

# ANNUAL REPORT

2017

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## - LETTER FROM THE DIRECTOR-GENERAL

MONDRAGON ASSEMBLY S, Coop should define the year 2017 as a year of successes and achievements.

From the standpoint of the Cooperative and defining as our main objective the “creation of jobs that are profitable and maintainable over time”, the year 2017 has been positive. At the group level, we have created 70 new jobs, with 30 at the Aretxabaleta plant. For this reason, we can say that our contribution to the creation of wealth in our environment, as well as the annual contribution we made through our COFIP funds (about €1 million this year), has been creating wealth in work in our own environment. In this same line, our commitment to the region has led us to collaborating with different local associations through monetary contributions for the purposes of financing and maintenance (UDA, Loramendi, etc.).

In terms of business, 2017 has also been good. At the sales level, we have reached €82 million in consolidated sales. The year was also positive in terms of results, with significant improvements over what was planned in our management plan and a profitability on sales very much above the average of our sector. The two figures were ground-breaking for our company, which places us in the difficult challenge of continuing to improve in the coming years.

We must not lose sight of the fact that our goal is sustainable growth. Our growth depends on our people – they are our asset. Our goal is profitability above growth. We cannot lose sight of the need to control our projects and a satisfied customer, who wishes to carry out a new project with us.

The year 2017 has also marked the celebration for the fulfilment of the 40th anniversary of our foundation. Mondragon Assembly is the result of the tenacity of partners that, 40 years ago, thought it was possible to develop a knowledge-based economic activity to automate assembly processes. The reality of today is that, thanks to those tenacious people who believed in the project, we are a business Group with plants in Germany, France, Mexico, China, Brazil and India, with over 400 people working directly in our plants, following our values and with the intention of continuing to do it for another 40 years.

Our commitment to doing things well has been reflected in our status as one of the first companies in the Basque Country to be approved in an Integrated Management System by the standards ISO 9001: 2015 (of quality), ISO 14001: 2015 (Environment), OHSAS 18001: 2007 (Occupational Health and Safety), SR 10 (Social Responsibility), and UNE 19601 Compliance (ethics when doing business). These recognitions encourage us to keep doing things well and always putting the HOW ahead of the WHAT. There is only one way of how to do things, that is, doing them WELL. With that principle, results should come safely.

In 2017, we incorporated into our different plants many young people with little experience in the business world, with whom we have a commitment to professional development. With this objective, we have implemented a concrete training plan with each person, in which we define the objective for each of them, the person responsible for being their technical tutor during that period, and person who will be giving the feedback of your development. In this situation, we have a clear objective of recruitment and maintenance of talent. We wish to base it on the development of a powerful “Employer Brand”, which is attractive to potential candidates, and on working on their pride of belonging. This project is being developed alongside Mondragon Corporation and other cooperatives of the group, the results of which are expected in 2018.

We maintain our values of sharing wealth and information with all our subsidiaries. This year, again, we have distributed among employees of our foreign subsidiaries 10% of the results before taxes that we have obtained there. It is a way of telling them that our achievements would not be possible without them and that it is fair to

share our wealth with them. From the standpoint of information, we maintain constant contact with all plants (a minimum of three times per year). In each visit, the status of projects and prospects for the next months is exposed.

In line with our commitment to the environment, we approved this year an investment in solar panels, which will allow us to be largely self-sufficient in the generation and consumption of energy, demonstrating our commitment to the environment and the generation of energy in a sustainable way.

For 2017, we have strived to continue working, during 2018, on the governance of the Group and management of growth. These two aspects continue to be important in 2018, and we must continue working on them to achieve stability and security in our project.

The year 2018 presents demanding challenges for our company regarding sales, projects, new customers, and new incorporations, in which each of us must give our best to continue being a company where people can feel proud to belong to and so that we can be acknowledged in our environment for how we do things.

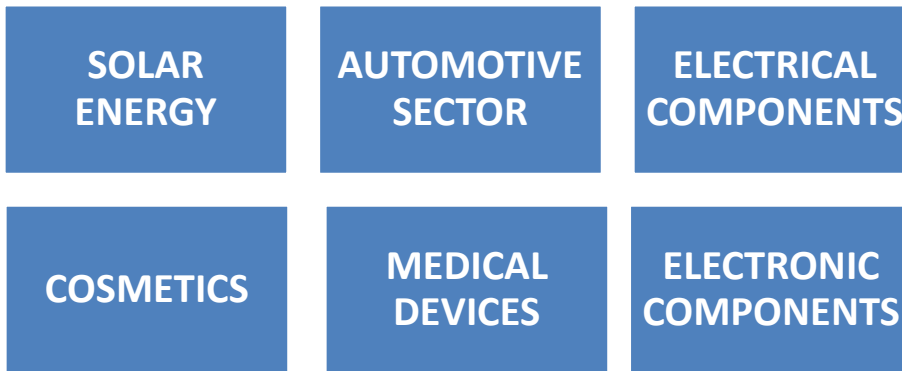
# 1. Introduction

## About Mondragon Assembly

MONDRAGON ASSEMBLY S. COOP started its activities on 15 April 1988. It belongs to the FAGOR group and is integrated into the Mondragon Industrial Automation Division (MIA) of MONDRAGON Corporation.

It is a company specialising in the design, manufacture and installation of a wide variety of equipment for automation of assembly processes and offering efficient, high-quality solutions with the latest technology.

Thanks to the constant success of our clients, we operate in many sectors:



- In order to achieve greater closeness to clients, MONDRAGON ASSEMBLY has carried out an internationalisation process for over twenty years, and currently has the following locations through companies belonging to the MONDRAGON ASSEMBLY GROUP:




As a result of this permanent approach to the market and clients, two lines of business have been developed at the Aretxabaleta plant:

- **Solar Power Business:** It is dedicated to the turnkey delivery of machines to automate certain processes necessary for the manufacture of solar modules, as well as complete factories, integrating different technologies that in some cases are acquired from suppliers or partners.
- **Special Machinery Business:** It is dedicated to the delivery of automation solutions for processes in different sectors: household appliances, medical sector, electrical components, automation, etc.

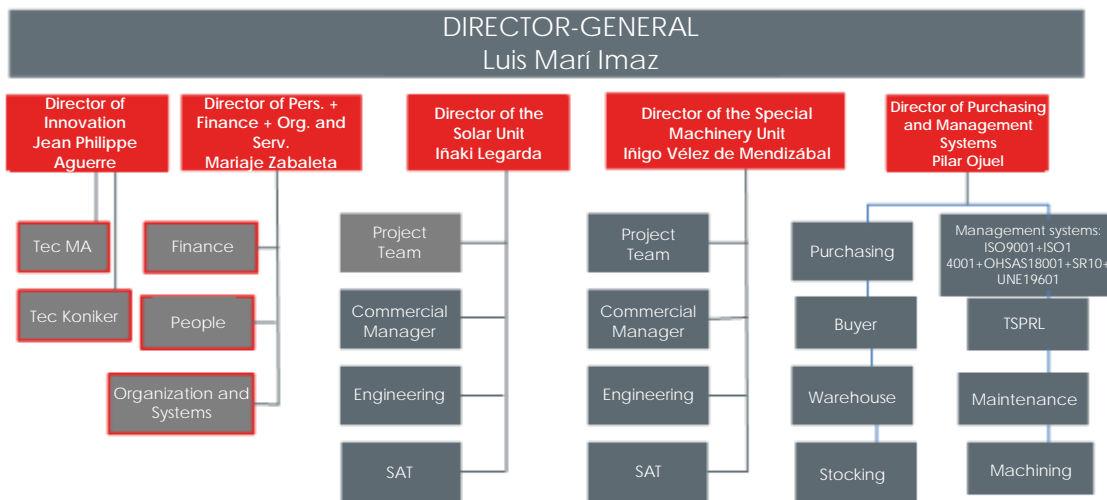
Mondragon Assembly is a cooperative that develops a responsible and sustainable business activity, which seeks profitability adjusted to a code of conduct, compliance with the law, and the creation of added value permanently for its clients and other interest groups.

Other data of interest

-  Over 300 employees around the world
-  Over €80 million in sales
-  6 production plants around the world
-  40 years of experience
-  Innovative production technology

## Organisation chart and business structure

The organisational structure of Mondragon Assembly is as follows:



## Our environment

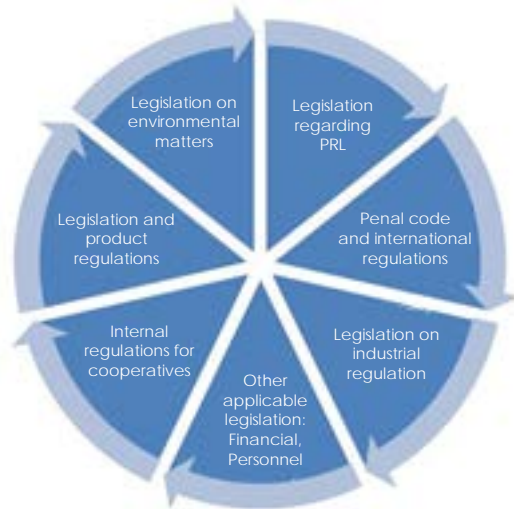
Mondragon Assembly has identified internal and external issues that have an impact on the strategic plans and which affect our ability to achieve the expected results.

