




2014 Annual Report



Annual Report 2014

This is the sixth Corporate Social Responsibility report, which details on the company's corporate governance and performance over the course of 2014 in three different areas: economic, social and environmental.

Isdefe publishes a corporate social responsibility report annually that adheres to the directives and principles of the Global Reporting Initiative's (GRI) international standard, which sets the methods for determining the content, scope and coverage of the report and ensures the quality of the information provided. The appendices of this document include an index for locating the main GRI principles and indicators in the text.

This document incorporates reference data from previous years so that the company's current situation can be more easily assessed. The report is published digitally on the Isdefe corporate website, www.isdefe.es.

The information contained in this report fulfills the requisites in version 3.1 of the GRI to achieve an application level of A.

	C	B	A
GRI CHECK			✓



Isdefe

Business Development Directorate
Marketing & CSR Management
Corporate Social Responsibility Unit
Beatriz de Bobadilla, 3. 28040 Madrid

CIF: A78085719
Tel: 91.271.11.40
Fax: 91.411.47.03
Web: www.isdefe.es
E-mail: rsc@isdefe.es



Letter from the President

5

Letter from the Chief Executive Office

7

1 The Organization

8

Social Performance **4**

68

Environmental Performance **5**

86

ÍNDICE

2 Financial Performance

20

3 Activities Report

36

Corporate Governance **6**

96

Annex A. Annual Accounts **A**

110

Annex B. GRI Indicators **B**

116





Letter from the President



After some years of financial hardships for the industry, the year 2014 saw a reversal in the trend of the Spanish economy thanks to the significant reforms carried out by the government, to the adaptation of Spanish companies to the new conditions, and to the efforts made by every Spanish citizen in this time of crisis. In recent months Spain has become one of the fastest growing economies in Europe, something that our country and its corporate fabric, both public and private, must take advantage of.

This improving economic setting offers numerous opportunities to those companies that have undertaken major restructuring efforts during this time. Such is the case with Isdefe. The work done in recent years to consolidate the company during times of economic recession was key to successfully confronting an increasingly complex, changing and competitive environment.

In 2014 Isdefe was able to position itself and adapt in order to meet the growing demand for its services from the government. It transformed its organisational and economic model and applied the principles of efficiency, economy and quality to all of its activities, the main goal being to create value for the public sector. Similarly, it continued with its internationalisation strategy to search for new opportunities, and it consolidated its standing with other governments and international organisations.

Among the numerous activities carried out, of the utmost importance was Isdefe's contribution in the area of defence and security, which stems from the experience gained over many years and the knowledge from which has been applied to other sectors. The company's contributions have proven essential to the Ministry of Defence.

This report highlights some of the most significant achievements and results obtained in various areas of activity in the past year, none of which would have been possible without the talent, efforts and dedication of each and every Isdefe employee, to whom I am very grateful. I also wish to congratulate the Board of Directors for its work, and, most of all, I am thankful to our clients for placing their trust in the company once more.

Pedro Argüelles Salaverria
*Secretary of State for Defence
President of Isdefe*





Letter from the Chief Executive Officer



This 2014 Isdefe Annual Report, which I have the pleasure to introduce, reflects the company's main activities for the past fiscal year and provides information on its financial, social and environmental management.

In 2014 we implemented the 2014-2016 Strategic Plan, advancing and consolidating the strategic areas and activities that this plan lays out for the company.

As indicated in the plan, Isdefe continued to solidify its status nationally as the in-house provider for the Ministry of Defence and for all government agencies for those activities related to defence and security, as well as for activities involving air transport, ICT, process reengineering and modernisation for the regional governments, energy efficiency, aerospace projects and the management of space complexes, and support to Defence Technology Centres, as specified in the company's corporate purpose.

Over the course of 2014 the company achieved sustained growth for its international activity in Latin America and the Middle East. It also enhanced its activities in multinational organisations.

Isdefe had an income of 139.16 million euros in 2014, a 5.91% increase over 2013, an operating income of 5.5 million euros and an after-tax income of 4.85 million euros. This increased revenue resulted from the consolidation of key areas of activity combined with the company's activity abroad.

In the area of R&D Isdefe maintained its presence in national and international projects, especially in fields related to defence, security and air transport. The company is also an active participant in the H2020 programme.

With the entry into force of Law 19/2013 on transparency, access to public information and good governance, Isdefe published the Transparency Portal on its corporate website in an effort to promote transparency in the company's management and activity. It also published information on how the company uses public funds.

Lastly, I would like to express my appreciation to those institutions and clients that place their trust in the company, as reflected by the high scores reported on the survey of perceived quality, to the Board of Directors for its support, and to every employee for their commitment and professionalism, attributes that are reflected in the quality and excellence of our services.

Francisco Quereda Rubio
Chief Executive Officer





The Organization



Present and future 10

Isdefe around the world 12

Isdefe by the numbers 14

Responsible approach 16

PRESENT AND FUTURE

SERVING THE SPANISH GENERAL STATE ADMINISTRATION

Ingeniería de Sistemas para la Defensa de España, S.A., (Engineering Systems for the Defence of Spain) – Isdefe, is part of the National Public Sector and specialises in providing solutions to the main national and international challenges facing the government through its consulting, technical assistance, engineering and turnkey projects.

Isdefe is the in-house technical services provider for the General State Administration (AGE) and for those agencies, entities and organisations reporting to it. Its president is the Secretary of State for Defence.

The main areas in which it carries out its activity are Defence and Security, Aerospace, Transport, Government Agencies, Information and Communications Technologies and Energy. It also carries out projects and provides maintenance and management services for NASA, ESA and INTA space facilities in Spain.

On 31 December 2014, Isdefe had a team of 1,551 individuals committed to excellence.

MISSION, VISION AND VALUES





STRATEGY AND OBJECTIVES

Since its creation in 1985, Isdefe has experienced sustained growth with periods of expansion and development during which its turnover a reference Society of the Ministry of Defence and public administration.

However, as a result of the complicated financial situation in recent years and of the merger between Isdefe and Insa in 2013, the company's Mission, Vision and Values were redefined and a new strategy was formulated that materialised into an ambitious 2014-2016 Strategic Plan.

The new plan is intended to transform the company so it can face new internal and external challenges. It is based on four Strategic Areas: Business Development, Improved Productivity, Economic Sustainability and Excellence in Management (human capital, organisation, knowledge and systems). The plan provides the basis for guiding the company's operations.



Isdefe has set as its strategic goals that of consolidating and enhance its activities as the government's in-house services provider, increasing the products and services it offers, ensuring its financial viability, boosting its international activity, adapting to the type and volume of services demanded and, finally, planning R&D activities in strategic areas.

The activities undertaken by Isdefe conform to six strategic sectors:



ISDEFE AROUND THE WORLD

WORKS CENTERS

Isdefe has several offices and work centers throughout Spain. Our headquarters are at no. 3 Beatriz de Bobadilla St. in Madrid.





INTERNATIONAL PRESENCE

Isdefe, in keeping with the objectives specified in its 2014-2016 Strategic Plan, has enjoyed significant success in its continuing internationalisation efforts

In 2014, in addition to achieving sustained growth in Latin America, Isdefe increased its activity in Europe through contracts with multilateral organisations, and it successfully maintained its presence in the Middle Eastern market.

Isdefe's sales activity consolidated the company's presence in marketplaces like Ecuador and Peru, and in Europe in organisations like EUROCONTROL, ESA (European Space Agency), EDA (European Defence Agency) and NATO. It also brought in new clients like the European Aviation Safety Agency (EASA) and multilateral organisations like the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF).

One of the main sales milestones in 2014 was the consolidation in Ecuador through the permanent establishment of a branch there in late 2013, which has led to increased contracts for the execution of projects for the Ministry of Transport and Public Works and for the Ministry of Education. Another success in the Latin American market was the awarding of our first contract with the Peruvian navy. In Europe, Isdefe was awarded its first contract from the Supervisory Authority of Europe's Global Navigation Satellite System (GNSS).

Isdefe has set itself the goal of growing its international business in balance with its national portfolio by retaining clients in key sectors and by integrating commercial management into every strategic sector of the company.



MARKETS



Countries in which Isdefe has active projects



Countries in which Isdefe has completed projects

THE AMERICAS

- 1 Chile
- 2 Colombia
- 3 Ecuador
- 4 Guatemala
- 5 Honduras
- 6 Mexico
- 7 Panama
- 8 Peru

► Madrid:

Beatriz de Bobadilla, Robledo de Chavela, Villafranca del Castillo, Torrejón de Ardoz.

► **Ávila:** Deep Space Ground Station (Cebreros)

► **Cádiz:** (Rota)

► Gran Canaria:

Centro Espacial de Maspalomas

► **Cartagena**

EUROPE

- | | |
|-----------------|------------|
| 1 Germany (ESA) | 5 Norway |
| 2 Belgium | 6 Poland |
| 3 Spain | 7 Portugal |
| 4 Estonia | |

**ASIA**

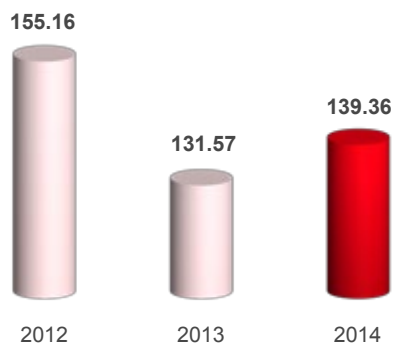
- 1 Saudi Arabia (KAS)
2 Vietnam

AFRICA

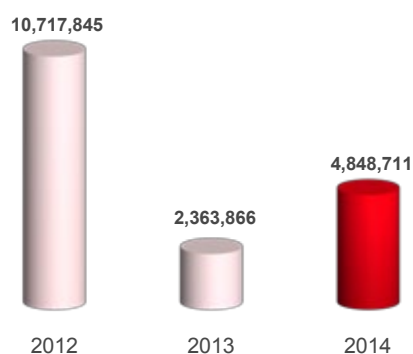
- | | | |
|--------------|---------------------|-----------------|
| 1 Angola | 6 Equatorial Guinea | 10 DR Congo |
| 2 Algeria | 7 Kenya | 11 South Africa |
| 3 Cape Verde | 8 Morocco | 12 Sudan |
| 4 Congo | 9 Mauritania | 13 Tunisia |
| 5 Egypt | | |

ISDEFE BY THE NUMBERS

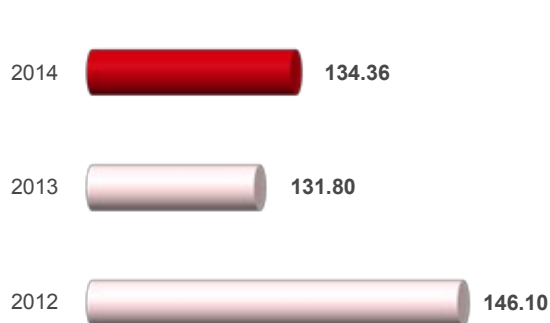
► Turnover (M€)



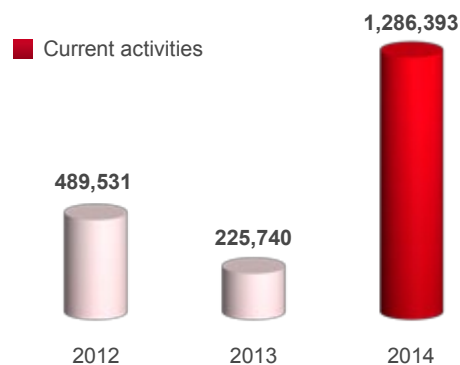
► Net result (€)



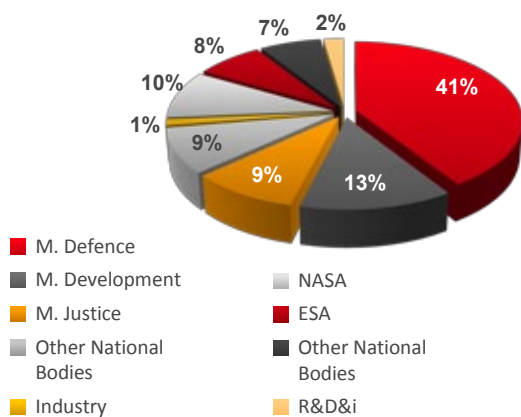
► Operating cost (M€)



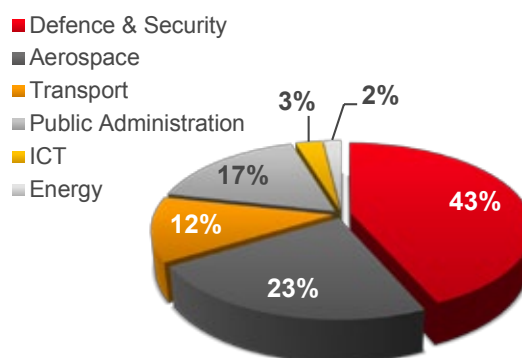
► Investments (€)



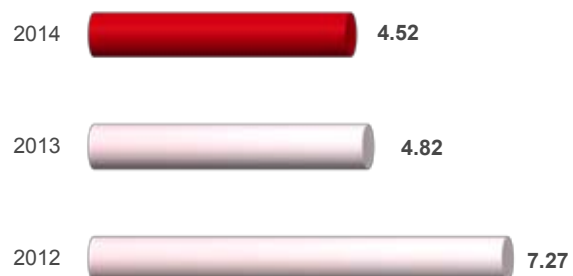
► Turnover by clients



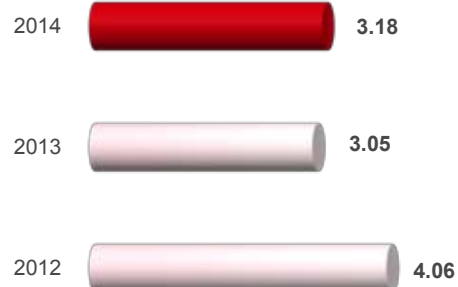
► Turnover by area of activity



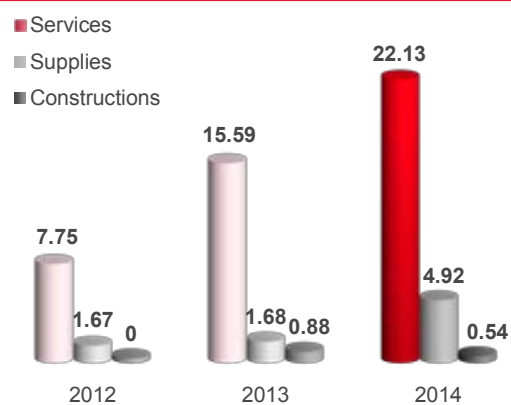
► R&D&i projects (M€)



