



**GRI**

Renewable  
Industries

**Sustainability**  
Report 2018



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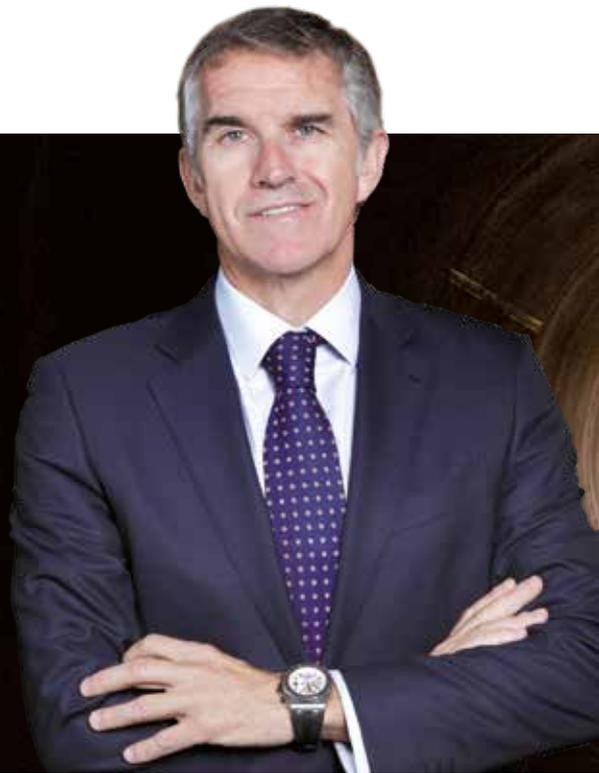


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**GRI**

Renewable  
Industries



## Letter from the Chairman

Jon Riberas. Chairman & CEO. GRI Renewable Industries

102-14

Dear readers,

As in every year since 2014, I am pleased to present our Sustainability Report 2018, in which we have sought to reflect and summarize the main data and events of this financial year. The Report was prepared under the Global Reporting Initiative Standard (GRI) guidelines. We have also renewed our commitment to the UN Global Compact.

2018 has been a tough year for us mainly due to changes in energy policies in some countries, several currency devaluations, and the commencement difficulties in the Amarillo plant (USA). All of the above have directly affected the Company's production levels and economic performance, with a more adverse impact on some countries. However, our financial statements are still healthy, which allows us to look to the future with optimism.

Changes in energy policies have mainly affected plants located in India and South Africa, causing the temporary suspension of many wind projects and a production downtime during several months. On the other hand, plants in China, Brazil and Spain, mainly in Galicia, had a remarkable output.

In 2018, we conducted a structural change, which led me to assume the responsibilities of Chief Executive Officer.

Investment spending (CAPEX) reached 60 million euros, primarily focusing on the improvement and development of new facilities. This reflects our investment efforts, which let us accompany our customers to new wind markets.

In this financial year, particularly noteworthy is the start-up of GRI Towers India II and GRI Flanges China IV in the last quarter of the year. Moreover, the GRI Towers Sevilla offshore factory shipped the 4 first towers, weighing 380 tons and 85 meters long each. This is the Company's largest manufactured product until the date.

Regarding the environment, recent Intergovernmental Panel on Climate Change (IPCC)'s reports illustrate climate change negative effects on different regions, as well as their consequences, including more frequent hurricanes and typhoons, the rise of sea levels and more prolonged droughts; whose effects are faster than expected.

Therefore, society is demanding more changes, greater investments and improvements to support this fight against the climate change through favorable energy policies. In this context, renewable energies play a key role in the reduction of CO<sub>2</sub> emissions.

At GRI Renewable Industries, we have also reinforced our contribution to the Sustainable Development Goals (SDG), in particular as follows:

### SDG 4: Quality education

The downtime in South Africa and India directly affected their professionals. However, at GRI Renewable Industries, we keep our firm belief to have stable employment. Consequently, we developed many initiatives to minimize this impact.

A clear example is how we promote the mobility of professionals from different plants, thus improving their experience and expertise thanks to these temporary relocation periods while they keep their jobs. In 2018, 179 professionals were relocated.

Similarly, I would like to highlight the initiative developed by GRI Towers South Africa. After the temporary business suspension, an agreement was reached between the employees, the trade unions, the management and the administration to apply a voluntary training scheme called "Training LAY-OFF".



This scheme allows employees to keep their jobs, while they receive a subsidy and obtain benefits from a training plan which also helps them improve their skills and competences. Thanks to this initiative, all employees resumed their work when the plant started operating again at the end of 2018.

The measures applied are reflected in the final headcount, which grew by 3.3%, thus reaching 3,530 professionals. This figure does not include the plants in Argentina, India II and China IV, since they started operating just recently. However, they will be included in the scope of the report of 2019.

Also noteworthy is the training effort we have made, where we put in 12% more global hours. In terms of Occupational Health and Safety our working conditions improved by 11.5% (according to the Occupational Risk Prevention Index). Particularly excellent in this matter were our plants in Brazil and Turkey.

#### SDG 9: Innovation and infrastructure

We have an avant-garde position in terms of innovation, as it is key to our growth.

We are proud to have received the approval for Elcano Innovation and University Training Center at the Port of Seville, led by Universidad de Sevilla and the universities of Evora and Algarve, and endorsed by the port authority. In it GRI Renewable Industries plays a main role in the development of research projects for wind components and in the training of future professionals of our sector.

We adapt to the market's new trends and to our clients' needs. For such purpose, we firmly believe that manufacturing costs must be reduced by improving the efficiency

of our processes and by building taller towers which can better adapt to the conditions of new more powerful and efficient wind turbines.

In this area, supplier management crucial, as the costs linked to procurement are the most relevant in our business. We have therefore developed a "Supplier Portal". This platform optimizes the controls and standardization and assessment requirements, while it includes information related to ethics, sustainability, human rights, safety, environment and conflict minerals.

#### SDG 13: Climate action

Our business (manufacturing components for the wind industry) allows us to contribute to the reduction of CO<sub>2</sub> emissions and to create local wealth by bringing power to hard-to-reach remote places. We estimate the production of our towers prevented the emission of 245,472 tons CO<sub>2</sub> in 2018.

Likewise, we made some progress in the project started in 2015, "A tower, a tree". In this context, we conducted four reforestation projects where our professionals and their families around the plants in Seville, Galicia, Iraeta, Zestoa and the office in Madrid planted 2,710 trees which will absorb 525 tons CO<sub>2</sub> in the coming 40 years.

After this tough year, we have bright expectations for 2019, with relevant new projects, thus guaranteeing an innovative high-quality product according to our clients' needs.

Finally, I would like to thank the team for their support and sustained commitment in this difficult stage, which actively contributes to our leadership and growth.



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# General Standard Disclosures

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# Our Company

102-1, 102-2, 102-3, 102-5 AND 102-16

GRI Renewable Industries S.L. (GRI Renewable Industries or the Company onwards) was founded in 2008 as the main provider of towers, flanges and castings for the renewable energy sector. We use cutting-edge technology to supply high quality products and services all around the world.

The headquarters are located in 3 Ombú St. 12<sup>th</sup> Floor. 28045 Madrid - Spain.

In 2015, the Japanese group Mitsui & CO Ltd was integrated as a partner, with the acquisition of 25% of the Company.

GRI Renewable Industries has developed a global corporative culture which has kept the same values since its origin, but which are adapted to the local necessities of each country, to the current market conditions and to the requests of its stakeholders.

From its outset the company has had a significant annual growth. Nevertheless, 2018 was more stable, and efforts were made to consolidate, integrate and adjust the new plants Amarillo (Texas), Argentina and Seville (Spain), and to start operations in the China IV and India II plants.

Currently we are present in 8 different countries and count with 16 operating plants, one of which is dedicated to the offshore market.





## mission

GRI Renewable Industries mission is to **globally meet the needs of our customers** considering their activity, the safety of our employees and the respect for the environment.



## vision

Global and innovative leader in the manufacturing of wind turbine components, **creating a more sustainable and emission-free future** for everybody.



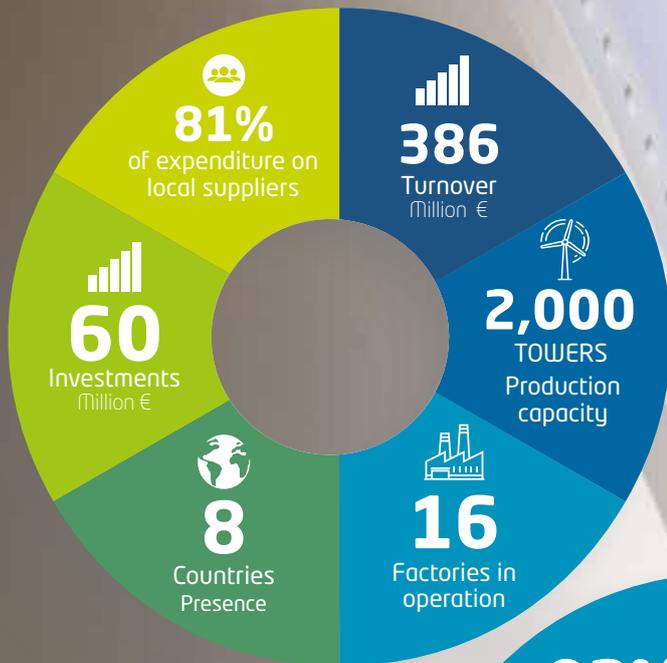
## values

**Honesty**  
**Humility**  
**Tenacity**  
**Work**

## Milestones

Development of our factories since 2008.

2008	 GRI Towers Galicia	 Orense. Spain
2009	 GRI Towers Brazil	 Pernambuco. Brazil
2010	 GRI Flanges Iraeta	 Guipúzcoa. Spain
2010	 GRI Flanges China I	 Shandong. China
2011	 GRI Flanges China II	 Shandong. China
2011	 GRI Towers Turkey	 Bandirma. Turkey
2012	 GRI Towers India I	 Kolhapur. India
2012	 GRI Flanges China III	 Shandong. China
2013	 GRI Towers Brazil (Cutting & bevelling)	 Pernambuco. Brazil
2014	 GRI Towers South Africa	 Atlantis. South Africa
2015	 GRI Castings Zestoa	 Guipuzcoa. Spain
2015	 GRI Flanges Brazil	 Pernambuco. Brazil
2016	 GRI Towers USA	 Texas. USA
2017	 GRI Towers Sevilla	 Sevilla. Spain
2018	 GRI Calviño Towers Argentina	 Buenos Aires. Argentina
2018	 GRI Flanges China IV	 Shandong. China
2018	 GRI Towers India II	 Kolhapur. India

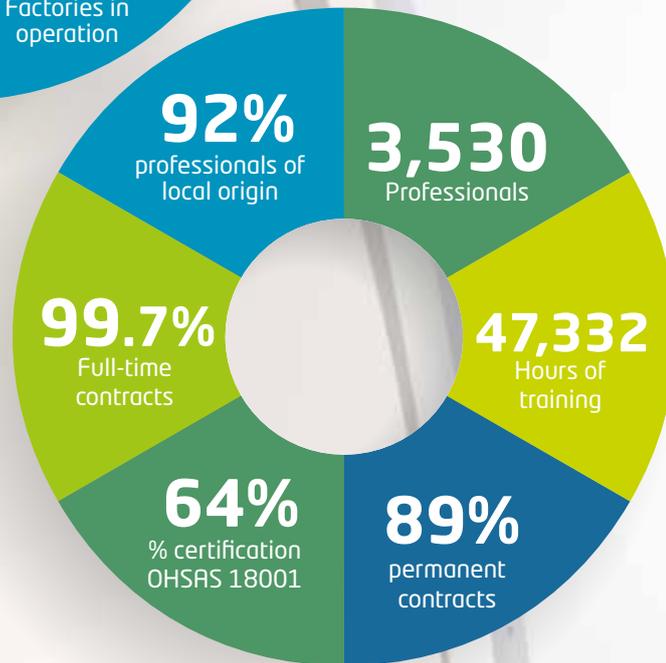


## GRI in 2018 figures 102-7

GRI Renewable Industries is committed to contributing to the economic, social and environmental progress of the countries in which it operates.

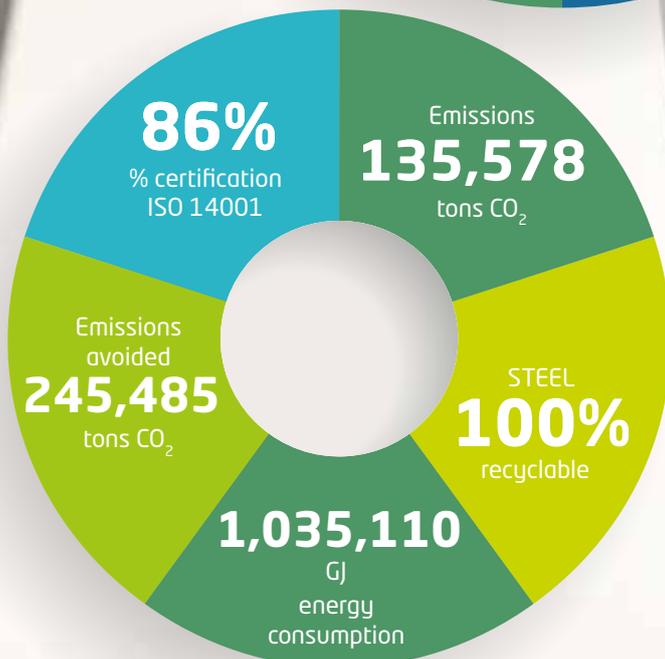
### Economic Contribution

Through our activity we generate numerous benefits in the community around us. We dynamize local development by promoting employment in the area, the growth of new suppliers and businesses, as well as the improvement of infrastructures through the payment of local taxes, among others.



### Social Contribution

Our activity requires the hiring of numerous local workers to whom we offer a stable employment, which increases the economy of the area and the purchasing power of families. In addition, we carry out numerous social action activities to improve the environment.



### Environmental Contribution

Our activity is directly related to the generation of renewable energy, so we indirectly contribute to mitigating the carbon footprint and the effects of climate change. In addition, we manage our plants to minimize our environmental impact.

# Worldwide presence

102-4 AND 102-6



**8**

Countries



**16**

Plants



**3,530**

Professionals



GRI Towers plants



GRI Flanges plants



GRI Castings plant



\*Not included in the scope of the report.

# Main brands and products

102-2

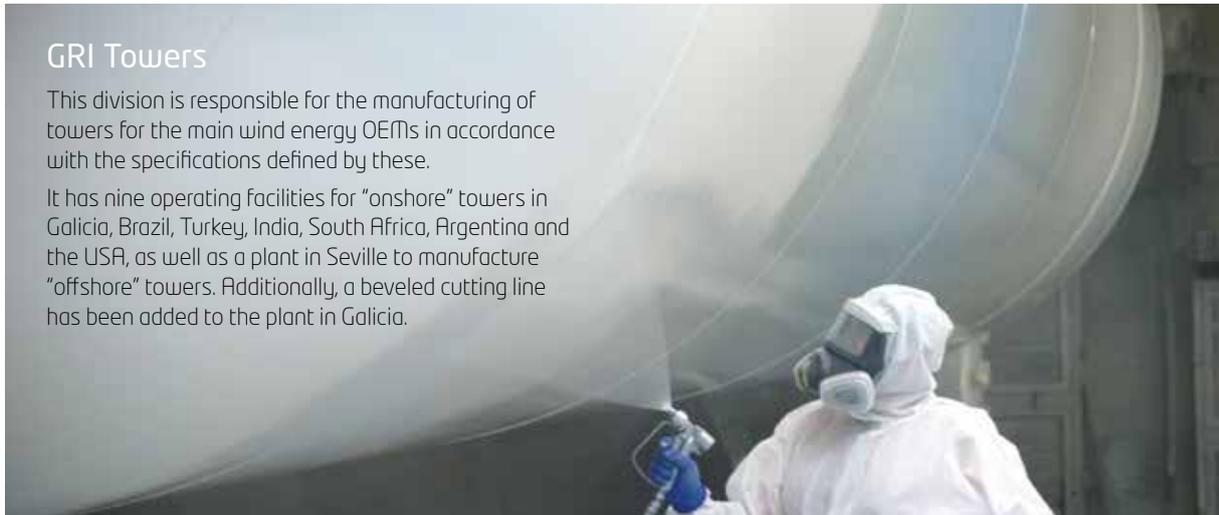
The company operates under the brand of GRI Renewable Industries, keeping the same structure and specifying the product or service personalized to each country and region.



## GRI Towers

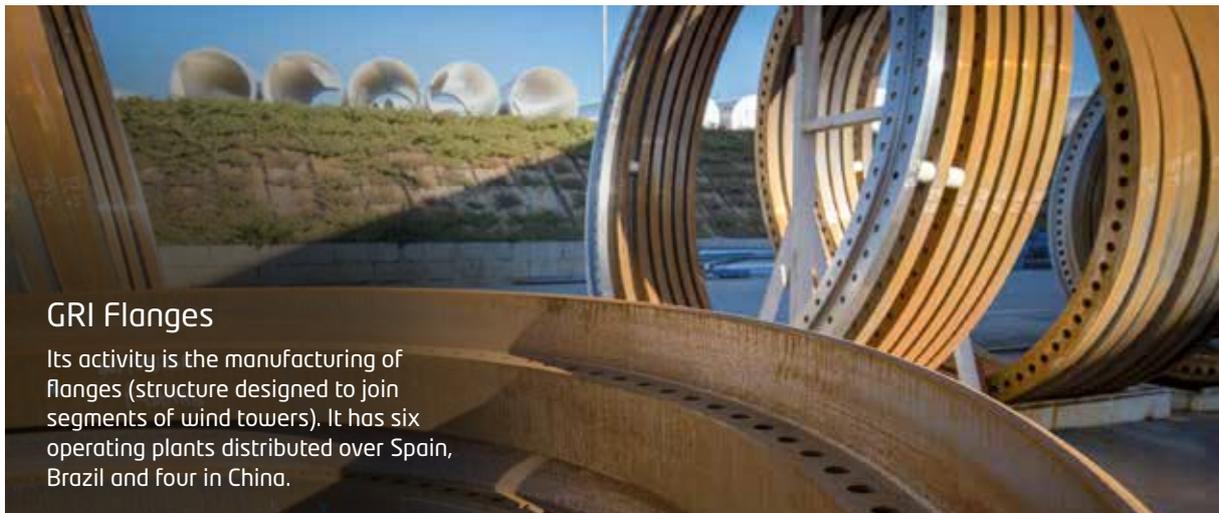
This division is responsible for the manufacturing of towers for the main wind energy OEMs in accordance with the specifications defined by these.

It has nine operating facilities for "onshore" towers in Galicia, Brazil, Turkey, India, South Africa, Argentina and the USA, as well as a plant in Seville to manufacture "offshore" towers. Additionally, a beveled cutting line has been added to the plant in Galicia.



## GRI Flanges

Its activity is the manufacturing of flanges (structure designed to join segments of wind towers). It has six operating plants distributed over Spain, Brazil and four in China.



## GRI Castings

Its activity is the casting of steel to produce components for the wind industry.

Currently it has one plant in Spain, "GRI Castings Zestoa", but expanding production of pieces and tooling has not been ruled out.



# Risks and opportunities

102-29, 102-31, 103-1 AND 103-2

## Our risk management

102-30 AND 103-2

Currently we are in a prominent position in the wind sector, contributing to a new renewable and sustainable energy model. In this way, we contribute to the development of the communities where we operate, through improvement and reduction of the contamination and the accessibility of electricity.

GRI Renewable Industries has varying risks inherent to its activity and to the different countries in which it operates.

For this reason, it counts with a General Internal Control Framework since 2015, based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), which includes:

- Internal Control Committee and Policy
- Array of Entity Levels Controls
- Risk and Control Matrix for each key business process

After an in-depth analysis, 9 societies and various processes were defined representing 60% of the company.

The corresponding tests, measures and action plans were developed, which had been implemented at the closing of the year, in order to help ensure proper financial reporting, compliance to the established norms and to applicable law.

It should be noted that despite the detected deficiencies, no fraudulent activity or corruption was found in the analyzed operations (205-3). All the analyzed risks, which may or may not have a relation to fraud/corruption, are linked to a control for its mitigation (205-1).

Additionally, the operations and providers that have risks regarding child labor, forced labor and/or human rights have been evaluated (408-1).

To enhance the implementation of these control mechanisms, training related to control deficiency detection and testing were given on a corporate level as well as on a factory level.

As of the 31<sup>st</sup> of December 2018, no claims nor significant fines, that exceed €100,000 or that have a special impact on the Company by nature, related to social, environmental, economic aspects nor to labor practices and/or human rights were received.

Neither were there any significant fines nor claims related to unfair competition practices, monopolistic practices or customer data leakage (206-1, 418-1 and 419-1), nor any non-compliance regarding products and services information and labelling nor any non-compliance regarding marketing communications.

# Main risks and opportunities

102-15, 102-29, 103-1, 103-2 AND 103-3

At GRI Renewable Industries we work to mitigate and reduce all possible risks through mechanisms integrated in the organization, as is outlined next:

## Risk management: new projects

Deriving from possible changes in the company's strategic lines or in the country's situation, such as political or regulatory changes, currency devaluations, changes in energy policies, trade restrictions, etc.