The internal and external issues identified are the following:

EXTERNAL AND INTERNAL ISSUES			
	IDENTIFICATION OF SUBJECTS	HOW IT AFFECTS	FOLLOW-UP
EXTERNAL CONTEXT	LEGAL ASPECTS	They affect changes in local, district, state and European legislation and operates worldwide. world since MA operates	The legislative changes are monitored according to procedure P02. In the countries where our plants are located, they are responsible for monitoring legislative changes.
	FISCAL ASPECTS	world since They affect changes in the operates worldwide. local, autonomous, state and European legislation and even MA	The legislative changes are monitored according to procedure P02. In the countries where our plants are located, they are responsible for monitoring legislative changes.
	TECHNICAL ASPECTS	They affect changes in product regulations worldwide.	The CE regulations are monitored through Koniker and Osarten. In the case of other markets, our plants follow the regulatory changes.
	MARKET ISSUES BY SECTORS	They affect changes in product legislation, taxes, environmental aspects, safety aspects, etc.	Follow-up according to P02. Technological vigilance (innovation).
	TECHNOLOGICAL SCOPE	It affects the evolution of technology in the different sectors in which we operate: Solar, Auxiliary Appliances, Auxiliary Auto Appliances, Automobile Tools, Electrical Tools, Medicine, New Sectors.	Follow-up according to P02. Technological vigilance (innovation).
	COMPETITIVE CONTEXT	It affects the appearance of competitors in all sectors and countries where we operate.	Follow-up according to P02. Technological vigilance (innovation).
	ECONOMIC CONTEXT	In the economic context, it affects the level and type of investments of clients, financing possibilities, salary conditions, prices of goods and services bought and sold, etc.	Follow-up from the top management: technology surveillance reports, trade shows, contacts with clients, etc.
	CULTURAL ASPECTS	It affects, when approaching the market, business relations, compliance with the code of ethics and policies	Continuous training of business agents and other staff, P09
INTERNAL CONTEXT	VALUES AND CULTURE OF THE ORGANISATION	It affects the implementation of all management systems. Having trained and receptive people is fundamental for the implementation of the culture of compliance, STT, environment, RSC, quality, etc....	The mission, vision, values, IMS policy (including compliance, CSR, environment, STT, quality), code of ethics and policies are defined. It is disseminated through the informative talks. Every two-three years, satisfaction surveys are carried out, followed by the establishment of improvement plans. It is explained to senior management and the governing body.
	SOCIAL ASPECTS	They greatly affect changes in values in society. The new generations incorporate these new values.	Listening tools by human resources, personal interviews with each person in the organisation, drawing conclusions, and establishment of action plans.
	COMMUNICATION	The communication method affects the receptivity of people to all new initiatives, including the implementation of management systems of any kind.	It is an aspect that has been addressed, as seen in P03 and P11
	WORKLOAD	It affects the implementation of all new activities.	It interrelates with those responsible for the areas to adapt the resources to the activity.
<p>Knowledge of the external context can be provided by considering issues arising from the legal, technological, competitive, cultural and social environment, at the international, national, regional and local level.</p> <p>Knowledge of the internal context can be provided by considering issues of values, knowledge, and organisational performance.</p>			



In the surveillance aspects of the environment, Mondragon Assembly pays special attention to legal and regulatory requirements and has mechanisms to adapt the organisation and processes to the changing requirements in these aspects:



In 2017, the legislation affecting the occupational health and safety system (see point 2.6) and the environmental system (see point 2.7), and the regulations affecting the product (no changes) were revised.

The changes that are expected to have more impact throughout 2018 are the following:

- Entry into force of the LOPD in May 2018.
- Entry into force of the new PRL training requirements for the entire workforce (Metal Convention) in 2019.

For that reason, actions will be taken in 2018 to adapt to these new legal requirements.

Apart from the legal requirements, the most relevant issues identified for the year 2018 are the high workload that impacts all systems and communication. We had a very rapid growth in 2017 and are taking on a dimension that requires new work tools and new processes. Regarding communication, there is an objective in the people area to create a partner's portal to improve communication.

## 2. Strategy and Socially Responsible Management

### Strategic challenges

Every four years, Mondragon Assembly carries out a strategic reflection. For the current period, five areas of action have been defined.



## **CORPORATE CHALLENGES**

Five corporate Challenges are identified. An initial basic description that guides the scope of the Challenge is added.

1. CONSOLIDATION OF THE GLOBAL PRESENCE	<p>Strengthening the positioning as a company that delivers a global service and is acknowledged as such in the market.</p> <p>With a set of autonomous, self-financed plants. Relevance of brand management.</p>
2. GOVERNANCE MODEL	<p>Design and implementation of the global organisation: people, systems, teams, mechanisms to promote and improve the coordination and interrelation among corporate areas and subsidiaries and between subsidiaries, at different organisational levels.</p>
3. BUSINESS MANAGEMENT – RELATIONSHIP WITH CLIENTS	<p>Active search for opportunities, offer management, and global projects: development of the commercial approach to take advantage of local and global opportunities.</p>
4. INNOVATION	<p>Technology and market surveillance to support business development.</p> <p>Technology partners.</p> <p>Knowledge management in the Group.</p> <p>Industry 4.0.</p>
5. PEOPLE	<p>Capturing and developing talent in a global organisation. Multicultural development – mobility, knowledge flows. Generational relay planning.</p> <p>Committed and satisfied people.</p> <p>Capabilities for global project management.</p>



In 2017, significant advances were made in the transformation of Mondragon Assembly based on these 5 challenges:

- Mondragon Assembly is becoming present in some clients as a global company.
- Having a global organisation is costing more and more. Workload is a difficulty when it comes to getting ahead in this aspect.
- In the area of innovation, major advances are taking place in the section of the Industry 4.0, in which we have several European projects.
- In terms of talent management and recruitment, a very important effort is being made. Due to the increased workload, over 70 people have been hired, and many efforts are being devoted to their development.

### Our values

Finding a meaning to the work done is a very important driver for each person and for the company. That is why Mondragon Assembly carried out a reflection a few years ago, which resulted in the definition of a mission and values for the company.

#### MISSION

We are a dynamic and committed Group with a high sense of belonging to the Mondragon Assembly Cooperative, which develops Industrial Automation Solutions. We do not sell only machines, but also offer a service that generates trust in different sectors that are committed to internationalisation.

**VALUES**

Mondragon Assembly has the following values:

- Proactivity/leadership
- Innovation
- People development
- Teamwork
- Excellence
- Closeness to the client

<p><b>1. Proactivity / Leadership.</b> It consists of working in the development of one's abilities, becoming a protagonist/head in one's area of influence and applying this value for the benefit of the cooperative.</p>
<p><b>2. Innovation.</b> To promote the Development and Implementation of alternative and/or novel solutions, in both daily and emerging situations.</p>
<p><b>3. People Development.</b> Promoting, providing and fostering the learning and/or development of others based on the analysis of their needs and those of the Cooperative.</p>
<p><b>4. Teamwork.</b> Cooperating and collaborating with others based on trust, supporting each other in the achievement of a common goal.</p>
<p><b>5. Excellence.</b> Continuous search for flawlessness in the fulfilment of commitments with attitude and continuous willingness to identify areas and opportunities for improvement and implementing them in places that add value to the client while seeking to be the reference in the market.</p>
<p><b>6. Closeness to the Client.</b> Orient the organisation towards the creation and maintenance of customised and close relationships with clients, generating opportunities for advisory services and preparation of proposals on the offer.</p>

## Performance in social responsibility

The demands of customers, administrations and society in general are increasing in everything related to social responsibility and compliance with laws.

This requirement, along with our interest to be better and to seek excellence, leads us to promote a more organised and methodical management in everything that refers to sustainable development, responsibility with society, and specifically, criminal compliance.

For this reason, senior management has deemed suitable to work to integrate social responsibility and sustainable development into our current management system (with certifications ISO 19001, OHSAS 18001 and ISO 14001).

The fact that Mondragon Assembly's parent company is growing strongly, existence of plants in different parts of the world with different cultural environments and, in general, the globalisation of activity (global clients, global suppliers, expatriates, etc.) means that we must give an even closer, more organised and more methodical attention for the proper execution of our duty of supervision and vigilance in all our plants.

Mondragon Assembly seeks to provide a clear framework for all people in which the company's philosophy is defined to work in a socially responsible, ethical and irreproachable manner.

On the other hand, the creation of a style of behaviour that helps us achieve a greater Mondragon Assembly brand is a desirable goal as well.

As one of its six core values, Mondragon Assembly pursues excellence, for which, undoubtedly, working in these areas will help bring us closer to it.

The main objective in 2017 was to prepare for obtaining the SR-10 certification in February 2018, which was approved in the Board of Directors on 21/02/2017. This objective has been achieved.

Some of the highlights of 2017 to be noted include:

- > Internal audit that brought out the shortcomings that had to be solved, based on which an Action Plan was prepared, leading us to a management system according to the SR10 Social Responsibility standard.
- > Creation and implementation of the Conduct, Responsibility and Criminal Compliance Committee, which held its first constitutional meeting on 25/10/2017.
- > Preparation of a Code of Conduct and its signed acceptance by the workers of MA Aretxabaleta.
- > Preparation of the policies (as part of the Code of Conduct) of:
  - Anti-Corruption
  - Conflict of interest
  - Privacy and confidentiality
  - Subsidies
  - Conflict and harassment

The presentation of the Code of Conduct and policies has been well received among workers. All workers also signed their commitment to comply with them.

In 2017, an Equality Plan was prepared, followed by the incorporation into the Conduct, Social Responsibility and Compliance Committee as a work area, with the aim of promoting it.

Alongside this development of the Social Responsibility system, some indicators were defined that will help us to monitor the evolution of our performance over the years. The following table shows see their behaviour in recent years:

DESCRIPTION	CALCULATION	2010	2011	2012	2013	2014	2015	2016	2017
Absenteeism	ITs without No. of people	--	--	--	1.11	1.58	2.80	2.23	1.75
Evolution in the No. of MMA members	Mean total No. for the year	--	--	88	94	100	98	104	122
Evolution in fixed MA Group employees	Mean total No. for the year	--	159	172	194	220	255	313	343
Female presence in MAA	(mean No. of women/mean staff for the year) * 100	--	--	18.18	19.14	19	20.41	21.15	22
Female presence in MAA CD and CR	(mean No. of women in the year/mean total people for the year in CD and CR) * 100	--	--	30.77	30.77	30.77	30.77	30.77	30.77
No. of dropouts	(No. of dropouts/mean staff for the year) * 100	--	--	0	4.25	2	1.02	1.92	1.64

As for the satisfaction of people, the measurement is carried out every two years. The evolution is being very positive. The results of the 2017 survey (conducted in the month of July) have given an overall value of 4.7 points (out of a maximum of 6). Our low dropout rate is also evidence of the overall satisfaction of our workers.

