Adapting to the **environment**

Integration into the local environment is becoming ever more important for Elecnor, as a global company with increasing international involvement and activity in countries with different cultures, ethnicities and levels of development. Legal legitimacy is no longer sufficient. Businesses must also have social legitimacy in the eyes of the stakeholders directly involved in, and affected by, their operations.

Elecnor has understood from the outset that it is a driver of progress, a guarantee of well-being and part of the solution to some of society's problems. And from the outset it has sought to contribute to the changes that society needs to ensure current and future generations live in a better world. Elecnor contributes to progress and social improvement through its infrastructure, energy, environmental and space industry activities, whilst helping reduce the energy divide and foster safe access to basic necessities, such as energy and drinking water.

Committed to society

Furthering its commitment to "think about a better world", Elecnor contributes to the socio-economic development of the communities in which it is active. The Group's social activity is mainly organised through the Elecnor Foundation, but Elecnor also carries out a multitude of initiatives in local communities as part of its projects.

The Elecnor Foundation

The Elecnor Foundation was established in 2008 to implement many of the Group's social initiatives. Elecnor has invested EUR 3.4 million in its Foundation since it was founded.

The Foundation's activity is focused in areas where the Group is active. It is particularly interested in key issues for society today, such as training young talent and research and development. Since its creation, the Foundation has invested EUR 3.6 million in social infrastructure and training projects: EUR 1.4 million of this was invested in 2014.

Another of the Foundation's objectives is to foster the social commitment and participation of Elecnor's employees. Volunteering offers our current employees and retirees an opportunity to contribute their time, skills and experience to the Foundation's projects.

Areas of activity

Social infrastructure:

These projects aim to improve the lives of people living in isolated and less developed areas with poor access to such basic necessities as energy and drinking water in countries where Elecnor is active. Through these projects, Elecnor contributes its know-how, experience and knowledge of local conditions to society.

- **Sinergia project, Chile.** *"The Sinergia Project is unique as it combines water and solar energy".*

  The Sinergia Project has brought the basic resources of water and power to the Totoral area of Chile's Atacama desert, in collaboration with the country's Institute of Agricultural Development (INDAP), part of the Ministry of Agriculture.

  The project was also supported by our Atersa subsidiary, which provided technical advice, training and development, and supplied the photovoltaic equipment.

The Elecnor Foundation has been the channel for many of the Group's social initiatives since 2008

The project involves installation of:

- A 31 kW solar photovoltaic power plant to supply electricity for the existing reverse osmosis plant used to supply drinking water to the town.

- An electricity distribution grid for the town with connections and a control cabinet for each home specified.

- A 55 kW solar power plant to supply electricity for the irrigation pump supplying water from the community pond to the newly created watertight reservoir.

- A distribution network for irrigation water to each of the plot outlets, covering a maximum of 15 hectares.

- Four 4 photovoltaic lighting installations in communal areas.

The Sinergia Project's installations were inaugurated in March 2014 at an event attended by Chile's Agriculture Minister, the National Director of INDAP, the Spanish Embassy's Commercial Attaché and Ignacio Prado, on behalf of the trustees of the Elecnor Foundation.

The launch of these facilities brings clean and sustainable power to all local people in their homes, plaza, school, church and park, increasing the region's socio-economic development and quality of life, and developing the technical and management capabilities to operate the installations successfully.

The project also included a corporate volunteering programme, providing technical assistance and training for the local population. Many volunteers applied to take part from various countries, with three being selected and accompanied by two team leaders. Around 550 hours were dedicated to the project.

The Elecnor volunteers provided ten days of technical assistance and training in maintaining the facilities built by the Elecnor Foundation.

- **The "Luces para Aprender project" in Uruguay.** *"Access to electricity is a key factor in guaranteeing quality education"*

  The Elecnor Foundation and the Organization of Ibero-American States (OEI, after its Spanish name) signed an agreement in 2013 to jointly implement the Luces Para Aprender Project in Uruguay, supplying electricity and the Internet to 82 rural schools in the country and completing the electrification of all the schools in the country.

  This Project aims to improve living and educational conditions for thousands of children in the area through access to electricity, a fundamental factor for a quality education. These systems cover the internal and external lighting needs of the schools, powering technological and communications equipment, such as TVs, computers and mobile phones.

  This project aims to reduce the digital divide and end the isolation of rural communities, which have historically lagged behind in technological developments, by fostering access to communication technology to promote educational, economic, social and cultural development.