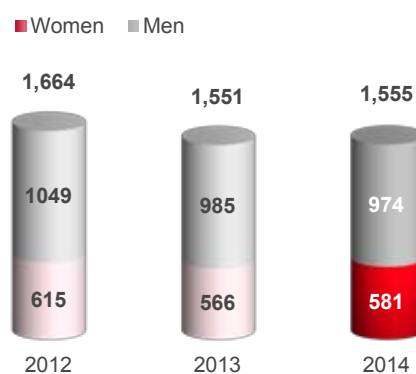
► Partial operating & financing subsidies for R&D&i (M€)



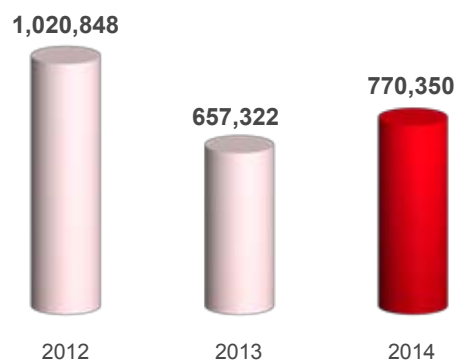
► Purchases, contracts and sub-contracts (M€)



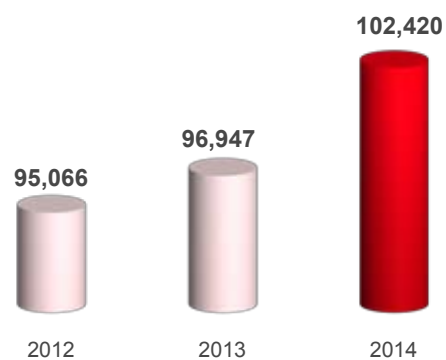
► Staff



► Training costs (€)



► Training hours



RESPONSIBLE APPROACH

CSR COMMITMENT

The 2014-2016 Marketing and CSR Plan was approved in 2014. Its main goal is to promote sustainable management and development in three areas, economic, social and environmental, while safeguarding the company's reputation at all times through its commitment to society and to its environment. It also aims to establish lasting, transparent and mutually beneficial relationships with all stakeholders. The Plan hinges on four strategic points: Ethics and Reputation, Transparency, Social Action and a CSR Observatory:

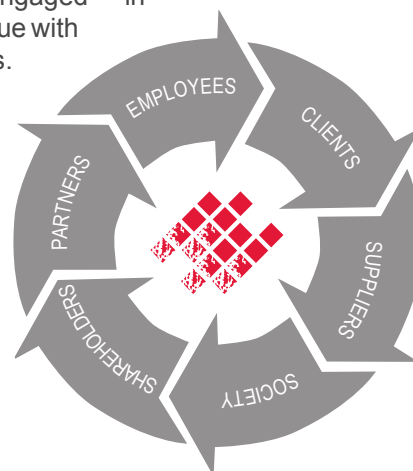
- Enhancing the company's **ethics and reputation** by consolidating Isdefe's values and promoting a culture of ethics that provides a reference for conduct in every area of activity.
- Strengthening **transparency** so as to contribute to good governance through communications and by promoting dialogue with stakeholders. This translated into the publication of the Transparency Portal on the Isdefe website, in conjunction with the entry into force of Law 19/2013 of 9 December on transparency, access to information and good governance, as well as into the publication of the Annual Report, which includes a Social Responsibility report, a Corporate Governance report and an activities report, all in keeping with the guidelines specified in the Law on Sustainable Economy.

ENGAGEMENT WITH STAKEHOLDERS	EMPLOYEES	CLIENTS	SUPPLIERS	SOCIETY	SHAREHOLDERS	PARTNERS
Corporate website (weekly)	•	•	•	•	•	•
Transparency Portal	•	•	•	•	•	•
CSR Report (annual)	•	•	•	•	•	•
Corporate intranet (daily)	•					
Employee portal (daily)	•					
Newsletter (daily) and Aula Argos (monthly)	•					
Generic mail accounts (daily)	•					
Internal memos	•					
Periodic internal meetings (monthly)	•					
Breakfast with the CEO (monthly)	•					
Annual Satisfaction Survey (annual)		•				
Periodic visits		•				
Technical workshops		•				
Contractor profile on the government platform			•			
Partnerships with associations				•		
Cooperative Agreements and University Chairs				•		
Social projects (bimonthly)				•		
Monthly report from the Board of Directors (monthly)					•	
Shareholders' meeting (quarterly)					•	

- **Developing Social Action** by creating a Social Action Programme that promotes the values of social innovation and commitment to society.
- And lastly, the creation of a **CSR Observatory** for the purpose of encouraging strategic alliances within our areas of activity.

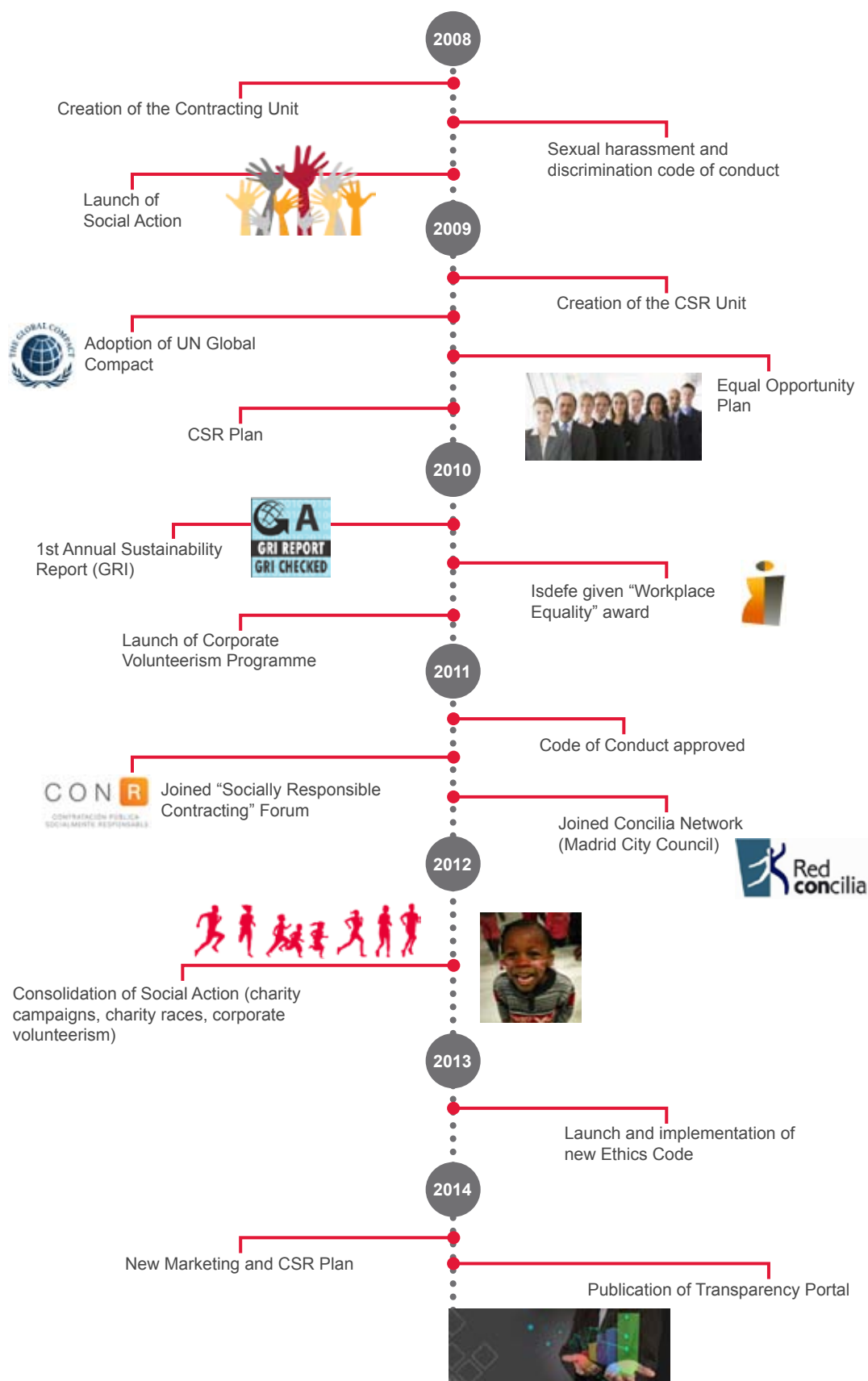
DIALOGUE WITH STAKEHOLDERS

Isdefe is engaged in constant dialogue with its stakeholders.



CSR MILESTONES

2014 marked the seventh year since the creation of the Social Responsibility Unit. These seven years have seen the consolidation of a socially responsible culture within the organisation.







Financial Performance

2

Our business model 22

Client focused 28

Commitment to suppliers 34

OUR BUSINESS MODEL

BUSINESS VOLUME

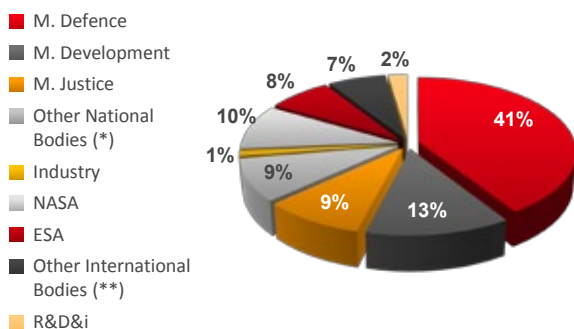
Isdefe is the government's in-house provider of consulting, technical assistance and engineering Defence and Security services. As such, it is the main sector that provides the bulk of the company's turnover, at 43%, followed by Aerospace, for which it provides engineering, maintenance and management services for space complexes, at 23%.

The experience in these sectors and the know-how acquired have led the company to provide technical support and consulting services to the public sector, with government agencies accounting for 17% of Isdefe's turnover and the Transport sector for 12%.

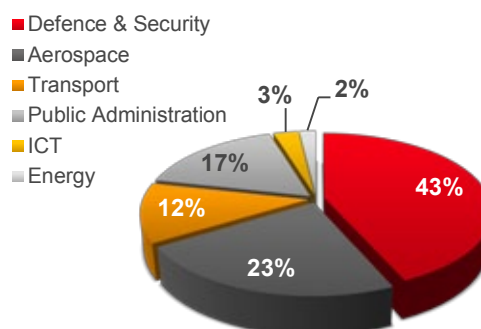
Last but no less significant, as these sectors are equally important strategically to the company, are the ICT sector, at 3%, and the Energy sector at 2%.

The services provided by Isdefe in 2014 were more diversified in terms of geographic distribution and areas of knowledge. The main clients continue to be the Ministry of Defence, the Ministry of Development, the Ministry of Justice and the Ministry of Interior, as well as, in the area of space complex services, INTA, NASA and ESA.

► Turnover by clients



► Turnover by sector of activity



(*) Other organizations: Ministry of Industry, Energy and Tourism, Ministry of Economy and Competitiveness, Ministry of Labor and Social Security, Ministry of Revenue and Public Administrations, Ministry of Interior, Ministry of the Presidency, Ministry of Health, Social Services and Equality, Ministry of Agriculture, Food and the Environment, Ministry of Foreign Affairs and Cooperation, and regional and local governments.

(**) Other International Organisations: NATO, EDA, SESAR, Belgian Defence Ministry, European Commission, CAF, ASCNA, Ecuadorian Education Ministry and Ministry of Coordination for Strategic Sectors, and the Peruvian Navy.

SERVICES

HIGHLY QUALIFIED AND
INDEPENDENT

► Consulting and Technical Assistance

“SUPPORTING DECISION MAKING”

- Isdefe works alongside the client to:
 - Plan and support system life cycles.
 - Develop the organization of their projects.
 - Assist with the regulatory, verification and certification processes.

► Engineering

“DESIGNING SOLUTIONS”

- Isdefe is capable of transforming a client's requirements into detailed projects that provides a complete solution so its needs.

► Turnkey projects

“IMPLEMENTING SOLUTIONS”

- When so requested, Isdefe is able to provide with the comprehensive solutions they need.



Isdefe provides consulting and engineering services tailored to the client's needs within different sectors of activity.



LEADERS IN OUR SECTORS

► DEFENCE AND SECURITY

We are a leading company in the industry, providing consulting and engineering services to the Ministry of Defence, the Armed Forces, the Ministry of Interior, National Security Forces and Agencies and Civil Protection Forces.

We offer specialized experience and knowledge in every phase of the system life cycle: capabilities planning, definition of requirements, viability and feasibility studies, contracting specification and programme management support; monitoring and validation, certification and testing; maintenance and logistics.

Strategic areas

- Command & Control Networks Systems.
- Platforms: Procurement & Maintenance.
- Logistics and Supply Chain Systems.
- Remotely Piloted Aircraft Systems (RPAs).
- Cyber-Security
- Intelligence and Electronic Warfare Systems.
- Border Surveillance & Control Systems.
- Protection of Critical Infrastructures.
- Crisis and Emergency Management.
- Unique construction & Infrastructure projects.
- Technology Centers.