For the development and execution of our new projects, an exhaustive study is done in which all quantitative and qualitative aspects of the project, as well as the potential risks, are analyzed and assessed by the distinct departments prior to their presentation to the Board of Directors.

All proceedings and their derived risks are continuously analyzed by the management and the teams of the company, which allows for their detection and for the quick and agile implementation of correcting measures.

Phases:

1. **Data collection** (customers, potential business volume, investment costs, regulatory aspects, capital repatriation, etc.). Once analyzed, and if viable, it is brought to the Board of Directors for the next phase.

2. The Board of Directors **approves the new project** as well as the necessary measures to mitigate potential risks. It is periodically informed about its degree of process by the CEO and, where applicable, by the different departments.

3. Once approved, all procedures to obtain the necessary **permits and licenses**, the startup and the outsourcing of the design, engineering and construction activities are initiated, as well as the investment, financing, and purchasing of assets and machinery. Similarly, the selection of the necessary personnel for the plant's operations is started.

4. Once the plant is finalized and **starts operating**, it counts with "startup teams" from other plants of the group to put the plant into operation together with the local teams.

With respect to project financing, in 2018, 8 contracts required clauses or commitments of compliance in labour and environmental matters, directly related to compliance with international treaties and/or the Equator Principles, 5 of which have included social/human rights clauses (412-3).

## Operational risks

We focus our efforts on keeping and improving the relationships with our customers, adapting ourselves to their needs, amplifying our product and service portfolio and increasing our global presence.

In order to minimize this risk, various technological actions for improvement, innovation and production efficiency have been defined within the Strategic Plan. All of this with the aim of avoiding faults in the product, management problems, competition problems, etc. and adapting better to the customer's requirements, without losing the high quality for which we are renowned.

In order to look into the best way to identify and manage risks, an important project for the analysis of business risks was developed, which had the collaboration of all corporate directors, as well as of a large representation of the plant managers from the different business lines and countries.

As a result of the control tests, a list of improvements for different company processes was defined, which will be implemented over the year 2019.

## Reputational, ethical and human right risks

These are caused by possible behaviors which are contrary to the guidelines indicated in the policies and codes of GRI Renewable Industries regarding ethics, human rights and anti-corruption.

Through the new Management of Corporate Compliance and the managers of the different plants, an ambitious training plan covering the compliance codes and policies for all personnel has been executed.

In addition, a compliance committee and the channels belong have been defined to respond to complaints and conflicts that may arise.

Through these mechanisms, we have mitigated the risks and improved communication and management regarding the economic impact of our factories (business opportunities to local providers, employment, improving the local economy, tax payments, etc.).

Moreover, we comply with the requirements concerning human rights and the Equator Principles required for project financing.

## Financial Risks

The activity of GRI Renewable Industries is subject to financial risks. These are managed through the risk management program, which focuses on the uncertainty in the financial markets and minimizes the potential adverse effects on the financial profitability. Additionally, we use derivatives to reduce the impact of the currency exchange rates.

The financial department is in charge of identifying, evaluating and covering these risks in accordance with the policies approved by the Board of Directors.

For GRI Renewable Industries, having a presence in different countries and to be close to the customer is a competitive opportunity. Risks and possible incidences are reduced and mitigated with more robust, profitable and sustainable growth.

The three most relevant financial risks are outlined next:

### Market Risks

The risks that may arise due to losses caused by variations in the fair value or in cash flows of the financial instruments are the following:

- **Exchange rate risks:** the company operates in the international sphere, and, for this reason, is exposed to exchange rate risks in operations with foreign currency.
- **Price risk:** This risk arises from our raw materials that are exposed to the risk of price variations in the international markets.
- **The interest rate on cash flow and fair value:** As the company does not have large remunerated assets, incomes and cash flow in its exploitation activities are greatly independent of variations of the market's interest rates.

The company analyzes its exposure to these risks by defining the possible scenarios and variables (refinancing, renovation of current positions, alternative financing and coverage), for the liabilities that represent the most relevant positions supporting an interest.

As for the closing of the financial year, as this risk was considered to be of small significance as well as the expectations regarding the evolution of the interest rates, which are considered to be optimistic, the company has not deemed the formalization of interest rate coverage contracts necessary.

### Credit risks

The credit risk stems from cash and cash equivalents, derivative financial instruments and deposits in banks and financial institutions, and, fundamentally, from outstanding payments of customers.

This risk is mitigated through various mechanisms such as the rating and relation of the banks and financial institutions, sales to the customer by geographical location and/or independent appraisals of customers, if available, and otherwise by evaluating their credit capacity.

### Liquidity risks

This management implies the maintenance of cash and sufficient negotiable securities, the availability of financing and the capacity to settle market positions. Due to the dynamic character of underlying business, the treasury department of the company has as its aim to keep flexibility in financing through having short and long-term credit lines available.

## Social and environmental risks

Climate change is one of the main challenges we face and the big environmental challenge that humanity will have to deal with in the 21<sup>st</sup> century. For this reason, there is a growing need to establish strategies and objectives to contribute to curb global warming.

Among others, we are developing the following initiatives:

- Precautionary and continuous improvement principles through the Code of Ethics and Conduct, the Integrated Policy and the Sustainability Policy (102-11).

- Environmental Management Systems ISO 14001.
- Initiatives against climate change. Energy efficiency, reforestation, innovation and development.

They all allow us to establish control and improvement mechanisms for our processes and products, which contribute to the mitigation of Climate Change, to the Circular Economy and to the Sustainable Development Goals.

## Risks related to health and safety

The Health and Safety of our employees is a key aspect, always present in the decision-making process and in the development of work plans aimed at constantly improving safety and working conditions in all our installations.

We actively manage all identified risks, through our policy, through awareness and training measures, through our management system certified under the Ohsas 18001 standard and through the IPRL excellence system. We implement preventive

and corrective measures to reduce both the probability and the severity of any undesired event that might occur, through common criteria and through requirements which are stricter than those stipulated by the applicable legislation.

This allows us to identify and develop improvement actions that contribute to improving our employees' work environment.

## Risks: confidentiality and privacy

Cyberthreats continue to grow, online fraud keeps evolving and is responsible for millions in losses in companies around the world.

The rapid proliferation of intelligent devices and the connectivity given by the Internet of Things (IoT), in addition to the lack of global security standards, increases the vulnerability of these devices and exposes personal and business information. Kidnappings of business computing equipment by hackers and attempts at fraud by impersonation (phishing) are also on the rise.

This makes necessary to revise and reinforce our systems with security policies, so that these are less vulnerable and are adapted to changes in personal data protection regulations. The following mitigation measures were defined this year:

- **Diagnostic** on information security and its risks (ISO 27001). Information risk map and impact analysis. Mitigation controls.
- Periodic **scan** of the systems.
- Adjustment to new personal data protection regulations and new control tools.
- **Training and awareness** raising regarding prevention and protection techniques concerning "Anti-phishing", information security and connection risks, among others.
- Security **policies** and classification of information and personal data. Management.

Through the diagnostic and the established control and tracking mechanisms, numerous opportunities for improvement have been detected, which are gradually being implemented and reinforced through training and communication, thus mitigating these economic, personal and reputational risks.

## Main risks 2018

In 2018 GRI Renewable Industries has faced various derived risks from the market situation in the countries it operates in. Due to the materialization of some of these, there has been a readjustment in the annual turnover compared to the expected one. The most relevant identified risks in this period are:

- The change of the pricing model of the wind market in countries with GRI Renewables Industries presence.
- Significant decrease in tenders and concessions for new wind parks.
- In some countries, changes in energy policies damage its development.

- The tendency to concentrate on big customers, which reduces their number of potential customers.
- The rise in prices of raw materials, particularly steel.
- The threat of Chinese tower producers and the high tariffs on steel originating from China.
- Risks arising from the US protectionist policy and Brexit changes.
- Currency devaluation in some countries we have a presence in, as for instance Turkey.



# OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

## The SDG and our business

After the approval of the United Nations Sustainable Development Goals (SDG) on September 25, 2015, which focus on eradicating poverty, protecting the planet and ensuring prosperity for all, a new agenda for progress towards 2030 was conceived, in which companies play an essential part.

At GRI Renewable Industries we believe that contributing to these goals, through responsible management consistent with our values, is essential in order to face these new global challenges and, through these, to achieve sustainable long-term growth.

Therefore, we have been joined to the United Nations Global Compact since 2013 and have been committed to fulfilling its 10 Universal Principles. In addition, with the Global Compact being the formal body responsible for tracking and reporting on the SDG, it helps us to improve our contribution.

The SDG entail a wide range of topics, among which those most related to our business and to which we can contribute in a more direct way stand out. The most relevant are outlined below.

### I. Reforestation projects and the SDG

### II. Innovation and the SDGs

### III. Education and the SDGs

# I. Reforestation projects and the SDG

It is evident that we are suffering major climate changes. The last three years have been the hottest of the last 137 years, 2017 standing out as a black year with regard to the climate, as it was the second hottest year since 1880. In addition, CO<sub>2</sub> emissions reached the historic concentration of 413 parts per million, which means the highest level in 15 million years.

According to the indications given in the Declaration of the WMO on the state of the world climate in 2018 and based on the latest report from the Intergovernmental Panel on Climate Change (IPCC), these conditions will persist and their impacts and costs will be worse than expected. Similarly, it shows that the average global temperature over the first 10 months of the year rose by approximately 1°C compared to the preindustrial era (1850 - 1900).

Within this context, forests bring countless benefits (they protect biodiversity, conserve water, reduce erosion, etc.) and play an essential part in the storage of CO<sub>2</sub>. However, the constant loss of tree cover and deforestation have increased steadily over the last 17 years, due to various causes such as fires and indiscriminate logging.

## Reforestation program "one tower one tree"

Trees and forests have a direct relation to climate change. On one hand, climate change affects forests as average annual temperatures increase and rainfall changes, as well as through the increase of extreme weather events. On the other, forests contribute to curbing climate change, as they trap and store CO<sub>2</sub>.

For this reason, in 2015, we started a long-term reforestation project called "one tower one tree". Its target is to match, as far as possible, the number of trees planted to the number of towers produced.

In order to accomplish this goal, we annually carry out different initiatives in locations close to our plants and offices, in where our employees and their families play a key role.



**13** CLIMATE ACTION

**SDG 13.2.**

**15** LIFE ON LAND

**SDG 15.2.**

**17** PARTNERSHIPS FOR THE GOALS

**SDG 17.17.**

## SDG related to the project

At GRI Renewable Industries we consider this program to be directly aligned with SDG 13.2. "Advances in the different initiatives combating climate change".

Furthermore, through our activity, we also generate positive impacts on the following SDG:

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Encourage and promote effective public, public- private, and civil society partnerships, building on the experience and resourcing strategies of partnerships.

# How do we contribute to reaching these goals?

In 2016, we defined a range of indicators that serve us to assess the progress of the reforestation program clearly, easily and objectively.

## Project "One tower one tree"

Through reforestation projects that help to absorb CO<sub>2</sub>, we aim to compensate for part of the CO<sub>2</sub> emissions that derive from our processes.



### KPI

Match or surpass the number of towers produced annually with the number of trees planted.

### SDG

**3** GOOD HEALTH AND WELL-BEING



**11** SUSTAINABLE CITIES AND COMMUNITIES



**Stakeholders** Society, environment and climate change

**Result** In 2018 we planted a total of 2,710 trees in Spain, which is 71% higher than the quantity of towers produced (768 towers).

## CO<sub>2</sub> emissions avoided through the reforestation projects

To contribute to the fight against climate change, we estimate the avoided emissions based on the number and the type of tree species planted.



### KPI

Annually increase CO<sub>2</sub> emissions avoided through reforestation plans, with the target of avoiding 100 tons/year by 2022.

### SDG

**7** AFFORDABLE AND CLEAN ENERGY



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**17** PARTNERSHIPS FOR THE GOALS



**Stakeholders** Environment, society, management and employees

**Result** In 2018 we achieved 13 t/year, which, added to the 53 t/year from 2016 and 2017, amount to a total of 66 t/year

## II. Innovation and the SDGs

Just as all forecasts indicate, renewable energies are positioned as the main energy source of the future. Innovation plays a fundamental part in the development of increasingly powerful, efficient and cost-effective installations.

Technological advances are essential to find permanent solutions to economic and environmental challenges.

Over the last few years, these advances have primarily focused on aerogenerators, which are increasingly more powerful, efficient and better conditioned and adapted to the different weather conditions.

Nevertheless, the increase in the output of the aerogenerators also requires adjustments and improvements in the other components (towers, flanges, blades...).

Improving efficiency in the design, construction and installation of wind parks will have the highest impact on cost reductions, and innovation in all the components is therefore a key factor for this transition. GRI relies on a team of innovation experts who are dedicated to designing and improving the manufacturing of towers and flanges, and who are committed to the development of new products adapted to the market conditions, meeting the objectives set by each customer.



### SDG related to the project

At GRI Renewable Industries we consider many of our innovation and design initiatives to be directly aligned with SDG 9.4. "By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries acting in accordance with their respective capabilities".

Furthermore, through our activity, we also generate positive impacts on the following SDG:

### SDG 7.3.

Double the global rate of improvement in energy efficiency by 2030.



### SDG 17.17.

Encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships.

### SDG 8.2.

Achieve higher levels of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.



### SDG 12.2.

By 2030, achieve sustainable management and efficient use of natural resources.

### How do we contribute to reaching these goals?

Our purpose is to respond to the new challenges that the market imposes concerning the reduction of emissions, the increase in competitiveness, digitalization and the development of new and more efficient solutions.

In order to do so, we have an innovation model, aimed at meeting the short-, medium- and long-term requirements and needs of our customers and the market.

#### Product innovation

Aimed at increasing the number of projects focussed on improving our products (new materials and designs, etc.), through our innovation teams.

**KPI** Develop new more efficient and more versatile products for the development of new locations.



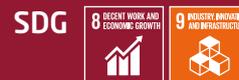
**Stakeholders** Society, employees and environment

**Result** Rocket project and Protos project.

#### Innovation in process

Aimed at improving our productive processes, with a highly competitive industrial model.

**KPI** Define improvement projects for our installations that allow us to reduce the consumption of natural resources to be more efficient and competitive.



**Stakeholders** Management and employees

**Result** Improvements in the following processes: welding, painting, pre-blasting and doors.

# III. Education and the SDGs

According to the ILO, it is estimated that more than 600 million new jobs will be created by 2030, in line with the growth of the world's working-age population. This means around 40 million jobs per year.

Within this context, we need to improve the conditions of the 780 million men and women who are working but not earning above the poverty line of 2 dollars per day.

Over 60% of the global population in employment works "informally". This vulnerable type of employment remains widespread and, with it, inequalities and social discontent persist.

This calls for a global shift towards formal, diverse, secure and stable employment, respecting human and labour rights, improving education, reducing wage gaps and inequalities, and so paving the way for a fairer and more egalitarian society.

Within this context, GRI Renewable Industries, as a multinational company, with presence in 8 countries and more than 3,500 direct jobs, contributes to the improvement of this environment through quality, stable and lasting employment, which allows us to create local wealth in the communities we operate in.



## SDG related to the project

At GRI Renewable Industries we consider that our initiatives for the hiring and training of our teams is directly aligned with SDG 4.4. "By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship".

Furthermore, through our activity, we also generate positive impacts on the following SDG:

## SDG 8.8.

Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.

## SDG 10.3.

Ensure equal opportunity and reduce inequalities of outcome, including through eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and actions in this regard.

## How do we contribute to reaching these goals?

GRI Renewable Industries encourages local employment and provides training and supervision mechanisms that allow our employees to work in a safe and diverse environment. To measure our contribution, we defined a series of indicators that allow us to assess the achieved advances clearly and objectively.

### Local employment

Directed at creating local wealth in the countries we operate in, through stable local hiring, paying living wages, with legal working hours and shifts.

**KPI** Maintain the average ratio of fixed/stable contract > 80%.

**SDG**   

**Stakeholders** Society and employees

**Result** Stable employment reached 92% in 2018. Similarly, employees with indefinite contracts made up 89% of the workforce.

### Training hours

Qualification and training of our professionals contributes to their professional development and opportunities for advancement, thus improving their future options.

**KPI** Improve and adjust training plans and the training hours received by the employees.

**SDG**   

**Stakeholders** Society and employees

**Result** In 2018, we have improved the methodology for the performance evaluation and a total of 47,332 training hours were given, 12% more than in 2017.

# Compliance model

102-17

The Company has developed a global corporate culture that has kept the same values and principles since its origin, but which are adapted to the local necessities of each country, to the current market conditions and to the requests of stakeholders.

Furthermore, policies and formally established common guidelines are available, as are outlined next:

## Sustainability Policy

Approved by the Board of Directors at the end of 2015, its aim is to reinforce the main commitments on ethics, sustainability and human rights in all the countries we operate in.

The Sustainability Policy is available on our web.

## United Nations Global Compact

We have renewed our commitment once again with the interest of promoting and implementing the 10 universally accepted principles.

## Compliance Policy and Management

In 2017 the Compliance Department was created to coordinate all the initiatives in Compliance, as the monitoration and follow-up of the training in Ethic Code of all employees. This Management was formally approved by the Board of Directors.

Other policies/codes are detailed below:

- **Code of Ethics and Conduct**

Approved by the Board of Directors in January 2014, as a reference for all decisions taken by all employees and collaborators of GRI Renewable Industries.

- **Harassment prevention guidelines and action protocol**

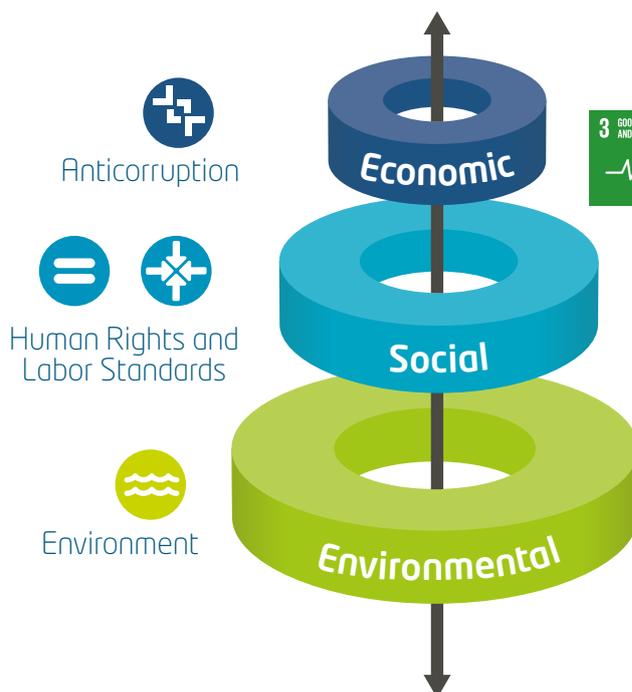
This incorporates the measure for prevention and reporting of possible situations of harassment, with the minimum aspects of obligatory compliance in all the countries we operate in.

- **Behavioral guidelines to offers of incentives, gifts or invitations**

These regulate bribery and corruption in the countries we operate in with the objective to comply with all the laws, regulations and standards.

Among the initiatives planned for the next fiscal year, an ambitious national and international project on "Criminal Risks" will be developed. This will allow us to revise this kind of risks and adjust them to the new countries in which we are present.

## The Global Compact Principles



## Sustainable Development Goals





## Ethics Committee 102-34

This is the body responsible for the promotion of the values and conduct of GRI Renewable Industries, and for the tracking, the communication and the dissemination of the Code of Ethics, as well as to assist in the resolution of doubts regarding possible claims or incidents, all through the complaint channels: by email, by telephone or by post.

The Ethics Committee did not receive any complaints (406-1) in 2018. The company has not received any complaints from third parties, nor any related to labour practices nor related to human right violations.

## Training

A Training Plan has been developed with the aim of making our policies and guidelines known to all employees.

This training has been conducted by the Compliance area through an on-line and on-site course, in which 2,572 people participated, which is 73% of all employees, of which 77% took the on-site course and 23% took the course on-line through the Leading the Change platform (205-2 and 412-2).

# Corporate Governance

102-5

GRI Renewable Industries S.L. was founded on June 22 of 2008 under the name "Gonvarri Infraestructuras Eólica", later it was denominated "Gestamp Wind Steel" before taking on its current name, GRI Renewable Industries, and absorbing Gonvarri Eólica.

In 2015, the Japanese group Mitsui & CO Ltd was integrated as a partner, with the acquisition of 25% of the Company.

At 31 December 2018, the GRI Group equity is two hundred and seventy-seven thousand eight hundred and eighty-seven thousand euros (277,887,000€). The company is not listed on any stock exchange.

## Structure of Governance. Composition and its committees

102-18, 102-22 AND 102-23

The governing bodies of the company are the General Shareholders' Meeting and the Board of Directors, the highest body of governance, supervision decision-making and control of the company.