  Since the project was completed on 8 October 2014, every school in Uruguay has had electricity and Internet connectivity, making it the first country in Ibero-America to achieve this objective. This has directly benefited around 1,000 infant and primary pupils and 200 teachers and teaching assistants.

  At its 8th National Citizenship Excellence and Golden Citizens' Awards in 2014, Celade, the Latin American Development Centre, declared that it was in the national interest for Uruguay's government to present one of its awards to Luces Para Aprender Uruguay.

- **Ronald McDonald House, Madrid, Spain** *"A home-away-from home for families whose children are in hospital"*

This is the Elecnor Foundation's first social infrastructures project in Spain. It has been developed in partnership with the Ronald McDonald House Charities, which seek to create and maintain programmes that directly enhance the health and welfare of children worldwide, offering families of children receiving in-patient treatment accommodation close to the health centre where they are being treated.

Elecnor built the 3,000 m^2 Madrid Ronald McDonald House turnkey project in the grounds of the Niño Jesús Children's Hospital. It has 23 rooms with their own bathroom and terrace and also offers communal facilities for sharing experiences, such as dining rooms, games rooms, and computer, library and sports areas to help children with their education.

Elecnor has built the Madrid Ronald McDonald House using energy efficiency criteria

This is the first Ronald McDonald House built according to energy efficiency specifications. The design and development features some of the latest and most efficient technologies, reducing the environmental impact of the facilities to a quarter of what it would otherwise have been, avoiding the emission of 52.45 tonnes of CO_2 and achieving the same impact as planting over 8,700 trees. This will also significantly reduce the annual energy consumption of Madrid's Ronald McDonald House.

Training and research:

We foster training and research in all areas of engineering, building alliances and agreements with universities and educational centres to encourage the development of knowledge and its practical application.

Supporting the training and employability of our young people is of particular importance during a crisis like the one we are currently experiencing, with such high unemployment, particularly among the young.

The following initiatives were carried out in 2014:

- **Specialist course** *in low and medium-voltage electrical installations*

  The Foundation is promoting this specialist vocational training course in partnership with the Salesianos College in Deusto (Bilbao), to ready students for the world of work.

  The project complements the formal vocational training received by students of electricity distribution, preparing them for a career in the electricity industry. The Elecnor Foundation is actively involved in this project, not just designing the training programme but also financing the adaptation of the College's laboratory and providing the equipment needed for the course.

  A second course was held in February 2014 as part of the 2013-2014 programme. As in previous years, the best student was awarded a cheque for 500 euros. The Elecnor Foundation has continued its discussions with the regional government of the Basque Country's Vocational Training Department and IVAC (the Basque Vocational Training and Qualifications Institute) about including the course in the official training plan for students who have passed the standard grade, as this is currently the only specialist post-programme course not aimed at the upper grade.

The Elecnor Professorship of Renewable Energy and Energy Efficiency has continued fostering initiatives of shared interest for the academic and business worlds

- **The Elecnor Foundation** *Renewable Energy and Energy Efficiency Professorship at Madrid's Polytechnic University's Higher Industrial Engineering Faculty*

  The Elecnor Foundation Renewable Energy and Energy Efficiency Professorship was created in 2009 and was renewed for a further three years in 2014.

  This partnership with Madrid's Polytechnic University's Higher Industrial Engineering Faculty aims to promote education in renewable energy and energy efficiency in the university, and to encourage R&D and innovation projects in this area.

  Through the professorship, we support a range of activities, such as energy efficiency conferences, lectures, grants and awards for dissertation research projects and visits to facilities. Some of the main activities in 2014 included:

  - A seminar on "Electricity markets and renewable energy", which was held in May, with presentations by teachers from the Madrid Faculty, Denmark's DTU and KU universities and the Regional Sales Manager of Foster Wheeler for the Middle East and Southern Europe.

  - The 5th Energy Efficiency Day, focusing on water and energy, two issues of particular importance for Spain, given its energy dependency, and the central issue chosen by the UN for its World Water Day 2014.

  - Dissertation project award: the award went to "Developing a tool for the optimal rescaling of a diesel-photovoltaic hybrid power plant", the author of which is one of the students involved in the research project for implementing hybrid systems in Angola.