Regarding the presence of women in general and in management, it is still low, although it is increasing year after year. The percentage of 22% in 2017 is due to the scarce presence of women in the group of assemblers (only 2, hired in 2017), with a significant increase in the rest of the groups. As mentioned above, we have an equality plan to address this aspect.

For 2018, and strictly in this area of Social Responsibility, two objectives have been defined:

1. To have an initiative of social responsibility with the environment in 2018.
2. To structure the website for the reporting of social responsibility issues.

In relation to social responsibility, objectives have been defined for the area of safety and health and environment, which can be seen in their corresponding sections.

Other remarkable events in 2017 include:

> The celebration of the 40th anniversary of our company's establishment was held. All workers and their families, local authorities and the top authorities of Mondragon Corporation have been invited. A gift was given to each worker.

> At the Mexico plant, located in Querétaro, the 15th anniversary of the incorporation of the company was celebrated. At this event, the Boards of all plants of the group participated, and all the workers and their families were invited. A gift was given to each worker.

> In February 2018, communications were made to our important regular clients about our Code of Conduct and the different policies. They were referred to the area of our website through a link.

We are aware that there is still work to be done and, during 2018, we will work on completing the implementation and settling the system.

## **Innovation and technology**

In the area of the Internet 4.0, efforts were made in process control and productivity. For both categories, solutions and tools were developed to capture, process and store this information.

Applications and tools were also developed to store production traceability in databases, according to the requirements of certain sectors and customers. In the field of R&D, we have completed these works by lines of research, with centres and ambitious collaborative projects, in which all technologies and related solutions are addressed (Internet of Things, Edge, Cloud, Fog Computing, Data Analytics, etc.), applying them to real customer processes (welding projects in Orkli, for example). This has led to a portfolio of projects with a leading technology centre (Ikerlan), as well as strategic collaborative projects with other technology centres. In 2018, we intend to continue with these developments, focusing on safe parts, as well as on the robustness and reliability in the execution of processes.

On the other hand, robotics and artificial vision work, which are still in the experimental phase, have been undertaken with the aim of providing 3D vision to the robots and developing new reliable technologies for feeding parts for our machines (bin picking). The area of precision and accuracy in the calculations and handling are the parameters that we must pursue in order to achieve high performance in high-cadence machines. These are the goals that we pursue. In this area, a collaboration with Ideko, Tekniker and Mondragon Unibersitatea is yielding its first results. Collaborative robotics is an area that should be addressed in 2018 until a suitable training application can be found.

With regard to the photovoltaic solar business, an ambitious European project has been captured, with a powerful consortium, which aims to develop PV modules with a very low electricity generation cost. The challenge will be to develop new cell bonding technologies using conductive adhesives, a technology to be integrated in our Tabbers. In another consortium, the aim is to extend the service life of these modules considerably, especially for desert conditions, which are markets with high development potential.

In 2017, we proceeded with the manufacture and assembly of a machine for the manufacture of lithium modules (batteries). The first modules are being started in early 2018, and the last year of collaboration with client is expected, in order to optimise both the welding processes and the classification of batteries, which guarantees the best quality for the battery pack.

In 2018, in addition to continuing to work on the projects and strategic lines defined by the businesses, a definition of the 2019-2022 plan will be addressed, using the RoadMapping technology developed and implemented by Ikerlan, based on the work of Robert Phaal, from Cambridge University. During this fiscal year, the goal will be to define better the attributes of value that identify our clients and markets and specify the capacities that we want to reinforce or develop, marking demonstrators that will allow us to advance towards our objectives and horizons.

## **Needs and expectations of the groups of interest**

The fact of working the management systems has made us more aware of the importance of identifying the stakeholders. Even so, in 2017, a very important impetus was given to this aspect thanks to the requirements of the social responsibility management system that have been fulfilled.

The management system was expanded with the procedure P26 – Identification of Interest Groups. Identification and evaluation of issues, providing a methodology to identify the stakeholders and relevant matters, prioritise issues, and assume commitments according to the resources and strategy of the company.

The following are the results of the work carried out, reflecting the interest groups, the aspect by which they are considered (influence, dependence, social maturity, etc.), the issues, evaluation and prioritisation carried out, and the analysis of the management that is currently taking place.

They have also determined the channels of communication with them, as well as how to track their perception.

In the diagnosis carried out, we believe that there are many interest groups that have a constant listening and an answer to their needs and expectations through the usual procedures and systems of the company (in green). The colour orange shows the interest groups for which we consider that there is no listening or dynamics to manage their expectations and needs. The Conduct Committee, Rs and Compliance will be responsible for this process.

INTEREST GROUP CLASSIFICATION CRITERIA	INTEREST GROUPS	SUBJECTS (needs, expectations, etc.)	INFLUENCE AND DEPENDENCY OF THE INTEREST GROUP	SOCIAL MATURITY OF THE ISSUES	PRIORITISATION RESULT	CURRENT MANAGEMENT	MEANS OF COMMUNICATION FOR RS ISSUES
DEPENDENCY	CLIENT	Fulfilment of specifications: quality, price, deadlines	5	5	25	Answered by P24, P11, P04, P25	The interviews carried out for the measurement of the peer assessment of the clients' satisfaction are used to collect the perception of relevant issues for them. Also, in meetings that arise from the relationship activities with them. Communication and information on the Web
		Design/Technical Solution	5	5	25		
		Assistance / Support	5	5	25		
		Achievement of objectives	5	5	25		
		Competitiveness/return on investment	5	5	25		
		Effective communication information	5	5	25		
		Technology evolution	5	5	25		
		Reliability, trust	5	5	25		
Value-added services	5	5	25				
Conflict of interests, etc.	5	3	15				
RESPONSIBILITY	MUNICIPALITY	Legal compliance	5	5	25	Management via P02 for legal requirements, P17 for improvement of the surrounding area. P25 compliance Group activity to be implemented.	Submission of annual report. Annual interview with survey. Collect complaints and suggestions.
		Licences.	5	5	25		
		Improvement of the surrounding area: environment, image	5	5	25		
		Creation of jobs locally	5	5	25		
Compliance with tax obligations	5	5	25				
RESPONSIBILITY	RELEVANT AUTHORITY	Legal compliance	5	5	25	P02, P25	Via Web
		Compliance with tax obligations	5	5	25		
		Criminal compliance	5	5	25		
DEPENDENCY	PEOPLE FROM THE ORGANISATION	Professional Development	5	5	25	Management through P09, P11, P13, P14, P15, P16, P18, P19, P25, P26	The perception is minimally collected through the <b>satisfaction survey of the people</b> , which is carried out every three years. Other initiatives may emerge according to specific action plans. Informative talks. Annual feedback. Governing Council
		Generation of value and employment	5	5	25		
		Safe work environment	5	5	25		
		Collaborative work environment	5	5	25		
		Knowledge	5	5	25		
		Effective communication information	5	5	25		
		Participation	5	5	25		
		Solidarity	5	5	25		
		Compliance with laws and agreements: equality, no discrimination, family reconciliation, etc.	5	5	25		
		Compliance with labour laws, compensation agreements	5	5	25		
Criminal compliance training, compliance with the code of ethics and policies	5	5	25				
INFLUENCE	MONDRAGON CORPORATIVE COOPERATIVE	Assumption of the principles, values and management model	3	5	15	Communications are constant through different forums, whose content and periodicity are defined	Communications are constant through different forums whose content and periodicity are defined
		Generation of value and employment	3	5	15		
		Solidarity	3	5	15		
		Profitability	3	5	15		
INFLUENCE	MIA GROUPING	Assumption of the principles, values and management model	3	5	15	Communications are constant through different forums, whose content and periodicity are defined	Communications are constant through different forums whose content and periodicity are defined
		Generation of value and employment	3	5	15		
		Solidarity	3	5	15		
		Benchmarking, best practices					
DEPENDENCY	OWNERS	Generation of value and employment	5	5	25	Management through P11, P23	The perception is collected minimally in the annual <b>Meeting of the cooperative and the monthly informative talks</b>
		Financial profitability	5	5	25		
		Product quality and service	5	5	25		
		Growth (Sectors, Volume)	5	5	25		
		Solidarity	5	5	25		
INFLUENCE	FAGOR GROUP	Retributive Policy and other agreements taken at the normative level	5	5	25	Communications are constant through different forums, whose content and periodicity are defined	Communications are constant through different forums, whose content and periodicity are defined
INFLUENCE	ALLIANCES	Common research and development projects	3	5	15	P24, P25. Management according to need	Communications that imply the common performance of projects and during the development path of the alliance
		Product exchange	3	3	9		
		Image on the market	3	3	9		
		Value added to the client	3	3	9		
INTERNAL/EXTERNAL CONTRACTORS	INTERNAL/EXTERNAL CONTRACTORS	Ethical collaboration and criminal compliance, compliance with the code of ethics and policies	5	5	25	Management and systematics through P21 and P22	An annual interview is carried out minimally on the occasion of the evaluation of suppliers that account for 70% of the purchase order amount. In this interview feedback is given on the performance, and concerns are collected.
		Safe work environment	5	5	25		
		Workload flexibility	5	5	25		
DEPENDENCY	SUPPLIERS	Supplying products with added value and quality	5	5	25	Management and systematics through P21 and P22	An annual interview is carried out minimally on the occasion of the evaluation of suppliers that account for 70% of the purchase order amount. In this interview feedback is given on the performance, and concerns are collected.
		Margin in products	5	5	25		
		Receiving regular and reliable information	5	5	25		
		Compliance with the code of ethics and policies	5	3	15		
PROXIMITY	SOCIETY	Corporate Social Responsibility	5	5	25	Management through P11, P17, P20, P25.	Web channel and interviews with local authorities
		Caring for the environment and	5	5	25		