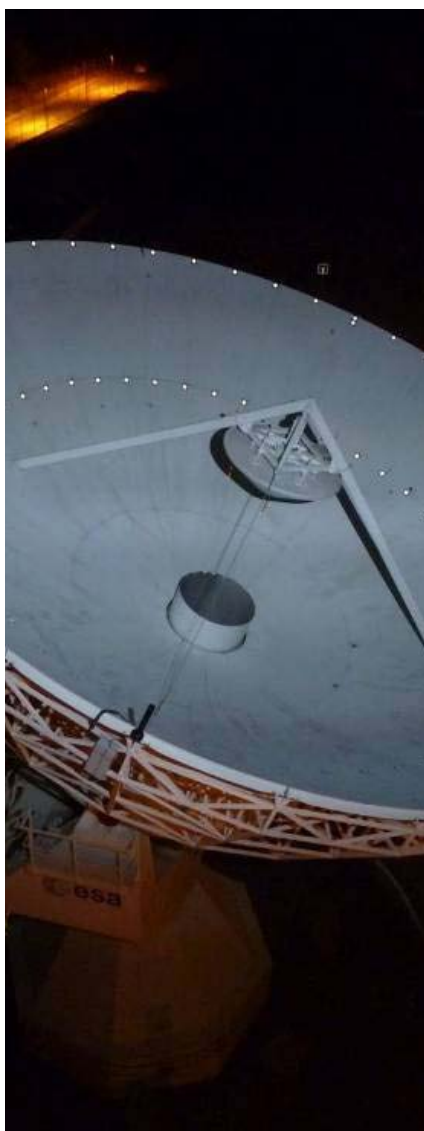
► AEROSPACE

We are a leading provider of operational, management and maintenance services for Space Stations and Infrastructure.

Isdefe is also capable of executing advanced aerospace engineering projects throughout their entire life cycle in the areas of space communications and Earth observation.

Strategic areas

- Space Infrastructure.
- Satellite Communications.
- Earth Observation.



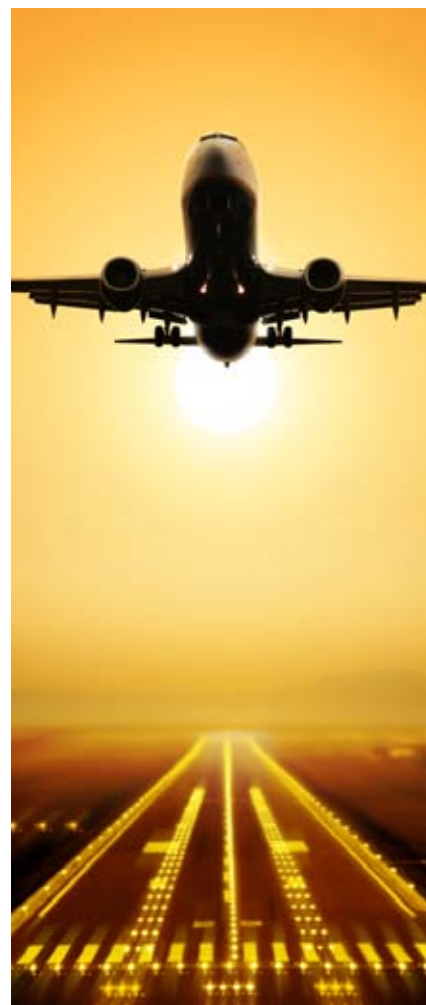
► TRANSPORT

We specialize in consulting and technical assistance activities, and in providing managing and engineering services for regulatory and supervisory bodies, as to authorities that provide transportation services, both in the area of air transport and other means of transport.

Isdefe is capable of providing life-cycle management services for systems associated with the provision of transportation, its supervision and safety analysis.

Strategic areas

- Traffic Management.
- Transport Centers.
- Advance Concepts.



► PUBLIC ADMINISTRATION

Isdefe advises public officials in their search for solutions to improve and modernise by reformulating and increasing efficiency in the performance of their tasks. Isdefe's knowledge of government agency regulations, methods, organisation, process reengineering and computerised solutions enables it to propose more effective and efficient management methods.

In the area of industrial technology management, Isdefe's global and multidisciplinary vision and its independence from commercial interests makes it a leader in defining and formulating technology/industrial plans and policies and in evaluating R&D proposals.

Strategic areas

- Improving & Modernizing Public Administrations.
- Technological and Industrial Management.



► ICT

Isdefe supports the government in its development of the Information Society, providing services related to ICT market planning and regulation, commercializing the electromagnetic spectrum, digital development strategies such as the transition to Digital Terrestrial Television, Digital Dividend, as well as the latest technical advances to society (Smart Cities).

Strategic areas

- Electromagnetic Spectrum.
- Communications Networks and Systems.



► ENERGY

In the area of Energy Diversification and Efficiency, we provide engineering and technical assistance services to the group of national and international public sector institutions and organizations to aid them in developing energy policies, in implementing public sector energy services models with the lowest environmental impact and in conducting energy audits and certifications of the solutions implemented.

Strategic areas

- Energy Diversification and Efficiency.



CLIENTS

► NATIONAL ORGANIZATIONS

Public Administration



Key National Organizations and other clients



► INTERNATIONAL ORGANIZATIONS

Public Organizations



République Algérienne Démocratique et Populaire
Ministère des Transports
Direction de la Marine Marchande et des Ports

Multilateral Organizations



CLIENT FOCUSED

SUSTAINABLE INNOVATION

Areas of knowledge

In the area of R&D, Isdefe maintained its presence both in Europe and domestically, in particular in the areas of defence, security and transport. This meant achieving good levels of success despite streamlined efforts and the ensuing reduction in internal investments.

Areas of knowledge	No. of projects
Defence & Security	16
Transportation	14
Public Administration	1
Aerospace	1
Total	32

Of the areas mentioned previously, the year 2014 saw innovation mainly in the areas of Defence and Security (protection of critical infrastructure, crisis and emergency systems, cybersecurity, technology centers, border surveillance and control and UAVs), with 50% of the activity, and in the area of Transport (air traffic management, advanced concepts, maritime and multimodal transport centers) with 44%.

R&D projects in progress

According to CDTI data on the provisional results for the European Commission's Seventh Framework Programme (FP7) for R&D, which has lasted seven years, Isdefe was the leading company in Spain, and sixth in Europe, in terms of the rate of return obtained in the area of security. Of the notable projects in Spain in this area, Isdefe was involved in PERSEUS and CLOSEYE, both part of the Borders Surveillance programme, in which Spain plays a key role.

In anticipation to the company's participation in the H2020 programme, in 2014 Isdefe prepared bids for the tender processes opened in an effort to maintain its involvement and position in the areas of security and transport and to develop R&D in other strategic areas.

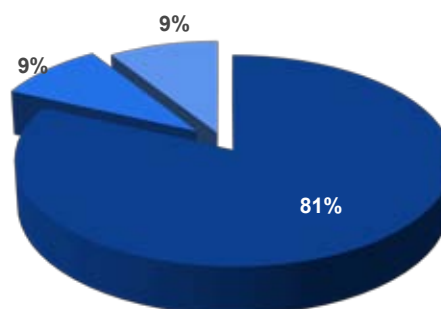
► Isdefe R&D Projects (M€)



► Partial operating and financing subsidies for R&D projects (M€)



► Source of financing



- Cofinanced by the European Commission
- Cofinanced by the National Plan
- Cofinanced by the ESA



► Success Stories: TREE PROJECT



One of the main success stories at Isdefe in the last six years in the area of R&D involves the research conducted on modelling and simulating the behaviour of transport networks, mainly that aimed at studying the propagation of delays in the European air transport network.

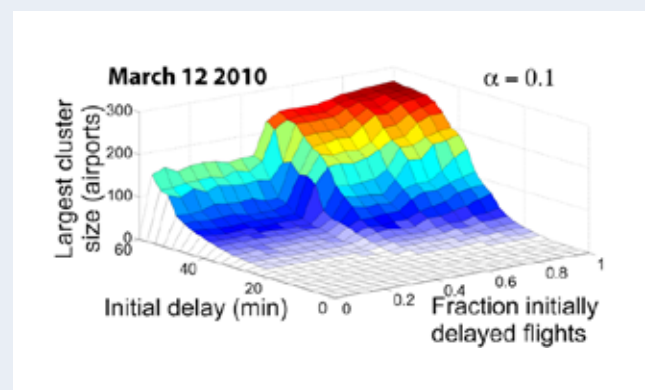
This research was started by Isdefe for the dual purpose of consolidating our presence in the European Single Sky, or SESAR, programme, and of making the

most of our own research, stemming from the non-stop dedication of the team devoted to this area of research.

The TREE project (data-driven modelling of the network- wide extension of the Tree of REactionary delays in ECAC area) involves the development and validation of a powerful simulation tool capable of characterising the propagation of (primary and reactionary) delays in the European air transport network. The main development concerns the modelling of flight links. While various research studies on the propagation of delays in air transport networks only consider those flights sharing the same airplane as linked, the model developed as part of the TREE project also regards those flights that must share the same crew and/or some of their passengers as linked. The idea arose after the publication of the findings of various European studies (including the one conducted by CODA - Central Office of Delay Analysis) that warn of the relevance and criticality of delays involving links between passengers, mainly as concerns the economic aspect.

The results of the project have led to a great deal of interest in the SESAR programme itself. Even though the project is not scheduled to be complete until September 2015, both the potential of the novel tool and the commercial interest it has sparked have resulted in the initial actions being taken by Isdefe to protect the fruits of its intellectual property.

The expansion in this area of R&D has endowed Isdefe with the abilities and tools needed to provide solutions to problems typically found in air transport networks from a macro and microscopic perspective, solutions that are backed by statistical results.



Key R&D projects for the European Commission

► Seventh Framework Programme (FP7)

PERSEUS. With a budget of approximately 42 million euros, PERSEUS contributes to enhancing border surveillance capabilities, in keeping with the implementation of the EUROSUR regulation. The goals of the project are to support decision making by defining an improved system architecture that meets EUROSUR requirements, to develop technology proposals that address the operational obstacles defined by end users, and to validate the solutions proposed through demonstrations in actual and relevant scenarios.

Isdefe's involvement as the head of user integration and system validation has contributed to reinforcing the consistency of the proposed solution and to defining forward-looking lines of work for developing, testing and validating systems through innovative user-driven initiatives.

CLOSEYE. Pre-Operational Validation (POV) project led by Spain's Civil Guard, which brings together agencies responsible for safeguarding maritime borders in Spain, Portugal and Italy. The project's goal is to improve the detection, identification and tracking of small vessels, as well as to develop the basic pillars of EUROSUR, such as a common operational image and the joint application of surveillance tools. To this end, the project proposes innovative public purchasing mechanisms that call on companies in the sector to develop mature solutions and then validate them in actual operational scenarios in the Central Mediterranean and in the Alboran Sea.

Isdefe, in its role as the Joint Validation Entity, is coordinating the contracting process and developing the validation tools that will be used to evaluate the operational relevance of the solutions that are developed.



EWISA. Pre-Operational Validation (POV) project led by the Romanian Border Police that seeks to improve the early warning mechanisms involving land border surveillance. EWISA seeks to establish a joint definition of user requirements before then calling on companies in the sector to develop and implement innovative solutions.

Isdefe aids the Civil Guard, a partner in the project, through management assignments, thus providing continuity to the work carried out by Isdefe as a member of previous projects, like PERSEUS and CLOSEYE, and consolidating Isdefe's status as a leader in validating surveillance systems in close collaboration with national and European authorities.

EUCISE2020. Pre-Operational Validation (POV) project that represents an important step toward the realisation of the European roadmap for establishing a Common Information Sharing Environment (CISE) in maritime affairs.

Participating in EUCISE 2020 are European authorities from seven different maritime communities, such as border surveillance, police forces, customs, maritime agencies, maritime safety and security and fisheries agencies.

By aiding the Civil Guard, a partner in the project, through management assignments, Isdefe is consolidating its status as a leader in validating systems in close collaboration with national and European authorities.

ACROSS. (Advanced Cockpit for Reduction Of Stresses and workload) Cooperative project led by Thales Avionics in a consortium with Isdefe and 33 other European partners. The project revolves around flight safety and its scope is limited to an integrated approach and to demonstrating safe operations under higher crew workloads and crew configurations. Its



main goals are to develop new solutions in the cockpit under maximum workload conditions so as to reduce crew operations, as well as to identify any outstanding issues involving single-pilot operations.

Isdefe led the validation strategy in 2014 and is spearheading the intermediate validation cycle. In parallel it is leading the Functional Safety Evaluation for aircraft systems and contributing to the development of a new Crew Task Model.

GAMMA (Global ATM Security Management). This project is focused on developing a comprehensive security framework for ATM (Air Traffic Management) and is designed to go into operation once SESAR is deployed. The project is led by SELEX and involves a consortium of almost 20 European organisations, including Airbus, DLR, THALES UK and ENAV. Begun in September 2013, the evaluation of the ATM system's threats and vulnerabilities is complete and the requirements and architecture have been defined.

ePOOLICE (early Pursuit against Organized crime using enviroNmental scanning, the Law and IntelligenCE systems). Security project led by Isdefe. The project, which started in 2013 and has a three-year duration, aims to develop an effective and efficient system and to improve the methods used to conduct environmental scanning (political, social, economic, technological, legal) based on open sources of heterogeneous information by developing a list of indicators, all as part of an early warning system for detecting new threats involving organised crime in Europe.

Along with Isdefe, there are 16 other partners from eight European Union member states that comprise the consortium carrying out this project. These other partners include various LEA (Law Enforcement Agencies) like EUROPOL, the Civil Guard, the police departments of West Yorkshire and Bavaria, as well as the United Nations Interregional Crime and Justice Research Institute (UNICRI).

► SESAR

DEMORPAS (Demonstration Activities for Integration of RPAS) Project set within the demonstration activities of the SESAR Program, whose primary mission is to show the ability to integrate RPAS (Remotely Piloted Air Systems) in an unsegregated airspace, in a setting with multiple manned and unmanned flights. The purpose is to explore the global viability of integrating it into an air traffic management system.