  - Research projects: Elecnor has supported two of the projects submitted in 2013-2014. One of these is the aforementioned "Implementation of hybrid diesel-photovoltaic systems in Angola" project, analysing the viability and advantages of hybridization of diesel plants using photovoltaic panels, particularly in terms of reducing energy prices and increasing reliability. With this in mind, a software tool has been developed to analyse the viability of hybridisation and quickly and accurately provide the optimal scaling and investment for a photovoltaic facility. Complementing the project, an assessment was carried out of the potential for hybridization in a real setting, using the diesel plant in the city of Menongue, in Angola' s Cuando Cubango province. The other project supported by Elecnor is the "Energy refurbishment of an administrative building" project, analysing and quantifying the energy refurbishment measures needed to improve energy ratings. The building chosen for the study was the HQ of Elecnor's Central Regional Office, at Calle Maestro Alonso 23, Madrid.

  - We also welcomed students on visits to Elecnor facilities, with a visit to the Villanueva wind farm in Valencia and the facilities of its two solar thermal plants in Alcázar de San Juan.

- **Grants programme** *with the Higher Technical Industrial Engineering School (ETSI) of Valencia's Polytechnic University*

As part of its grants programme with Valencia's Polytechnic University ETSI faculty, we have continued to award five grants of 300 euros each over six months and a prize for the best dissertation project of 1,500 euros. The 2014 projects were:

- Design of electromagnetic devices through the use of advanced numerical simulation and optimisation (PGD) techniques.
- Design of a 50 kW biomass gasification plant with a bubbling fluidised bed for electricity generation.
- Development of a reactive power control system for single-phase grids using a data-acquisition card with bluetooth and Tablet-PC communications.
- Thermal behaviour of cables under harmonic currents.
- Development of an expert system for determining the work curve of a pumping facility and its use as a secondary-flow sensor.

- **Deusto Business School** *Elecnor Foundation Dialogue Forum*

This event was organised by the Deusto Global Center for Sustainable Business under the collaboration agreement the Elecnor Foundation signed with the Deusto Business School in 2013, to set up and organise joint forums and training activities in the fields of sustainability, corporate social responsibility (CSR) and social innovation.

The forum brought experts together to discuss the importance of corporate social responsibility as a fundamental part of the international expansion of the company.

The event was opened by the Rector of Deusto University, the Chairman of Elecnor and the Elecnor Foundation, and the Basque Regional Government's Deputy Minister for Employment and Labour. The Secretary of State for International Cooperation and Latin America gave a keynote speech at the event, entitled Business Internationalisation and Contribution to Development.

The keynote speakers included Ernst Ligteringen, Chief Executive of the Global Reporting Initiative (GRI). The Forum also included a roundtable discussion with leading politicians including Arantza Quiroga, Ramón Jauregi and José Ramón Beloki.

This was followed by the roundtable discussion on CSR and Internationalisation, where CSR experts discussed the significance of CSR in the international expansion of businesses.

The Group is also involved in social action through its subsidiaries, particularly in Latin America

Other social initiatives

In addition to the work of its Foundation, the Elecnor Group also carries out other initiatives through its subsidiaries.

These include the activities of the Group's Brazilian wind-farm subsidiary, Enerfín, which signed two agreements with the municipality of Osório to promote environmental education and tourism through:

- Construction and management of a Visitors' Centre at the Osório Wind Farm, providing technical information on wind farms and the region's tourist potential, environmental riches and sporting activities.
- Donation of a space in the Visitors' Centre to the local government to promote tourism.
- Improving the communications infrastructure of the "Largo dos Estudantes", a cultural and information hub in the municipality of Osório.
- Support for the "Jogue Limpo com Osório" environmental education programme to encourage a change of behaviour in using public spaces.
- Fitting out a space in the Osório wind farms for receiving visitors and displaying information on the parks and the environment, in partnership with the Mirador de Borússia Visitors' Centre.
- An environmental education programme for state schools in the area, including school visits to the park and presentation of the Complex's nature trail and organic garden.

This investment is expected to total around BRL 3.8 million.

Enerfín has also supported other initiatives in Brazil, such as:

- The regional seminar of the Associação Brazileira de Engenharia Sanitária e Ambiental on supporting tourism development in the region, which was held in the hall of the Osório wind farm complex.
- A conference at the Tramandai campus of the Federal University of Rio Grande do Sul.
- Inauguration of the first graduate course in energy engineering.
- Organising the "carrera dos ventos" race in the Osório wind farm complex, to promote sport and tourism in the region.

Finally, in Canada Enerfín has provided financial support for local initiatives such as the improvement and refurbishment of the reception centre at the "La Clé des bois" municipal ski club, and the partnership with a school and youth club in Saint-Ferdinand on programmes to facilitate reading in the library and activities outside school hours.