The Articles of Association of the company set out the functioning of the Board of Directors, as well as the requirements and established deadlines to convene the General Shareholders' Meeting. No provisions are made for other means to manage the company, and the modification of the executive body would, therefore, entail a modification to the Articles of Association.

As of December 31, 2018, the Board of Directors of the Company comprises of six members, namely. The company ACEK Desarrollo y Gestión Industrial, S.L., represented by D. Juan María Riberas Mera held the position of Managing Director of the Company at 31 December 2018, being delegated each one of the powers vested to the Board, except those that may not be delegated by Law or according to the Articles of Association.

The Board of Directors will represent the Company in all the matters lying within the corporate purpose and those associated with the trade or dealings thereof, subject to no form of limitation, placing obligations upon the Company with its acts and contracts, with the entitlement to exercise all powers not expressly reserved by the Act or by these Bylaws for the General Meeting.

The company is not listed on the Stock Market and its members of the Board of Directors represent the total number of partners and therefore, there is no legal obligation to count with representatives from other stakeholders.

## Delegation, economic, social and environmental responsibilities

102-19 AND 102-20

The members of the Board of Directors will perform their duties with the diligence of a responsible business owner and loyal representative, and they must maintain secrecy as to confidential information, even after leaving office. The responsibilities of the Board include the approval and commitment to the Code of Ethics and Conduct and the Sustainability Policy.

The Board of Directors takes relevant decisions at its plenary sessions and delegates, where relevant, the execution of said decisions. The Board of Directors may agree to vest special powers of attorney in company employees to address specific aspects of operations previously approved by the Board.

Similarly, the Company integrates its social, environmental and economic responsibilities at the various Departments, whose most senior management figures refer any decision to be taken to the CEO and, if applicable, to the Board of Directors.



\*Mr. Javier Imaz Rubalcaba was removed from office on 31 December 2018.

## Appointment and Selection Processes. Conflicts of interest

102-24 AND 102-25

The President of GRI Renewable Industries does not hold an executive position. Power to appoint Board Members lies solely with the General Shareholders' Meeting, which represents the interests of all partners.

The members of the Board of Directors are appointed by the shareholders themselves, and therefore other aspects regarding diversity, minorities, etc. are not taken into consideration. They will perform their duties indefinitely, without prejudice to the General Shareholders' Meeting' power to proceed at any time or moment with the severance or termination, in accordance with the Law and with these Articles of Association.

Shareholder status is not required to be appointed as a director, and the position may be held by both natural and legal persons.

Likewise, the Articles of Association establish the conditions that prohibit the performance of said functions.

Shareholders may not exercise their voting rights corresponding to their shares when they are subject to any case of conflict of interest as established in Article 190 of the Royal Legislative Decree 1/2010, of 2 July, which approves the Consolidated Text of the Capital Companies Act.

## Functions and knowledge regarding sustainability

102-26, 102-27 AND 102-32

The functions of the Board of Directors include the approval and commitment to comply with the standards of the Code of Ethics and Conduct. They are kept permanently informed regarding social, environmental and economic issues, through the communication channels such as: periodic meetings with the management of the different areas, the Sustainability Report and actions and initiatives of the company.

## Communication with the senior body of governance

102-33

The General Meeting is called by the Board of Directors when it is deemed necessary or desirable in the corporate interests, and, in all cases, on the dates or during the periods established in the Law on Corporations.

Additionally, the meeting must be called in case one or several shareholders representing at least five (5) percent of the share capital request so, stating the matters to be discussed in their request. In this case, the General Meeting must be invoked to be held within two (2) months of the date when the notarial demand was served on the Board of Directors to call the meeting. The order of business must necessarily include the matters which formed the object of the request.

Unless any other mandatory requirements are established, the General Meetings will be called by means of a written, individual announcement sent by registered mail with confirmation of receipt, by telegram, by registered fax services or any other written or remote electronic means that guarantee the receipt of said announcement by all the shareholders, at the address they have designated for this

The Sustainability Report is coordinated through the sustainability team, which is part of the Communication, Marketing and Sustainability Department. After its elaboration, a revision and supervision process is conducted by the different departments, to finally be approved by the CEO. Similarly, to ensure the reliability of the information, the Report is externally verified by an independent body.

purpose or at the address recorded in the Company's documentation.

Those responsible for the various departments keep a fluid and permanent communication with the Board of Directors and the Company.

Any major concern is immediately conveyed, which, if necessary, is immediately referred to the Board of Directors.

Meanwhile, periodic meetings are organized in which all the corporate experts participate. These are bidirectional meetings, with the CEO communicating all the relevant aspects regarding the management and situation of the company, and in turn, receiving feedback from the experts to these issues and to other aspects of interest.

Finally, the consultation processes between stakeholders and the senior body of governance (102-21) are done through mechanisms for the exchange of information between the Board of Directors and the stakeholders.

## Nature, performance and number of issues raised at the Board of Directors

102-28

The General Meeting will be held within the first six months of each financial year to scrutinize the corporate management and to approve, where applicable, the accounts for the previous year, and to rule on any matter regarding the results. The General Meeting will be validly established to deal with any issue, without the need for prior notification, as long as all the share capital is present or represented and those present unanimously agree to hold the meeting and its Order of Business.

Unless any other majority is mandatorily established, and except for the provisions of the adoption of the Key Decisions for which the General Shareholders' Meeting is responsible, corporate agreements will be passed by a majority of validly cast votes, provided that they represent at least a third (1/3) of the votes corresponding to the shares into which the share capital is divided. Blank ballots will not be counted.

Regarding the Board of Directors, it will convene whenever so decided by its President, either on his own initiative or when so requested by two of its members, and it will meet at least once per quarter, and in all cases within ninety (90) days of the end of the financial year. In 2018, the Board of Directors met 6 times.

The announcement will be sent by letter, telegram, fax or any other written or electronic means. The announcement will be addressed personally to each of the members of the Board of Directors, listing the matters to be dealt with in the meeting, along with the required information to allow the Board Members to participate in an informed discussion of the matters set out in the order of business. Where applicable, the announce-

ment of the meeting must mention the fact that it may be attended in person or by proxy, physically in person or through teleconferencing, videoconferencing or any other equivalent system, with the requirement to indicating and providing the necessary technical resources for this purpose, which must, in all cases, allow for the direct and simultaneous communication between all attendees.

Unless all the Board Members should agree otherwise, the announcement will be served thirty calendar days prior to the date when the meeting is to be held, except in cases of extreme urgency, in the judgement of the President or at the request of any Board Member, when it may be served five (5) days in advance. An announcement will not be required provided that all Board Members are present and decide to hold a meeting.

The Board of Directors will be validly convened whenever the meeting is attended by five (5) of the members, each Board Member entitled to be represented by another Board Member, through a written authorization, signed by the represented party, on an individual basis for each meeting. Nevertheless, if a Board Meeting could not be held due to lack of the established quorum, it may be convened again just 7 days in advance, with the same order of business, in which case it will be deemed validly convened if the meeting is attended, in person or represented, by the majority of its members.

Resolutions may be passed in writing, without a meeting being held (including through written electronic means), provided that no Board Member opposes this procedure.

## Remuneration of the Board of Directors

102-35, 102-36 AND 102-37

The position of director is unremunerated in said capacity, notwithstanding payment of any fees or salaries that might be payable by the Company for the provision of professional service or an employment relationship, as applicable, resulting from a contractual relationship other than those derived from the directorial position. Said fees will be subject to the legal regime that would be applicable.

Additionally, and irrespective of the above, whenever the administration and representation of the Company is entrusted to a Board of Directors, and a member of the Board of Directors is appointed managing director or is attributed executive functions by virtue of some other title, a contract must be made between the Company and said individual in accordance with the Law.

The contract will detail all the items for which a remuneration for the performance of executive functions may be received, including, where applicable, the possible compensation for premature dismissal from said functions and the amounts payable by the Company for insurance payments or contributions to saving plans.

The contract must comply with the remunerations policies approved, where applicable, by the General Meeting.

This financial year the indicators 102-38 and 102-39 are not reported. We do not have a uniform method to obtain a result that would comply with the requirements of the indicators and in some cases the information is considered to be confidential.

# Materiality

## Relation and communication with stakeholders

102-40, 102-42 AND 102-43

At GRI Renewable Industries we believe that taking care and improving the relationship we have with our stakeholders is a key aspect to improve our performance. Within this context, we consider any collective that may hold a substantial influence, and that is or may be affected by our activity.

Since 2014 we have updated our stakeholders to improve their coverage and communication, to know their expectations better and to focus the contents of the Report on their main economic, social and environmental requirements.

We have different specific communication channels available for each of the identified stakeholders, as is outlined next:



In addition, the plants collaborate locally with the following organizations (102-13):



We highlight the internal and external communication with the stakeholders through social networks, the website and the intranet. In 2017, the following results were obtained:

				TOTAL
Followers	<b>639</b>	<b>105</b>	<b>10,101</b>	10,845
Total number of contents posted in 2018	<b>403</b>	<b>7</b>	<b>22</b>	432
Visits to our profiles	<b>4,093</b>	<b>-</b>	<b>15,439</b>	19,532

## Relevant aspects: Materiality study

102-44 AND 103-1

Over the last few years we have been working on our materiality analysis, in order to detect and update the relevant matters regarding sustainability.

For the “identification of material matters” we consider, on one hand, the matters that affect our environment (current trends, issues treated by our competitors and analysts), and on the other, the policies and programs developed by GRI Renewable Industries, as well as our appearances in the communication media. This allows us to group the relevant information into 18 matters.

Below, we weigh these 18 matters to identify those most relevant to our stakeholders from an internal and external perspective.

For this identification, we have conducted an extensive consultation with our main stakeholders including: management, employees, suppliers and customers. The survey is done through a technological data and information analysis tool that assesses the importance and perception of the identified matters.

This perspective is crucial to ensure that the materiality analysis reflects the company’s situation in a global, comprehensive and coherent manner and that the relevant matters are identified, not only at a corporate level, but for each country in which we have a presence and that these matters can be linked to our corporate strategy.

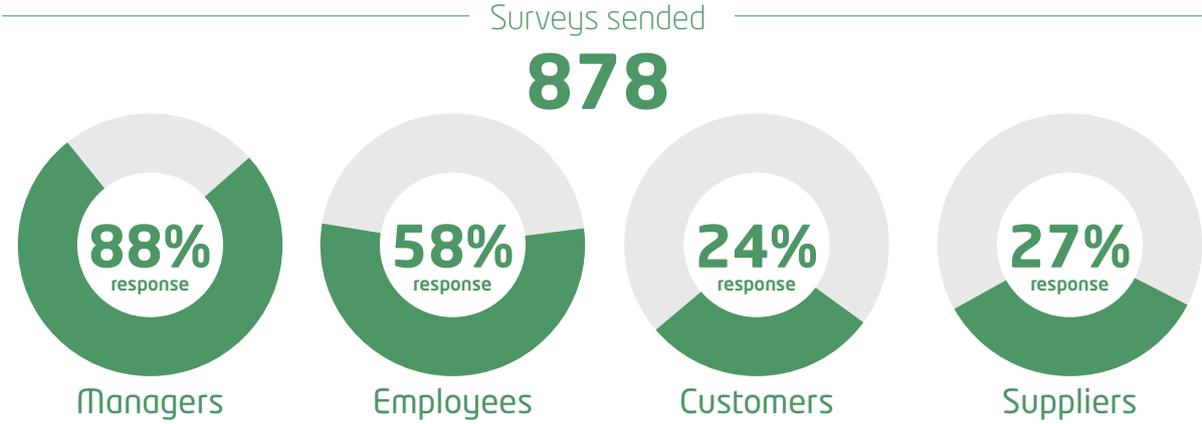
It should be noted that, given the small annual variation in material matters, from this year onwards they will be reported on a biennial basis, the next materiality study being in 2020.

## External and internal coverage

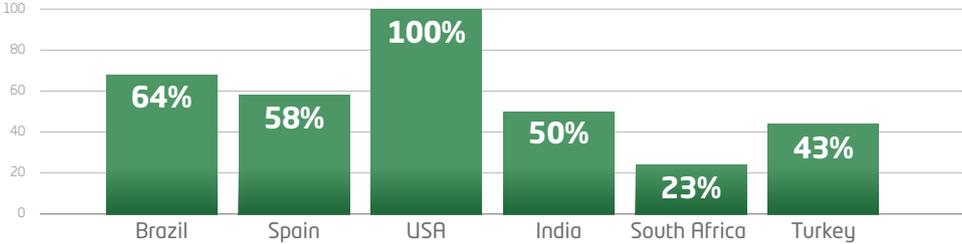
102-46



The average participation of the surveyed stakeholders is given below:



With respect to employees, the graphic shows the response percentage by country.



After this analysis, its weighing and revision, a global total of 8 material matters were defined for all stakeholders. In the table the material matters and the chapter in which they are elaborated on are outlined:

Materiality matters 102-47	Coverage 102-46
Risk control framework	Part 1: General standard disclosures
Risks concerning data protection, cybersecurity and intellectual property	Part 2: Economic dimension
Compliance: availability of an ethics and anti-corruption framework	Part 1: General standard disclosures
Supplier Homologation: Aspects related to sustainability	Part 2: Economic dimension
Customer relations. Communication and feedback mechanisms	Part 2: Economic dimension
Talent attraction and retention	Part 2: Social Dimension
Health and Safety management	Part 2: Social Dimension
Environmental management	Part 2: Environmental Dimension

In addition, it emerges from the analysis that the following matters are material only for internal (management) or external (employees, suppliers and customers) stakeholders:

Internal: material matters	Coverage 102-46
Sustainable financial profitability	Part 2: Economic dimension
Innovation	Part 2: Economic dimension

External: material matter	Coverage 102-46
Circular Economy	Part 2: Environmental Dimension



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**GRI** Renewable  
Industries

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# Specific Standard Disclosures

Economic Dimension	34
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People	46
Health and Safety	54
Local Community	60
Environmental Dimension	63

103-1, 103-2 AND 103-3

## Momentum of the wind industry

Mitigating climate change is a key challenge of the XXI century. Its achievement is partly contingent on an effective energy transition, where energy efficiency and the increase of renewable energies play a fundamental role.

Despite expectations that global CO<sub>2</sub> emissions will be reduced in the long-term, the energy demand continues to increase. The International Energy Agency (IEA) estimates that global energy demand will have increased by 30% by 2040, with an estimated 3.4% annual growth in the global economy and a population increase from 7.4 billion to more than 9 billion by 2040, making it difficult to meet the objectives of the Paris Agreement.

### Our sector

The Global Wind Energy Council (GWEC) shows a mature wind industry competing successfully in the market, with remarkable growth from 2019 onwards, surpassing the 60 GW milestone in 2020, to reach a total of 840 GW in 2022.

- In North America (Canada and USA), Central America and South America installed 11.9 GW of new capacity. This represents an increase of 10.8% for North America and 18.7% in Latin America, compared to 2017 (Source: GWEC).
- In Europe, 2.6 GW in new offshore wind energy was installed, representing an 18% increase in installed capacity. The United Kingdom and Germany accounted for 85% of this increase. At present, this amounts to a total of 18.5 GW in offshore

## Our growth

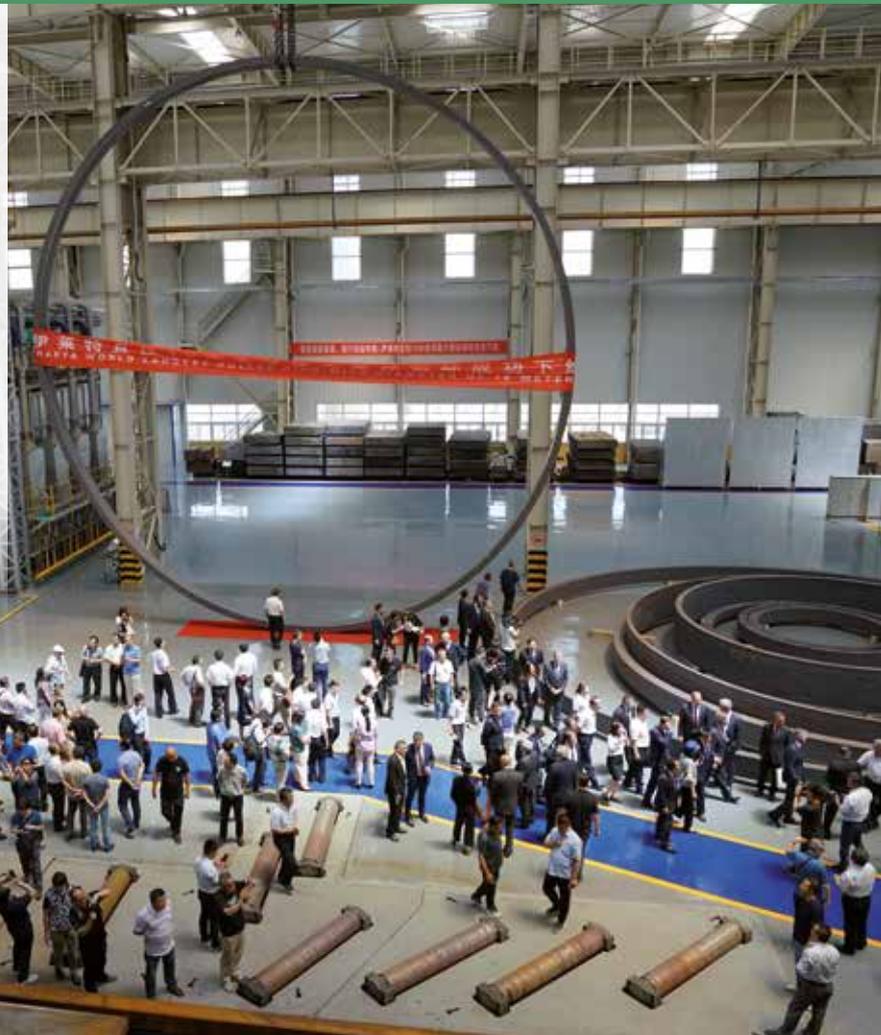
At GRI Renewable Industries, we work to be a reference in the sector, and for this reason we have a global presence in countries such as Argentina, Brazil, USA, South Africa, Spain, Turkey,

India and China. In 2018 we have strengthened our presence in China and India, where two new plants came into operation: GRI Flanges China IV and GRI Towers India II.

### GRI Flanges China IV

This plant began production in mid 2018. Located in the Shandong province, it will manufacture 16-metre diameter flanges (tower junctions) from various materials such as stainless steel, copper alloys and aluminium, etc. and counts with 200 employees.

It is currently negotiating with leading customers worldwide, in various sectors such as nuclear energy, renewable energy (offshore towers) and the aerospace market, among others.



capacity, which is 10% of the total installed wind capacity, as the remaining 90% was installed on land. (Source: Wind Europe).

It is estimated that the wind energy capacity in Europe will grow by an average of 17 GW per year until 2022, when it will reach an installed capacity of 258 GW. Most of the new installations will be on land: 70.4 GW versus 16.5 GW offshore.

- In the Asian-Pacific region, the total installed wind energy is now 256 GW. The new facilities in 2018 continue to be led by China (21.2 GW), followed by India (2.2 GW). The forecast is that this region will continue growing and more than 145 GW additional capacity will be installed by 2023, amounting to a total of 400 GW (Source: GWEC).

Favourable energy policies, together with new innovations, play a fundamental role in this growth, in which offshore wind energy plays an increasingly important role.

The development of turbines which are more powerful, reliable, autonomous and versatile in the different wind conditions, together with more modern and solid installations and structures, with new materials and designs, serve to reduce the cost and significantly improve the performance of these installations.

GRI Renewable Industries is in a prominent position in the wind sector, having a presence in 8 countries, contributing to a new renewable and sustainable energy model, developing modern, innovative and high-quality wind energy components, primarily towers and flanges.

In this way, we contribute to the development of the communities where we operate, through improvement and reduction of the contamination and the accessibility of electricity.

## GRI Towers India II

At the closing of the year, the GRI Towers India II project in Nellore (Andhra Pradesh), with a production capacity of 200 towers, was finished. The plant will formally start operating at the beginning of 2019. It is estimated to have an initial staff of 150 employees, which will increase to 300.



# Balance sheet

201-1

In recent years, GRI Renewable Industries has made an extraordinary investment effort totalling close to 500 million euros since its creation. The consolidation of the plants started up in recent years and the beginning of operations in other new plants are foreseen within the fiscal year 2019.

The company's key economic figures are outlined below:

**Economic Value Generated (EVG)** with a total of 391,351 thousand euros, distributed as follows:

Economic Value Generated		
Thousand euros	2017	2018
Turnover	383,916	386,364
Financial revenue	3,463	3,142
Other revenue	6,118	1,845
<b>Total EVG</b>	<b>393,497</b>	<b>391,351</b>

**Economic Value Distributed (EVD)** amounting to a total of 444,945 thousand euros, distributed as follows:

Economic Value Distributed		
Thousand euros	2017	2018
Operational costs	282,700	306,688
CAPEX	99,019	59,604
Payment to capital providers	6,522	7,185
Taxes	21,628	7,638
Personnel	65,468	63,816
Investments in the community	207	14
<b>Total EVD</b>	<b>475,544</b>	<b>444,945</b>

**Economic Value Retained (EVR)** with a total of -53,594 thousand euros.

The locations where GRI Renewable Industries is present received a total of 7,638 thousand euros through business rates, taxes and levies, which contribute to improving the quality of life and the services available to the local population. Its distribution per country is given below:

Countries	Taxes and levies Thousand euros
Brazil	1,182
China	5,253
Spain	3,978
India	-1,083
Turkey	-171
USA	-382
South Africa	-1,666
Others (UK)	528

The Net worth of the company is 277,887 thousand euros.