► Clean Sky

VALORIE (VaLidate Operations to Reduce Impact on Environment) is a validation project under the umbrella of the Clean Sky JTI "Systems for Greener Operations" Integrated Technology Evaluator. Its goal is to validate new onboard features of FMS (Flight Management Systems) by focusing on more environmentally friendly departures and flight procedures in the cruise phase through flight simulations.

The project's consortium is led by Isdefe, as are the activities involving its management and the development and execution of test scenarios. Isdefe is also participating in analysing mission preparations, the validation results and the operational validation. The new procedures have shown significant advantages pertaining to fuel savings, noise reduction and time savings with no increase in crew workload in comparison to current procedures.



QUALITY OF SERVICE

QUALITY POLICY

Isdefe has a Quality Policy that is geared to achieving the following objectives:

- Interpreting the client's needs.
- Establishing control measures at every level of the organization that prevent, insofar as possible, the appearance of non-conformities in the area of quality.
- Raising awareness in and motivating the personnel to the need for quality services and products.
- Contributing to streamlining the costs of our services and products.
- Contributing to the constant improvement of the quality of our services and products.

In an effort to achieve these objectives, management establishes measurable, short-term goals every year that are consistent with policies. These are then passed along to every employee at the company.

Isdefe is committed to delivering services and products that satisfy clients' expectations such that the company is recognized as a Quality leader.

In order to fulfill this commitment, Isdefe has established the following directives:

- The client is the focus of Isdefe's attention.
- Every department, area and section is responsible for achieving quality in services and products in every phase of execution under the deadlines and conditions required by established plans. The Quality of the products and services generated by Isdefe, then, is the responsibility of everyone at the company.
- Isdefe personnel are responsible for implementing a continuous improvement process in their area of activity, promoting and supporting teamwork and encouraging training.
- The prevention of errors is a management priority; nevertheless, the early and fast detection of non-conformities and swift corrective actions are ensured through periodic Quality System checks. Isdefe is permanently striving for continuous improvement and excellence as a way to offer increasingly better service to its clients.

The year 2014 saw Isdefe work toward expanding its Quality System to its management, operation and maintenance activities at the ESAC-Cebreros space complex, which are expected to be certified in 2015. Efforts also continued to modernise Isdefe's internal procedures, the goal being to expand the use of the electronic signature to documents and to enhance the use of containers in the corporate network for all information.

Isdefe certificates

- ▶ **UNE-EN ISO 9001 Standard from AENOR.** Consulting, engineering and technical assistance, in the conception, design, development, implementation and maintenance of communications systems, command and control, air navigation, airports, aerospace systems logistics, security, information technology systems and infrastructure management, as well as in the area of management of industrial cooperation agreements and technology transfer.

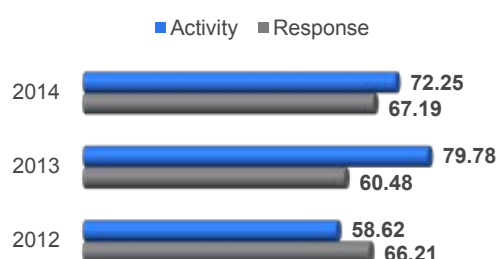
- ▶ **PECAL/AQAP 2110.** PECAL/AQAP 2110 Quality Management System, by Ministry of Defence for consulting services and technical support in the area of systems engineering to Ministry of Defence. Certified since 8 November 2002.



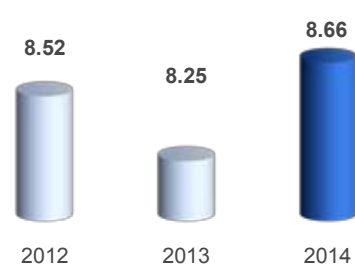
Client satisfaction

Isdefe, in keeping with the quality commitment it has with its clients, conducts an annual “Satisfaction Survey” of all its clients so as to determine both those aspects of its service that the clients consider most important and their degree of satisfaction with each aspect. This survey is conducted at the end of our contractual obligation and provides us with important information about the opinion that clients have of the services provided by Isdefe.

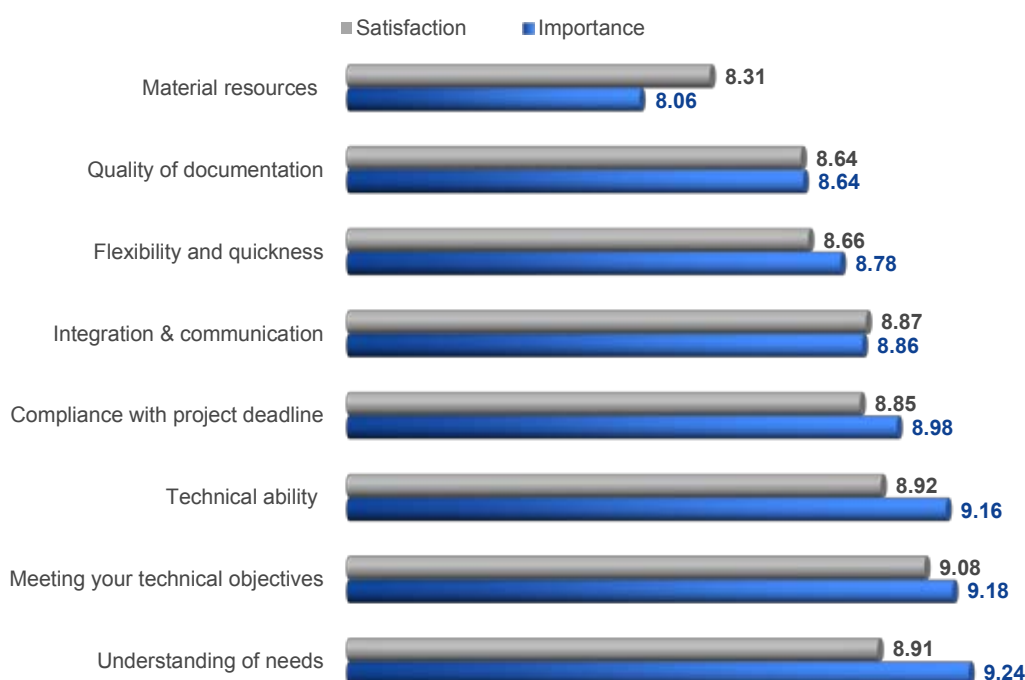
► Response rate



► Average level of satisfaction by year



► Assessment of the importance and satisfaction with each aspect



All of the claims and complaints received from clients, either through the satisfaction survey or by any other means, are recorded to ensure they are tracked and resolved. No such claims were recorded in 2014.

COMMITMENT TO SUPPLIERS

DESCRIPTION OF THE SUPPLY CHAIN

Isdefe's relations with its contractors are strictly bound by the principles of:

- Disclosure and competition.
- Transparency.
- Equality and non-discrimination.
- Confidentiality.

These principles are detailed in the instructions and general conditions on contracts, which are available on the government's contracting website (<https://contrataciondelestado.es>). They are also on Isdefe's website for information purposes only and lack any legal validity.

The Contracting Unit oversees these processes, from identifying a need to preparing bid requests, evaluating offers, and awarding and signing contracts. Isdefe, in compliance with Article 2 of Royal Legislative Decree 3/2011 of 14 November, and so as to ensure transparency and the public's access to all information on its contracting activities, available on the State's contracting platform and on Isdefe's website, has a Contracting section on its site, <https://www.isdefe.es/proveedores/>, where it publishes all tender announcements for contracts in excess of 50,000 €, as well as the applicable regulations and procedures:

- General Contracting Conditions.
- Contracting Instructions.

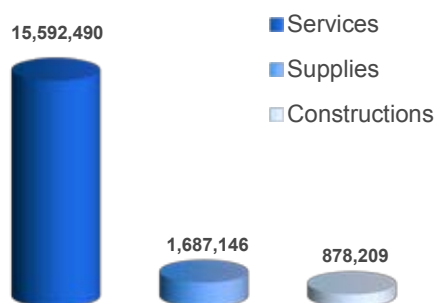
As a public company, Isdefe places the same capacity and solvency requirements on its contractors as the Administration does, and applies the same standards concerning restrictions and conflicts of interest. This is all regulated by Royal Legislative Decree 3/2011.

Interested parties can send any queries or comments to: UnidadContratacion@isdefe.es.

Bids	2012	2013	2014
No. of project committees	26	42	45
No. of unsuccessful tenders	2	4	1
Claims handled	2	3	5

Bid processes	Bids received	Awarded	Ratio
Published online	259	111	2,33
Bids selected	102	47	2.17
Total bids	361	158	2,28

► Purchases, contracts and subcontracts processed in 2014 (€)



RELEVANT SUSTAINABILITY INITIATIVES

Of a social nature

Isdefe works with Special Employment Centers, especially with the Armed Forces and Civil Guard Assistance Foundation, which it sponsors, to do landscaping and to perform services like printing and distributing this Annual Report. It also works with Adecuación de Alternativas to supply its Christmas cards.

Of an environmental nature

Whenever permitted by their scope, environmental clauses are included as part of the purchasing and contracting processes.

Of note are the following:

- Quality and environmental requirements to supply personal and laptop computers to Isdefe in the technical annex to tender 2014-00781:

All equipment offered had to include energy savings measures and comply with the energy consumption requirements defined in the latest version of the Energy Star or Green IT standard.

Sound emission levels had to be in keeping with EN ISO 7779:2001 recommendations.

All equipment offered had to comply with the requirements of Directive 2003/108/EC on waste electrical and electronic equipment and with Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment, and be part of an integrated waste management system as per Law 11/1997 of 24 April on packaging and packaging waste. Instead of the above certifications, bidders can provide equivalent proof of compliance.



Transportation assistance

In 2014 Isdefe maintained its transportation assistance service for employees, thus promoting the use of public transportation in urban areas, in keeping with the company's financial and environmental commitments.



Waste management

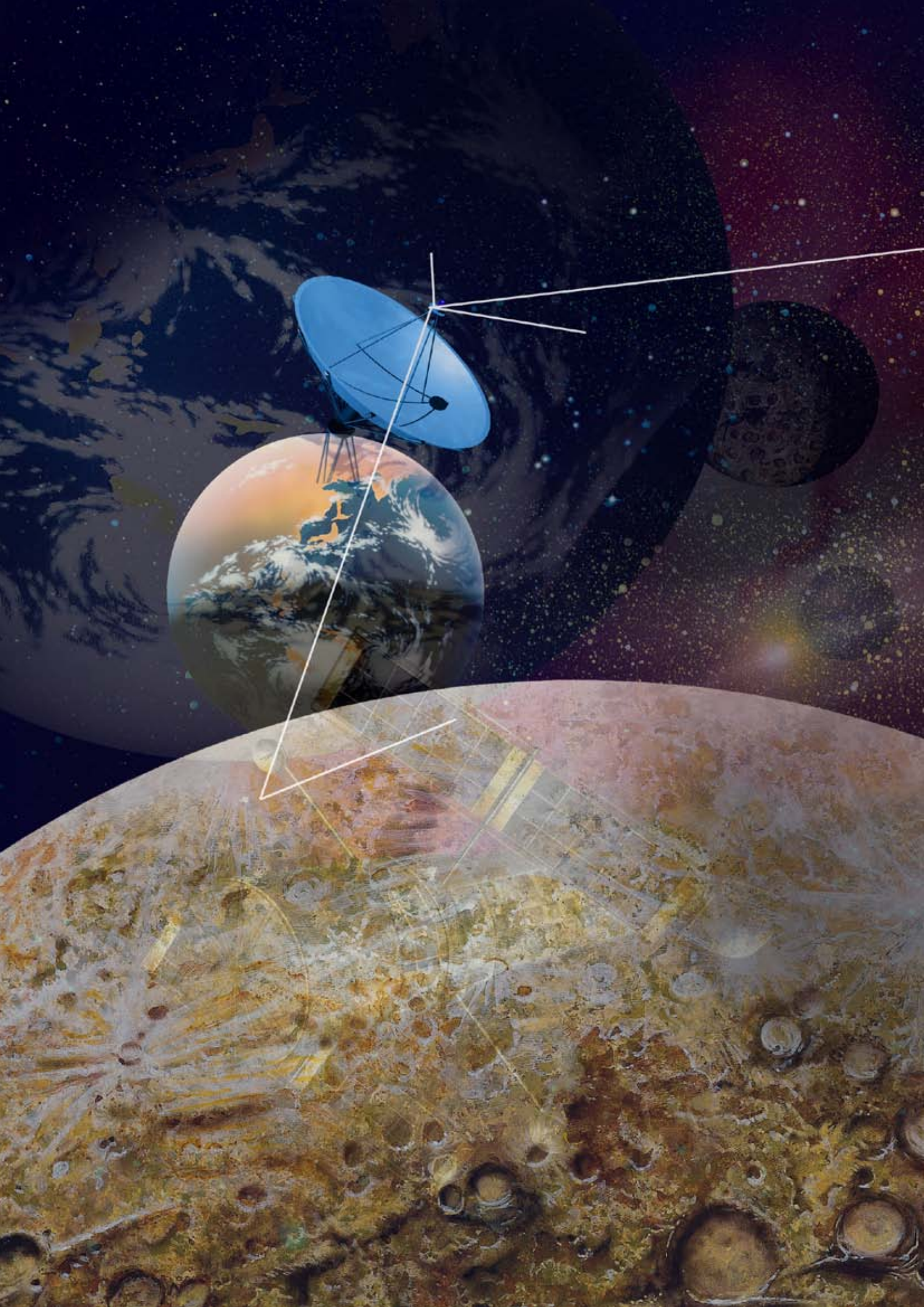
Isdefe has a contract for the handling, sorting, transportation and management of all the waste that is generated at its headquarters.



Recycled paper

The use of hybrid paper increased.