INTEREST GROUP CLASSIFICATION CRITERIA	INTEREST GROUPS	SUBJECTS (needs, expectations, etc.)	INFLUENCE AND DEPENDENCY OF THE INTEREST GROUP	SOCIAL MATURITY OF THE ISSUES	PRIORITISATION RESULT	CURRENT MANAGEMENT	MEANS OF COMMUNICATION FOR RS ISSUES
		surrounding area				Group activity to be implemented.	
		Image of MA in the surrounding area	5	5	25		
		Criminal compliance	5	5	25		
DEPENDENCY	FINAL USER	Reliable, safe and environmentally-friendly machine			0	Management through P24	Informal communication with personnel of the project and formal in follow-up meetings of the commissioning of the machine on the client's premises
		Effective service			0		
INFLUENCE	COMPETITION	Criminal compliance regarding property rights	5	5	25	Technological surveillance	Technological surveillance is carried out but no direct contact is made
		Respect for free competition (no price agreements, etc.)	1	1	1		
INFLUENCE	TECHNOLOGY CENTRES	Technological surveillance	3	3	9	P25	Communications are constant through different forums, whose content and periodicity are defined. Assistance by the director of innovation
		Joint innovation projects	3	3	9		
		Criminal compliance and compliance with the code of conduct and policies (subsidies)	5	5	25		
INFLUENCE	UNIVERSITIES	Obtaining qualified personnel				Agreement defined	Personnel management holds regular meetings
		Gathering talent	5	5	25		
DEPENDENCY	EXTERNAL PLANTS	Joint projects	3	3	9	P25. Follow-up activities defined.	Communications are constant through different forums, whose content and periodicity are defined (general management and finance management)
		Synergies in purchases, sales, and projects	3	3	9		
		Common culture	5	3	15		
		Criminal compliance, respect for the code of ethics and policies	5	5	25		
RESPONSIBILITY	AFFILIATES/ GOVERNMENT ASSOCIATES	Profitability	3	3	9	P25, participation in steering committees	Communication through regular meetings of normal work dynamics. The general management is occupied
		Supervision of criminal compliance, code of ethics and policies	5	5	25		
DEPENDENCY	COMMERCIAL SUBSIDIARIES	Criminal compliance, respect for the code of ethics and policies	5	1	5	P25, P24	Communication through periodic meetings with business directors
		Having reliable and competitive products and services	5	5	25		
		Ethical business practices, respect for free competition	5	1	5		

	Interest group that has a systematic listening by the organisation and response to expectations through the established processes
	Interest group subject of work by RS

## Risk management

Mondragon Assembly systematically manages risks and opportunities in all areas, as we believe that a risk management implementation may help:

- Foster proactive management instead of reactive management and identify and treat risks at all levels of the organisation.
- Comply with applicable legal and regulatory requirements as well as standards.
- Improve the trust of the interest groups.
- Improve efficiency and operational efficiency.
- Establish a reliable basis for decision making and planning.
- Improve operating efficacy and efficiency.
- Increase occupational health and safety.
- Improve accident prevention, as well as management.

In all risk management processes, the context and risks are identified for analysis and evaluation (according to the methodology established in their case).

Based on the results of the evaluation, the treatment is established (accept, eliminate, reduce, etc.), which may lead to a plan of actions.





We indicate below the actions carried out during 2017 to take advantage of the opportunities and avoid the risks detected when the Management Plan of that year was prepared:

MANAGEMENT SCOPE	ASPECT	RISK/OPPORTUNITY	ACTIONS	STATUS OF THE ACTIONS
SYSTEM OF ENVIRONMENT	Atmospheric emissions	CO2 emission by the vehicle fleet	Study of the fleet and identification of opportunities for improvement.	The existing vehicle fleet has been revised, and a decision has been made to lease a van more suited to the most common assistance needs at the client' address
	Environmental prevention	Provision of Activity Licence for Pavilion B	Monitoring of the project delivered to the municipality.	The project has been delivered to the Industry and is awaiting approval
			Evidencing corrective actions	
			Obtaining the licence	
	Subcontracted at the plant	Lack of knowledge of the environmental management system of the plant	Disseminating through the documentation delivered in the coordination of activities.	The environmental aspects have been included in the documents
	Internal staff	Lack of knowledge of the environmental management system of the plant	Disseminating through the documentation of the welcome plan: waste management, paper consumption, energy consumption, etc.	All instructions regarding the environmental management system and waste management have been included in the reception plan
Energy consumption	Opportunity to improve the management so that no equipment is left lit during the weekend, adapt the consumption to the need, etc.	Implementing an automated management system	This project has not been addressed due to lack of resources	
	Opportunity to take advantage of the roof for installation of solar modules	Carrying out a study to install the modules and reduce consumption	The study was carried out, and the investment will be launched by the first quarter of 2018	
OCCUPATIONAL HEALTH AND SAFETY SYSTEM	Level 4 risks: entrapment by or between objects	Risks caused by the elimination of barriers in machines.	During 2016, an action protocol was prepared for implementation in 2017.	In this aspect, plenty of work has been done. The protocol has been implemented and, for this purpose, more than 20 people have been trained to be a preventive resource. A camera has also been purchased to record and view the adjustment work to be done, without the need to remove barriers when the machine is running
	Coordination of activities	Special difficulty with solar business clients, from emerging countries and without an industrial culture.	Carrying out special coordination activities with these clients to ensure the safety of our workers and their workers.	It is being performed although the response from clients from some countries is not yet the desired one.
	Environmental working conditions	Temperature control in Hall B	Installing new air conditioning system	The system has been installed, and much more comfort is perceived in the pavilion
STRATEGY AND MANAGEMENT	Commercial	Opportunity to capture global operations for clients that have plants in different countries where we can deliver services	A commercial unit has been appointed to coordinate these global operations.	Visits are being made.
	Purchasing	Opportunity to reduce costs through purchases between plants	Making a database of the main supplies with the prices by countries so that buyers can have the information	To be completed. On the other hand, the level of cross-sectional purchases is increasing.
		Purchasing synergies in the MIA group	Conducting information exchange to see the opportunities	There is a forum, and information is being exchanged, but we have not yet detected great opportunities.

MANAGEMENT SCOPE	ASPECT	RISK/OPPORTUNITY	ACTIONS	STATUS OF THE ACTIONS
	Projects	Risk of lack of personnel to undertake global projects.	People will be hired at the plants in China and Mexico, which are going to perform training in Aretxabaleta.	In progress
		Risk of lack of closeness to the client in the solar business.	Making local hires	The company has been opened in India, and technicians are provided for delivery of services in China
	Company management	Risk of lack of coordination with the dimension we are taking	Implementing the group's Steering Committees. Conducting a study of Governance of the MA group.	During 2017, 4 steering committees were planned and carried out. To be done
		Brazil plant: difficulties in terms of results	Special monitoring being carried out by the general management	It is being carried out. In 2017, the manager took office, and the internal functioning improved. Losses remain, and it remains under special surveillance
RISKS ASSOCIATED WITH PROJECT MANAGEMENT	Incorporation of inexperienced personnel	Opportunity to train them to obtain performance	Evaluation performance minimally every half year.	It is being carried out.
			Giving feedback in personal interviews with the same periodicity	It is being carried out.
	Workload	Risk of not being able to respond to work peaks	Conducting a new prospection for subcontracting of mechanical, electrical and programming design, as well as assembly	The prospection has been carried out, and work has begun with new companies that select qualified personnel, although the projects costs are being defined.
	Project management	Risk due to lack of profiles with the capacity to manage internal and external resources in international areas	Conducting interviews to expand managerial staff in the solar business.	The solar business is growing rapidly, and its organisation is being adapted. Reflection sessions are being carried out.
Expansion of the number of project managers with the new organisation in special machinery.			Completed	
RISKS ASSOCIATED WITH THE MACHINES	CE marking regulations: It requires the risk assessment of all the machines that are marketed in CE.	An assessment has been carried out of the most repetitive jobs in the machines manufactured has been carried out.	Provision of training to technicians and project managers.	Completed
			Reviewing the instruction manuals of the machines so that they contemplate the residual risks detected. Preparing a standard to be customised in each project.	
			Adapting the electronics of the machines to the requirements, to make machines more secure.	

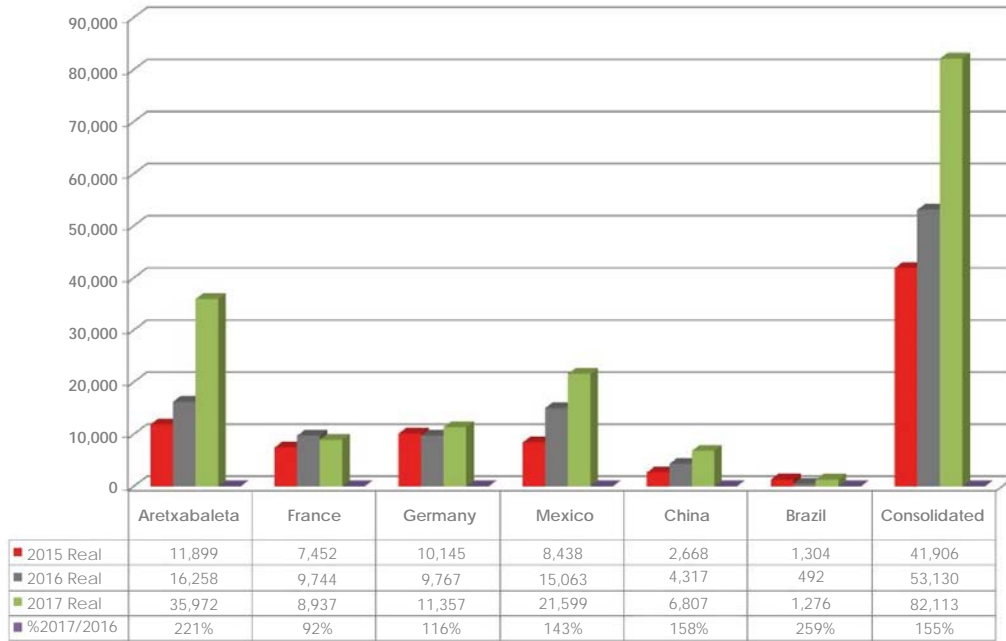
In turn, the risks and opportunities were identified again to take them into account when preparing the 2018 Management Plan:

MANAGEMENT SCOPE	ASPECT	RISK/OPPORTUNITY	ACTIONS
SYSTEM OF ENVIRONMENT	Atmospheric emissions	CO2 emission by the vehicle fleet	Following up the operation of the new van and contract a second if results are positive. Eliminating the Opel Astra
	Environmental prevention	Obtaining activity licence for Pavilion B	Obtaining approval
		Obtain building licence and activity licence for the mezzanine works	Evidencing corrective actions
		Obtaining activity licence for pavilion 1 of Markulete. Obtaining activity licence of the pavilion of Alecop in Markulete	Obtaining the licence
	Internal staff	Lack of knowledge of the environmental management system of the plant	Insisting in 2018 in training using knowledge pills in monthly chats
	Energy consumption	Opportunity to improve the management so that no equipment is left lit during the weekend, adapt the consumption to the need, etc.	Carrying out the study of a management system
Opportunity to take advantage of the roof for installation of solar modules		Installing the solar panels on the roof and achieving 15-20% of the energy through solar energy	
SYSTEM OF SAFETY AND HEALTH AT WORK	Level 4 risks: entrapment by or between objects	Risks caused by the elimination of barriers in machines.	To continue with the training in preventive resources to all personnel that works in the workshop and thus fulfil the requirements of the act as from 2019.
	Prevention Act	It requires more intensive training for staff and periodic renewal	It was started in 2017. The goal is to train all staff for the requirements that will come into force as from 2019.
	Coordination of activities	Special difficulty with solar business clients, from emerging countries and without an industrial culture.	Two action plans: 1) Carrying out a risk assessment of the facilities in the solar business and that do not go through the plant. 2) Sending all documents to the clients for coordination of activities.
STRATEGY AND MANAGEMENT	Commercial	Difficulty in meeting all customer demands (products, projects, geographical areas) due to the high workload.	Establishing alliances to be able to give an adequate response to the market while continuing to transfer opportunities to clients despite the lack of resources. Developing new products to continue to have a competitive offer. Innovate in new processes Establishing the bases in new geographic areas.
		Need to follow new technologies to continue delivering a competitive offer to our customers	Conducting a robotics and 3D vision project. Developing a platform for technology.
		Concentration of sales in the same clients in special machinery	Working to get offers from new clients
		Image and notoriety of the company	Carrying out marketing actions to increase our presence in trade shows and on the Internet
	Purchasing	The deadlines of the machined parts are too long and do not fit the needs of projects	Reviewing the entire process to cut days from order to delivery to projects
		Very radical growth, difficulties in the purchasing area	Establishing support and finding an appropriate leader. Improving processes (seeking support).
		Very sharp growth of activity and lack of sizing in resources and processes in Aretxabaleta	Making a review and adaptation of the processes, including a new version of ERPS. Carrying out a reorganisation study and implementing it.
	Company management	Relevant legislative change. The LOPD is to enter into force in May.	Performing diagnosis and appropriate adaptations.

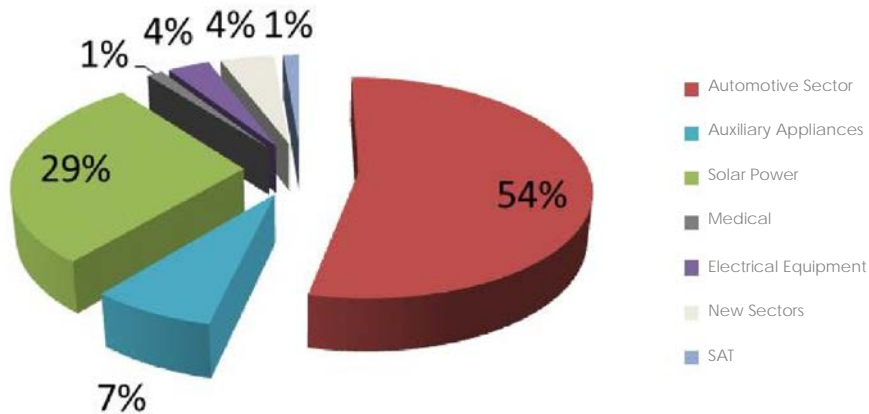
MANAGEMENT SCOPE	ASPECT	RISK/OPPORTUNITY	ACTIONS
		Need to work in the RS area at the request of clients and having our honesty accredited in the major international projects.	Obtaining certification in RS according to SR 10 and Compliance according to UNE-19601.
		Brazil plant: Need to improve results	It remains in special surveillance.
RISKS ASSOCIATED WITH PROJECT MANAGEMENT	Incorporation of inexperienced personnel	Risk of lack of qualified personnel in both businesses to be able to undertake the projects	Continuing to contact subcontractors that provide added value. Continuing to work with companies that capture talent outside Work plan with universities Synergies between plants?
	Efficiency and productivity	Need to improve productivity	Executing the action plan defined in 2017
	Project management	Risk of lack of staff integration in the face of rapid growth	Making the partner portal Reviewing and adapting processes in the people department Carrying out a specific integration plan for recent hires Defining the communication policy of Mondragon Assembly both to attract talent and to integrate people who join
RISKS ASSOCIATED WITH THE MACHINES	CE marking regulations: It requires the risk assessment of all the machines that are marketed in CE.	Lack of knowledge of the staff	Carrying out a training session for the new staff, as well refresher training for the rest. Monitoring the projects to identify possible new risks not evaluated. Continuing the routine of monitoring the legislation.
SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM	System deployment	Lack of experience	Conducting a pilot test to design and implement a commitment with a stakeholder Making the design of the means of communication with the groups of interest
COMPLIANCE MANAGEMENT SYSTEM	System deployment	We work in countries with practices that do not comply with our code of conduct	Defining the level of commitment to acquire in our external plants and carrying it out

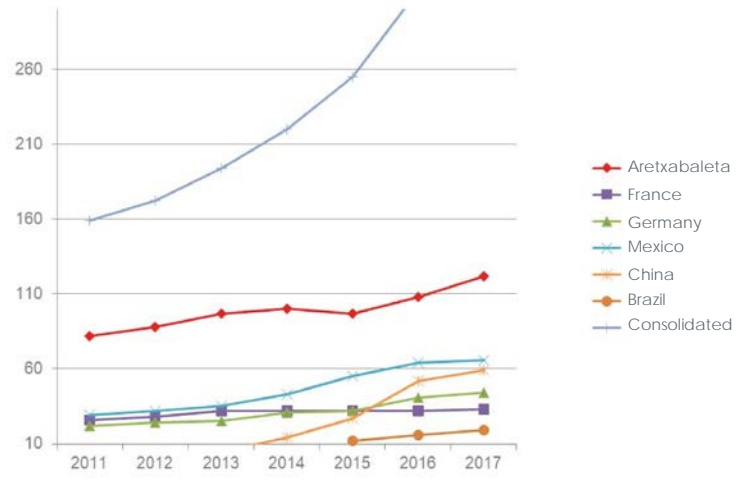
### 3. Main Magnitudes of Mondragon Assembly

We present below our main magnitudes: sales, sectors in which we operate, and evolution of the number of people.



### Sales





## 4. Relationship with the Client

An innovative character, excellence in management and closeness to the client are the three values that have turned Mondragon Assembly into a leading group for clients around the world.

### Offer to the client

Mondragon Assembly applies a large number of technologies to its products and services and is a pioneer in the development of new automation applications. We specialise in the design, manufacture and installation of a wide range of systems and equipment for the automation of assembly processes.

The organisation is divided into two business units, so the client profile is different in each of them:

#### SOLAR POWER

Mondragon Assembly is an internationally renowned producer of equipment for the manufacture of solar panels. It designs and delivers turnkey production lines and machinery for photovoltaic systems. We have been providing innovative manufacturing technology for over fifteen years.

Mondragon Assembly offers its clients solutions and services for the entire value chain:

- Turnkey solutions with a capacity of between 15 MW and 200 MW.
- Automatic and/or semi-automatic machinery: Tabber & stringer machines, interconnections, stringer & layup machines, cell testers & sorters, laminators and photovoltaic module test equipment.
- Design, specifications, sale of raw materials and consumables, development and certification of modules.
- Training and know-how.
- Customised solutions: Mondragon Assembly's engineering team offers its experience to help you develop your project.

#### AUTOMATION

Mondragon Assembly offers:

- Turnkey solutions and custom machinery for automatic solutions.
- Production of automatic and semi-automatic machinery for automotive components.
- Design, assembly, programming and installation of THE production line up to final project receipt, providing a comprehensive solution.
- High productivity, flexibility and excellent quality solutions.
- Customised solutions: Mondragon Assembly's engineering team puts at your disposal its experience to help you develop your project.

## Socially responsible products and services

Mondragon Assembly prepares and completes contracts in accordance with the principles of transparency, truthfulness, trust, and good faith. Similarly, it avoids abusive actions derived from possible dominant positions.

The offers are highly detailed, offering in-depth information about the product and its benefits, as well as terms, guarantees and other aspects.





An after-sales service is available to address all problems, both inside and outside the guarantee. This service is given throughout the world.

The company has mechanisms to ensure due confidentiality in relationships with clients and respect towards the privacy of their data.

Mondragon Assembly is in a process of implementation of compliance according to the UNE 19601 standard, to exclude practices of corruption, extortion and bribery in relations with its clients.