Celeo, the Group's concessionaire subsidiary, has also been very active in social initiatives in Brazil, including:

- The Viagem Teatral travelling theatre project, promoting annual fire prevention and environmental awareness campaigns, using drama to highlight environmental issues, such as fire prevention and managing waste. Free performances were held in plazas and venues in 20 cities in the states of Minas Gerais, Pará, Goiás and Maranhao. Some 7,400 people attended the performances during the tour. Elecnor paid all of the costs of the project, totalling BRL 263,240.

The Group runs support programmes for indigenous communities in Brazil

- The Inhotim museum: "Inhotim for all" is a project to promote access for children, young people and adults to the cultural offerings and facilities of the Inhotim Institute, the largest open-air art gallery in the world. 7,576 people benefitted from the project between January and November 2014. Elecnor contributed by paying for tickets.

- The Bonecos Theatre: This project aims to develop the artistic and technical language of children through workshops organised by a multidisciplinary performing arts team, specialising in building and operating puppets. The resulting performance of "Romeo and Juliet" attracted an audience of around 500 people. Elecnor contributed BRL 191,000 to the Bonecos Theatre.

- Mão Na Bola 2013 Project: The project aims to recruit and train elite athletes with the potential to represent Brazil in beach volleyball in international competitions and the Olympic games. This extends a new concept in athletics training and education to beach volleyball athletes, fostering involvement in official competitions organised by regional bodies. Elecnor was one of the organisers of the project.

  This resulted in 16 athletes aged between 11 and 13 being selected, of whom three pairs were ranked among the six best nationally at the Under-15 Brazilian Cup, winning first, third and sixth places.

In Chile, Celeo is involved in conversations with the United Way Chile NGO to involve vulnerable communities living close to its projects, working through corporate volunteering to improve educational facilities in the region, with workshops and tutorials offering professional guidance for young people and single mothers.

Social legitimacy

At a time of increasing international expansion, Elecnor is increasingly involved in projects in areas close to indigenous communities, often in areas of great natural and environmental riches, or where there are a large number of stakeholders with differing points of view and interests. This means that we sometimes operate in areas with serious environmental and social risks, or that are home to vulnerable local communities, or in countries where human rights commitments are not implemented as effectively as in developed countries.

In such projects in particular, Elecnor must not just meet its legal requirements. It must also gain the support of all stakeholders, adequately managing any impacts that might result from its work. Elecnor has extensive experience of complex projects where a dialogue with numerous local stakeholders is essential to a successful outcome.

One example of this is Celeo's CAUIA (Caiuá Transmissora de Energía, S.A.) concession project in Brazil, which was commissioned in mid-2014. The project comprises two 230kV transmission lines stretching 135km, and two substations with 700MVA transformation capacity. One of these, the SE Santa Quiteria, is of the insulated type. The project stretches through nine municipalities in Brazil's Paraná state, with a population of 494,475. The concession directly affects 242 landowners: amicable agreements were reached with 95% of these landowners.

A number of environmental impacts were identified in work carried out on the CAIUA concession and the IMTE project, including suppression of vegetation, increased traffic and erosion, mainly affecting local communities. A number of environmental programmes were implemented to offset these -nine in CAIUA and fifteen in IMTE- pursuant to applicable environmental legislation. In general, these programmes involved: reducing the impact of the projects on local fauna, flora and archaeological heritage; social communication and environmental education for local communities and workers; management of the waste produced during the work; restoration of damaged areas and containment of erosion.

In Australia, Enerfín has made considerable progress on its assessment of the environmental impact of the Bulgana wind farm, ensuring transparent communication with the communities affected by the project (Stawell and Great Western). This has included open days, information bulletins and a website describing the specific characteristics of the project.

Given the potential impact of the project, we have established contact with local associations specialising in environmental conservation, opening up dialogue to improve community integration during the future development and construction phases.

The environmental approval process for the projects of Celeo Chile includes a PAC (public consultation) stage, involving meetings with local communities, which are also attended by representatives of the government's Environmental Assessment Service. Celeo voluntarily approached the mayors of local municipalities and leaders of the communities involved in both the Ancoa-Alto Jahuel and Charrúa-Ancoa projects, to present the projects.

The Group has made progress on the environmental impact assessment of its Bulgana wind farm in Australia

In Canada, Enerfín has collected the opinions of local indigenous communities as part of the design of its L'Erable wind farm in Quebec

Indigenous communities

In Canada, Enerfín has carried out a range of initiatives with indigenous communities during its development activity in the province of British Columbia, seeking to understand their concerns and take account of their opinions from the outset of the development.