Report of Activities

3

Defence and Security Sector 38

Aerospace Sector 50

Transportation Sector 54

Public Administration Sector 58

ICT Sector 64

Energy Sector 66



DEFENCE AND SECURITY SECTOR

COMMAND AND CONTROL NETWORKS AND SYSTEMS

Ministry of Defence

Isdefe provides engineering and management support to the Programme Offices for the Military Information System (SIM), the Military Telecommunications System (STM) and the Spanish System for Satellite-based Military Communications (SECOMSAT). These joint command and control systems of the Armed Forces are part of the General Directorate for Armaments and Materiel.

Isdefe also provides architecture, planning, systems procurement and security services to the Sub-Directorate General for Information and Communications Technologies (ICT), and engineering planning and management services to the Systems Management Center (Prado del Rey) and to the Tactical Data Link Management Center, both operated by the Defence Chief of Staff.

In 2014, Isdefe aided in adapting the networks and systems infrastructure at the new base in Retamares (old NATO command post) in preparation to launch the Joint Cyberdefence Command and transfer the Operations Command and the Intelligence Center of the Armed Forces. This new facility will be of great importance to joint military strategy and operations in Spain.

Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) systems are becoming increasingly important as a means for obtaining superior actionable intelligence from technology. This Defence activity is undergoing a streamlining and reorganisation process with the creation of C4ISR and Space programme offices at the DGAM's Sub-Directorate General for Programme Management, with the technical support provided by Isdefe playing a key role.

Isdefe aids in defining and updating the knowledge and cooperative work management systems at the ICT Sub-Directorate General, and in specifying the concrete requirements for the Armed Forces Intelligence Center (CIFAS) and for the Excellence Center against Improvised Explosives in Hoyo de Manzanares.





Army

Isdefe aided the CISEW Programme Office in its activities to implement the MC3 (Modernisation of the Command, Control and Communications systems) Plan by defining and monitoring the development of new tactical communications stations, implementing inhibitors to protect personnel, vehicles and facilities, and implementing mobile and deployable command posts on light vehicles.

As part of its activities in support of the CIS and Technical Assistance Office, work continued on standardising the automatic exchange of data between Command and Control systems, with the definition of common interfaces that adhere to a service-oriented architecture. In addition, the study on new ET-CERT security tools was completed and the central node of the NATO Secret WAN network was deployed at the Army's command post.

Isdefe was involved in migrating servers to the Windows 7 operating system and drafted the specifications for a Secure Wireless System for Command Posts. Isdefe also continued providing technical assistance in resolving problems with IP services both in Spain and in various international operating theatres.

Air Force

Through its support to the Air Force, Isdefe contributed to completing the installation phase of hardware systems for NATO's Air Command and Control Unit (ARS-TO) in the CARS bunker located in the Torrejón Air Base, allowing for the start of the integration and testing phase for said unit following the acceptance of the Automatic Data Processing (ADP) software developed by ACSI and the Voice Communications Software developed by INDRA, with financing from Spain and from NSIP (NATO Security Investment Programme).

Navy

In 2014 Isdefe continued to provide support to the CIS Sub-Directorate General (SUBCIS) of the Logistics Support Office (JAL) to define, negotiate and monitor the maintenance contracts for its CIS systems; to identify and mitigate industrial risks; to decrease/eliminate its dependence on contractors; to establish and subsequently monitor measures (indicators) for contractor performance and productivity and Service Level Agreements (ANS), penalties and bonuses; and to implement a management model based on best practices in ICT management, focusing its efforts on starting up the CIS Configuration Management tool.

NATO

For the Atlantic Alliance, Isdefe took part in managing NATO's Information Systems Programme, run by the NATO Communication and Information Agency (NCIA) as part of the Programme Management and Integration Capability (PMIC). Since 2011 Isdefe has provided onsite support in the management, integration and validation of systems at the NCIA's facilities in Brussels and The Hague. Of particular relevance in 2014 was the implementation of cross-system processes in support of the Agency's new services.

Isdefe also provides consulting services to meet NATO's goals in the implementation of the ACCS (Air Command and Control System) LOC1 programme.

PLATFORMS: PROCUREMENT & MAINTENANCE

General Directorate for Armaments and Materiel (DGAM)

In 2014 the Programme Offices were moved from the headquarters to the DGAM, an important challenge during which Isdefe aided in the transition process by helping in sizing studies and by standardising methodologies.

After the Tiger Attack Helicopter Programme was transferred, Isdefe continued providing technical support in the areas of aeronautical engineering and systems in order to define, develop, test, validate and verify the design of the Spanish version. It did so by tracking the development of the new, higher power engine, aiding in the development of the mission control system, and engineering the logistical support to incorporate and start using the helicopters. Of note is the support provided for these transport and attack helicopter programmes, which led to the receipt of the first NH-90 unit and of two HADE Tiger units.

In the area of support, Isdefe continued rendering assistance in drafting Framework Agreements, such as those for SAMe Automatic Banks, the SECOMSAT Terminals and the Turbine agreement. It also monitored the partnership agreement to maintain the Superpuma-Cougar helicopters.

Support was also provided to write the DGAM's annual Programme Management Course.

Directorate for Economic Affairs (DIGENECO)

In addition, since 2007 the company has been providing technical assistance to the Cost Evaluation Group, the only Defence agency qualified to audit how contractors estimate and analyse the costs and prices of Defence programmes.

Army

In the programmes that have been transferred over the course of the year from various command posts and in which Isdefe has provided support during the different development phases, of note is the company's activity in the areas of systems engineering, logistical engineering and programme control and tracking.

In the Pizarro Programme Isdefe tracked and monitored the program's logistical elements and actively participated in negotiating the bids from the second amendment to the contract.

As part of the aeronautical engineering support given to the Weapons Systems Office of the Army's Logistical Support Command (MALE), Isdefe was involved in all the projects to modernise FAMET's fleet of transport helicopters.

In 2014 Isdefe helped the MALE Engineering Office to define and start-up a new interactive technical publications service based on the S1000D standard that provides documentation in an electronic format and helps improve the quality of logistical data, as well as to implement improvements in the reliability and maintainability of weapons systems.



In the area of support, Isdefe cooperated with MALE in designing its maintenance cost model and in implementing the SIPLAMA tool; in reviewing the Reduced Employment Programme of the Army's Weapons Systems (PERMET) in order to increase its efficiency and increase the savings produced to data; and in conducting a study to determine the spare parts, assemblies, subassemblies and tools associated with obsolete weapons systems.

Air Force

The year 2014 saw Isdefe engage in simultaneous activities in two main programmes: Eurofighter and A400M. Isdefe continued cooperating in all of the phases of the Eurofighter Programmes by supporting the implementation of the weapons system, correcting in-service faults, updating capabilities and aiding in export campaigns. In the A400M Programme, Isdefe took part in the initial allocation and order management meetings at Airbus D&S, with the participation of the Programme Office and DMA.

Technical studies and engineering work were carried out for both programmes in order to track the degree of compliance with production contracts. Isdefe also took part in defining and monitoring the requirements for onboard equipment and for support equipment on the ground, it conducted studies to propose improvements to the materiel management process and to optimise the supply chain, and it provided document management support for all the information pertaining to both weapons systems.

As for the Air Force's Logistical Support Command (MALOG), Isdefe collaborates by supporting fleet maintenance activities. Of note is the support in areas like managing the maintenance of the fleet of transport airplanes and helicopters, determining the spare part procurement needs for the Eurofighter, resolving malfunctions in the Falcon 20 and managing the onboard weapons.



Navy

Isdefe continued to provide support services to the Navy's Logistical Support Command (JAL) in the processes of procuring new naval units. For the Naval Construction Office (DIC), Isdefe provided support activities for the S-80 Submarine Programme by tracking the process of implementing the combat system, verifying the development of this system's software and analysing the cost of the programmes in progress. Through the Submarine Technical Certification Programme (PCTSUB), Isdefe continued cooperating with the Spanish navy to implement its submarine certification programme. Isdefe also cooperated with DGAM in negotiating the Execution Order for series II of the BAM Programme.

Likewise, for the Engineering Sub-Directorate's Platform Branch, Isdefe reviewed the documentation for the redesigned S80 PLUS SDR/PDR and drafted the reports and supported the PALI section of the S-80 in reviewing and generating the Partial Logistical Plans.

Of note among the support services given to JAL is the work to audit the costs incurred by companies, as well as Isdefe's participation in defining the scope of the work, the budget and financing options possible for the fourth major alteration of the Tramontana submarine.

For the Logistical Support Coordination office, Isdefe carried out an analysis of the functionality of the scheduled first- and second-tier maintenance that is part of the Galia maintenance system in an effort to identify options for improving it and integrating it with the Navy's remaining maintenance tiers.

LOGISTICS AND SUPPLY CHAIN SYSTEMS

General Directorate for Armaments and Materiel

Isdefe continued to provide support to the National Cataloguing Office in maintaining its SICAD cataloguing tool. The main activities were the functional analysis, development, problem resolution and maintenance of the tool. Isdefe also provided support in this area to Spain's Armed Forces as well as to international clients (Belgium, Poland, Colombia, the Saudi Arabian MIC).



Army

Part of Isdefe's support to the MALE includes the engineering support to optimise material supply and management.

At the Distribution Management Center, Isdefe studied, analysed and updated the algorithms that are used to make decisions concerning the distribution of material.

At the Park Supply Unit and Supply Center, Isdefe implemented the lean methodology, which led to a series of improvements that increased productivity at the center.

In the Logistical Coordination Office, Isdefe aided in the development and implementation of the E-Commerce project. Isdefe also gave assistance in the functional design of the SIGLE software that runs in the barcode scanning devices used to manage warehouses.

Lastly, Isdefe provided support in the preparation of automated control and tracking reports for the SETRE Transport Guides, which allow for monthly tracking of compliance with the operational goals defined.

Air Force

At the MALOG, Isdefe assisted the Standardisation and Cataloguing Office in all of its material cataloguing processes. Isdefe also helped to review files, solve incidents and issue certificates for complying with the Contractual Cataloguing Clause. In addition, Isdefe implemented the interface between the SICAD cataloguing tool and the Air Force's logistical management system.

Isdefe continued with its support of the Air Force's Logistical System (SL2000) through analysis, data scrubbing, documentation and support in providing various training courses to users on the features of the system.

Navy

Assistance in writing the Navy's Second-Tier Supply Manual as well as the Basic Supply Guide. Revision and update of the Centralised EDI Basic Contracting Guide and the Navy's First-Tier Supply Manual.

Military Industries Corporation (MIC)

As part of the Logistical Consulting and Cataloguing project for the MIC, a part of Saudi Arabia's Ministry of Defence, Isdefe carried out a review of every process in the Logistics Department. Isdefe proposed a new organisation and management model for the spare parts warehouses and aided in its implementation. A new process for cataloguing parts using NATO standards was implemented and much of the material in the warehouses was catalogued.

CIBER-SECURITY

Defence Chief of Staff

In 2014, Isdefe cooperated with various public agencies and industries as part of the lines of action set out by the National Cyber-Security Strategy, approved in December 2013, by providing technical advice on cyber-security.

Of special note is Isdefe's support to the Joint Cyber-Defence Command (MCCD) of the Armed Forces, created by Ministry Order 10/2013. Isdefe provides technical support through a group of



highly specialised cyber-security engineers who help the MCCD with its operational plans and with obtaining defence, operational and response capabilities.

INTELLIGENCE AND ELECTRONIC WARFARE SYSTEMS

Defence Chief of Staff

Isdefe continued to collaborate with the Defence Chief of Staff by providing technical assistance to the joint SANTIAGO Programme. This was a key activity in 2014 for Isdefe's Intelligence and Electronic Warfare Division. The completion of the implementation and start-up tasks for this system gave way to support with the maintenance, configuration control and operation of the SIGLO (Santiago Comprehensive Integration System) Technical Center, whose equipment Isdefe also worked on upgrading in order to obtain the INFOSEC certification for its main centers. Looking to the future, Isdefe assisted the Programme Office to prepare it for phase II of Santiago, which will begin in 2015.

Isdefe will continue to support the DGAM with the Navy's electronic warfare programmes and with ISTAR, with national initiatives involving the "Coincidente" programme, as well as with international UAS/RPAS projects.

BORDER SURVEILLANCE AND CONTROL SYSTEMS

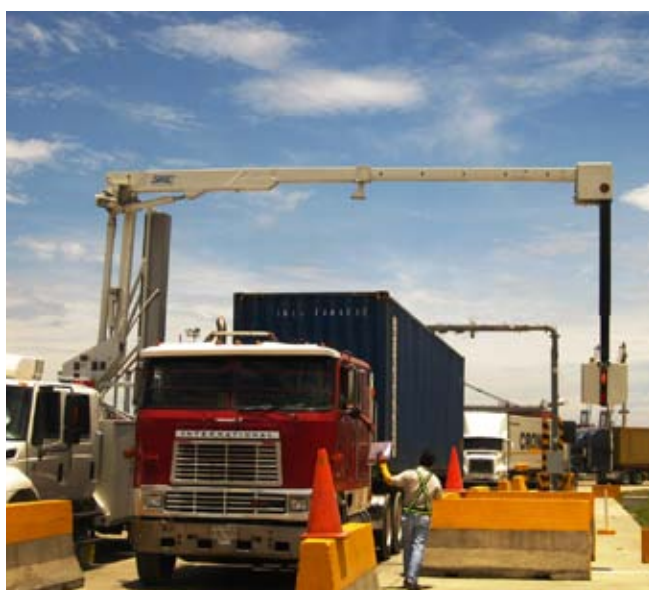
Civil Guard

Isdefe continued to provide its services intended to modernise and update the deployments of the Comprehensive External Surveillance System (SIVE), as well as to offer responses to as of yet unmet needs. From a maintenance standpoint, Isdefe is working toward defining an overall strategy by using the Framework Agreement's legal tool, and toward planning the investments originating from new sources.

Isdefe also continued to develop new capabilities such as providing interoperability to the system, adapting it to the integration and centralisation needs of European border protection systems (EUROSUR-NCC), and analysing new technologies and platforms.