## 5. People Management

One of the main objectives of Mondragon Assembly is to attract qualified workers and ensure that they remain in the organisation, which is why we encourage and contribute to:

- o The development of people: Continuous learning, improvement of training, and communication. The cooperative facilitates the training and professional promotion of its working partners.
- o Balance between family and professional life (flexible hours, paid and unpaid leave, etc.)
- o Equity in remuneration and professional development
- o Responsible hiring practices
- o Participation
- o Teamwork
- o Innovation
- o Leadership
- o Excellence

At Mondragon Assembly, as a Work Cooperative, the workers are partners and owners of the company with full rights and duties, both in the observation of their professional functions and in the right to participate in management through the relevant agencies and in business results.

Throughout 2017, the main actions of Mondragon Assembly in relation to its partners and workers have been:

- Incorporation as work partners of more than 95% of its employees.
- Development of a Welcome and Integration Plan for all partners, informing the rights and duties of the work partners, the cooperative's organisational structure, the social security system, etc.
- Pre-retirement for those who are between 58 and 61 years of age in order to generate employment and incorporate young people into the professional world.
- Specific training and techniques to improve efficiency, rigour and quality of the work.
- Performance Management System.

### Template profile

Structure of work partners	2017
Directors	6
Heads	12
Technicians	116
General services	22
<b>Total Work Partners</b>	<b>113</b>
Employment creation (TCA)	25

All contract workers have a one-year temporary contract. In total, there are 17 people in this situation, plus 2 with a training and learning contract in collaboration with Mondragon Unibertsitatea.

RELATIONSHIP	2017
MOD	95
MOI	43
TCA	25
PARTNERS	113
RELOCATED PARTNERS	5
SDD	22
EXPATRIATE PARTNERS	10
EARLY RETIREMENTS	0
LEAVE	4

TERMINATIONS	2014	2015	2016	2017
Terminations (Inter-cooperative Transfer)	1	1	0	0
Voluntary leave	1	1	1	0
Parental leave	0	1	1	1
Negotiated leave	0	0	1	0
Retirement	0	2	3	3
Death	0	1	0	0
Voluntary termination	0	1	0	1
Early retirement	1	5	2	0
Terminations for women (Maternity leave)	0	1	1	0
Terminations for men (Paternity leave)	2	4	1	2

## Mechanisms for dialogue with people

At Mondragon Assembly, every two years, a cultural analysis is carried out, in which a satisfaction survey is sent to all the people in the organisation.

- Organisational culture: The survey, developed by the Mondragon Corporation for all its cooperatives, is aligned with the Corporate Management Model and, in addition to measuring satisfaction, measures the personnel's degree of commitment.
- Satisfaction of all the people in the organisation: Qualitative survey, developed by the People Department.
- Internal Client Satisfaction Survey. Quantitative survey, developed by the People Department.
- Leadership and cultural development. A survey developed by the Mondragon Corporation for cultural diagnosis and analysis. This model evaluates the following levers:
  1. Leadership, Management Systems, Team, and Shared Project.
  2. Constructive, Passive and Aggressive Culture.
  3. People Development: Satisfaction, Commitment, Proactivity, Extra-Role Performance, Effective Balance
  4. Performance Results: Absenteeism, Added Value/Workplace

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Interest Group: Partners and People

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Dialogue mechanisms carried out in 2014-2016

- Organisational culture survey. With a satisfaction of 4.5 and a 5 in commitment.
  - Internal Client Satisfaction Survey: 102 responses obtained, with a global satisfaction of 8.
  - Participation and decision-making capacity in the basic governing bodies: Ordinary and Extraordinary Meetings and Governing Council; Preparation of Strategic and Management Plan.
  - Activity of the Social Council, with extensive negotiation and decision-making capacities.
  - Appearances of the President and the Director-General before all the personnel (monthly Informative Talks) to share the diagnosis of the situation and measures being adopted.
  - Survey on leadership and cultural development
  - Survey regarding the status of Equality in the organisation and family conciliation.
  - Internal Suggestions System: Contributions of workers.
-

Based on these dialogue mechanisms, the expectations of the partners and workers regarding the cooperative have been identified, and a series of actions have been undertaken to meet these expectations:

Expectations	Actions taken
Participation	Increasing the participation of people in the processes.
Working in listening	Encouraging listening through existing tools: development interviews, personal development, etc.
Teamwork	Tools for the exchange of information between offices, cooperation, etc.
People development	Promoting learning and personal development.
Implication/Commitment	More involvement and rigour in the work.

## Development and training of workers

This Training Plan is prepared in a context of transformation in which Mondragon Assembly approaches a new model with the division of the two businesses, in accordance with the demands of the market. The organisation has redefined its business model, transformed its organisational structure, and generated a change that pursues the following objectives:

- The integration of different subsidiaries and productive plants where the need to carry out global projects is defined.
- Business diversification with greater specialisation.
- Need for knowledge of the market and improvement of the project capture speed.
- Efficiency, performance, and achievement orientation.

The following tables present the most relevant information regarding training at Mondragon Assembly:

DESCRIPTION	CALCULATION	2010	2011	2012	2013	2014	2015	2016	2017
% training hours/workload	Training hours/workload	3.59%	1.65%	0.67%	5.30%	4.5%	1.64%	2.49%	2.36%
% staff participating in training sessions	No. of staff in training/total staff number * 100	92.41%	80.49%	51.14%	90.2%	87%	80.37%	86.45%	88%
% training actions carried out compared to planned actions	No. of action carried out/planned	88%	75.61%	82%	83%	84%	50%	59%	70.6%

The number of training hours received by Mondragon Assembly, S.Coop in the year 2017 amounts to 5,035.5 hours, divided into 101 training actions, with a total cost of € 175,356.27.

- This total cost is broken down into the following concepts:
- External trainer cost: € 117,890.24
- Indirect cost: € 57,466
- Internal trainer cost: € 1441.90
- Total number of hours: 5,035.5 hours
- Total number of persons trained: 112
- Average number of hours per person trained: 35.97 hours per person.
- % trained people: 88.0%
- Average staff 2017: 122
- Total staff 2017: 137
- Total number of courses: 101

#### **PLANNED TRAINING:**

Total actions carried out:

- Actions planned for 2017: 17
- Total actions planned and carried out: 12
- Total number of planned actions cancelled in 2017: 1 action (Basic Excel ERPS)
- Total number of planned actions not executed in 2017: 4 actions

#### **UNPLANNED TRAINING:**

- Total actions not planned and carried out: 19

Additionally, each year, the Satisfaction Survey of the participants in the different Training Actions is carried out, as well as the periodic Evaluation of the Effectiveness of said Actions.

These Evaluations are developed after a minimum period of 1 year from the completion of the planned Training Actions and/or with a duration of more than 8 hours.

This evaluation was carried out with the person in charge of the assistants of the action, in order to assess the transfer of knowledge learned at the workplace.

The result of the evaluations is as follows:

- Average rating of the planned training: 8.46
- Average rating of unplanned training: 8.41

## Welcome and integration programme

In 2014, the recruitment and selection process were analysed (participation in forums, collaborations with different universities, social networks, Infojobs, etc.), the tools for the profiles adapted to the future needs of the organisation was reviewed, and the profiles of all positions, personality tests, technical exams for some positions, etc. were defined. In summary, the entire process was updated. This process will be continued in 2018, with a thorough analysis.

Additionally, two types of Welcome Plans were defined, for both the new hires (for the TCAs) and for the Determined Duration Partners and Indefinite Partners. It has been applied to all the hires at Mondragon Assembly. The objective of these plans is to ensure optimal performance and enhance the identification and commitment of new hires with the values of Mondragon Assembly and the cooperative environment during the first three years in the organisation.

This plan has been applied since 2012, with detailed follow-up being carried out since last year, in which the President of the Governing Council has a talk with all Determined Duration Partners and Indefinite Partners.

## Continued education programmes

At Mondragon Assembly, we are aware of the importance of training in terms of consolidating the process of improvement of the cooperative and the quality of our products. We are dedicating an important effort to the personal and formative development of our people.

The organisation carries out a Training Plan for two years and carries out a diagnosis for this purpose. All directors, Team Managers and/or Managers participate in this diagnosis, with two Focus Groups established, one for each business, in which approximately 14 people from different areas or departments participate.

In 2016, technical training was given to people working in the Technical Office, Prevention and Occupational Safety, Customs Management, Performance Management, Finance and Taxation, Leadership and Team Management, etc.

## Management by competences

In 2013, all the systems related to people were integrated into one project: PRAXIS – Management by Competences (Training and Development). This manual includes the matrices, where the technical, generic and specific competences of persons who take office in a job position. In 2017, the technical and specific skills of some jobs were redefined, considering that the organisation and the market experienced changes in this period. This system features an assessment of the performance of each worker (development interviews between command and employee; feedback).

## Social benefits

Through the social benefits, Mondragon Assembly aims to implement measures that are designed to encourage partners to become involved in the Work Cooperative. Mondragon Assembly has developed the following initiatives focusing on improving the social benefits perceived by its employees:

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## Social benefits

Reconciliation measures: The Internal Regulations contemplate reconciliation measures relating to the personal and professional life, as a way to level, through specific authorisations, the difficulties relating to peremptory family-related needs of the partners.

Advantages in financial products for all people:

- Accident insurance
- Loans subsidised for the purchase of residences.
- Preferential loans for other destinations; banking products and services under preferential conditions (payroll advances, service fee exemptions, etc.).
- Subsidised company dining hall

Other benefits:

- Financing of private studies complementary to those programmed as company training.
- Economic funds for addressing extraordinary needs of a personal nature.

On the other hand, the people who work at Mondragon Assembly have additional social benefits that are detailed below:

- Flexible Conference: All personnel (not only partners) can benefit from the flexible schedule system, including a weekly workday of 5 working days from Monday to Friday with flexible hours, both for entry and departure:
  - Mandatory presence period:  
Monday to Friday, from 9 am to 16 pm
  - Optional presence period:
    - Entry: 7 am – 9 am
    - Meal: 12:30 pm – 2:30 pm, minimum of a half-hour.
    - Departure: From 4:15 pm
- Reduction of working hours for childcare: Currently, 6 people are using this measure (2 women and 4 men)
- Voluntary leave for childcare for a period of up to three years. Currently, 1 person is using this measure.
- Possibility of accumulating up to 100 negative hours, without economic repercussion, for personal matters, in exchange for subsequent replacement.
- Negotiated leaves
- Internal agreements with no trips abroad during the first 6 months of paternity.
- Capitalised cooperative returns (Individual Pension Plan)  
Mondragon Assembly distributes annually among its working partners a percentage of its available results, such as cooperative return or participation in profits, which are capitalised and added to the capital stock of each partner.