The company received 1,312 thousand euros (201-4) in the form of tax incentives by public administrations as shown below:

Tax Benefits		
Thousand euros	2017	2018
Tax reliefs and tax credits	1,029	486
Subvention	243	212
R&D	558	319
Financial Benefits	3,617	295
<b>Total</b>	<b>5,447</b>	<b>1,312</b>

As for other accounting obligations, the companies that make up the GRI Renewable Industries Group are, for the most part, obliged to prepare annual audit reports on their individual annual accounts regarding the total volume of their assets, turnover and average workforce. There are no exceptions to those reports.

Following approval by the corresponding body, these reports are presented, in due time and form, to the Mercantile Register for each financial accounting year, with the legalization of the Official Records and the filing of the Annual Accounts. Furthermore, the companies of the group have no outstanding Social Security, General Treasury or tax payments.



## Supply Chain

102-9

GRI Renewable Industries' suppliers are an indispensable asset within the value chain, both for their importance in project planning and for the company's cost competitiveness.

Therefore, our purchasing model aims to have the best suppliers, managed through procedures that ensure transparency, fair conditions and long-term relationships.

Purchase management is centralized in the corporate "Supply Chain" division, which integrates the following areas:



### Procurement

This is the first link in the chain. It is their role to ensure that suppliers are compliant in time and form, meet deadlines, monitor costs (based on previous planning) and encourage the use of the latest technologies to optimise supply chain management.

In each project they establish continuous and fluid communication and manage the risks until the reception of the material in the plant.

To comply with these requirements, meetings are held and monitoring templates are shared, to facilitate the identification and minimization of risks.



### Warehouses

These are responsible for the entry of the goods and the inventory management at all the plants under the group standard, seeking to optimize the processes the reduce costs and stock levels, as well as to continuously improve service without compromising neither the quality, nor the delivery times.



## Purchases

We differentiate purchases into two types based on their characteristics: direct and indirect. In both groups it is essential to meticulously follow our purchase procedures which are based on the parameters of the group's general purchasing conditions. These conditions safeguard us in the service we provide and in the most significant measures linked to our responsibility to sustainability.

### > Direct Purchases

In all business lines there is a wide range of product families.

Steel, in terms of volume and cost, is our main raw material, which, depending on the country, has certain limitations, both due to regulatory aspects as well as customer requirements. For this reason, we only work with suppliers which are adequately calibrated in the market.

As steel processors, we are very proud of our strategic relations that tie us to other steel providers, by dedicating a great deal of effort to ensure that these relations are long-term and present a competitive advantage to both parties.

Apart from steel, other products fundamental for our competitiveness stand out, such as: internal tower parts, doorframes, flanges, etc. for which we seek global and strategic partnerships.



### > Indirect Purchases

For purchases related to investments, supplies and services there is a selection process based on service quality criteria, market positioning, competitive advantage and risk prevention.

We seek to develop relations with suppliers to assure that the company has a cost and service advantage over its competitors, and at the same time to build a creditworthy and fruitful business for the supplier.





## Supplier Quality

This is done at both the corporate level and at each of the plants. The department is responsible for the certification/auditing of suppliers, complaint management and remedial action development, which allow us to ensure that products and their providers live up to the Group’s standards.

To reinforce these issues, reduce complaints and align our suppliers with group standards we deployed numerous initiatives. We should mention the new “Online Supplier Portal”, developed in collaboration with the company “FullStep pro” which is integrated into SAP.

This new platform allows for immediate registration and access to each supplier’s portal, where they update their information and certificates. The homologation requirements are defined and adapted to the different categories of materials / services and supplies that are provided, categorizing as critical or non-critical. At all times, suppliers are informed on their current status, for instance: certification nearing expiration, documentation pending, additional data to be provided, valuation, etc; or even on the non-conformities they have.

The homologation requires that 100% of the suppliers provide certain data and evidence, which we believe guarantees that we can choose the best suppliers in the market. This information includes, among others, aspects of sustainability, ethics and compliance, availability of environmental, quality and safety and health certificates, absence of conflicting minerals, Reach compliance, etc.

In addition, in accordance with the procedure for “Control of suppliers for processes, products and services”, for the suppliers of subjects considered “critical”, an onsite audit is carried out that verifies conformity on the requested matters as well as a “First Piece Qualification” (FPQ) inspection focused on the product.

The final evaluation of the suppliers includes and weighs the result and the degree of conformity of all these requirements, and depending on their result and classification, different measures are established.

For those with lower ratings, action and improvement plans are defined, monitoring tasks and plans are drawn up in order to make them reach the good or excellent category.

All suppliers, once approved, are periodically evaluated each semester as a control mechanism to maintain their classification.

With regard to audits and inspections, these are always repeated whenever any incident occurs, a new product is required, any change is made to the process or any other cause that calls for their repetition.

It should be noted that some customers, among their contractual conditions, establish which suppliers and materials are to be used for the towers, which, in these cases, substantially limits our decision-making capacity. Similarly, in order to create local value, in some countries we find suppliers with whom we work closely, with which we increase control measures in order to minimise any risk, and with which we define action and improvement plans in order to improve their results in the assessment.

### GRI SUPPLIERS PORTAL



### Evaluated suppliers

In 2018 we have focused on the definition and implementation of the new portal, and in particular on the updating and re-evaluation of our standard suppliers.

A total of 70 new suppliers were evaluated and 41 existing suppliers were re-evaluated, amounting to a total of 111 suppliers (308-1 and 414-1).

In addition to the evaluation, 20 “in-situ” audits, both for products and processes, were conducted by the purchase teams from the Plants and Corporate.



## Logistics

This department focuses on the reduction of transportation costs (for acquired goods, as well as for the finished product); thereby improving service and creating competitive advantage over competitors in the sector.

Additionally, this department centralizes all information related to tariffs and taxes associated with the movement of goods, which is of increasing relevance.

## Main achievements in 2018

### Purchases

- Acquisition and commissioning of a new rolling mill in GRI Flanges Iraeta.
- Equipment and supplies for the new cutting & bevelling centre in GRI Towers Galicia.
- Management of suppliers for the start of the first Off-Shore project in GRI Towers Seville.
- Complex area revision to adapt to the new requirements and market deriving from the start up of GRI Towers India II.

### SUPPLIER QUALITY

- Development of procedures and integrating of the new tool "Full Step", in order to track all suppliers in the group portfolio.
- Formalization of the obligation to report on sustainability, ethics and human rights in process and/or product audits as part of the "General Process Check List".

## Expenditure in local suppliers

204-1

We contribute to the development and generation of wealth in the communities of the countries in which we are present through expenditure in local providers.

In 2018, supplier spending reached 506,329,772 euros, 81% of which corresponds to local agents. Its distribution per country is shown below:

	Total supplier's expenses	Local supplier's expenses	Local supplier's %
Brazil	61,821,740	53,844,877	87
Spain	117,391,082	85,964,862	73
India	20,506,096	20,174,273	98
Turkey	21,818,136	12,512,126	57
USA	40,320,931	27,665,960	69
S. Africa	34,985,468	11,401,141	33
China	209,486,319	199,024,818	95
<b>TOTAL</b>	<b>506,329,772</b>	<b>410,588,056</b>	<b>81</b>

No negative social and environmental impacts have been detected in the supply chain, therefore no measures to eliminate/mitigate these effects were necessary (308-2 and 414-2).



# Information security

Cyberthreats continue to grow in ingenuity and frequency, on-line fraud continues to evolve thanks to new social engineering techniques and these are responsible for million-dollar losses in companies worldwide.

The rapid proliferation of intelligent devices and the connectivity given by the Internet of Things (IoT), coupled with the lack of global security standards makes many of these devices very vulnerable and exposes personal and business information.

Today, hackers are increasingly using corporate computer equipment to "mine" crypto currencies. This is done through a modern malware that is designed to go after business networks which can make these collapse or even damage the hardware. Attempts at phishing fraud are also on the rise, making the adaptation of information and device security policies more relevant every day in order to protect both assets and people's security.

GRI Renewable Industries is convinced that information has become a strategic asset for business and people.

For this reason, the necessary mechanisms have been established to safeguard information privacy and to protect the data of customers and providers, as well as to manage and treat documentation adequately according to its level of relevance, and to enhance security. Information security procedures are periodically reviewed and systems are continuously tested to ensure their tightness.

In the year 2018, the following measures, among others, have been taken to improve security policies:

- **Periodical system** scans to detect external and internal vulnerabilities and their correction based on their level of criticality.
- **Diagnosis of information security and its risks** based on the ISO 27000 standard. To reinforce awareness and training of the group's employees, campaigns and training courses took place. The "Anti-Phishing" campaign stands out, which aimed to detect the risk level and to make employees aware of these attacks.

In addition, training sessions have been carried out in both corporate and plant offices on the risks of connecting to public networks and protecting your personal data, due to the risk this new type of crime poses to people and assets.

- **Information security.** Yearly Information Security Course, aiming to update employee's knowledge of applicable policies.

In addition, new versions of anti-ransomware analysis software have been installed through pilot tests, new tools for cataloguing and protection of corporate information (IRM - Information Rights Management) and for the protection of smartphones or tablets (MDM - Mobile Device management).

## Business Process Support

The Information Systems are a fundamental component for the execution of the business processes. With this objective, the IT department keeps the ERP SAP, the PLM tool and the Group's infrastructure and communication services centralized. At the same time, the department carries out transformation projects to align the systems with the growth of the company and to the new processes, focusing on business support, efficiency and profitable and sustainable growth.



In some cases, the collaboration of third parties may be necessary for which an impartial selection process is followed, consisting of the publication of the needs, reception and appraisal of offers and the final selection based on criteria related to business support and IT systems efficiency.

To this effect, the Systems area has been present not only in the incorporation of new companies to the Group (GRI Argentina, GRI India II Argentina), but also in new challenges that the organization faces in its innovation strategy and the improvement of productivity and efficiency, such as tools to exchange documentation with providers, the digitalization of invoices and the digital management of cost notes.

During the year, the rollout of the new Immediate Provision of Information system (SII) was finalized which allows for the daily and automatic sending of information required by the Spanish tax authorities (national and provincial).

# Customers

The success of GRI Renewable Industries is based on its capacity to identify and meet its customer needs. As the only supplier with the capacity to design and manufacture new prototypes of towers and flanges, innovation plays an essential part. Because of this, we have highly qualified innovation teams, who focus directly on improving our products, on process efficiency and cost reductions, while keeping to our high safety and quality standards. The main initiatives in this field are described in the innovation section.

In addition, we pay special attention to meeting our customer's demands, which is why all plants are certified under international quality standards ISO 9001. Furthermore, plants that supply products to the European market, or which are required to do so by the customer, have the EN1090 certificate.

These products bear the CE conformity marking.

Likewise, we follow a rigorous procedure of homologation and control of suppliers to ensure the adequate reception of raw materials, components and equipment according to our requirements.

Closeness to the client is a fundamental aspect, for that reason we are committed to the personalization and the constant improvement of our service through our commercial teams, specialized and adapted to each type of business, client, country and product, which allows us to provide a more specific coverage. In 2018 we augmented the team with offshore experts, mainly focused on the northern European market.



Within the projects started in 2018, which will result in patents in 2019, we would like to highlight the following:

- Installation of a new rolling train in the GRI Flanges Iraeta plant, currently in the testing phase, which will be fully operational in 2019. An investment of around €16M was made for this new facility which will allow us to go one step back in the supply chain, and manufacture our own steel bars.

This investment will lead to various benefits such as, among others, improving the product quality, delivery terms and control of the supply chain, optimizing the customer's coverage.



- We are producing a new prototype for offshore towers in collaboration with one of our main customers, which is planned to be the biggest tower in the world, which will increase the power generated at each position in the park and will reduce the LCOE.
- The new installation China IV is a fundamental milestone for the flange business. The new technology will allow us to develop flanges up to 16 metres diameter.
- Due to the increase in the demand for our steel balls for the mining sector, we have approved investment in a new plant in Mongolia, the development of which will start in 2019.
- ENERCON, one of the world's leading OEMs in renewable energy, subcontracted GRI Renewable Industries as wind tower designer & supplier for an important international project, manufacturing and delivering the towers from GRI factory located in Brazil. Thanks to the improvements done from the initial tower design, GRI has helped ENERCON to reduce tower weight and therefore costs, without compromising final tower height or its resistance. These improvements also ease the transport and handling of the different tower sections.

Facing this new challenge and due to the improvements in our towers, we have managed to reduce the weight of the tower and with it their total landed cost, as our improvements not only reduce the raw material, but also reduce the total production and logistical costs.



## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



### SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities.

Investment in innovation and infrastructure are fundamental drivers for growth and economic development as much in the company as in the country.

Therefore, promoting renewable energy is very important for the company, as it promotes its growth and technological improvement.

Technological advances are essential in order to find permanent solutions to economic and environmental challenges, just as/as well as for the generation of new employment opportunities and the promotion of energy efficiency.

For this reason, Innovation and Development initiatives are essential at GRI Renewable Industries.

## Innovation

In 2018 we have started different projects, which demonstrates the real commitment made by GRI Renewable Industries to innovation and the improvement coming from new developments, among which the developments of the new Forestalia parks in Aragon stand out.

### Development of new parks in Aragon

As a result of auctions held in 2016 and 2017, one of our main clients became the contractor for a large part of the future wind parks of the Government of Aragon, where the MWh has the lowest allocated cost to date in Spain.

GRI Renewable Industries collaborates directly in this project,

for which it has designed some specific towers with a height of 85m made up of three lighter sections, which allow for cost reductions and enable the towers to meet the established prices. 3 of our plants participate in the project, for which they will deliver at least 280 units between 2018 and 2019.





## Our commitment to R+D+I

The R+D+I department is in charge of managing and coordinating projects related to innovation, together with plant staff. There is also the division known as “GRI Hybrid Towers”, located in Madrid and designated to hybrid tower designs.

We are currently involved in different national and international projects, including our participation in REOLTEC (Wind Industry Technological Platform), in which we coordinate R+D+I activities that respond to the needs of the sector.

Within the most significant matters of this year, we pride ourselves on the approval of the project to create the “Elcano Centre for Innovation and University Training” in the Port of Seville.

The project is led by the Seville University, together with the Évora and Algarve Universities and is seconded by the Seville Port Authority. GRI Renewable Industries plays a key role in the development of wind component research projects and in the training of future professionals in the sector.

The Centre will take residence in buildings and warehouses located in the area conceded to GRI, as well as in other buildings still belonging to the Port Authority, and will have a testing area, laboratories, a welding area and training areas.

Its close proximity with GRI Towers Seville is a fundamental lever for the company’s strategy to promote the Innovation and Development department for new tower designs, as well as to make improvements in production processes and, through these, increase our competitiveness.

In addition, we must highlight the upcoming opening of an R&D centre in Turkey within the GRI Tower Turkey’s facilities, which will have an area exclusively dedicated to machinery for the production of wind towers, with a multidisciplinary team permanently dedicated to this project.

With all this, the R&D team is already developing different equipment for the multiple critical manufacturing processes for towers with very satisfactory results. This shows the importance of innovation in our sector, which is not only external innovation through different collaborations, but also internal innovation in order to serve as a reference for advanced production processes in order to reach operational excellence.

## Improvement in processes

At GRI Renewable Industries we consider technological investments and continuous improvement through innovation to be part of our culture, and this brings us important benefits such as, among others: excellence in quality, worker safety and better control of results (data collection, analysis and management).

In 2018 we continue to be immersed in Industry 4.0 projects and in the digitalization of all phases of the production

process. This allows us to improve their standardization, to increase our flexibility and to personalize our service to the customer’s needs, to shorten our design, production and sales cycles, through shorter, faster and more efficient production series.

Similarly, we will be able to integrate all data from multiple channels; exploit, optimize and analyse it in real time through “Big Data”.

In our culture and search for excellence in our processes, the “Lean Manufacturing” philosophy instilled in all our plants plays a fundamental role. This allows us to be more efficient and to improve our response capacity through waste minimization and time and cost reductions.

A clear example of the improvements obtained in our processes are the initiatives developed by the multidisciplinary team of GRI Towers, among others:

- **Welding process:** although this is not a complex process, it requires highly qualified operators. For this reason, we designed an internal welding machine that simplifies and reduces work times. Moreover, it also minimizes the qualification requirements, brings ergonomic improvements and, through these, improves the health and work environment of our employees.  
With respect to the final product, this new installation brings faster results, with lower consumption and with high quality finishes.
- **Robotized painting system:** focussed on automating the complete painting process and on improving the quality of the finishes, while reducing paint consumption, favouring environmental quality and minimizing exposure risks for our employees.
- **Automatic pre-blasting systems:** project aimed at reducing the duration of the blasting process, increasing efficiency, improving the quality of the finishes and reducing the efforts to finish the complete section of the wind turbine. All of this is done in a cleaner industrial environment with numerous direct and indirect benefits both for the maintenance work, as for the health of our workers.
- **Automatic system for the doorframe:** this system improves the machine design used in the cutting and welding processes for the doorframes of a wind tower.  
Among its advantages is the improvement of operating times and finishes, safety conditions and, therefore, the reduction of risks in the work environment.

## Improvement in products

GRI Renewable Industries relies on an expert team dedicated to designing the manufacturing of towers and flanges, meeting the objectives set by each customer.

Offering a quality product and service is an essential aspect for our development and profitability, which is why all operating plants are certified under international quality standards. GRI Towers Sevilla and GRI Towers Turkey plants have updated to the new 2015 version of the standard and the remaining plants are in the adaptation process.

Similarly, all plants, aside from GRI Towers Brazil, are also certified under the EN1090 standard, and, consequently, our products have the CE conformity declaration.

Regarding product labelling (towers and flanges), our obligations focus on being able to provide necessary information for their adequate traceability and their correct definition. In any case, our products do not feature any chemical or environmental risk.

Due to the classification of our products and services, their evaluation on health

and safety matters is deemed non-applicable (416-1). Moreover, no incidents have occurred due to non-compliance concerning impacts of products and service on health and safety during their life-cycle (416-2).

At GRI Renewable Industries we continue to be immersed in the development of new models for wind towers and flanges, which are more versatile, efficient, cost-efficient and easy to develop, transport and assembly. Some examples are given next:

### With regard to flanges

We are developing projects focused on new rolling and joining methods for flanges, primarily through our plant GRI Flanges Iraeta.



#### BRISA PROJECT

This project, which is planned to last 2 years, was defined to develop new flanges with sections of up to 80,000 mm<sup>2</sup>, through a new joining technology, the flanges are more flexible, efficient and homogeneous for mass production for the onshore and offshore market.

#### FLASHEO PROJECT

For the development of wind tower flanges with sections of up to 45,000 mm<sup>2</sup>, which is expected to become a safe, sustainable and competitive energy system.

### With regard to towers

#### ROCKET PROJECT

It responds to the challenge of developing a new disruptive solution in structural designs for a new generation of wind towers that aims to revolutionize the current state of the art. The R&D department participated on its development in collaboration with other departments and plants from the group.



This new cable-stayed tower differs from the current ones in that the satellites work both with traction and compression, which serves to give it structural stability and to reduce its central body. This will allow us to reduce the structure's dimensions and weight, therefore adapting the height of the tower to the different customer needs, as its on-site modular execution facilitates logistics. This all will lead to higher productivity and reductions of production and installation completion times at a lower cost.

The model is patented in the different markets where the wind energy market is flourishing and has been classified as Research and Development and has been financed by the CDTI, due to the big advances made in the structural design and the significant improvement in the design of wind components.

#### PROTOS PROJECT

The main objective of project PROTOS is to develop welding and inspection strategies to reach the productivity ratios necessary in order to compete in the global market for tower production. This is in line with the current trend towards more efficient, bigger, stronger, heavier wind turbines, especially for the offshore market, in which the welding phase plays an essential role.



# SOCIAL / PEOPLE

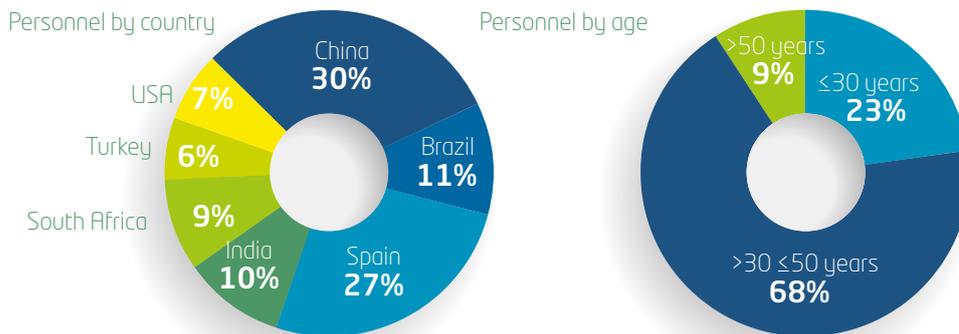
## DIMENSION

103-1, 103-2 AND 103-3

## Management focus

At GRI Renewable Industries, having a strategy that allows us to have excellently trained and motivated professionals is a key aspect in order to grow as a competitive, solid and sustainable company, since the development and future of a company is

largely dependent on the commitment and work of its team. For this reason, the Human Resources department ensures to guarantee stable and quality employment, with growth and promotion opportunities for our employees.