Ministry of the Interior

In the State Security Office, Isdefe is assisting the CIS Sub-Directorate with the specification, development and implementation of new automated border crossing (ABC) systems and with the definition and development of new information and special border crossing centers, such as the Port of Algeciras.



European Commission

Three new management assignments were signed in 2014 involving projects co-financed by the European Commission: Exchange of the NSP between the NCCs of Spain and Portugal", "Provision of Satellite Capabilities" to aid in the development of joint surveillance tools as part of EUROSUR, and the "SEAHORSE Mediterranean Network", the goal of which is to enhance cooperation with countries in the north of Africa.

European Border Agency (Frontex)

The Frontex agency has been relying on Isdefe for several years to carry out studies in the area of border control. Specifically, last year Isdefe conducted an analysis on the problem of monitoring those areas where the presence of forests and vegetation hampers surveillance.

Isdefe is currently carrying out a new analysis of the potential of the latest mobile surveillance technology for its possible use in land borders.

Algerian Ministry of Transport

Since the project was launched in December 2013, Isdefe has taken part in monitoring the activities and work of the contractor in an effort to implement the system.

This system, which is conceptually based on the SIVE, will cover the entire Algerian coastline and the country's eleven main ports. It will include maritime services like VTS and SAR, as per the requirements defined by the International Association of Lighthouse Authorities (IALA-AISM).

CRISIS AND EMERGENCY MANAGEMENT SYSTEMS

Military Emergencies Unit (UME)

Isdefe, which has become a benchmark not only nationally but also abroad in the area of emergencies management, continued to lend its support to the UME, as it has since its creation, in several areas:

In the area of Communications and Information Systems, by developing technical proposals and improvements, integrating and tracking projects to implement CIS capabilities in the Permanent Stations of the Command Post, and Secondary and Tertiary posts, and in deployable CIS stations.

This includes monitoring over 30 different projects in varying degrees of development and operation: level I and II deployable stations and upgrade of existing level I stations for on-the-move operations, deployable battalion command posts, forward command posts, satellite communication terminals on the quick halt, TETRAPOL resources, TETRAPOL infrastructure reconstruction station, distributed positioning system for every UME element, receipt of images from helicopters, reception and production station for audio-visual media, fixed and deployable HF stations, battalion and command post satellite anchor stations, transportable anchor land infrastructure reconstruction satellite station, mesh technology radio communications system, deployable air control towers, encryption system, satellite terminal and network management, portable



satellite terminals, communications integration and management, projectable CIS and C2 stations, system mock-ups, battalion operations centers and joint operations centers.

Isdefe also provided technical assistance to the military's Integrated Emergency Management System (SIMGE) and to the National Emergencies Network (RENEM). This work involved tracking, monitoring and improving the implementation of previous information systems, as well as support in managing the connections to outside agencies to facilitate the exchange of information and the oversight of any traffic and information that was exchanged.

Lastly, Isdefe aided with the management and coordination of logistical activities and with tracking the maintenance contracts.



PROTECTION OF CRITICAL INFRASTRUCTURE

National Center for the Protection of Critical Infrastructure (CNPIC)

In 2014, Isdefe helped the National Center for the Protection of Critical Infrastructure (CNPIC) with several of its activities, but particularly noteworthy is its involvement in the working groups drafting the Strategic Sector Plans. Isdefe cooperated with the leading authorities and officials in the sector in keeping with the CNPIC's policies and directives.

This work led to the approval of the first Strategic Sector Plans (electricity, gas, oil, nuclear and financial) by the National Commission for the Protection of Critical Infrastructure, which represents the final backing needed

for the regulation on the protection of critical infrastructure and for the materialisation of the directives defined by the National Security Strategy, approved in May 2013.

European Commission's Directorate General for Mobility

Security in Land Transport (SLT) is a project led by Sistemas Informáticos Abiertos (SIA) in consortium with Isdefe. Its goals are to do a preliminary study on how the land transport sector should address the cyber-security threats and the potential attack scenarios of interest to European Union member States, and lastly, to provide feedback to the Network Information Security (NIS) Directive for public/private companies however and whenever necessary.

SLT is focused on studying and understanding the risks involving the cyber-attacks that the land transport sector is exposed to, in particular:

- The ways to evaluate the consequences (impact) of cyber-attacks on the land transport sector.
- The ways to evaluate the cyber-security risks they are subject to.
- The possible cyber-attack scenarios that the land transport sector is exposed to, determining which of them are most probable and what their impacts would be.



UNIQUE CONSTRUCTION AND INFRASTRUCTURE PROJECTS

Of all the actions involving infrastructure of a special or strategic nature, Isdefe provides a significant added value to its clients throughout their entire implementation cycle, from the identification of functional requirements, to the design and engineering phase, and finally to the execution support phase and even the subsequent management of the resulting infrastructure and their support services. These tasks are undertaken with a comprehensive view of the problems that covers not only the typical architectural and civil engineering aspects, but also those related to energy management and the environment. Isdefe thus offers comprehensive management for infrastructure projects.

This department specialises in planning, designing and managing complex projects that combine not only the difficulties typical of constructions projects (managing contractors, materials, permits, budget tracking, etc.), but many other areas, including monitoring specific safety and security requirements, experience with international organisations at a technical, political and economic level, coordination with various national and international authorities (NATO, EU or UN projects) and the operability that allows deployments in operational areas (isolated or conflict areas, development aid projects and peacekeeping missions through turnkey solutions and site surveys).

To carry out these services, Isdefe boasts a multidisciplinary team with the ability to adapt that can advise the client. The most important projects are:

- New station for Spain's National Police in Lorca.
- Oversight of the remodelling of the border control station between Línea de la Concepción and Gibraltar.
- Draft project for a new hospital in Melilla.
- Support to the Defence Military Hospital to adapt its facilities to handle situations involving highly contagious diseases (limiting case: Ebola).
- Draft project for the indoor live fire range for the Navy's special forces unit at the Algameca Naval Base in Murcia.
- Refurbishment of the torpedo workshop for the S-80 submarine, Cartagena (Murcia).
- Refurbishment of the north platform at the arsenal in Las Palmas.
- Concept project for the new public/private shipyard in Ecuador.

EDA and NATO

One of the sectors to which Isdefe has started contributing its considerable know-how is that of Energy Security. Isdefe is part of the European

Defence Agency's Capability Technologies (CapTech) network, and is a full member of NATO's Energy Security Center of Excellence (NATO ENSE CoE), actively participating in projects on energy security, energy efficiency and competitive intelligence, and in workshops on energy security organised by the European Union on the occasion of the Lithuanian presidency.

Ecuadorian Ministry of Transport and Public Works

Isdefe completed the first phase of the Master Plan for the External Port of Guayaquil. The Port of Guayaquil is the largest in Ecuador and one of the most important on South America's Pacific coast. But in light of the changes that have taken place in recent years in the maritime sector, and given the natural limits imposed by its current geographical location, it was necessary to reconsider the development of its facilities to adapt to the needs of new markets and of regional competition.

The goal of the work conducted by Isdefe consisted of identifying the ideal location for a deep-water external port in the province of Guayas that could meet the demand for port and logistical services that will arise in coming decades, as well as of forecasting traffic demands, the needs for port infrastructures, the development phases and the estimated investment levels.



Ecuadorian Ministry of Coordination for Strategic Sectors

The year 2014 saw the execution of the contract signed with Ecuador's Ministry of Coordination for Strategic Sectors to provide consulting services for the conceptualisation of the project for the new public/private shipyard in Ecuador.

The final proposal for the shipyard involves three different phases and concluded with the transfer to Astinave AP of the information from the study and of the technical documentation needed to tender the construction of Ast.2000.

The work included an analysis of the ideal location, which took into account technical,

economic, geographic, logistic, social and industrial factors, a study of the potential market and commercial demand, and a preparation of the basic engineering design, in addition to the associated economic-financial models and all of the required technical documentation.

Peruvian Navy

Isdefe was contracted by the Peruvian Navy to implement a project to modernise its base at El Callao.

In the first phase of the project Isdefe provided consulting to study alternatives and drafted the Master Modernisation Plan.

TECHNOLOGY CENTERS

National Institute for Aerospace Technology (INTA)

Isdefe has qualified specialists who can provide scientific/technical support to the activities that take place at the Defence Ministry's Technology Center:

Aircraft Certification: Support in the tasks of certifying manned military aircraft (EF2000, NH-90, Tigre-HADE, A400-M, C-295M), UAS (Atlante, Pasi) and products derived from civil aircraft for military use (MRTT, FSTA, RSAF and UAE).

Flight and Weapons Testing Department: Responsible for flight testing campaigns both as part of military aircraft certification programmes (NH90 GSPA, TIGRE HADE, A330 MRTT, FSTA, A400M, EF2000, ATLANTE, C295) and of INTA R&D programmes (DIANA, EXTICE, C-212 Meteorológico). Technical consulting to the DGAM for certifying military parachutes.

Information and Communications Technologies: Development of command and control systems, specifically the development of software to recognise patterns in video and to generate virtual terrains.

Cyber-defence: Virtualisation scenarios for security audits of defence systems.

Tactical Data Links: Technical support to the Armed Forces in developing and integrating the Link-16 and Link-22 tactical data link systems.

Solar cell testing: Isdefe tests solar cells and photodiodes for the ESA for use in space at the SPASOLAB solar laboratory. Involvement in the national SIGMAMODULOS project: "Innovation on concentrated photovoltaic modules in Spain".

Electronic Warfare (La Marañosa): Test of frequency jammers and systems involved in the fight against IEDs.

Weapons (La Marañosa): Study on prolonging the operational life of the HAWK anti-air missile; servicing of the missile vibration facility; start of a line of research on rocket propulsion that relies on sodium to induce a phase change in the propellant. Support to civilian companies



to develop micro-rockets for drones and GPS guidance systems for MC25 rockets. Development of a procedure and calculation tools to develop solid propellant rockets.

Optronics and Acoustics (La Marañosa):

Development of instruments for a third-generation self-guided missile, design of software to automate thermography processes, measuring MTF in light intensifier tubes in an integrated measurement bench, research into nanotechnology, development of interference filters for optical coatings, development of an atmospheric passive acoustic detection system, and measurement of acoustic signature of ship and propeller mock-ups in a water tunnel.

NBC Defence and Materials (La Marañosa):

Analysis of samples from Spain's Armed Forces and from the Network of Biological Alert Laboratories (RELAB) to detect and identify

threats from nuclear, biological and chemical (NBC) agents.

Jet engines: Certification testing of the new generation of Rolls Royce XWB engines with more efficient turbines, as well as complex aerodynamic testing of Rolls Royce Trent 700 engines.

Torregorda Testing Center (Cádiz): Isdefe supports the development of ballistic testing technology for receipt testing and checks of weapons and munitions, for certifying defence products and for monitoring munitions for Spain's Armed Forces.

Materials and Structures: characterisation, certification, approval and testing of materials, as well as new methods for protecting materials and for testing structures and mechanisms for aeronautical vehicles.

REMOTELY PILOTED AIRCRAFT SYSTEM (RPAS)

As part of its consulting activities for the Air Force Chief of Staff, Isdefe carried out viability and safety studies for the operation of RPAs in segregated airspace, as requested by various public agencies and civilian companies, for approval by the Air Force. Isdefe also aided in drafting the Master Plan for class I, II and III RPAs.

For the Army, Isdefe continued to provide support in the operation and maintenance of RPA systems deployed in Operational Theatres. During this time, the system was scaled back nationally and Isdefe aided with the necessary engineering procedures and facilitated the technical mechanisms needed to ensure the continuity of operations and their future deployment nationwide.

In addition, for more than 15 years Isdefe has been involved with INTA in developing systems for RPAs, specifically:

- The implementation of IP communications in onboard electronics;
- The implementation of new features in the control stations for the MILANO and DIANA UAVs;
- Operational support for the systems during flight campaigns as part of the support INTA provides to the Army and Air Force;
- Training support at the UAS School in Salamanca.



AEROSPACE SECTOR

SPACE INFRASTRUCTURE



Madrid Deep Space Communications Center (MDSCC)

This NASA center, which tracks satellites and space probes, is located in Robledo de Chavela (Madrid). The Spanish and American governments have a partnership agreement that includes a contract between NASA and INTA to run the center. INTA commissioned Isdefe to manage the center in its entirety, including the tasks of operating and maintaining the tracking systems.

In 2014 this center continued its activities of tracking and communicating with spacecraft on missions to explore outer space and supported all NASA missions and on those missions in which NASA cooperates with other agencies, like the European Space Agency (ESA) and the Indian space agency (ISRO). The main focus of activity is the planet Mars, where the NASA has the Curiosity rover investigating the surface and satellites in orbit around the planet. Support is also being provided for around 40 missions,

from the oldest, Voyager II, launched in the 70s and which, after exploring the outer planets, left the solar system, to the latest NASA missions to explore the moon and planets.

Isdefe is also assisting in expanding the complex. NASA started a project to install two new 34-m antennae at the Robledo complex and increase the transmission power. The project is scheduled for completion in 2019, when the new antennae go into operation. In 2014 work was begun to prepare the terrain and to conduct the technical studies. Isdefe is coordinating all this activity either through tenders or by using its own team of professionals.

The Training and Visitors Center, located at the entrance to the complex, offers information on space sciences and astronomy to the public. In addition to being open to the public seven days a week, the Center provides workshops and schools and hosts conferences, astronomic observations and exhibits on space and astronautics. In 2014 nearly 26,000 visitors passed through the center, approximately half of whom were primary and secondary school students attending an educational workshop.

European Space Astronomy Center (ESAC)

Property of the European Space Agency (ESA), the ESAC is located in Villanueva de Cañada in Madrid. Isdefe engages in four types of activity at this center:

Facility management. Isdefe once again won the international bidding process run by ESA to manage the ESAC, thus providing continuity to the 39 years that Isdefe has been providing these services at the center since it was opened. Isdefe's current team combines excellent



knowledge of the center with highly specialised and professional skills in the application of management processes to space facilities.