Celeo is likewise involved in various initiatives with indigenous communities in Brazil:

- The LTC (Linha de Transmissao Corumbá) concession. The route chosen for the Anastacio-Corumbá transmission line runs close to three areas inhabited by the Terena indigenous community. A number of mitigating actions have been developed to offset the potential impact of this work, including: the Social Communication Programme (PCS); the Environmental Awareness Programme (PEAT), focusing on issues affecting indigenous peoples; and the Terena Revenue Generation and Cultural Support Programme. This latter programme provides various benefits such as the building of a Terena cultural centre, a rainwater-capture system, refurbishment of a community centre, building of an industrial kitchen and training courses in IT, traditional cookery, compost production and administration.

- BTE (Brilhante Transmissora de Energia) concession. The Chapadao–Anastacio transmission line passes close to two area inhabited by the Terena indigenous people. The concession agreed with the villages to develop the social guidance programmes proposed by the villages and to provide educational grants. In total, 18 students from 9 villages are now being educated, at a monthly cost of BRL 900 each.

- JTE (Jaurú Transmissora de Energia) concession. Six indigenous areas, including 42 villages, were identified in the area of influence of the Samuel-Vilhena and Vilhena-Jaurú transmission line projects during their construction. A number of measures were implemented to offset the impact of the work. These included the Indigenous Lands Protection and Vigilance Programme, including workshops, donation of monitoring and surveillance equipment, construction of surveillance posts and support centres, installation of signs, radio transmitters and telephones, and courses in fire prevention, first aid and legislation covering indigenous peoples.

  Likewise, the Indigenous Territory and Environmental Management Support Programme included activities to enhance productivity, such as building and kitting out flour silos, henhouses, beehives and livestock facilities.

Around 2,000 members of local indigenous communities are estimated to have benefited from these programmes.

In Chile, Celeo prepares studies into indigenous communities during the project tendering process. These studies assess whether any indigenous communities will be affected by the route of the lines and, if so, we try to change the route to avoid such impacts as far as possible. CONADI (the National Corporation for Development of Indigenous Communities) is then responsible for managing issues relating to indigenous communities during the environmental assessment phase.

No impact on indigenous communities was identified in the environmental impact assessments for the Alto-Jahuel and Charrúa-Ancoa projects or in the public consultation process.

About this report

Profile, scope and boundary

The Elecnor Group's annual sustainability report has been prepared under the requirements of the Global Reporting Initiative (GRI-G3), both in terms of the content of the report and to ensure its quality.

This report covers the Elecnor Group's main activities and social, economic and environmental impacts in 2014, together with other aspects considered of interest to our stakeholders. The report also includes information from previous years for comparative purposes.

With regard to the scope of the report, the business information provided refers to all the companies in the Elecnor Group (Elecnor, S.A. and its subsidiaries). This information has been taken from the consolidated and audited annual financial statements of the Elecnor Group for the year ended 31 December 2014.

The social information provided refers to the Group and the Elecnor Foundation.

The scope of some environmental information indicators has been considerably expanded compared to previous years, particularly with regard to consumption and emissions. This means that in some cases the information is not comparable with information for previous years.

Any differences in the scope and boundary of particular items are described in the appropriate section.

Relevance

In 2014 the Group undertook a corporate social responsibility (CSR) diagnosis, to assess the company's CSR maturity; its strengths and weaknesses; how Elecnor compares to other companies in the same sector; the opinions of some stakeholders about its activities; and analysis of the main issues in domestic and international sustainability. The stages in this diagnosis are described in the introduction to the "We think about a better world" section of this report.

This diagnosis was used to identify the issues relevant to the Elecnor Group and its stakeholders. These conclusions are based on analysis of answers from management, the approaches of our competitors, the opinions of our stakeholders and trends in domestic and international initiatives in this area.

Variables analysed	Relevant issues
Economic	Customers and customer-feedback mechanisms Access to capital International expansion R&D and innovation Relationships with government bodies Supply chain management
Ethical	Corruption, bribery, fraud and money laundering risks Human rights
Human resources	Attracting and retaining talent and developing human capital Occupational health and safety for our employees and contractors Work-life balance Equal opportunities
Environmental	Environmental Management Climate change strategy The impacts of climate change and energy: carbon footprint, energy efficiency, renewable energy Water footprint Preserving biodiversity Waste
Society	Impact on local communities and dialogue Social investment Job creation

The structure of this report is based on the issues relevant to the Group, which are described in greater detail in its sections.