This participation in the capital stock is indispensable until the moment in which the work partner ceases their activity in the organisation, constituting practically an individual pension plan with its



increase maintained throughout their working life in the organisation. This corporate participation receives an annual remuneration in the form of interest on capital.

The annual individual allocation of the cooperative's return is based on the business cost of the partner or their total gross remuneration.

- Coverage of financing fees for a complementary Healthcare System  
Mondragon Assembly assumes, for the benefit of its work partners, the joint payment of the precise quotas for the annual financing of an integral Healthcare system, complementary to that corresponding to Social Security, which Mondragon Corporation provides for its partners.

## Occupational safety and health

Mondragon Assembly has integrated the management of Occupational Health and Safety in all activities and processes carried out and is accredited according to OHSAS 18001: 2007.

In response to internal and external issues, the main changes to be adapted in this field are:

- Legal aspects: entry into force in 2018 of the new law that affects us as workers of the Metal agreement (requiring many more hours of training in Occupational Risk Prevention and continuous training)
- Technical aspects: Mondragon Assembly is diversifying the sectors to which they are directed, with new technologies to be integrated into the lines, with the appearance of new risks.
- Cultural aspects: on the one hand, the high workload is causing us to incorporate people from other areas with a different culture to our company; on the other hand, our manufacturing plants are going to countries with very different cultures and sensitivities regarding occupational health and safety, which may cause greater risks for our workers.
- Workload: we have a lot of workload, which entails greater risks to be the staff, with greater tension.

In the assessment of risks and opportunities, we see that we must continue working to reduce the risk of entrapment and continue influencing the training, also taking advantage of future changes in legislation. A risk has also been identified in the coordination of activities with clients from countries that still do not have a sensitivity regarding the issues of occupational safety and health and prevention.

The objectives addressed in 2017 were:

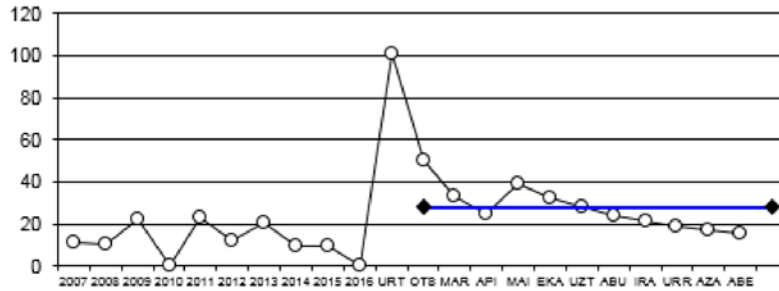
- > Eliminating level 4 risks (entrapment and handling of loads)
- > Improving our level of performance according to the Garatuz self-assessment model
- > Implementation of subcontracting access controls
- > Improvement of environmental working conditions (particularly in workshops)
- > Analysing the impact of legislation on containers and packaging

The evaluation of the fulfilment of these objectives allows us to say that it has been remarkable.

The evolution of the accident rate over the years, as can be seen in the following graph, is very positive, which encourages us to continue in this line of work.

### 2017ko LAN-ISTRIPUGARRITASUNA ACCIDENT RATE FOR 2017

INZIDENTZIAREN INDIZEA – RATE OF INCIDENCE FOR 2017



INZIDENTZIAREN INDIZEA = Lan istripu kopurua / MILA langilekiko  
SPM OSARTEN: Average of Osarten companies for 2017 →

In the specific case of 2017, there were 3 accidents with leave and 3 accidents without leave. After the relevant assessments, two aspects stand out:

- > The most serious accidents are caused by entrapments when making adjustments in our machines (the reduction of this risk is included in the company's objectives).
- > In cases of cutting by sharp objects, resulting in hand injuries, the reason is the failure to wear of the recommended individual protective equipment.

With regard to specific and customary activities, every year, the following should be highlighted in the field of occupational safety and health:

- > Internal audits;
- > Scheduled inspections;
- > Emergency and evacuation drill;
- > Monthly occupational safety and health committees (in 2017, they achieved 80% compliance, with 63 actions collected and planned)

Other issues to highlight in 2017 are:

- > Emergency Plan Update.
- > Investment to implement air conditioning in pavilion B.
- > No communication has been received (complaints, warnings, etc.) by the labour administration.
- > Despite the large presence, given the high workload, of people from suppliers and customers at the plant, no complaint has been received and no notable incidents have occurred in relation to these groups.

Finally, for 2018, the defined objectives are the following:

- > Reduction of type 4 levels of risk assessment (entrapment between objects during servicing).
- > Reduction of type 4 levels of risk assessment: performing analysis of the risks in the development of solar projects for the entire process: assembly, disassembly, transport, and installation at the client.
- > Training on the subject of the new metal agreement.
- > Garatuz Model: continuing working to raise the level of performance by 10 points.
- > Psychosocial reassessment of the staff of Mondragon Assembly S. Coop.
- > Review and improvement of the coordination process with clients from countries outside the EC.

## Diversity and equality

Mondragon Assembly understands that, in its organisation, effective equality of opportunities and treatment must be respected and facilitated, irrespective of race, sex, parental status, beliefs, ideology, sexual orientation, nationality, social origin, health, age, disability or other personal characteristics, and that specifically, there should be no direct or indirect discrimination in hiring, training, progression and professional promotion or violation of related rights.

For that reason, Mondragon Assembly prepared its Equality Plan in 2017 with the objectives and actions to be developed in the following three years.

Objectives of the Mondragon Assembly equality plan:

1. Keeping up-to-date data on selection and promotion.
2. Keeping up-to-date on the general data of the staff by the department of the people area for analysis at the Conduct, Social Responsibility and Compliance Committee (CCRSC).
3. Training and developing the members of the permanent staff of the CCRSC on issues of equality and systematising this training to guarantee their continuous training.
4. Analysing and ensuring a unique treatment in cases of special reconciliation needs.
5. Establishing awareness campaigns:
  - a. Informing the group about the reconciliation measures existing at Mondragon Assembly. This work being carried out by the people area department on an ongoing basis. In the event of a new measure, this should be communicated to the collective (via email, informative talks, etc.).
  - b. Carrying out a proactive communication in the recruitment of women in presentations to schools.

In order to carry out this plan, the work of the CCRSC has included the establishment of actions to be addressed during the next Management Plan, as well as an evaluation and follow-up of the plan established in the previous fiscal year.

The composition of the Mondragon Assembly staff as of 2017 is as follows:

Staff	2017
Average staff age	37.3 years
Under 40 years	60.63%
40-55 years	30%
Over 55 years	9.37%
Average seniority	8.6 years
Percentage of women	31%

Staff by gender	2017	
	Men	Women
Directors	4	2
Team Leaders/Business Managers	16	2
Technicians	100	16
General services	13	9
Total number of workers	97	18

## 6. Ethical Behaviour

### Compliance system

In compliance with the decision to implement a management system for social responsibility and sustainable development (with SR-10 certification), and taking into account the enactment of Organic Act 1/2015 of 30 March on criminal risks of legal entities, the senior management has decided to implement a criminal compliance management system and be certified according to standard UNE: 19601.

The increase in global activity also contributes to the rise in the number of people especially exposed to criminal risks, which requires greater attention.

The objective of obtaining the certification UNE: 19601 was approved in the Board of Directors (senior management) on 20/09/2017. In 2017, all procedures and documents were developed to prepare us for a pre-audit (Phase I) in November 2017 that would give us confidence that we were able to achieve, without major deviations, the UNE certification: 19601 in February 2018. The objective has been achieved.

An analysis of the risk of committing crimes has been carried out, in which current financial and non-financial controls have been identified, with others proposed to reduce the residual risk. The form of work consists of improving our controls, supervising their compliance with efficient work of the Conduct, Social Responsibility and Compliance Committee, and ensuring the awareness and training of the people of the organisation.

Simultaneously, the compliance system has been developed, with performance indicators included in the Control Panel.:

- > Number of improvement proposals (included in the CCRSC) implemented
- > Percentage of complaints/non-conformities solved
- > Complaints about legal noncompliance
- > Noncompliance with accounting obligations

Because the system is recent, there are still few results available.

The Conduct, Social Responsibility and Compliance Committee was established on 25 October, as well as internal and external communication channels.

Throughout 2017, the foundations of the criminal compliance system have been laid down in order to establish a culture of compliance across the MA group:

- > Reporting channels have been established and communicated both internally and for external stakeholders. For the latter, an email address has been enabled on the website.

- > Training on compliance has been given in the informative talk held in September, and the workers have signed their commitment to the Code of Conduct and the different policies, as well as a commitment to confidentiality.

- > There are signed confidentiality agreements with several suppliers and customers.

- > In February 2018, communications were made to our important regular clients about our Code of Conduct and the different policies. They were referred to the area of our website through a link.

We have the challenge of extending the compliance culture to the rest of our subsidiary plants abroad, for which a first objective was established for 2018.

For 2018, 2 objectives have been defined in terms of criminal compliance:

1. To define and implement the necessary financial controls to reduce the residual risk for crimes related to:
  - Corruption in business and
  - Crimes against the Public Treasury/Social Security and the noncompliance with accounting obligations.
2. All exposed people from all the plants were identified. They received training on compliance and signed the Code of Conduct and the different policies defined.

In 2018, we will work to complete the implementation and establish the criminal compliance system: improvement of procedures, actions to extend the culture of criminal compliance to interest groups and, in particular, to our subsidiaries, delivery of training, etc.