## Headcount 102-8 AND 405-1

In 2018, the workforce of GRI Renewable Industries comprised of 3,530 (direct) professionals and 100 external (indirect) collaborators. In comparison with the previous year, the global workforce has increased by 3.3%, unevenly distributed throughout the different countries. The distribution of our (direct) professionals by country, gender and age is shown next.

Country	MEN									WOMEN								
	Managers			Middle Managers			Plant & office			Managers			Middle Managers			Plant & office		
	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years
Brazil	0	3	1	0	5	0	48	247	19	0	0	0	0	1	1	10	39	0
Spain	0	19	5	2	90	17	126	489	80	0	2	0	1	27	0	12	55	7
Turkey	0	1	0	0	6	0	73	134	1	0	0	0	0	2	0	2	2	0
India	1	5	2	24	18	4	6	284	15	0	0	0	0	0	0	0	0	0
S. Africa	0	1	0	5	30	4	81	151	17	0	0	0	1	5	0	12	14	1
USA	0	0	2	5	18	1	98	101	19	0	0	0	0	3	0	2	7	3
China	0	11	9	5	31	2	228	484	86	0	2	0	3	16	1	63	113	9
	<b>1</b>	<b>40</b>	<b>19</b>	<b>41</b>	<b>198</b>	<b>28</b>	<b>660</b>	<b>1,890</b>	<b>237</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>54</b>	<b>2</b>	<b>101</b>	<b>230</b>	<b>20</b>

With regard to indirect employment, which rose to 100 workers, its distribution by country and gender is shown next.

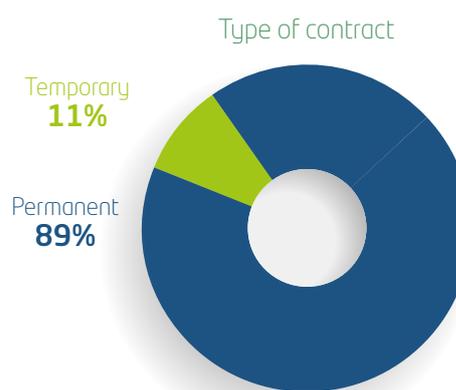
As for executive staff, 80% are aged over 50 and the remaining 20% are aged between 30 and 50 years old. Similarly, 60% hold the local nationality and all are male.

Country	2017		2018	
	Men	Women	Men	Women
Brazil	1	0	1	0
Spain	17	4	33	2
India	74	0	16	0
South Africa	2	1	19	5
Turkey	12	4	11	4
USA	12	2	6	3
China	0	0	0	0
	<b>118</b>	<b>11</b>	<b>86</b>	<b>14</b>

## Job stability 102-8

Job stability is a priority for GRI Renewable Industries. 2018 has been a complex year and saw significant problems in many of our installations. As a result, many employees have been temporarily displaced to other plants in order to maintain stable employment as far as possible.

Virtually 100% of employees have fulltime contracts, and 89% are on a permanent contract.



Job stability	Employment contract				Employment type			
	Pemanent		Temporary		Full-time		Part-time	
	Men	Women	Men	Women	Men	Women	Men	Women
Brazil	323	51	0	0	323	51	0	0
Spain	535	89	293	15	827	96	1	8
India	358	0	1	0	359	0	0	0
South Africa	281	26	8	7	289	33	0	0
Turkey	215	6	0	0	215	6	0	0
USA	244	15	0	0	244	15	0	0
China	809	195	47	12	856	207	0	0
	<b>2,765</b>	<b>382</b>	<b>349</b>	<b>34</b>	<b>3,113</b>	<b>408</b>	<b>1</b>	<b>8</b>

## Turnover 401-1

In 2018, a total of 767 new hirings were made, mostly in Spain and China, and a total of 653 leaves, primarily in the USA, Brazil and China. Considering the total staff data, this year shows an average rotation of 18.5%, which is a reduction of 3.8% with respect to the previous year.

Hires	MEN			WOMEN			TOTAL
	- 30 years	30-50 years	+50 years	- 30 years	30-50 years	+50 years	
Brazil	1	21	3	2	3	0	30
Spain	41	120	19	9	14	0	203
India	3	1	1	0	0	0	5
South Africa	15	16	1	6	6	0	44
Turkey	5	3	0	1	0	0	9
USA	57	46	10	1	6	1	121
China	80	177	14	30	48	6	355
	<b>202</b>	<b>384</b>	<b>48</b>	<b>49</b>	<b>77</b>	<b>7</b>	<b>767</b>

Leaves	MEN			WOMEN			Total
	- 30 years	30-50 years	+50 years	- 30 years	30-50 years	+50 years	
Brazil	31	99	12	7	18	1	168
Spain	8	36	11	3	9	0	67
India	5	3	3	0	0	0	11
South Africa	16	32	1	3	5	0	57
Turkey	14	18	1	1	0	0	34
USA	60	82	12	4	5	2	165
China	48	68	9	7	15	4	151
	<b>182</b>	<b>338</b>	<b>49</b>	<b>25</b>	<b>52</b>	<b>7</b>	<b>653</b>

## Mobility

2018 has been a complicated year for GRI Renewable Industries. The unfavourable environment, due to changes in energy policies in several important countries, as well as start-up problems and problems with the availability of qualified personnel in some factories, have had an impact on the group's results and, therefore, on employment.

In this context, the company is committed to maintaining its employees and retaining talent. National and international mobility is at present a key element for GRI Renewable Industries. Mobility is a great opportunity for our professionals to develop their potential in new areas and countries, acquiring new competences, experience and skills.

At the closing of 2018, a total of 179 employees were transferred. These transfers were distributed over: Spain with 44 transfers (most from GRI Towers Galicia), Turkey with 23 transfers and Brazil with 112 transfers.

The main plants receiving transfers have been: Argentina, USA, Spain (Seville) and South Africa, which is operating again after a complicated 2017.



## Employment conditions

### Diversity and Equality 405-1

At an international company such as GRI Renewable Industries, having a diversity of people with different perspectives, from different origins and different working models prevails, as they bring a great competitive advantage to the company. Diversity in the workforce is important in order to innovate, to make big changes and to continue offering new business opportunities.

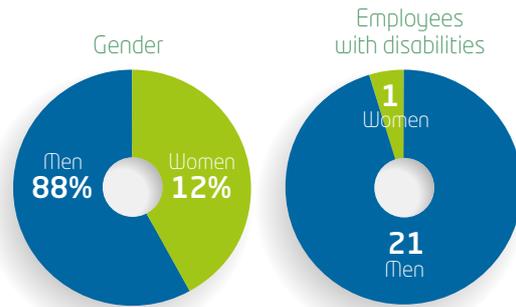
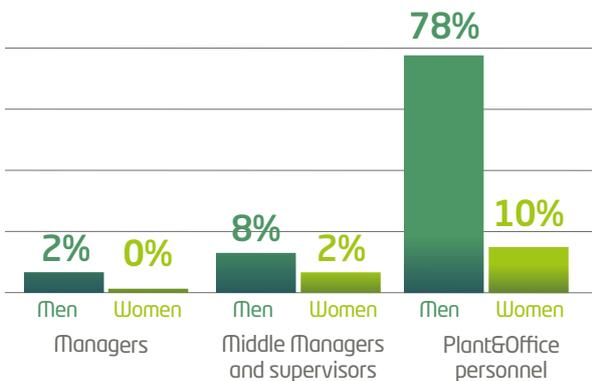
As to the distribution by gender, we have kept the same ratios as the year before: 88% are men and 12% are women.

The distribution by gender and category is shown below, which shows that recruitment of female technical plant personnel increased by 1 percent.

In addition, 92% of the GRI Renewable Industries workforce holds the local nationality status, thus fostering social development in the communities we have a presence in.

Regarding employees with disabilities, we have 22 employees (21 men and 1 woman) located in Spain (55%), Brazil (5%), South Africa (9%) and Turkey (31%).

Personnel by professional category



With regard to initiatives carried out in 2018 concerning diversity, we would like to highlight the following:

**Equality plan:** we are developing an "Equality Plan" which allows us to improve diversity ratios in all of our installations.

The launch is planned in 2019, and we aim to have it implemented in all installations by 2021.

The equality plan will have a similar base structure in all countries, adapted to the conditions, local legal requirements and the opinion of the union representatives of each centre. It will initially be implemented in the central offices (Corporate), GRI Towers Galicia and GRI Towers Seville, and subsequently extend it to the rest of the company.

**Collaboration with the Special Employment Centres:** in GRI Renewable Industries, we develop different initiatives and maintain a fluid collaboration with the Special Employment Centres, such as: purchasing fresh fruit every Monday, renting rooms for different events, etc.

This also allows us to contribute to the integration of people with different abilities and/or at risk of social exclusion.

**"Outplacement" training:** We offer this service to employees who leave the company. It aims to support this group for their reintegration into the labour market and includes various services such as psychological support, training, etc. (404-2).

**Our providers of personal protective equipment (PPEs):** the management of the personal protective equipment in each plant is done through different providers. Staff responsible for logistics are needed for their use and distribution, in addition to adjusting this equipment to the varying needs.

In 2018, a project was set in motion to incorporate vending machines for PPE in order to supply the necessary working material (protective gloves, safety glasses, helmets, ...) in a simple and automatic way. This system allows us to work with a single supplier/distributor and delegate the part of adjusting the "packaging" and logistics to staff from special work centres, which is how we contribute to this collective.

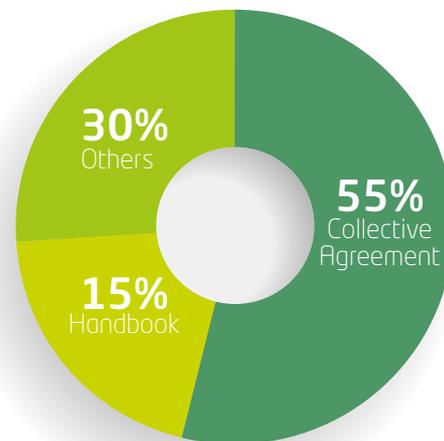
The project started in Spain and is in the launch phase in the plants in Brazil, South Africa and the USA, even though its development and implementation in different countries is conditioned by the availability of suppliers that offer these types of services.

## Freedom of association 102-41

55% of the employees at GRI Renewable Industries are covered by sectoral collective agreements or similar agreements, and 15% are protected by a "Handbook", stipulating employment conditions, rules of conduct, salaries, social benefits, etc.

The remaining 30% corresponds to the employees located in China, which have agreements or similar structures in compliance with provisions defined and regulated by the Ministry of Work and its applicable legislation.

No significant centres and suppliers have been detected where freedom of association and the right to collective bargaining may be infringed or threatened in the operating facilities.



## Work-life balance 401-3

At GRI Renewable Industries, the work-life balance is one of the most highly valued factors.

For this reason, we have flexible work entry and exit times in our offices. This is more complex in the plants, however, as work is organized in shifts based on the customer requirements, so we strive to offer individual flexibility to those workers whose circumstances require so.

## Maternity/Paternity 401-3

As for paternity and maternity leave, 62 men took the paternity leave, of whom 98% resumed their job. As to women, of the 11 leaves, 91% have resumed their jobs. Meanwhile 94% of men and 91% of women remain at the company after taking paternity/maternity leave in 2017.

# Attraction, development and talent retention

## Internal Promotion

At GRI Renewable Industries, we believe that internal promotion means talent recognition and commitment to professional development within the company.

Generally, when a vacancy is to be filled, the most closely aligned profiles are sought within the workforce. For this purpose, the job offer is published via the employment portal, so that employees are able to apply. For those positions that are not internally covered, an external hiring process is started with the help of expert recruiters.



Additionally, vacancies in other countries as expatriates are offered. This allows our professionals to develop their career in different directions and to gain new experience, while covering these positions.

Short-term deployments are also offered, for shorter periods in "start-up teams". These teams assist in the commissioning of new plants in order to pass on their know-how, experience, corporate culture, methodology and working methods to the new employees in each country.

## Evaluation process

With the goal of detecting current and future needs, in addition to developing individual short- and medium-term plans, the "Talent Map" and "ILUO" projects were established. These are the individual and personalized pillars that help us to make decisions regarding the promotions, salaries and development of our professionals.

### Talent map

The project was launched in 2016 with an external provider. This year we have deepened the internalization of the system, personalizing and adjusting the tool to GRI Renewable Industries requirements and needs.

The "Talent Map" is focused on the corporate staff and the in-plant office personnel. In 2019 this information will be integrated into a new SAP module, as a unique database for the information of our professionals. The project identifies and evaluates, on the one hand, critical positions and, on the other, skills, competencies and capabilities at all corporate levels.

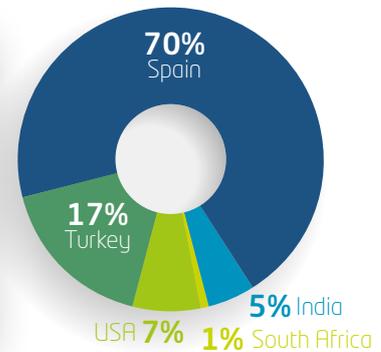
The relevant information on competences, general and specific performance, is obtained through 360-degree feedback, in which each candidate's senior managers, professionals of the same level, internal clients and staff of their team with lower category participate.

The Performance Evaluation (DPO) is integrated in this procedure. The evaluation of specific objectives (personal and professional) for each employee is included in the evaluation process by the responsible line managers and the HR management.

This evaluation will contribute to identifying talent, elaborating retention and succession plans, improving retribution and the variable salary objectively, as well as defining areas for improvement, with an ad hoc training plan for each employee.

In 2018 a total of 1,325 performance evaluations were conducted and distributed over Spain, Turkey, India, South Africa and the USA (404-3).

Performance Evaluation						
Country	MEN			WOMEN		
	Managers	Middle Managers and supervisors	Plant & Office personnel	Managers	Middle Managers and supervisors	Plant & Office personnel
Spain	24	109	695	2	28	74
Turkey	1	6	208	0	2	4
India	8	38	18	0	0	0
S. Africa	1	6	0	0	1	0
USA	0	15	81	0	0	4



## Training programs

Linked to the result of this talent map, the following training programs, accessible to all employees, have been defined:

- **Competences:** "7 Habits" Project. This promotes efficiency through the identification and description of the most common competences, based on the 7-Habit philosophy.

Each employee has assigned training itineraries based on the competences that correspond to their area and/or position and the result of their evaluation. This allows for improvements in areas in which the evaluation has been lower and, through this, the development of competences, resolving problems and maximizing opportunities.

- **Languages:** in 2017 a study was carried out to assess the level of English among employees and the requirements of their jobs, with the aim of designing personalized English classes for improvement and subsequent certification according to international standards.

To make the system more flexible, it is done through a blended platform embedded in LTC University, with the support of face-to-face and telephone classes. This same platform

has been used in Spain to give training to the different employees who were transferred to other companies of the Group.

- **Technical knowledge:** "Structuralia". This is an online tool, focused on the most technical knowledge in the company, in which collaborating prestigious companies develop general basic courses and specific courses adapted to our needs.

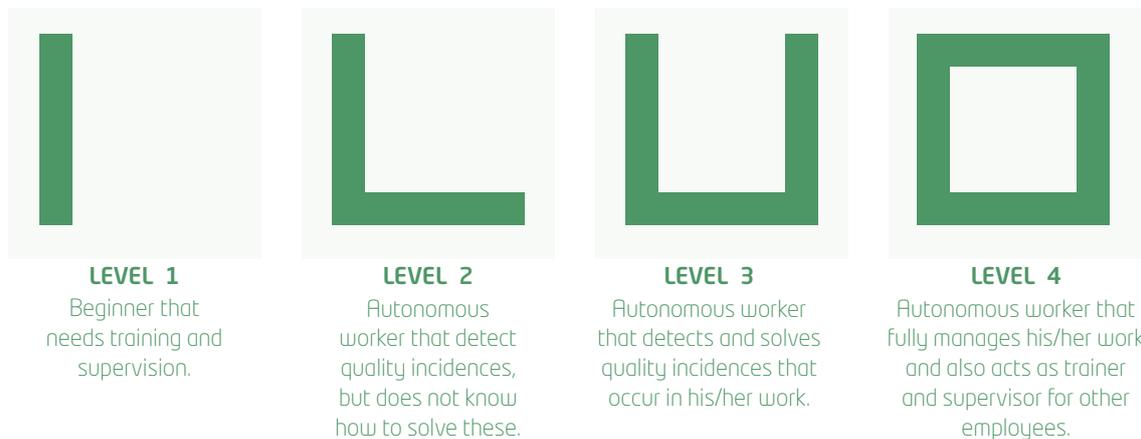
We initially set out with a catalogue which included basic training courses related to Business Administration, Project Management, Industry and the Supply Chain. Later, we will be developing more contents specific to our own business. The courses are accessible to all staff and will be available at the closing of the year.

On an annual and mandatory basis, all employees must be trained in 2 technical factors and 2 competences, those in which their evaluation has been lowest. Nevertheless, the training platform is open so that courses that are of interest can be done voluntarily.

## Polyvalence matrix: ILUO

ILUO is designed to improve the technical and practical skills of the personnel located in the operational part of the factories (not evaluated by the Talent Map).

For all of them, a polyvalence analysis was carried out based on this methodology, where their abilities and knowledge to perform different tasks in 4 levels have been evaluated:



With the aim of surpassing the different levels for each position, different training initiatives were launched that contribute to reaching and completing the polyvalence matrix for their current post.

If any worker requires knowledge and skills to allow them to be more versatile and adapt to different work stations at the plant, GRI Renewable Industries will establish the necessary mechanisms for their training and to have a polyvalence matrix for each position.

This system contributes to retaining talent, adjusting remuneration according to the responsibilities and skills per position, favouring flexibility and internal employability, allowing various positions to be covered in cases of absenteeism, different volumes of activity, etc., without affecting quality. In addition to improving the work environment and the pride of belonging, which is closely linked to professional development.

## Training and professional development <sup>404-1</sup>

At GRI Renewable Industries, we take the development of the abilities and skills of our employees very seriously.

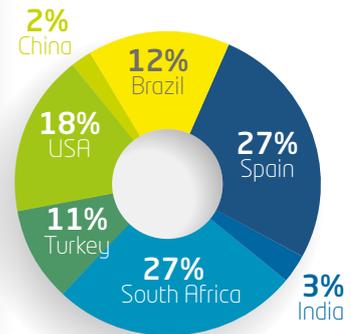
Each year, each plant analyses the training needs of its workers and a training plan is drawn up "ad hoc" to the requirements of each plant, in which new employees are integrated.

The plan includes not only language training, but also specific training in health and safety, compliance, competences, etc.,

as well as technical training focused on professionals from the different plants. In 2018, a total of 47,332 hours of training were given, 12% more than last year, mainly in Spain and South Africa. This means an average of 13.4 hours of training per employee (13.9 hours for men and 10 hours for women). The ratios by category amount to an average of 13.5 hours per manager, 27 hours for middle managers and 12 hours for plant personnel.

Training						
Country	MEN			WOMEN		
	Managers	Middle Managers and supervisors	Plant & Office personnel	Managers	Middle Managers and supervisors	Plant & Office personnel
Brazil	20	231	4,828	0	9	783
Spain	523	3,569	6,899	69	936	890
India	158	745	626	0	0	0
S. Africa	0	2,653	9,462	0	113	541
Turkey	15	380	4,492	0	59	28
USA	16	40	8,000	0	32	200
China	32	47	431	32	47	431

Training per country



Within the training conducted this year, the following should be noted:

### Onboarding training

When a new employee enters the company, an obligatory requirement is that they receive onboarding training. This may vary between office and plant workers, both in duration and in contents, depending on the business activity of each plant.

For staff that work in the central offices, this training has a minimal duration of 20 hours and includes the following stages:

- I. Meeting with the Organization & Development team with the aim of introducing the company in general terms: ACEK Group; GRI History; GRI Business Lines; GRI Production Processes; GRI Organizational Structure; GRI Who is Who (Corporate).
- II. Meeting with the different Corporate departments. The role and scope of each department is explained, with special emphasis on issues directly linked to the new employee.
- III. Depending on the position, a visit to a plant to get to know the production process in situ.

### Technical training: APQP4Wind

The technical training "APQP4Wind" (Advanced Product Quality Planning) is required by our customers and is designed to ensure their satisfaction.

It is based on a Supplier/Customer procedure that seeks continuous improvement, maximizing efficiency and guaranteeing service quality, broadening knowledge related to the expectations of suppliers and customers, processes related to the wind industry, value propositions, key processes and tools, as well as their implementation.