Development of scientific programmes as part of the “Science Frame Contract”. In 2014 Isdefe continued providing assistance to the ESA with all of its scientific programmes, with the company playing an increased role in this area. Of note is the involvement of Isdefe professionals in posts that were vital to the success of the ROSETTA mission and to the landing of the PHILAE probe on comet Churyumov-Gerasimenko.

Operation and maintenance service for the ground segment and user services for the SMOS (ESA's Soil Moisture Ocean Salinity) satellite. The Isdefe team is in charge of handles everything from the maintenance of the tracking antenna to the operation of the satellite data processing equipment. The provision of this service was renewed for two years.

Isdefe leads a consortium whose goal is to develop a robotic telescope to detect threats from near-Earth objects. The goal is to systematise the search for meteorites or space trash that is prone to impacting the Earth's surface. This involves the integration of advanced optical, mechanical, software control and image processing technologies. The result will be two prototype telescopes that will monitor the skies from Cebreros (Ávila) and La Silla (Chile).

In addition, Isdefe signed a contract with INTA and the ESA to conduct an educational programme called CESAR. This programme aims to make available astronomical resources to the educational community, such as a tracking antenna repurposed as a radio telescope and optical telescopes operated remotely from the classroom.



ESA Deep-Space Station in Cebreros (DS2)

European Space Agency station for space missions. It operates as part of the network that includes the stations in New Norcia (Australia) and Malargüe (Mendoza – Argentina). Isdefe handles the provision of Telemetry, Telecommand and Tracking (TTT) services for ESA missions at the Cebreros station, where it operates a deep space station that provides tracking services for various missions. The activity at Cebreros focuses on supporting planetary missions, like Venus Express and Mars Express, while Isdefe's own equipment at the Villafranca station is charged with monitoring the Cluster mission and the launches of resupply vehicles to the International Space Station (ISS).

Canaries Space Center (CEC)

This center, located in Maspalomas, Gran Canaria, is owned by INTA. Through a management assignment from INTA, Isdefe operates and maintains all of the facilities, which serve various national and international space agencies. The activities carried out at Maspalomas include:

Reception and processing of ground observation images. The main client is the ESA, for whom various activities involving the receipt, processing and archiving of data are carried out. The Maspalomas station is certified to receive data from the ESA's Sentinel missions. Data are also processed, archived and distributed for other clients.

Satellite tracking (TTC) for the ESA, the Japanese space agency (JAXA), and the EUMETSAT, HISPASAT, HISDESAT and XTAR weather satellite agency.

Satellite search and rescue missions. The COSPAS-SARSAT and MEOLUT systems, which receive and locate emergency beacon signals from ships, aircraft and vehicles in distress, are operated from Maspalomas.



SATELLITE COMMUNICATIONS

Isdefe offers engineering services for global solutions involving Satellite Communications and Ground Segment Networks. The main areas of activity are:

Ground segment, for which Isdefe designs complete turnkey projects, preliminary studies, engineering, design, integration, installation and post-sales service. The main projects in 2014 were the telecommunications port for Portugal Telecom in Sintra and the Telemetry and Telecommunications Station for the Amazonas A4 satellite at the Maspalomas Space Center for Hispasat.

Government Satellite Communications Networks, in which Isdefe is involved with everything from the design to the development and implementation of satellite-based government communications networks. The main project in 2014 was the operation and maintenance of the Spanish government's Secure Network for Actions Abroad, whose clients are the Ministry of Foreign Affairs and Cooperation and the CNI.

Isdefe is also a leader in the design and deployment of Aviation Satellite

Communications Networks. The main projects were the modernisation of the nodes in Las Palmas, Sal and Recife, which are part of the CAFSAT network, the installation of the CAFSAT node in Luanda and the modernisation of the nodes in Dakar, Nuakchot, Lisbon, Johannesburg and Ezeiza.

Digital Beamforming and Arrays, in which Isdefe is a leader in the design and applications based on digital beamforming. The applications being developed are both for ground observation and for telecommunications programmes.

Tracking and control systems (SIGER), for which Isdefe is able to develop integrated management systems for space infrastructures, including stations and networks. Isdefe patented the SIGER system in this area. This product currently has many clients, such as Hispasat and the various navigation agencies that are involved in updating the CAFSAT network.

EARTH OBSERVATION

Isdefe plays an important role in the implementation, start-up and operation of GNSS facilities and applications intended to provide the Galileo services:

- GSCOPS (GNSS Service Center –GSC-Operations & Hosting Services) Project with the European GNSS Agency (GSA) to define the operations and operating procedures of the GSC.
- Operation of the GSC Nucleus under contract with the GSA.
- Deployment and start-up with Spain's CPA (Competent Galileo PRS Authority) for the future provision of the Galileo PRS (Public Regulated Service).

In the area of Ground Observation, Isdefe is engaged in activities to support the definition of new space-based observation systems, the development of new remote-sensing algorithms and applications and the development of tools to process space-based images. The most important projects include:



- DESIRE (Dual Use of European Infrared Element) Project for the ESA (European Space Agency) to develop simulation and image processing tools in the infrared band combined with visible and radar images; in top priority safety and security applications for the GMES/Copernicus Programme, such as detecting ships and tracking fuel spills, monitoring power plants or border surveillance.
- DEVA (Definition & Experimental Validation Activities) Project for the ESA to define and validate the IR instrument on GMES/Copernicus, testing its usefulness in applications related to high-temperature events.
- Start-up of new remote sensing applications.

The design and implementation of Process and Control Systems includes activities involving ground segment elements for national ground observation space systems:

- Participation in the development of the User Services Subsystem for the PAZ satellite.
- Participation in the development of the User Services Subsystem for the INGENIO satellite.



TRANSPORT SECTOR

TRAFFIC MANAGEMENT

ENAIRE

In the area of Traffic Management, Isdefe cooperates with Spain's air traffic control manager, ENAIRE, in activities involving the modernisation and adaptation to European regulations of the CNS/ATM systems at control centers and towers.

In 2014 Isdefe provided services to develop, deploy and place into operation automation and communications systems, services to verify compliance with the regulations on the safety of CNS/ATM systems, services pertaining to the structure, organisation and utilisation of airspace, support to the execution of projects in the SESAR and iTEC programmes, and support in the analysis, development and implementation of safety and protection mechanisms for critical infrastructure.

The most relevant activities in 2014 were the support to the entry into service of local A-CDM (Airport Collaborative Decision Making) operations at the Madrid-Barajas Airport, the entry into service of a new voice communications systems for en route and approach air traffic at the Canaries control center, the entry into service of new Ground/Air communications equipment at the radio site in Begas (Barcelona) and, as part of the iTEC Programme, the development of the specifications for the future location for the joint air traffic control center for Germany, the United Kingdom, Netherlands and Spain.

Isdefe also conducted a logic security risk analysis of the communications systems and networks that support the provision of essential Air Navigation services. In 2014 Isdefe carried out a study of applicable rules and regulations and of their implications for an Air Navigation Services Provider (ANSP) in terms of information security. Isdefe also started drafting a comprehensive map of the systems and networks that will be subject to a risk analysis.

Isdefe also took part in the periodic revision of the flight procedures in the Aeronautical Information Publication (AIP), as well as in other operational safety and viability studies that were used to develop advanced flight procedures and solve particularly complex operational problems.

DGAC and AESA

Isdefe cooperates with the General Directorate for Civil Aviation (DGAC) to set policy in the sector through its strategies for airports, air navigation and air transport.

It does so by conducting strategic studies on market trends, setting public prices, the entry of new operators and other public service requirements; for the USOAP programme office, to ensure that International Civil Aviation Organization (ICAO) regulations are implemented in Spain; and for the Spanish Aviation Safety and Security Agency (AESA), to support the regulatory development of the Single European Sky and its implementation nationally by doing enforcement inspections involving operational safety at air navigation service providers.



Isdefe also collaborates in restructuring airspace by supporting in the design of operational arrival and departure manoeuvres at airports, primarily orienting them toward flight procedures based on satellite navigation (RNAV/RPN).

Civil Aviation Accident and Incident Investigation Commission (CIAIAC)

Isdefe provides support to the CIAIAC by analysing serious air traffic incidents and evaluating and processing safety recommendations. Isdefe also carries out specialised studies to categorise accidents, the internal procedures of investigation groups and to write corporate reports.



ADVANCED CONCEPTS

The activities carried out by Isdefe in the area of Advanced Transportation Concepts involving Global Navigation Satellite Systems (GNSS) were as follows:

ENAIRE

Isdefe cooperates with ENAIRE in implementing operations and services based on satellite navigation systems.

In 2014 Isdefe aided ENAIRE's Satellite Navigation Department in starting up the GBAS (Ground-Based Augmentation System) at the Málaga Airport. This system allows airplanes to make precision instrument approaches that are equivalent to the instrument landing system (ILS), the advantage being that a single station can service all the runways.

ADIF

In the area of GNSS applications, Isdefe finished implementing the new tracking system for FEVE's fleet of trains based on GNSS positioning and satellite communications.

European Satellite Services Provider (ESSP)

Isdefe assisted the ESSP (European Satellite Services Provider) Service Provision Unit in the operational implementation of EGNOS in aviation.

In 2014 Isdefe carried out an EGNOS Multi-modal Action Plan, including an analysis of advanced EGNOS applications for aviation and a study of the viability of EGNOS-based instrument approaches to non-instrument runways. Isdefe also conducted a study on the operational implications of the LPV-200 service in carrying out Cat-I precision instrument approaches. Isdefe also analysed the operational implementation of RNP APCH approaches at LP minimums, as well as RNP routes.

Lastly, Isdefe analysed the use of EGNOS for helicopter operations and to aid in the execution of EGUS (European GNSS User Support) and SAFIR (Satellite Navigation Services for African Region) projects.

TRANSPORTATION CENTERS

Aena



In the area of Transport Centers, Isdefe continued providing specialised services as part of its Partnership Agreement with Aena. The company serves as the binding element for ICT policies, information systems standards and the infrastructure plans developed by Aena for its entire airport network. The services provided include: overall ICT coordination, functional and technical definition of systems and infrastructures, life-cycle management of computer applications (operational, sales management, security, facilities control, etc.), functional support to users, management of ICT project offices, quality and testing of computer applications, systems integration, support with the entry into operation of infrastructures and coordination centers (CPD, data networks, voice communications systems, servers, safety equipment and systems, public information systems, baggage handling and boarding equipment, etc.).

In 2014 Isdefe took part in a multitude of projects that, through technological innovation and by searching for efficiency and assimilating trends from other sectors, allowed passengers and other parties involved to have the tools needed to speed up airport processes and to obtain information of interest in real time. Some of these include:

- The process of deploying the Airport Collaborative Decision Making (A-CDM) platform, including the certification of the Adolfo Suárez Madrid-Barajas Airport as an A-CDM airport. This platform seeks to improve operational efficiency at airports by increasing on-time performance, anticipating events over the course of various flights and optimising the use of airport resources.
- The standardisation process for communications infrastructures and information systems through Aena's entire network of parking facilities.
- The entry into operation of the inter-island arrivals and departures building at the Gran Canaria Airport.

In 2014 Isdefe also provided its services to Aena's ICT Security Office, both as concerns the detection and handling of security incidents and the promotion and monitoring of the ICT Security Plan from different perspectives (regulatory, training and awareness, advice and support on ICT projects, etc.).

DGAC and AESA

Isdefe works with the Civil Aviation General Directorate (DGAC) and the Spanish Aviation Safety and Security Agency (AESA) to implement the National Security Program at every airport in the national network. Isdefe conducts audits, inspections, tests and drills at the various airports to ensure that all of the airport service providers are in compliance with the physical security programme.

Isdefe also cooperates with AESA in overseeing the operational safety of airport systems and of the activities performed by handling services providers at airports. The company is also involved in evaluating security by conducting technical internal audits of AESA.

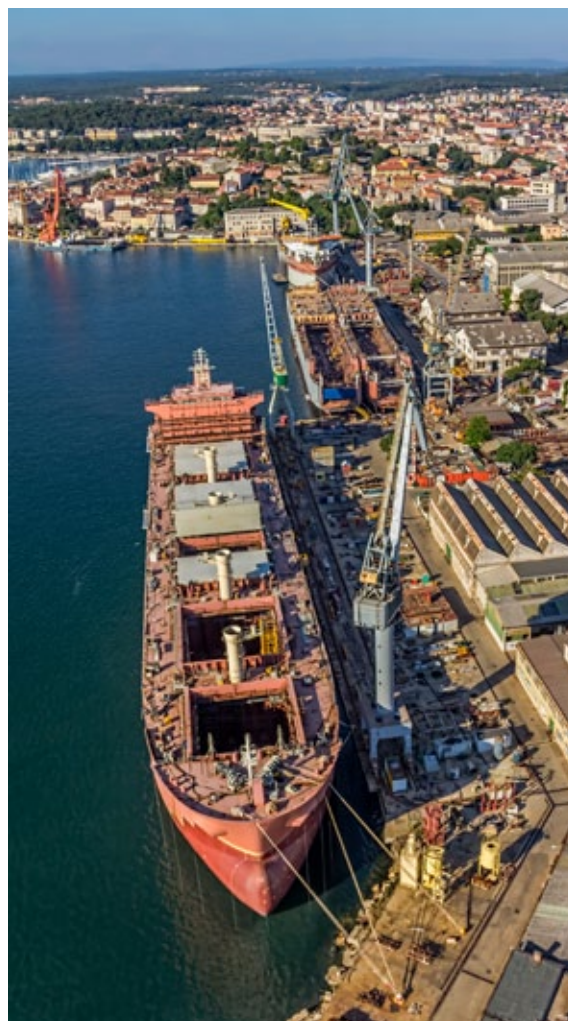
Port Authority of the Bay of Algeciras (APBA)

The Port Authority of the Bay of Algeciras manages the ports of Algeciras and Tarifa which, due to their geostrategic locations at the junction of the world's main maritime routes for transporting cargo, comprise a hub in the western Mediterranean for transferring shipping containers.