Stakeholders and communications channels

The company has identified its main stakeholders and their current communication channels. These are set out below.

Category	Communication channels
Shareholders and investors	General Shareholders' Meetings Consolidated financial statements Annual report Sustainability Report Elecnor Foundation Report The Group website
Customers	Regular visits The corporate website Annual report Sustainability Report Elecnor Foundation Report
Employees	Regular meetings Sustainability Report Training courses and events The Group website Intranet Newsletter
The public administration and regulators	The Group website Official communications Consolidated financial statements Annual report Sustainability Report Elecnor Foundation Report
Suppliers and partners	Meetings and work groups Conventions, fairs and congresses Audits Sustainability Report The Group website
Local communities	The Group website Elecnor Foundation report Sponsorship Social projects Sustainability Report
The media	Press releases The Group website Consolidated financial statements Annual report Sustainability Report Elecnor Foundation Report
Technology centres and universities	Cooperation agreements Forums Annual report Sustainability report Elecnor Foundation Report

The company uses these channels to maintain an open and on-going dialogue with its stakeholders, identifying and responding to their expectations, as reflected throughout this report.

Contents and **GRI indicators**

The Elecnor Group has submitted this Sustainability Report to the Global Reporting Initiative (GRI), which has concluded that the **report meets the requirements of application level A.**

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ECONOMIC PERFORMANCE

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EN2	Percentage of materials used that are recycled input materials.	75

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EN4	Indirect energy consumption by primary energy source.	75
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EN10	Percentage and total volume of water recycled and reused.	78-79

Key indicator
Additional indicator

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EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	64, 73, 88-90

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EN22	Total weight of waste by type and disposal method.	80
EN23	Total number and volume of significant spills.	Note 7

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EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	64, 73
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Note 1

COMPLIANCE

EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Note 7

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LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	46-47
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	47, 49
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	53

LABOUR/MANAGEMENT RELATIONS

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LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Note 8

OCCUPATIONAL HEALTH AND SAFETY

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	58

Key indicator
Additional indicator

LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	59, Note 9
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	51, 60

TRAINING AND EDUCATION

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LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	50

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LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	55

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HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	40-41
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NON-DISCRIMINATION

HR4	Total number of incidents of discrimination and corrective actions taken.	40-41

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	39-41

CHILD LABOUR

HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	39-41

Key indicator
Additional indicator

FORCED AND COMPULSORY LABOUR

HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	39-41

SECURITY PRACTICES

HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Note 1

INDIGENOUS RIGHTS

HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	40-41, 106

SOCIETY PERFORMANCE INDICATORS. Society

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SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures.	40-41
SO4	Actions taken in response to incidents of corruption.	40-41, Note 10

PUBLIC POLICY

SO5	Public policy positions and participation in public policy development and lobbying.	32-33
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Note 11

ANTI-COMPETITIVE BEHAVIOUR

SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	40-41, Note 7

COMPLIANCE

SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Note 7

Key indicator
Additional indicator

SOCIETY PERFORMANCE INDICATORS. Product responsibility

CUSTOMER HEALTH AND SAFETY

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	64, 73
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	Note 7

PRODUCT AND SERVICE LABELLING

PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	64, 73

MARKETING COMMUNICATIONS

r

PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	40-41
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Note 7

CUSTOMER PRIVACY

PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Note 7

COMPLIANCE

PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Note 7

Key indicator
Additional indicator

Note

Note 1: Not applicable.

Note 2: 100% of the workforce in Spain is covered by collective bargaining agreements covering the country. In the other countries in which we operate, equivalent legislation covering the local workforce only exists in Argentina, Brazil, the USA and Uruguay.

Note 3: The Group's senior management is led from the parent. The same criteria are applied in the policy for hiring executives as those applied in the company's recruitment policy.

Note 4: The Company does not use any of these substances.

Note 5: This information was not available at the date of publication of this report.

Note 6: Effluents in our offices and warehouses are sanitary waste and are discharged into the sewage system.

Note 7: There are no incidences or aspects worth mentioning.

Note 8: The Elecnor Group applies the notice periods for organisational change set down in the current employment legislation in the countries where it operates.

Note 9: The Elecnor Group's absenteeism rate stands at 4.08%, with a total of 745,070 hours lost.

Note 10: All new joiners receive the welcome manual which covers training in the code of conduct.

Note 11: No such contributions were made.

Note 12: Elecnor did not carry out any screening for corruption risks in 2014.

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