The training was given in person by the customer's specialised personnel and was attended by the Quality managers of our plants, as well as those of the Corporate department, among others.

### Training Lay-off in South Africa

Throughout 2018, deriving from the change in the government's energy policy, renewable energies ceased to be a priority, cancelling potential existing contracts. For this reason, the GRI Towers South Africa plant temporarily suspended its activity, with the corresponding economic impact on its workers.

In this situation, after an agreement between workers, unions and management, the voluntary training scheme "Training LAY-OFF" was applied.

This scheme allows workers with a temporary suspension to maintain employment, receive a subsidy and benefits such as improving their skills and competencies, which will allow them to return to their job or a better position when economic circumstances permit.

It should be noted that the plant resumed operations with all its employees at the end of 2018.

# Health and Social Benefits

## Social Benefits 401-2

The social benefits that the company offers are diverse as they are adjusted to the customs of each country. Their distribution is given below:

**Brazil:** includes life and disability insurance, health insurance, cafeteria or dining service, as well as transportation service or assistance.

**India:** includes life and disability insurance, health insurance, cafeteria or dining service, as well as transportation service or assistance.

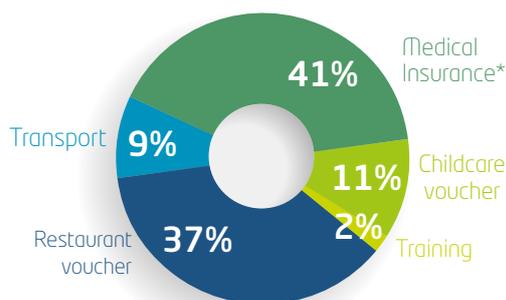
**South Africa:** includes disability insurance, service or transportation assistance, and canteen assistance.

**Turkey:** includes medical insurance, cafeteria or dining room service, as well as transportation service or assistance.

**USA:** includes life and disability insurance, medical insurance, as well as transportation service or assistance.

**Spain:** includes life and disability insurance. It also has the Flexible Payment Plan, which offers employees various services within the remuneration package, such as transportation tickets, day-care and food vouchers, etc., which subsequently allows them to benefit from tax breaks.

In 2018, the PRF was solicited by employees with the following distribution:



\*Only company personnel are included, not their family members.

## Pension funds and/or retirement plans 201-3

Pension funds are part of the social benefits of the GRI Towers India and GRI Towers South-Africa plants. In the case of GRI Casting Zestoa and GRI Flanges Iraeta, these plans are a mandatory requirement of the Metal Sector Collective Agreement

Guipúzcoa which regulates both plants.

Regarding retirement plans, in India there is a retirement plan for employees who have been working there for more than 5 years.

## Health improvement programmes

### Be Active

The objective of this programme is to implement good healthy habits for the employees of the company, oriented primarily at the promotion of sport activities.

In 2018, the participation of the corporate employees in the following stand out.

- Popular races such as: the "ponle freno" race, corporate race, Rock&Roll race, etc.,
- Annual paddle tournament, in which 24 employees participated, distributed over 12 teams, and which meet weekly to play. At the end of the year, the winning team will be awarded a prize.

In addition, GRI Towers Turkey organized an internal backgammon tournament between the plant employees.

### Be Healthy

In line with the programme mentioned before, the goal is to improve the health and lifestyle of our employees.

Among the initiatives undertaken, the following stand out:

- The purchasing of fresh fruit every Monday in the central Madrid offices to be consumed by all employees.
- The installation of free orange juice vending machines for all employees.

In both cases, the products are offered by a special employment centre, which allows us to contribute to the integration of people with different abilities into the job market.



# SOCIAL/HEALTH AND SAFETY

## DIMENSION

103-1, 103-2 AND 103-3

## Management focus

To GRI Renewable Industries, the Health and Safety of our employees is key, and is always present in the decision-making process and in the development of work plans focused on the constant improvement of safety and working conditions in all production centres.

Our aim is to integrate Health and Safety to all levels of the organization, as well as to establish a true preventive corporate culture based on collaboration, team work, strong commitment and participation of all our employees and stakeholders.

Health and Safety is reinforced by senior management leadership and a robust management system that reflects the features and strengths of the company and is therefore an important part of business development. For this reason, and as a global

company, we are committed to implementing a Health and Safety Management System at work as a fundamental part of our strategy, based on the constant evaluation of risks associated with our activity.

In doing so, we make the health and well-being of all our workers a priority. Our integrated management system (IMS) is based on the international standard OHSAS 18001, and in 2018 we will begin migration to the new ISO 45001 standard.

GRI Renewable Industries actively manages each and every risk identified, implementing preventive and corrective measures to reduce both the likelihood and severity of any unwanted occurrences.

## Corporate occupational Health & Safety policy

Our company is based on the development and implementation at the highest level of our Health and Safety Policy. We consider that Health & Safety not only implies having facilities and equipment in good condition, but also committed people who respect the rules and prioritize prevention in any circumstance. Any GRI Renewable Industries employee and external company staff must be aware of and comply with the standards, instructions and procedures on Health & Safety in force in their workplace.

Our Health & Safety Policy is structured on the following general principles:

- Everyone is responsible for Health and Safety.
- We strive for the creation of a true preventive culture and the integration of Health & Safety at all levels within the organization.

- We have a safety model based on leadership and worker participation.
- We continuously analyze the risks and opportunities for improvement, setting up plans aimed at the search for better working conditions and excellent management in terms of Health & Safety at work.
- We continuously raise awareness and provide training to our personnel.

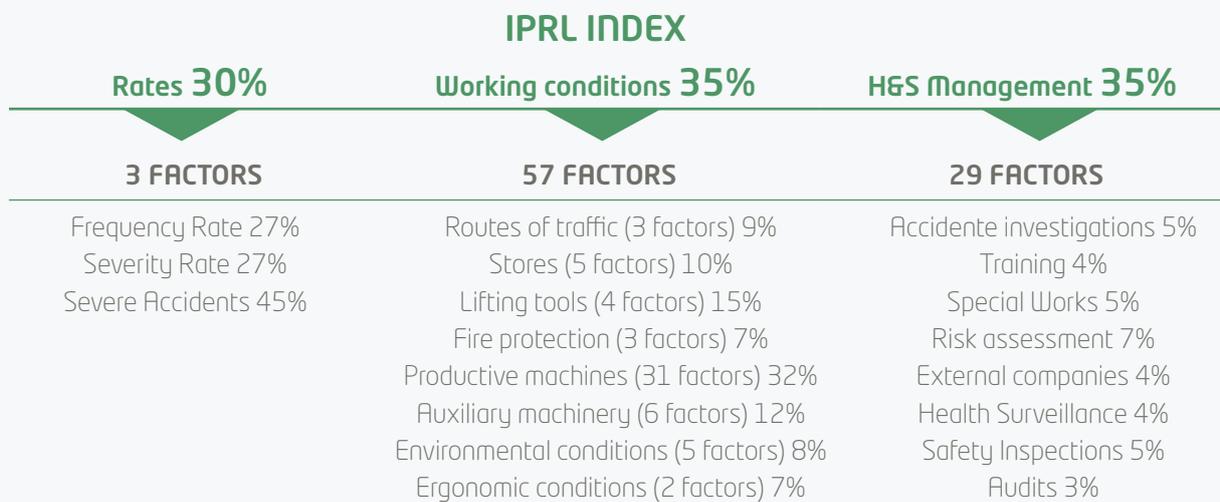
To this end, we have a multidisciplinary team of highly qualified professionals focused on excellence who work every day to ensure the highest Health & Safety conditions, thus complying with both legal requirements and the internal standard of the group.

## IPRL: Excellence System For Health And Safety Management

The IPRL represents the internal health and safety standard developed by GRI Renewable Industries and has been applied since the beginning of 2016. This standard defines the common Health and Safety criteria applicable to all production centres of the group, gathering all features of the different technologies and production processes, and also including the best practices in pursuit of the continuous improvement of operational safety and efficiency. The IPRL standard covers and goes beyond the applicable legal provisions in each country we operate in, as well as the OHSAS 18001 and ISO 45001 requirements. For this reason, it is an excellent framework for managing risks and opportunities for improvement.

The satisfactory implementation of this internal referential leads better employment conditions while reducing risk exposure of the company. At the same time, it allows the organization to accurately evaluate performance on Health and Safety matters in all its facilities. Afterwards, all deviations are internally managed to draw up action plans and to guarantee that all established criteria are respected and met, to ensure the highest level of safety and protection of the workers.

The IPRL, in its most aggregated level, shows performance with a score of 0 to 100; 100 being the most unfavourable and 0 being the perfect situation. This assessment is the result of the weighted average of three criteria that are developed, in turn, in 89 factors.



The new GRI Towers Sevilla plant has been incorporated to the IPRL index this year, this plant being a manufacturing facility for high-quality and demanding products to meet the needs of the Off-Shore market.

In 2019, two new plants are expected to enter the group, which are currently undergoing start-up or consolidation processes. Our plants in China are not included in its scope either.



# Employment conditions and management

At GRI Renewable Industries, IPRL results are monitored continuously and are evaluated quarterly by the responsible Corporate Health and Safety team. In 2018, all plants of the group were audited under the IPRL standard\*.

The results of both internal audits and the continuous evolution of the plants are available to the entire organization

through internal communication channels and via the corporate intranet.

The following shows the percentual improvement concerning both employment conditions and prevention management in each of the centres since 2016.

	Working Conditions						Health & Safety Management					
	4QT 2016	4QT 2017	4QT 2018	Improv. 2016	Improv. 2017	Improv. 2018	4QT 2016	4QT 2017	4QT 2018	Improv. 2016	Improv. 2017	Improv. 2018
GRI Flanges Brazil	35	29	28	29%	16%	5%	26.3	17.9	11.9	6%	32%	34%
GRI Towers Brazil	30	36	30	56%	-19%	175	31.0	24.1	16.1	16%	23%	34%
GRI Towers Turkey	57	34	26	30%	41%	23%	48.4	32.6	26.7	27%	33%	19%
GRI Towers India	86	74	60	10%	15%	20%	68.3	56.5	59.9	14%	18%	-6%
GRI Towers Sevilla	-	-	65	-	-	-	-	-	56.6	-	-	-
GRI Towers USA	-	73	68	-	-	8%	-	75.9	84.5	-	-	-12%
GRI Towers South Africa	86	78	67	-4%	10%	14%	85.3	74.7	74.4	-14%	13%	1%
GRI Flanges Iraeta	86	76	69	0%	12%	11%	79.9	77.5	68.9	19%	3%	12%
GRI Castings Zestoa	-	75	67	-	-	11%	-	78.4	75.6	-	-	4%
GRI Towers Galicia	66	60	56	7%	9%	7%	59.9	59.4	70.9	0%	1%	-20%

\*The annual improvement percentages have been calculated taking into account the results of 4QT 2016 and 4QT 2017. GRI Towers USA and GRI Castings Zestoa were added to the IPRL indicator throughout 2017, and GRI Towers Sevilla throughout 2018.

In 2018 we have improved employment conditions globally by 11.47% and prevention management by 6.42%. During this year we had three production centres with the “excellent performance” rating regarding Health and Safety, and GRI Towers

India reached the “good performance” rating in the final quarter of the year. This means that up to 44% of our global production centres have already achieved a good or excellent level of performance in the IPRL indicator.

## GRI Towers Turkey and GRI Towers Brazil. EXCELLENCE in the IPRL and work accident-related sick leaves

In 2018, we had a significant reduction in the number of accidents with sick leave in the group, and, specifically, two of our production plants achieved the record of 365 days without a work-related accident leading to sick leave.

- **GRI Towers Brazil** celebrated this great success in March 2018, and, undoubtedly, this record is evidence of the important role that Health and Safety plays in the company, emphasizing that the achievement of objectives and improvements in this area are the result of teamwork, the commitment of all workers, a good implementation of the IPRL and an excellent execution of the investment plan aimed at improving efficiency and safety in the plant.
- **GRI Towers Turkey** reached 365 days without accidents in October 2018, which it celebrated in an event that all the local workers participated in. Achieving this milestone links other important goals achieved by the plant concerning Health and Safety, such as obtaining and maintaining the excellent performance level in the IPRL, or the maximum value obtained by the Health and Safety area in external audits conducted by customers such as VESTAS or SIEMENS-GAMESA. There is no doubt that these results are a faithful reflection of the commitment and teamwork, thus adding value to the company and for our customers.



# Monitoring indicators

At GRI Renewable Industries, we continuously monitor indicators related to accident rates, being fully integrated within the IPRL structure. These indices relate to internal workers as well as to subcontractors that perform tasks which are necessary and to our activity (403-2).

In 2018 a total of 82 accidents with sick leave and 178 accidents without sick leave were recorded.

Nevertheless, there is a group of plants (namely Brazil, USA, Turkey and India) where accident rates are at historical lows due to the integration of the IPRL, the commitment of senior management and the awareness of all workers. In 2018 there were no fatal accidents in our group.

In 2018, 6 cases of occupational disease were detected in own personnel, 1 in Spain and 5 in Brasil, which are monitored by Health and Safety department in each plant. The global rate is 0.95% ((n° employees/ n°hours worked)x 1.000.000) (403-3).

	Accidents with leave		Accidents without leave	
	Men	Women	Men	Women
Own personnel	76	5	148	16
External personnel	1	0	10	4
<b>TOTAL</b>	<b>77</b>	<b>5</b>	<b>158</b>	<b>20</b>

With regard to the figure of days lost due to accidents, there is a slight decrease with respect to the previous year and the rate of absences increased slightly. The results for the fiscal year 2018 are shown below:

## Accidents with leave 2018\*

Country	Own personnel		External personnel	
	Men	Women	Men	Wome
Brazil	1.2	0.0	0.0	0.0
Spain	55.3	24.6	15.1	0.0
India	3.7	0.0	0.0	0.0
South Africa	68.5	56.9	0.0	0.0
USA	3.6	0.0	0.0	0.0
<b>TOTAL</b>	<b>14</b>	<b>5.7</b>	<b>8.6</b>	<b>0.0</b>

Rate of accidents with leave: n° accidents with medical leave 2018/ n° hours worked \*1,000,000.

\* No accidents with leave have been detected in Turkey and China.

## Days lost per accident

Country	Own personnel	
	Men	Women
Brazil	432	1,088
Spain	1,680	2,999
India	81	0
South Africa	709	3,188
USA	22	0
<b>TOTAL</b>	<b>412</b>	<b>798</b>

Rate of days lost through accident: n° of days lost due to occupational accidents/n° of hours worked \*1,000,000

\* In Turkey and China there have been no days lost due to other causes.

## Accidents without leave 2018\*

Country	Own personnel		External personnel	
	Men	Women	Men	Wome
Brazil	6.1	0.0	0.0**	0.0
Spain	126.8	92.2	135.7	579.5
India	7.4	0.0	0.0	0.0
South Africa	0.0	0.0	0.0	0.0
USA	27.0	32.1	0.0	0.0
<b>TOTAL</b>	<b>27.3</b>	<b>18.4</b>	<b>85.5</b>	<b>103.1</b>

Rate of accidents without leave: n° accidents without medical leave 2018/ n° hours worked \*1,000,000.

\* In Turkey and China no days lost by accident have been registered.

\*\* The information of the accident without leave (external personnel) in Brazil is not available for the type of activity (discharge) and contract (services).

## Days lost per accident + other causes

Country	Own personnel	
	Men	Women
Brazil	1,587	4,474
Spain	7,677	11,226
India	81	0
South Africa	3,370	5,977
USA	22	0
<b>TOTAL</b>	<b>2,029</b>	<b>798</b>

Rate of days lost through accident + other causes: n° of absence days/n° of hours worked \*1,000,000

\* In Turkey and China there have been no days lost due to other causes.

In the tables, it is evident that in 2018 there was a significant global reduction in the rate of accidents resulting in sick leave. On the other hand, we experienced a worsening of the severity rate mainly due to several long-term accidents.

## Risk analysis

Each factory conducts a comprehensive risk assessment that is periodically reviewed by both the plant and at a corporate level.

The main identified risks are listed and addressed globally to guarantee complete control, defining specific protocols that must be complied with, for example: the adjustment of specific work equipment within the production process or the adoption of ergonomic improvements in the process after a rigorous evaluation and specific studies.

This year, most of the specific hygiene assessments have been completed and we continue to make progress in the specific ergonomic studies for each workstation. After the analysis of the results, specific action plans for each of our centres were defined to adjust machines and workspaces thereby improving the wellbeing and conditions for all workers.

Additionally, in 2018, 9 risk-exposed workstations were detected, affecting 27 workers, all of these in the plant GRI Castings Zestoa, for which preventive monitoring is taking place.

## Communication

In 2018, a central axis of the company's preventive activity at a global level was to strengthen communication on Health and Safety at all levels, both top-down and bottom-up.

GRI Renewable Industries has been developing awareness campaigns (Be Safe!) over the years, teaches and organizes TOP 5 meetings and Safety Dialogues (DDS), and issues incident and accident notifications to increase participation and inform all workers about specific Health and Safety matters. As a responsible company we foster a strong culture of safety awareness based on people's behaviour as we firmly believe that Health and Safety at work is everyone's responsibility.

This year we wanted to further strengthen this communication by making use of the following channels: through the Health and Safety area on the corporate website, the communication of contents on the corporate intranet, via social and professional networks (Twitter, LinkedIn, YouTube) and official forums, through participating in congresses and conferences and by organizing visits of stakeholders.

An important figure that helps the integration of Health and Safety in the company is the Health and Safety Committee. This internal body represents workers, meets periodically and addresses relevant issues concerning Safety and working conditions in the factories (403-4). Employee representation in the health and safety committees is 100% (403-1).

Countries	Nº of representatives*
Brazil	30
Spain	19
India	12
South Africa	5
Turkey	9
China	17

\*In the USA, the Health and Safety Committee was not active in 2018.



# Training and awareness-raising

GRI Renewable Industries provides all employees with the specific, high-quality training necessary to safely perform all tasks on the job.

Safety plays an inclusive role in said training. All training is based on results obtained from the risk assessments at the workplace, as well as on procedures and work instructions. Training is integrated with the communication of the best prevention practices identified and implemented globally.

In 2018, specific training given on Health and Safety matters increased by 8%, amounting to a total of 30,075 training hours, focused on high risk activities, handling of machinery,

working in ATEX zones, handling of chemicals, the use of lifting equipment and preparation for emergencies. Concerning investment, the specific improvement actions led through IPRL meant a total investment of more than 1.67 million euros in safety worldwide.

This ensures that all of our external workers and employees have the information, instructions, sufficient training and supervision to perform their daily activities safely and efficiently.

## GRI Towers Sevilla celebrated the European Week for Health and Safety at Work through the Be Safe! campaign

On the occasion of the European Week for Safety and Health at Work, the "Be Safe!" awareness campaign was launched in Seville.

The plant manager, Juan José Porras, organized talks at different times to reach the whole organization.

The informative day was focused on the importance of Health and Safety in the work environment, "Be Safe! means being safe and working safely and is everyone's responsibility".

From the plant manager to the operators, leaflets explaining the campaign were distributed, reflecting the principles of the Occupational Health and Safety Policy of GRI Renewable Industries, in addition to testimonies of plant workers that explain what health and safety at work means to them.





# SOCIAL/LOCAL COMMUNITY DIMENSION

103-1, 103-2 AND 103-3

One of GRI Renewable Industries’ priorities is to support local development in the areas where we have a presence. To this end, collaboration agreements have been established with non-profit organizations with which corporate and local activities of various kinds take place.

## Corporate collaboration 102-12



### LQDVI Foundation What Really Matters

Since 2014, we have supported the Foundation What Really Matters with disseminating universal, moral and ethical human values through the development of motivational conferences.

In 2018 we have been present at the following congresses Madrid, Oviedo, Valencia, Málaga, A Coruña, Bilbao, Seville and Palma de Mallorca.



### Juan XXIII Roncalli Foundation

We have supported the Foundation since 2007, apart from being its Trustee. Its mission is to improve the lives of people with intellectual disabilities and to foment their social integration.

This year the company has supported the Foundation with the rent of its spaces and utilities and collaborating closely in the week of volunteering.



### WCK World Central Kitchen

We have supported the Foundation since 2013. Its mission is to end food insecurity and malnutrition in areas of humanitarian catastrophes.

In 2018, we made a special contribution that helped provide 10,000 basic meals in places where there have been natural disasters, such as those from Guatemala’s volcano.



### United Nations Global Compact

We have supported the Foundation since 2013, to contribute to the dissemination and compliance of the 10 Principles and Objectives of Sustainable Development.

In 2018 we participated in various conferences to improve our contribution to these objectives.

GRI Renewable Industries participated in the commitment of the Global Compact “With you, we are +” for the dissemination of its principles among its stakeholders. As a result of this initiative, it has become a prescriptive partner in the bronze modality.



### Foundation Seres

We have supported the Foundation since 2016, to contribute to the joint construction of a stronger society and with competitive companies lasting over time.

In 2018 we collaborated as Trustee of the foundation and participated in projects aimed at improving communication and measurement of actions in the area of sustainability.