## **Commitment to human rights**

Mondragon Assembly is defined in the Policy of its management system and is committed to complying with the 10 Principles universally accepted and included in The Global Compact:

- 1 – “Businesses should support and respect the protection of internationally proclaimed human rights within its scope of influence.”
- 2 – “Businesses must make sure that they are not complicit in human rights abuses.”
- 3 – “Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.”
- 4 – “Businesses should eliminate all forms of forced and compulsory labour.”
- 5 – “Businesses should ensure the effective abolition of child labour.”
- 6 – “Business must eliminate discrimination in respect of employment and occupation.”
- 7 – “Businesses should support a precautionary approach to environmental challenges.”
- 8 – “Businesses should undertake initiatives to promote greater environmental responsibility.”
- 9 – “Businesses should encourage the development and diffusion of environmentally friendly technologies.”
- 10 – “Businesses should work against corruption in all its forms, including extortion and bribery.”

## 7. Relationship with the Environment

2017 has been the first year in which we worked with the implemented environmental system. Information related to the environment has been included in the Welcome Plan for new people hired by the company, and investments are being made so that our activity has less environmental impact.

Based on the internal and external issues, we defined as relevant the workload, awareness of the personnel hired, and the increase in the amount of waste generated due to the increase in activity and its management.

In 2017, a more exhaustive analysis of the needs and expectations of the stakeholders was carried out. The care of the environment on our part is a priority issue in our relationship with public administrations and society. As an example, this year we asked our packaging supplier for information on the consumption of wood and plastic and aim to analyse how the regulations on packing and packaging can affect us to see how we can reduce the environmental impact.

Our objectives for 2017 were:

- > Reduction of electricity consumption by 5%.
- > Carrying out a study to quantify possible CO2 reductions.
- > Analysis of the impact of the legislation on containers and packaging.

Investments were made in the placement of low consumption light bulbs in the two pavilions, reducing lighting consumption by less than half, and the fleet of vehicles was analysed, with a decision being made on the progressive purchase of vehicles with significantly lower emissions.

Other issues to consider in 2017 are:

- > Control of waste volumes has been achieved (this was an aspect identified in 2016 to improve).
- > Water and energy consumption are improving in relation to the number of people.
- > A study of the company's vehicle fleet is still pending. this comprising the only CO2 emission identified at Mondragon Assembly.
- > In 2017, an emergency drill was conducted for an uncontrolled spill.
- > Monthly safety and health and environment committees were established, with participation of prevention delegates. The rate of compliance has been 80%.
- > In 2017, no communications were received (complaints, warnings, etc.) by management.
- > No complaints were received and no notable incidents have occurred in relation to the personnel from suppliers and clients working in our plant, in terms of the environment.

For 2018, the objectives in which we will work are:

- > Obtaining electricity through renewable energy (installing photovoltaic solar panels to achieve between 15-20% of the energy required).
- > Reduction of energy consumption by 5% (installation of an energy management system).

The following are some of the most important quantities in terms of consumption and waste generated:

INDICATOR	MEASUREMENT UNIT/RATIO	LIMIT	2014	2015	2016	2017
Mean staff	No. of people		90	95	110	122
Production value	(€)		10,381,866 €	14,837,449 €	20,878,179 €	38,811,272 €
Paper consumption	kg		563.75	1,167.45	1,104.00	1,778.10
Energy consumption	KWh/year		513,616	392,611	427,823	500,869
Vehicle km	No.		73,890	91,684	77,354	76,044
Diesel fuel consumption	Litres/year		3,228	4,039	3,924	4,506
Mains water consumption	m3/year		855	884	685	755
Mains water consumption	m3/year/No. People		9.50	9.31	6.23	6.19
CO2 emissions	Tonnes		22	29	27	29
Cutting fluid residues	kg		0	0	600	94
Oil residues	kg		0	0	200	148
Solar module residues	kg		0	1,500	400	1337
Paper and cardboard residues	kg		8,740	6,600	3420	4720
Plastic residues	kg		4,100	3,480	3300	5800
Wood residues	kg		2,940	3,900	4400	8360



## 8. Contribution to Society

Mondragon Assembly was founded in the Basque Country as a business group with a strong commitment to servicing Society, with a mission focusing on the creation of collaborative and participatory work of a cooperative nature, as an essential way for the creation of wealth and well-being, both among its direct social partners and in the society in which it is immersed.

### Direct contributions to society

The organisation has different funds for the promotion and contribution to employment, internationalisation, and strengthening of the economic situation of some cooperatives.

There is a Central Inter-Cooperation Fund (FCI), Corporate Solidarity Fund (FSC) and an Inter-Cooperative Education and Promotion Fund (FEPI) which, along with the Reconversion of Results among cooperatives, are the most characteristic inter-cooperative solidarity mechanisms of Mondragon Assembly.

These funds make it possible to promote, with a joint perspective, challenges such as the development of new activities for the generation of employment, internationalisation, strengthening of the economic situation of some cooperatives, and outstanding actions in the educational and technological fields, as summarised in the following lines:

FCI (Central Inter-Cooperation Fund): Most of the FCI resources were instrumented as investments, mostly in terms of loans and in the form of capital contributions. These investments focused mainly on financial reinforcement and the development and consolidation of cooperatives.

FSC (Solidarity Fund): In the scope of the Corporate Solidarity Fund, they allow these resources to be allocated to the strengthening of the economic situation of some cooperatives.

FEPI (Inter-Cooperative Education and Promotion Fund): As regards the FEPI, the resources come from the COFIP.

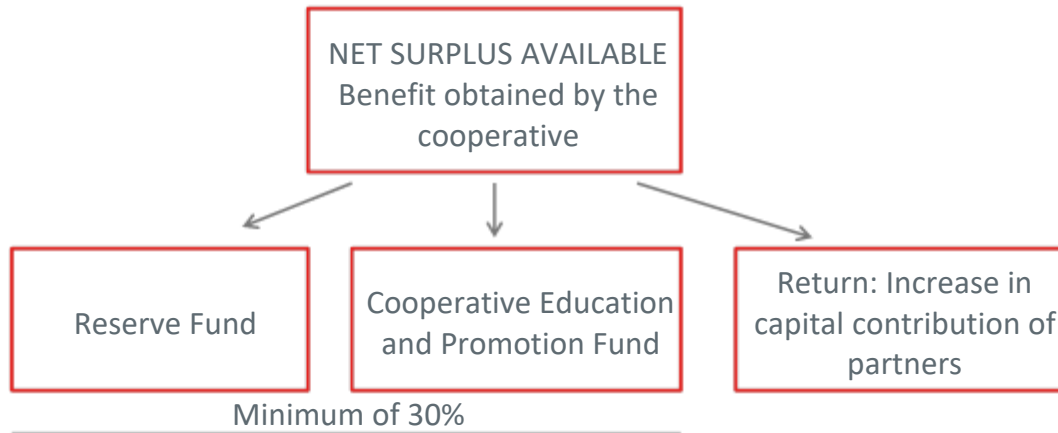
The COFIP (Mandatory Contribution for Cooperative Education and Promotion and other Public Interest Purposes) is a specific cooperative legal requirement that requires a percentage of the profits obtained to be distributed and which is targeted at R&D, training, and cultural objectives. Specifically, this fund is composed of 10% of the available surpluses (after deducting the amounts that are intended to offset losses from previous fiscal years and to fulfil the required tax obligations) of each cooperative.

In the cooperatives of the Mondragon group, the criteria for the allocation of surpluses, if any, are included in the bylaws themselves.

The criteria and mechanisms for allocating social assistance present a few singularities:

- Due to its legal nature and its cooperative nature, Mondragon Assembly directs a significant part of its solidarity contributions to the promotion of the cooperative world.
- It reserves a specific section on social works to local attention.

### Distribution of Net Excesses



Currently, the data for 2017 is not available, so the data for 2016 are attached:

Total aid from COFIP and allocation:

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#### **DISTRIBUTION: €341,170**

Education	36%	122,821
Fagor, region	4%	13,647
Fagor, Basque Country	32%	109,174
Fagor, inter-operation	9%	30,705
Fagor, third world	10%	34,117
Fagor, group	2.5%	8,529
Mondragon Assembly, training	4%	13,647
Mondragon Assembly, others	2.5%	8,529

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Direct support from Mondragon Assembly, amounts and destinations

<b>€8,529 KANPO EKINTZAK</b>		
<b>€3,649</b>	UDA kirol Elkarteak	Aretxabaleta
<b>€1,279</b>	Loramendi – Urkulu dokumentala	Aretxabaleta
<b>€15</b>	Arrasateko Rugby taldea	Arrasate
<b>€15</b>	Desoreka Judo taldea	Arrasate
<b>€15</b>	Ointxe Arrasateko Saskibaloia KE	Arrasate
<b>€15</b>	Aldaide Ikastetxea	Gasteiz
<b>€341</b>	The other look – Asoc Humanitaria	Durango

### Indirect contributions to society

The most significant indirect economic impact is the generation and distribution of wealth and employment, preferably cooperative, which is carried out through the contribution of Mondragon Assembly resources to the Mondragon Group. Mondragon Assembly, however, also affects society through:

- o Education, in particular through Mondragon University.
- o Research centres, such as Koniker, Ikerlan, IK-4, etc.

## 9. Responsible purchasing

Mondragon Assembly understands the integration of ethical, social and environmental factors is part of its responsibility and thus has sent its code of conduct and policies to its entire supply chain.

Mondragon Assembly wishes to extend the principles applied in the company to its suppliers and work with companies that integrate occupational health and safety in their activities, are respectful with the environment, and are ethically and socially responsible.

For that reason, it has introduced the following aspects in his evaluation of suppliers:

Safe working conditions, recognition of the right to collective bargaining, no discrimination regarding employment and occupation.
Waste sorting performed and preventive measures taken regarding environmental issues.
Initiatives of social responsibility for the environment are carried out.

In 2018, work will be carried out to demonstrate compliance with these aspects, as well as face-to-face audits of boiler and machining part suppliers.