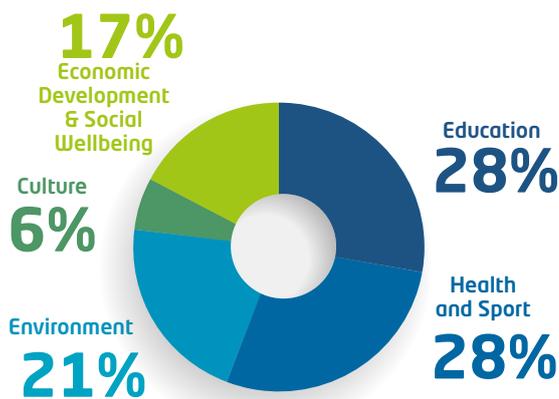
## Local contribution 413-1

We carry out actions and development programs with the local community in different countries and with different approaches.

In 2018, GRI Renewable Industries focused its efforts on social initiatives related to culture, environment, sport, education and healthcare. All work has been aimed at the development and support of the societies where we are present.

Social programs have taken place in all countries (100%) in which GRI Renewable Industries has a presence. The most relevant are detailed below:

Percentage distribution by field of action



## Education

**GRI Towers Turkey** believes that the motivation and training of future employees is fundamental. For this reason, we received visits from different schools and universities from the region, for instance, the Gonen Mehmet Akif Ersoy Primary School, the institutes Gonen Mirciler and Gonen Industrial, and the Eylul Bandirma University. During these visits the business model was explained, as well as the processes, Health and Safety related aspects, among other topics of interest, so that they learn about the labour markets and the different alternatives.

In addition, we participate in the "Benji" project to encourage reading amongst young people, through the donation of new books to improve the libraries and classes in the schools that participate in this project.

**GRI Towers India** works with the NGO "Helpers of the Handicapped" to create classrooms adapted for young disabled people to provide them with the necessary materials to allow them to continue their education.

**GRI Towers Texas** deems health and safety to be a key aspect in all areas. For this reason, they organized a day in a primary school where 25 young people were trained in this discipline through playful games.

**GRI Flanges China** got personally involved and donated materials to the Primary School Zhangzhuang in the Zhongqiu district, to contribute to the healthy development and growth of other young people.

**GRI Towers South Africa** has invested around 2M rand in different training projects within the Black Economic Empowerment program (B-BBEE). This racially-selective programme was launched by the South African government to correct the inequalities of the apartheid by supporting black South African citizens (black, coloured and Indian people).

This program includes the following initiatives:

- We annually subsidize the training of 20 apprentices, covering both their monthly remuneration (salary) and the financing of their studies. The objective is to integrate this collective to the labour market. It should be noted that 100% of the staff trained in 2017 is currently employed in our GRI Towers South Africa plant.
- We contribute to the training of the unemployed personnel in the region, through an agreement with the West Coast College (WCC). This training centre not only has a presence in Atlantis (Western Cape), but also in different locations, which allow for the

integration of the whole Cape Town area.

In this field, GRI Renewable Industries designs and develops the content of different training modules for the Black Steel and White Steel processes.

These are subsequently transmitted by the specialized teaching staff of each centre, in all the locations where the West Coast College has a presence.

The focus of these modules is, in some cases, very adapted to our processes and, in other cases, more generic (painting, welding, etc.), which allows attendees, once they receive their title accredited by the WCC, to be able to develop their knowledge working for GRI Towers South Africa or for other companies in the region, therefore amplifying their possibilities of obtaining stable and salaried employment.

## Culture

**GRI Towers Galicia and GRI Flanges Iraeta**, are committed to the local community, which is why they support cultural events such as: the patron saint festivals of Carballino and Seoane in Galicia and the patron saint festivals of Zestoa and Aizarnazabal in the Basque Country.

## Health and Sport

**GRI Towers Turkey** is very committed to the society and 50 employees of the plant donated blood for the Turkish Red Cross.

**GRI Brazil** organized a collection of personal hygiene products with its employees coinciding with the Internal Week of Prevention of Accidents at Work and the Environment, to donate them to the Hogar de Cristo Redentor and the Hogar Sao Francisco.

**GRI Towers Galicia** believes that sport is a fundamental part in the education and development of the youngest members of society. For this reason, it supports the Football school Arenteiro and the futsal team of Carballino. In addition, it sponsors different sportive activities such as: the third edition of the Ralymix de Pinor, the solidary race of Arenteiro Athletic club, the sport club Cenlle, the 1st inter-school tournament and, in the cycling field, support for the clubs los Mosquetieros and Carballiño.

**GRI Flanges Iraeta** contributed to encourage sports by sponsoring the "ARAZI IKT Kobaz-koba trail 2018" in the city of Cestona.

**GRI Towers South Africa** sponsored the Atlantis rugby team and the football team Jomo's Power so that they could participate in local leagues.

## Environment

At **GRI Renewable Industries**, we are committed to the fight against climate change which is why the challenge of planting one tree for each produced tower was set in 2015. This year GRI Madrid, GRI Towers Galicia, GRI Towers Sevilla, GRI Flanges Iraeta and GRI Casting Zestoa have participated in a reforestation in the regions surrounding the plants and offices, and succeeded in planting over 2,700 trees.

## Economic Development & Social Wellbeing

**GRI Towers Turkey**, performed maintenance, repair and painting work at the Police Headquarters in the Gonen district. With these improvements, the Headquarters were significantly improved, to the benefit of all the workers.

**GRI Towers South Africa**, within the Black Economic Empowerment program (B-BBEE) contributed to the local development of the region by helping and collaborating with the local suppliers through:

- Preferential purchases to local suppliers, especially those managed by women of colour, to enhance their development and the maintenance of families in the area.
- The help/subsidizing of local businesses for their growth and development, so that they can be preferential suppliers for GRI, both for raw materials and for services, as for example the suppliers NHS and Mandivista.

**GRI Flanges China** carried out important humanitarian help after the typhoon "Wambia" in August 2018. Heavy rains caused the Yeyuan Reservoir, Qinshuiya Reservoir and Heihushan Reservoir to overflow, flooding the Mihe river basin and villages along the river, destroying houses, fields, greenhouses and farms.

To help alleviate this disaster, GRI Flanges China made substantial donations to charity funds and to the county of Hunan Tunxi to decrease poverty in the region.

# Collaboration with local authorities

415-1

GRI Renewable Industries establishes relations with local public authorities on an altruistic basis with complete transparency, in accordance with the guidelines of the Code of Ethics. The company does not make any economic or in-kind contributions to political parties.

**GRI Towers South Africa** received a visit from the country's president Cyril Ramaphosa who was able to witness the great work that the company is doing and the benefits that are being created for the society through its daily efforts.



# ENVIRONMENTAL

## DIMENSION

### Environmental performance 103-1, 103-2, 103-3

In GRI Renewable Industries we operate in an efficient and responsible way and we show our interest in the preservation of the environment. Our work is done under the umbrella of an Integrated System and a Quality, Environment and Health and Safety Policy.

Through these, consumption, emissions, waste and discharges among other environmental parameters are monitored to contribute to the minimization of its environmental impact without

affecting the quality of our products whilst working on the continuous improvement. At present, the GRI Towers Galicia, GRI Towers Turkey, GRI Towers India, GRI Towers South Africa, GRI Towers Brazil, GRI Towers Sevilla, GRI Flanges Brazil, GRI Towers China I, II and III hold ISO 14001:2008 certification.

Using and handling hazardous materials is done in accordance with procedures and instructions in place, while complying with the applicable regulations and using the appropriate PPEs.

### Environmental Performance Indicators

GRI Renewable Industries monitors the environmental impacts that derive from its activity through different indicators that measure its environmental performance, allowing it to measure its evolution and identify opportunities for improvement. The main indicators are summarized throughout this section.

#### Water and discharges

Water is a resource little used in our activity, reason why it presents low consumptions. However, as it is an essential and increasingly scarce natural resource, it is monitored with the aim of achieving its sustainable use.

In 2018, the total consumption amounted to 59,987 m<sup>3</sup>. 88% of the water consumed came from the water network and the remaining 22% came from groundwater sources. Consumption was mostly industrial (54%), followed by sanitary use (34%) and irrigation of green areas (11%).

It should be noted that no water source was significantly impacted by the company's water collection.

With regard to discharges, it is estimated that there was a total of 32,245 m<sup>3</sup> in discharges, of which 96% was discharged in the sewage network, 2% in watercourses (river, sea, etc.) and 2% in septic tanks. Its distribution is shown below:

#### Residues

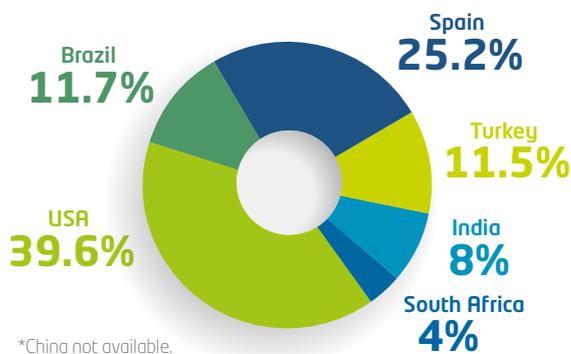
Residues produced in our facilities are appropriately segregated, tracked, identified, stored and managed by authorized agents, as is set out in the environmental instructions and procedures.

In our processes, most of the waste produced is non-hazardous (more than 90%). In this scope scrap accounts for 69% of the total, amounting to 89,706 tons.

The remaining is hazardous waste, which consists mainly of paint sludge in tower plants, taladrine in flange plants and oil in all of our plants.

With respect to waste disposal, almost 100% is handled through authorized recycling managers.

In addition, in 2018 there has been no spill or damage to the environment.



# Life-Cycle Focus: Circular Economy

## Part 1: the role of our products in the circular economy

Steel is a fundamental material in our society and the main component for all GRI Renewable Industries processes, totalling around 98% of its total consumption.

In addition, we believe in the crucial contribution of steel to global socio-economic growth and the development of more sustainable production models, as well as to the Circular Economy, a concept that is set to gain importance in the coming years. This is reaffirmed by the latest signals sent by international institutions, and in particular by the European Union.

The transition toward a Circular Economy is the answer to the appearance of risks deriving from global trends such as the exponential growth of the middle class, the volatility of raw

material prices, the increasing pressure from environmental regulations or the worrying increase in the amount of waste generated.

The economic system needs to move from the current linear model, in which products are manufactured from raw materials and discarded after being used, to circular models in which products have the capacity to be repaired, reutilized, returned and recycled.

The steel industry has been working towards this model for some time, and steel therefore represents great advantages over other materials:



### Reducing the weight and quantity of the material used

Wind Towers and Flanges

Through innovation we have accomplished significant weight reductions of our structures, which leads to substantial savings on raw materials.



### The steel may be reutilized or reconverted in different ways

The reutilization ratios have a great potential for growth due to the eco-design, recycling and the increase in efficiency. The wind parks can be restored, thus maintaining their original value. **1 ton of recycled steel gives rise to an average saving of: 1,400 kg iron mineral / 740 kg of carbon / 120 kg of limestone**



### Steel is the most recycled material in the world

It does not lose properties during the process. The high value of scrap, its magnetic properties and its cost-effective recovery facilitate recycling.



### A large part of steel products can be remanufactured for reuse thanks to the enormous durability of this material.

Wind farms can be restored, thus maintaining their original value.

Consumptions (tons)	GRI Spain	GRI Brazil	GRI Turkey	GRI India	GRI South Africa	GRI USA	GRI China
Steel	77,518	31,909	13,500	5,370	21,505	74,439	219,308
Flux	442	62	85	34	34	118	0
Painting	450	158	135	23	33	1,903	0
Grit	132	22	8	8	6	131	0
Welding Wire	586	87	71	36	33	118	0

## Part 2: A transition based on 5 transversal elements

In addition to developing and spreading the circular vision throughout the organization, 5 specific elements have been identified on which GRI Renewable Industries tries to support its progressive transition towards the circular economy.



### Systemic thinking and design

Design processes need to be based on circular concepts, integrating the whole lifecycle of the materials and products in order to extend their useful life and to facilitate their future reuse.



### Prioritizing the use of renewable energies and resources

Encourage the efficient use of renewable and non-toxic materials and energies



### Exploit the full potential of the generated waste and extend useful life

Maximize the useful life of resources and try to take advantage of waste as a source to generate secondary products.



### Rely on digital technology

Incorporate new technologies that allow the measurement, monitoring and optimization of the use of resources and connectivity between the different parts of the organization and the different actors in the value chain.



### Collaborate

Identify possible synergies and collaborations with other companies or institutions that allow us to find solutions to foster economic growth while also reducing environmental impacts.

## Part 3: circularity at GRI Renewable Industries

At GRI Renewable Industries, instead of focussing on the Circular Economy as a final goal, we want to use this concept as a tool to guide us towards a continuous improvement of our productive processes and a greater environmental responsibility.

### 1. Integrated waste management

GRI Renewable Industries has an integrated system in all the plants of the group for the collection, retrieval and centralised recovery of steel discarded in production. The amount of discarded steel is very low.

Thanks to an efficient centralized system, 100% of the scrap discarded in production is collected and valued, which is later reintroduced into the value chain, thus promoting the production of steel from recycled material, which means significant savings in raw materials and emissions.

In 2018, 89,706 tons of scrap were managed. 76% of it comes from China.

### 2. Steel: Our raw material

The steel industry is undergoing major changes over the last years. The expected future scarcity of raw material and the growing availability of scrap, among other economic reasons, are encouraging greater use of electric ovens to manufacture steel from old steel.

A substantial part of the steel used in our processes comes from recycled material. The percentage of recycled material varies depending on the supplier and the country of origin.

This fact, together with the efficient management of our scrap, favours the development of an increasingly circular steel value chain.

The steel used in our processes partially composes of recycled steel, its composition depends on the product. The results are shown next.

Product	Tons consumed 301-1	% recycled	Steel recycled tons
Towers	78,318	18%	14,097
Flanges	246,211	18%	44,318
Castings	5,892	60%	3,535

# Conflict Minerals

Since the year 2010, following the approval of the Dodd-Frank Wall Street Reform, governments, companies and consumers request to know the origin of conflict materials, which has, therefore, become significant within GRI Renewable Industries. The corresponding homologation of providers, with those previously calibrated in the market, is done within the purchasing process. In this process we have identified steel and the electric and electronic materials as materials that may contain these minerals.

During the homologation process it is requested that the origin of the materials is accredited, thus assuring that these do not originate from foundries that use conflict materials (coltan, cassiterite, wolframite, gold, tantalum, tin, or any other conflict mineral or its derivatives) which contribute to funding of conflicts in the Democratic Republic of the Congo or any neighbouring country.

# Energy

Energy consumption within the company is high due to the industrial processes, and for this reason measures to improve energy efficiency are being incorporated, as well as measures to reduce the environmental impact and the carbon footprint. With our commitment to the Sustainable Development Goals

(SDG), in particular to climate change, we are continuously trying to further reduce our environmental impact through different actions such as reforestation, measures to increase energy efficiency and by favouring renewable energy production.

## Energy efficiency 302-4

In accordance with the Royal Decree 56/2017, GRI Towers Galicia carried out its corresponding energy audit.

In addition, it was decided to establish a monitoring system that allows us to sample and know in detail the consumption of the main processes, to have real information on the matter and define the efficiency measures appropriate for each case.

In this context, in 2018, we implemented the energy consumption monitoring and control system "PRO-EFFICIENCY".

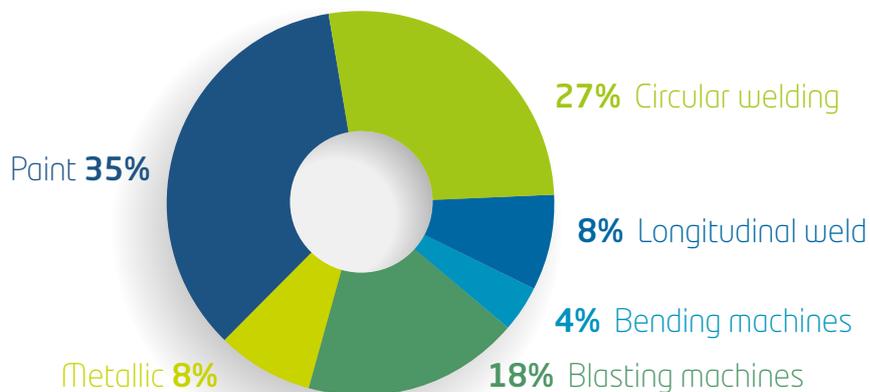
With the first results, some improvement projects (MAEs) have been defined, such as, for example, changing the current lighting fixtures for more efficient LED lights, with which will give rise to annual savings of an estimated 35,573 KWh/year.

It should be noted that some improvement projects were carried out in 2015 and 2016, such as:

- Separation of compressed 10-bar air network to two lines, one of 7 bar and the other of 9,5 bar. Savings are estimated to be 20,750 KWh/year.
- Regulation of the 9.5-bar line to 9.3 bar. Savings are estimated to be 9,400 KWh/year.
- Using the heat coming from the compressor process to heat the plating cabin. Saving are estimated to be 199,516 KWh/year.

With all the measures carried out, a total saving of 265,256 KWh is estimated. In 2019, when sufficient operational records are available through the PRO-EFFICIENCY system, we will be able to establish the real savings on all new projects.

### Energy distribution model



## Internal energy consumption 302-1

This year we consumed a total of 1,035,110 GJ, of which 41% came from electricity consumption and the remaining 59% came from fuels such as LPG, natural gas, propane and diesel.

Internal Consumption (GJ)	Electricity	LPG	Natural Gas	Propane	Diesel
GRI Spain	78,594	0	81,999	2,186	4,585
GRI Brazil	15,252	45	5,169	0	574
GRI Turkey	9,954	0	3,757	1,034	0
GRI India	3,469	296	0	0	273
GRI South Africa	4,763	63	0	0	150
GRI USA	24,195	0	7,380	1,033	2,368
GRI China	283,049	0	504,922	0	0
<b>TOTAL</b>	<b>419,276</b>	<b>404</b>	<b>603,227</b>	<b>4,253</b>	<b>7,950</b>

With regard to the distribution of energy consumption, 65% of the energy consumed is for production, 2% for heating and the remaining 33% for both uses.

As for external energy consumption, no available data is available related to this indicator. Information is expected to be available by the year 2030 (302-2).

## Energy intensity

302-3

Measuring energy intensity is a good way to measure the efficiency and impact of our processes. The calculation takes electricity and fuel, corresponding to internal use, into consideration.

The resulting annual ratio is calculated by dividing energy consumption by the total weight of products sold in each country.

The results obtained in the different tower plants are shown next:

Energy Intensity "Towers"	GJ consumed/tons of sold product
Brazil (Towers)	0.56
Spain (Galicia+Sevilla)	4.40
India	42.69
South Africa	1.36
Turkey	0.79
USA	1.41
<b>TOTAL</b>	<b>1.56</b>



# Emissions and climate change

201-2



## 7 AFFORDABLE AND CLEAN ENERGY

**GOAL 7**  
Ensure access to affordable, reliable, sustainable and modern energy for all

Energy is key to almost all big challenges and opportunities that the world is currently facing. Whether it is for employment, safety, climate change, food production or to increase incomes, universal access to energy is essential.



## 13 CLIMATE ACTION

**GOAL 13**  
Take urgent action to combat climate change and its impacts

Climate change affects all countries on all continents. It has a negative impact on the economy and on the lives of people, communities and countries. In the future its consequences will be even worse.

People are feeling the consequences of climate change first-hand, which include changes in weather patterns, increasing sea levels and more extreme weather events. Greenhouse gas emissions caused by human activity increase this threat. In fact, emissions never have been this high.

The impacts forecasted by scientists in the past have already become evident. 2015, 2016 and 2017 have been confirmed as the three warmest years for which data are available.

Globally, carbon emissions are expected to increase by 2.7 percent by 2018, according to new studies published by the Global Carbon Project.

Following the Paris agreement, COP 24 was held in Poland this year coinciding with the publication of the Report of the Intergovernmental Panel on Climate Change (IPCC).

This report is clearly worrying and warns that emissions are increasing at a rate that will lead to widespread problems such as food shortages, forest fires, coastal floods and population displacement by 2040.

The Intergovernmental Panel on Climate Change (IPCC) reflects that the extent of the effects of climate change in different regions will vary over time and with the capacity of different socio-economic and environmental systems to mitigate or adapt to change.

It describes different ways to limit global warming to 1.5 degrees Celsius. These solutions will require unprecedented global efforts to reduce the use of fossil fuels by 50 percent in less than 15 years, and eliminate their use, almost completely, in 30 years.

Although COP 24 did not show a firm commitment to reductions, mainly due to the opposition of some countries led by the United States and Saudi Arabia, 160 countries presented their reduction objectives and verification rules and mechanisms were established.

GRI Renewable Industries carries out different actions that contribute to minimizing our impact; in our processes and products through innovation and in our activity, focused on the development of renewable energy.

We also support the achievement of the Sustainable Development Goals, as summarised throughout the Report.

# Greenhouse gas emissions

GRI Renewable Industries we measure and communicate our carbon dioxide emissions (CO<sub>2</sub>) to be able to establish improvement objectives. The following standards have been taken into account for the calculation of CO<sub>2</sub> emissions: Green House Gas Protocol (GHG Protocol) and the Emissions Factors from Cross-Sectors Tools (GHG Protocol 2014) to calculate the fuel

emission factors, the IPCC Fourth Assessment Report: Climate Change 2007 for electricity consumption, and the average emission factors of the national electricity mix of each country for the period 2009-2011 as reported by the IEA (International Energy Agency).

## Direct Emissions

305-1

These emissions refer to those emitted by the production process of the company. In 2018, 34,724 tons of CO<sub>2</sub> were produced. The distribution of these emissions is shown below:

Country	Emissions (tons CO <sub>2</sub> )
Brazil	335
Spain	5,078
India	39
Turkey	276
South Africa	15
USA	655
China	28,326
<b>TOTAL</b>	<b>34,724</b>

## Indirect Emissions

305-2

Indirect emissions are those produced by third parties and are consumed in our plants and offices, they amount to 73,371 tons of CO<sub>2</sub>. The emissions by country are given next:

Country	Emissions (tons CO <sub>2</sub> )
Brazil	288
Spain	6,353
India	825
Turkey	1,305
South Africa	1,150
USA	3,381
China	60,069
<b>TOTAL</b>	<b>73,371</b>

## Other emissions

305-3

These emissions correspond to corporate trips made by plane, train and rental cars. Additionally, the estimation of emissions deriving from employees' commutes is also included. Scope 3 emissions are outlined next:

Type	Emissions concept (tons CO <sub>2</sub> )
Corporate Trips	2,702
Transportation employees	24,781
<b>SCOPE 3 TOTAL</b>	<b>27,483</b>

## Intensity of Emissions

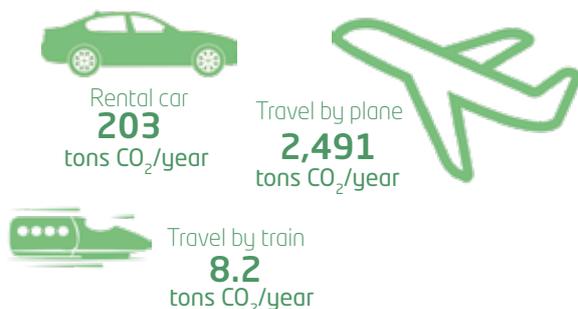
305-4

The intensity of the emissions is considered to measure efficiency and the impact of our processes.

The yearly ratio is calculated by dividing the sum of all direct and indirect emissions by the total weight of all products sold in each country. In the following table the obtained results are detailed for each production process:

Country	tons CO <sub>2</sub> / t sold product
Brazil (Towers)	0.01
Spain (Galicia+Sevilla)	0.33
India	9.13
South Africa	0.32
Turkey	0.09
USA	0.16
<b>TOTAL</b>	<b>0.15</b>

### Corporate Trips



## Avoided emissions

The main activity of GRI Renewable Industries is the manufacture of components for wind turbines (towers and flanges), which are designated to the generation of wind energy. This renewable and sustainable energy does not emit greenhouse gasses into the atmosphere, contributing to mitigate climate change.

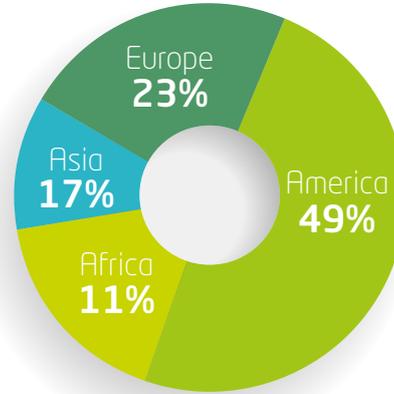
Moreover, we are committed to the achievement of the Sustainable Development Goals (SDG), and, in particular, to those that contribute to the fight against climate change (SDG 7.3 and SDG 13.2).

Next, we highlight our contribution, through tower production and reforestations, in 2018.



## Tower Production

In 2018, the company manufactured a total of 768 wind towers, the final destination of which is shown below:



The proportional weighing represented by the cost of the wind tower manufactured by GRI Renewable Industries out of the total cost of the tower is deemed to be 16.4%.

If one estimates the annual net operational hours of the turbines in the countries where they are present, the installed power, the conversion rate applicable to each country and the percentage of the cost of the tower out of the total structure, we estimate that our contribution to combating climate change amounts to 245,472 tons of avoided CO<sub>2</sub> emissions in 2018.

With respect to the reduction of energy requirements for products and services, the innovation section summarizes the improvements made in products and processes. We will be able to determine the real savings in 2019.

CO<sub>2</sub> Produced  
**135,578** tons CO<sub>2</sub>/year

SCOPE 1  
**34,724** tons CO<sub>2</sub>/year  
SCOPE 2  
**73,371** tons CO<sub>2</sub>/year  
SCOPE 3  
**27,483** tons CO<sub>2</sub>/year

**BALANCE**  
CO<sub>2</sub> Avoided  
**109,907**  
tons CO<sub>2</sub>/year

CO<sub>2</sub> Avoided  
**245,485** tons CO<sub>2</sub>/year

TOWERS PRODUCTION  
**245,472** tons CO<sub>2</sub>/year  
REFORESTATION  
**13** tons CO<sub>2</sub>/year

## Reforestation

Trees and woodlands have a direct relation to climate change and they contribute to curbing its impact, functioning as a drain by trapping and storing CO<sub>2</sub>.

Therefore, GRI Renewable Industries committed in 2015 to minimize these impacts through reforestation, with the aim of matching, as far as possible, the number of trees planted to the number of towers built.

In 2018, we have done four reforestations, totalling 2,710 trees, in which our staff and their families participated.

As a result of these plantings and based on the species that were planted, it is estimated that a total of 525 tons of CO<sub>2</sub> will be absorbed over the next 40 years, which is equal to 13 tons per year. If we include the estimated absorptions of reforestations done in previous years (38 t/year in 2016 and 15 t/year in 2017), we reach a total of 66 tons of CO<sub>2</sub> avoided per year because of the reforestation scheme.



### GRI Towers Galicia

The team in Galicia and their families planted, in the town of As Neves, 410 trees of four typical species in the region (*Betula alba*, *Quercus robur*, *Quercus suber* and *Castanea sativa*). This planting is estimated to allow for the total absorption of 87.2 tons of CO<sub>2</sub> over 40 years.



### GRI Flanges Iraeta and GRI Casting Zestoa

The team in the Basque Country planted a total of 500 trees of three species typical to the region (*Quercus robur*, *Fraxinus excelsior* and *Fagus sylvatica*) in Mendaro. This planting is estimated to allow for the total absorption of 136 tCO<sub>2</sub> over 40 years.



### GRI Towers Sevilla

The team in Seville and their families planted a total of 1000 trees in Seville of nine species typical to the region. This planting is estimated to allow for the total absorption of 165 tCO<sub>2</sub> over 40 years.



### GRI Madrid. Headquarters

The team in Madrid and their families planted a total of 800 trees of three typical species (*Pinus sylvestris*, *Betula alba* y *Sorbus aucuparia*) of the region in San Martín del Pimpollar (Avila). With this plantation a total absorption of 137 tCO<sub>2</sub> is estimated at 40 years.

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**GRI** Renewable  
Industries

**Sustainability**  
Report 2018

# Annexes

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# Independent Review Report



**Free translation from the original in Spanish.  
In the event of a discrepancy, the Spanish language version prevails**

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS**

To the Management of GRI Renewable Industries S.L.:

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in "GRI Content Index" of the 2018 Sustainability Report (hereinafter "CSR Indicators") of GRI Renewable Industries S.L. and its subsidiaries (hereinafter "GRI Renewable Industries") for the year ended 31 December 2018, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter GRI Standards).

### **Responsibility of Management**

Management of GRI Renewable Industries is responsible for the preparation, content and presentation of the Sustainability Report in accordance with the Comprehensive option of the GRI Standards. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

Management of GRI Renewable Industries is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators, is obtained.

### **Our responsibility**

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with GRI Renewable Industries' personnel from various departments who have been involved in the preparation of the 2018 Sustainability Report.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

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Inscrita en el R.O.A.C. con el número 50242 - CIF: B-79 031290

1



- Analysis of the GRI Renewable Industries' CSR indicators adaptation to the requirements established by the GRI Standards for the preparation of sustainability reports.
- Verification, through random sampling tests revisions, and substantive tests on the information used to determine GRI Renewable Industries' CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by GRI Renewable Industries' sources of information.
- Obtainment of a management representation letter from the Management.

#### **Our Independence and Quality Control**

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

#### **Limited assurance conclusion**

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that GRI Renewable Industries' CSR indicators, for the financial year ending 31<sup>st</sup> December 2018, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards .

#### **Use and Distribution**

Our report is only issued to the Management of GRI Renewable Industries, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Company's Management.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones

30 April, 2019

# Report profile

The Sustainability Report was created in accordance with the information and indicators established in the reference guide of the comprehensive option of the "GRI Standards", (102-54) and the relevant matters that arise from our Materiality Study, as an integral part of our commitment to the Sustainable Development Goals.

The table of contents can be found in the Annex of this report, together with the independent external verification report done by the company PwC (102-56).

The goal is to communicate the most relevant aspects and initiatives, with an approach that is aligned with our way to understand sustainability and its impact on the management of the company.

## Presentation cycle

The Report has an annual periodicity (102-52), and encompasses the information covered between January 1 2018 and December 31 2018 (102-50), the last report being the one corresponding to the year 2017 (102-51).

## Contact of the report 102-53

For general issues regarding this report, information is available at:

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## Significant Changes

There have not been any significant changes compared to the previous year. The minor changes are indicated in their corresponding sections (102-49).

There has not been any restatement of information regarding the previous financial year (102-48), nor were there any changes in the supply chain (102-10).

# GRI Content Index 102-55

External verification: The contents of this index have been externally verified by the independent entity PwC. The related independent review report for verification can be found in the Annex of this document. Information omissions are included as a note in italics on appropriate indicators.

GRI Standards	Content	Page/ Omission	Review
GRI 101: Foundation			
GRI 102: General Content			
Organizational Profile	102-1 Name of the organization	8	✓
	102-2 Activities, brands, products, and services	8, 14	✓
	102-3 Location of headquarters	8	✓
	102-4 Location of operations	12	✓
	102-5 Ownership and legal form	8, 25	✓
	102-6 Markets served	12	✓
	102-7 Scale of the organization	10	✓
	102-8 Information on employees and other workers	46, 47	✓
	102-9 Supply chain	37	✓
	102-10 Significant changes to the organization and its supply chain	76	✓
	102-11 Precautionary Principle or approach	17	✓
	102-12 External initiatives	60	✓
	102-13 Membership of associations	30	✓
Strategy	102-14 Statement from senior decision-maker	4	✓
	102-15 Key impacts, risks, and opportunities	16	✓
Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	8	✓
	102-17 Mechanisms for advice and concerns about ethics	24	✓

GRI Standards	Content	Page/ Omission	Review
Governance	102-18 Governance structure	26	√
	102-19 Delegating authority	26	√
	102-20 Executive-level responsibility for economic, environmental, and social topics	26	√
	102-21 Consulting stakeholders on economic, environmental, and social topics	27	√
	102-22 Composition of the highest governance body and its committees	26	√
	102-23 Chair of the highest governance body	26	√
	102-24 Nominating and selecting the highest governance body	27	√
	102-25 Conflicts of interest	27	√
	102-26 Role of highest governance body in setting purpose, values, and strategy	27	√
	102-27 Collective knowledge of highest governance body	27	√
	102-28 Evaluating the highest governance body's performance	28	√
	102-29 Identifying and managing economic, environmental, and social impacts	15, 16	√
	102-30 Effectiveness of risk management processes	15	√
	102-31 Review of economic, environmental, and social topics	15	√
	102-32 Highest governance body's role in sustainability reporting	27	√
	102-33 Communicating critical concerns	27	√
	102-34 Nature and total number of critical concerns	25	√
	102-35 Remuneration policies	28	√
	102-36 Process for determining remuneration	28	√
102-37 Stakeholders' involvement in remuneration	28	√	
102-38 Annual total compensation ratio	28, NA	√	
102-39 Percentage increase in annual total compensation ratio	28, NA	√	
Stakeholder engagement	102-40 List of stakeholder groups	29	√
	102-41 Collective bargaining agreements	49	√
	102-42 Identifying and selecting stakeholders	29	√
	102-43 Approach to stakeholder engagement	29	√
	102-44 Key topics and concerns raised	30	√
Reporting practice	102-45 Entities included in the consolidated financial statements	82	√
	102-46 Defining report content and topic Boundaries	30	√
	102-47 List of material topics	31	√
	102-48 Restatements of information	76	√
	102-49 Changes in reporting	76	√
	102-50 Reporting period	76	√
	102-51 Date of most recent report	76	√
	102-52 Reporting cycle	76	√
	102-53 Contact point for questions regarding the report	76	√
	102-54 Claims of reporting in accordance with the GRI Standards	76	√
102-55 GRI content index	76	√	
102-56 External assurance	76	√	

NA: Not available

GRI Standards	Content	Page/ Omission	Review
Materiality topics			
<b>Economic Performance</b>			
Management Approach			
GRI 103: Management Approach. It is applicable to all indicators reported in this section Economic Dimension.	103-1 Explanation of the material topic and its Boundary	15, 16, 34	√
	103-2 The management approach and its components	15, 16, 34	√
	103-3 Evaluation of the management approach	15, 16, 34	√
Economic Performance			
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	36	√
	201-2 Financial implications and other risk and opportunities due to climate change	68	√
	201-3 Defined benefit plan obligations and other retirement plans	53	√
	201-4 Financial assistance received from government	36	√
Procurement Practices			
GRI 204: Procurement Practices	204-1: Proportion of spending on local suppliers	40	√
Anticorruption			
GRI 205: Anti corruption	205-1: Operations assessed for risks related to corruption	15	√
	205-2: Communication and training about anti-corruption policies and procedures	25	√
	205-3: Confirmed incidents of corruption and actions taken	15	√
Anti-competitive Behavior			
GRI 206: Anti-competitive Behavior	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	15	√

GRI Standards	Content	Page/ Omission	Review
Materiality topics			
<b>Environmental Performance</b>			
<b>Management Approach</b>			
GRI 103: Management Approach. It is applicable to all indicators reported in this section Environmental Dimension.	103-1 Explanation of the material topic and its Boundary	63	√
	103-2 The management approach and its components	63	√
	103-3 Evaluation of the management approach	63	√
<b>Materials</b>			
GRI 301: Materials	301-1: Materials used by weight or volume	65	√
<b>Energy</b>			
GRI 302: Energy	302-1: Energy consumption within the organization	67	√
	302-2: Energy consumption outside of the organization	67, Note A	√
	302-3: Energy intensity	67	√
	302-4: Reduction of energy consumption	66	√
	302-5: Reduction in energy requirements of products and services	Note B	√
<b>Emissions</b>			
GRI 305: Emissions	305-1: Direct (Scope 1) GHG emissions	69	√
	305-2: Energy indirect (Scope 2) GHG emissions	69	√
	305-3: Other indirect (Scope 3) GHG emissions	69	√
	305-4: GHG emissions intensity	69	√
<b>Suppliers</b>			
GRI 308: Suppliers environmental assesment	308-1: New suppliers that were screened using environmental criteria	39	√
	308-2: Negative environmental impacts in the supply chain and actions taken	40	√

NOTE A: There is no information on this indicator, which is expected to be in the year 2030.

NOTE B: Does not apply. The products follow the customers' specifications, so the company has little influence.

GRI Standards	Content	Page/ Omission	Review
Materiality topics			
<b>Social Performance</b>			
Management Approach			
GRI 103: Management Approach. It is applicable to all indicators reported in this section Social Dimension.	103-1 Explanation of the material topic and its Boundary	46, 54, 60	√
	103-2 The management approach and its components	46, 54, 60	√
	103-3 Evaluation of the management approach	46, 54, 60	√
Employment			
GRI 401: Employment	401-1: New employee hires and employee turnover	47	√
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	53	√
	401-3: Parental leave	49	√
Occupational Health and Safety			
GRI 403: Occupational Health and Safety	403-1: Workers representation in formal joint management-worker health and safety committees	58	√
	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	57	√
	403-3: Workers with high incidence or high risk of diseases related to their occupation	57	√
	403-4: Health and safety topics covered in formal agreements with trade unions	58	√
Training and Education			
GRI 404: Training and Education	404-1: Average hours of training per year per employee	52	√
	404-2: Programs for upgrading employee skills and transition assistance programs	49	√
	404-3: Percentage of employees receiving regular performance and career development reviews	50	√
Diversity and Equal Opportunity (not material)			
GRI 405: Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employees	44, 46	√
Non-discrimination			
GRI 406: Non-discrimination	406-1: Incidents of discrimination and corrective actions taken	25	√
Child Labor			
GRI 408: Child Labor	408-1: Operations and suppliers at significant risk for incidents of child labor	15	√

GRI Standards	Content	Page/ Omission	Review
Materiality topics			
<b>Social Performance</b>			
Human rights assessment (not material)			
GRI 412: Human rights assessment	412-2: Employee training on human rights policies or procedures	25	√
	412-3: Significant agreements and investment contracts with clauses on human rights or submitted to evaluation of human rights.	16	√
Local Communities (not material)			
GRI 413: Local Communities	413-1: Operations with local community engagement, impact assessments, and development programs	61	√
Suppliers social assessment			
GRI 414: Suppliers social assessment	414-1: New suppliers that have passed selection filters according to social criteria.	39	√
	414-2: Negative social impacts in the supply chain and actions taken	40	√
Public Policy			
GRI 415: Public Policy	415-1: Political contributions	62	√
Customer Health and Safety			
GRI 416: Customer Health and Safety	416-1: Assessment of the health and safety impacts of product and service categories	45	√
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	45	√
Customer Privacy (not material)			
GRI 418: Customer Privacy	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	15	√
Socioeconomic Compliance			
GRI 419: Socioeconomic Compliance	419-1: Non-compliance with laws and regulations in the social and economic area	15	√



## Contents in relation to the Global Compact Principles

The following table shows the chapters of this report that provide the most relevant information regarding the 10 principles of the Global Compact, in addition to the one included on the management approaches of every GRI aspect. Each stakeholder can evaluate GRI Renewable Industries' progress concerning these principles by the following this table:

Aspect	UN Global Compact Principles	Progress included in chapter
Human Rights	<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.	<b>Part I. General Standard Disclosures</b>
	<b>Principle 2:</b> Make sure that they are not complicit in human rights abuses.	<b>Part I. General Standard Disclosures</b>
Labor Standards	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<b>Part I. Social Dimension</b>
	<b>Principle 4:</b> The elimination of all forms of forced and compulsory labor.	<b>Part I. General Standard Disclosures</b>
	<b>Principle 5:</b> The effective abolition of child labor.	<b>Part I. General Standard Disclosures</b>
	<b>Principle 6:</b> The elimination of discrimination in respect of employment and occupation.	<b>Part I. General Standard Disclosures</b>
Environment	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.	<b>Part II. Environmental Dimension</b>
	<b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility.	<b>Part II. Environmental Dimension</b>
	<b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies.	<b>Part II. Environmental Dimension</b>
Anticorruption	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	<b>Part I. General Standard Disclosures</b>

### Scope consolidation of GRI Renewable Industries S.L. and subsidiaries

Scope consolidation. The group was composed by the following companies at the end of 2018 (1.02-45).

Subsidiary/ Associated company	Country	Subsidiary/ Associated company	Country
GRI Flanges Forjados de Aço, A/S (antes Iraeta Brasil S/A)	Brazil	GRI Wind Steel South Africa, Ltd.	South Africa
Forjas Iraeta Heavy Industries, S.L.	Guipúzcoa	Shandong Golden Luyang Co Ltd	China
G&B Wind Services, S.A.	Brazil	Shandong Iraeta Heavy Industry Stock Co., Ltd. (antes Shandong Iraeta Heavy Industry Co., Ltd.)	China
GRI Basque Holding S.L.	Madrid	GRI Castings S.L.	Guipúzcoa
GRI Hybrid Towers, S.L.	Madrid	Jinan Siemat CNC Machine Co., Ltd.	China
GRI Powergear Towers India Private Limited (antes Gestamp Powergear Windsteel, Private Limited)	(Chenai) India	Jinan Iraeta International Trade Co.,Ltd	China
Gesbey Enerji Turbini Kule Uretim Sanayi Ve Tikaret AS	Turkey	Shandong IBARMIA CNC Manufacturing Co., Ltd.	China
GRI Corte e Biselado S/A	Brazil	Gobi Oasis LC	China
GRI Towers Galicia S.L.	Vigo	GRI Towers Sevilla, S.L.	Spain
GRI Towers Brasil Estructuras Metálicas (antes Gestamp Wind Steel Pernambuco)	Brazil	GRI Calviño Towers Argentina SA	Argentina
GRI Towers Texas, Inc	USA	GRI Renewables UK, Ltd.	U.K.



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