This situation has led the APBA to undertake a Technology Modernisation Programme that will allow it to provide the required services more efficiently.

Isdefe's goal is to provide support in the performance of activities related to this Technology Modernisation Programme so as to allow the APBA to achieve its specified strategic and business goals by the year 2020. To this end, Isdefe was involved in carrying out the following activities:

- Preparation of a Technological Development Plan that provides a framework for the development of port management support systems by ensuring that the information requirements of the port's processes are covered.
- Consulting on the preliminary design of a Process Coordination Center.
- Assessing the technical solution supply, installation and start-up of a radar system.
- Supervising the actions taken involving the current system to integrate communications and manage activities and incidents.



PUBLIC ADMINISTRATION SECTOR

IMPROVING AND MODERNIZING PUBLIC ADMINISTRATION

Ministry of Defence

At the General Directorate for Armaments and Materiel, Isdefe completed the development and implementation of the first phase of the Balanced Scorecard (BSC) aimed at tracking its strategic goals, both by monitoring the BSC's indicators and by carrying out analyses of the vast amount of data on the Human Resources, Programme Management, Planning and R&D departments and on the Governing Body.



At the General Directorate for Infrastructure, Isdefe continued with its traditional support in managing the centralised contracts for electricity, fuel and gas. Isdefe also assisted the Military Construction Service (SMC) in the area of financing by providing support to the SMC with managing its budgets, accounting, cash flows and contracting, both at the head office and at various branch offices. Isdefe helped the organisation to implement the new management processes and systems for electronic billing, as well as those stemming from the SMC's integration into the Defence Institute for Housing, Infrastructure and Equipment (INVIED).

At the General Directorate for Financial Affairs, Isdefe continued to support its Contract Modernisation Programme, led by the Sub-Directorate General for

Contracting, by cooperating in the launch and management of various centralised contracting projects (fuels, postal services, security services and office supply services).

Isdefe assisted the Air Force Chief of Staff's Logistical Division by providing consulting services involving the definition of models and business rules to aid in decision making in the areas of resource optimisation and improved organisational efficiency. As part of the Plan of Action and of the financial planning implemented in the Air Force with Isdefe's assistance, the company continued to collaborate in 2014 by improving the models and proposing measures for tracking the plans. Isdefe continued providing analytical accounting support to the Air Force's Directorate for Financial Affairs.

At the Office of the Under-Secretary of Defence, Isdefe collaborated through the Sub-Directorate General for Recruiting and Career Guidance in management and organisational aspects and in setting up technical resources, such as the SAPROMIL services portal, intended to aid military personnel transfer their skills and talent to civilian settings.

Ministry of Justice

Isdefe's planning, design and execution of the acceptance tests for legal computer applications, commissioned by the Ministry of Justice, is an efficient method of quality control that contributes to improving the applications by providing useful information on operational and security faults before the system is implemented. This service is made that much more important by the nature of the information processed through these applications. Incorrectly processed or filed information or unauthorised access to said information could cause serious harm in the court system, in public prosecutor's offices or in forensics laboratories, as well as harm the perception that the public and the legal professions have of the Justice system.

Along with the tests, the services provided by Isdefe to manage the development life cycle and the configuration of legal applications improve the control of both the documentation and of the computer programs.

The implementation and functions of the LexNET computer notification system, developed with Isdefe's support, have been expanded. This system is now an essential part of modernising Spain's justice system. Thanks to its capacity to integrate the systems of the Ministry of Justice and of most autonomous communities, as well as those of professionals (lawyers and barristers), national security forces and other groups, it plays an essential role in making the provision of legal services more efficient.

The Integrated Judicial System advanced significantly in 2014 and is close to being implemented at a pilot site as the new system for managing court cases.

The traditional court case management system, Minerva, in use at courts run by the Ministry of Justice and, by agreement, in some autonomies



communities with transferred powers, has undergone a significant modernisation process with Isdefe's support.

Through an internal working group, Isdefe continued to provide verification and validation testing services for all of the new software versions developed by New Justice Technologies. This task is essential to ensuring the functionality of the systems in use in the administration of justice and of the quality of the work provided to the Ministry by its various contractors.

Isdefe provided specialised change management support to the ongoing activity of deploying the new Judicial Office organisational model, which is now in service in the cities of Ceuta and Melilla, and the new Tax Office, already in operation in Ceuta. Plans are also in place to deploy the model to Murcia, Ponferrada and Palma de Mallorca.

Internationally, the Ministry of Justice is taking part in the e-CODEX European initiative, designed to facilitate the online exchange of information between the justice departments of participating countries. Isdefe aided the Ministry in developing and validation pilot systems and in coordinating with other participating countries.

Isdefe professionals are also helping the Ministry of Justice to draft the regulations of the Judicial Interoperability and Security Scheme (EJIS) and with the activities of the Technical State Committee for the Electronic Administration of Justice (CTEAJE).

Ministry of Industry, Energy and Tourism

Isdefe aided the IDAE with the implementation and management of financial instruments co-financed with European funds and in promoting projects in the area of renewable energy and energy efficiency.

Ministry of the Presidency

Isdefe finalised its consulting services with the commission for the creation and launch of the Lorca+ Plan, intended to reactivate the financial activity of the town of Lorca by identifying actions to include in the plan and its potential sources of financing.



Office for Industry and Small and Medium Enterprises (SGIPYME)

Isdefe provides consulting services to the SGIPYME involving Electronic Administration and assists with the executive tracking of aid programmes to undertake actions in the framework of public policy on reindustrialisation. The actions taken were both in the areas of managing and validating the information in the aid programmes and of defining proposals for improvements in the application of electronic administration procedures to public reindustrialisation policy.

National Market and Competition Commission (CNMC)

Isdefe continued to provide assistance in implementing the Regulatory Cost Information Model (IRC model), which will allow for the assessment and control of the costs to be paid to the owners and operators of the electricity and gas generation and distribution grid within the existing regulatory framework

Isdefe also aided the CNMC in overseeing the airport fees applicable to 2015 by reviewing and verifying certain accounting aspects of Aena's analytical accounting model, including the allocation of costs to airport and commercial activities and verifying the correlation between fees and costs in keeping with the accounting model.

In the area of postal services, Isdefe confirmed the analytical accounting results of Spain's postal services provider for the 2011 and 2012 fiscal years, and reviewed the methodology used to determine the service's net cost and the unfair financial burden. This included a sensitivity analysis of various methodological proposals and calculating an international benchmark of the different methodological approaches used in Europe.

National Company for Innovation (ENISA)

During 2014 Isdefe continued providing assistance to ENISA, expanding its collaboration to new air programmes. The activities undertaken consisted of evaluating the financial aspects of the requests presented by Spanish companies as part of the 2014 tender process for the Reindustrialisation and Increased Competitiveness programmes.



Administrator of the Railway Infrastructure (ADIF)

Isdefe lent its consulting services to this organisation to define a new management model for its information systems based on ongoing and planned investments. Isdefe also inventoried ADIF's applications, infrastructure and services and assessed the maturity of key management practices.

State Agencies

The Law on State Agencies, published for the purpose of modernising the management of the General State Administration, aims to improve the quality of public services and to increase their efficiency, as made clear in the report of the Commission for the Reform of State Agencies (CORA) written in mid-2013.

Isdefe contributed to this effort by providing technical consulting and assistance services, from the definition and establishment of the requirements for this new goal-based management model, to its deployment and implementation in the organisations. In particular, Isdefe is helping with: implementing the full planning cycle, from the strategic to the operational phase; managing performance through indicator systems (Balanced Scorecard); analysing and improving the financial management (analytical accounting and management systems); establishing public fees and prices through market analyses and studies; proposing self-financing strategies to optimise management by reengineering and automating processes and procedures; and improving the management of projects and programmes.

Isdefe provides these types of services to the Spanish Aviation Safety and Security Agency (AESA), to the Spanish Agency for Drugs and Healthcare Products (AEMPS), the National Weather Agency (AEMET), and to the Spanish Agency for International Development Cooperation (AECID).

National Lottery and Betting Company (SELAE)

Isdefe provided services aimed at training SELAE personnel on the concepts, methods and tools of strategic planning. This training will allow SELAE to analyse and formulate a new strategy that will maximise the use of the company's resources.

European Aviation Safety Agency (EASA)

Isdefe continued aiding the EASA in defining and implementing a data warehouse of the available aviation information, and then to maintain it through the use of Business Intelligence methods.

Ecuadorian Ministry of Education

Isdefe, in consortium with TYPASA, carried out studies and designs for the Ministry to build the Universidad Nacional de Educación (UNAE), located in Chuquipata, Canton Azogues, in the province of Cañar.

The project to build the UNAE required the participation of a large multidisciplinary team to carry out the relevant architectural and engineering work. The university was conceived as a great center of learning and research that aims to turn the teaching profession into the mother of all professions, thus contributing to change Ecuador's production sector.



TECHNOLOGICAL AND INDUSTRIAL MANAGEMENT

Ministry of Defence



Isdefe provides support to the General Directorate for Armaments and Materiel in defining and executing the Ministry of Defence's technology and industry policy.

In particular, Isdefe has provided operational support, since its creation in 2002, to the Observing System and Technology Foresight (SOPT), which consists of a group of observatories, each of which covers a specific area of technology. The SOPT advises the DGAM with the evaluation and strategic planning of R&D activities. In particular, it crafts the Defence Technology and Innovation Strategy (ETID), which determines the Ministry's technological management. It also has

other functions, notably that of gathering and disseminating technical knowledge within the Ministry of Defence.

Isdefe also supports the DGAM in every activity intended to ensure the implementation of established armaments and materiel policies. In this area the main activities are those aimed at planning those armament, materiel and R&D resources that assist in preparing the Ministry of Defence's budgets. Isdefe also helps with preparing the annual contracting plan for the following fiscal year.

Of note in 2014 was the evaluation of the DGAM's COINCIDENTE programme, which on this occasion had a total of 216 proposals for the country's technological fabric. On top of these evaluations are the many other technical proposals presented by defence centers and units and by international organisations (EDA, NATO, EU). Isdefe's activity also extends to supporting the DGAM in defining the Directorate's own technical projects, such as the various technical programmes of the future F-110 frigate, or recording and evaluating the results of the Defence Ministry's R&D programmes by supporting the Archive of Intangible R&D Assets on weapons systems and equipment of interest to national defence, which manages the documentation and industrial property rights generated in each of the R&D programmes.

Another particularly relevant activity undertaken in 2014 was the preparation of the Sector Master Plans for armament and materiel systems. In 2014 the master plans for helicopters and RPAS were crafted.

In 2014 Isdefe was also an active participant in identifying the industrial capabilities of the defence sector. Isdefe also assists in negotiating and monitoring Industrial Cooperation Agreements, in industrial activities pertaining to international agreements and conventions, and in supporting the exports or internationalisation of companies through OFICAEX.



Ministry of Economy and Competitiveness

Isdefe started to provide consulting services to the State Office for Research, Development and Innovation on its task of promoting corporate innovation, in particular as it pertains to managing the Binding Detailed Opinions for tax deductions for R&D activities. Isdefe's help will allow for improved management and operation of the databases, thus contributing to the analysis of their contents to help in the decision making needed to improve the system of tax incentives for R&D and its impact on Spain's science and technology structure.

Ministry of Industry, Energy and Tourism

Isdefe cooperates with the Office for Industry and SMEs (DGIPYME) in the tracking of the information relative to the execution of industrial projects financed by grants awarded as part of the Reindustrialisation Programme. Isdefe analyses the each project's supporting information and ensures it complies with the established criteria.

European Defence Agency (EDA)

Isdefe collaborated with the European Defence Agency's Planning Office in studying and analysing Europe's defence capabilities as part of the Capability Development Plan (CDP). The CDP is the instrument used by the EDA to periodically analyse the available and required capabilities in the short, medium and long term. Isdefe's work consisted of reviewing and analysing all the information pertaining to the CDP, of generating specialised reports and of disseminating these reports to the Ministries of Defence of EDA member countries through a specialised online platform.

Peruvian Ministry of Defence

In 2014 Isdefe continued helping Peru's Ministry of Defence in the area of industrial compensation for its acquisitions as part of a Specialised Assistance Contract.



ICT SECTOR

COMMUNICATIONS NETWORKS AND SYSTEMS

National Market and Competition Commission (CNMC)

Isdefe provides various specialised consulting services in the area of sector regulation for the CNMC. This organisation, created in 2013, brought together all of the regulatory agencies that existed before to promote free trade. Its mission is to ensure free competition among the various production sectors of Spain's economy to the benefit of consumers and users.

The multidisciplinary experience of Isdefe's working group in industry regulation allowed the company to expand its consulting services in 2014 to the area of electronic communications, which had previously been provided to former Telecommunications Market Commission (now part of the CNMC), to expand the competencies of the CNMC to postal regulation and oversight of airport fees.



Isdefe's activities in regulating telecommunications in 2014 included verifying the results of the regulatory accounting systems of certain operators, required for the 2013 fiscal year, and analysing the extent of the development

of the broadband infrastructure and competition conditions in the market as part of the process of defining and analysing those broadband markets commissioned by the CNMC in 2014.

Penal Work and Job Training (TPFE)

Isdefe provides specialised consulting services in Electronic Administration to support the TPFE's information systems and electronic administration applications. Isdefe analysed the status of these systems and developed proposals to improve them, analysed and supported projects to develop the information systems and analysed and evaluated actions within the scope of the corrective and preventive maintenance activities.

Development Bank of Latin America (CAF)

Isdefe provides strategic consulting ICT services to the Development Bank of Latin America (CAF) intended to enhance its knowledge of the keys to the sector's growth and contribute to its standing as a driving force behind the development of new technologies in Latin America and the Caribbean.

The projects conducted range from a situational assessment of the ICT industry in Latin America, which include an index of ICT development, a best practices catalogue and a portfolio of proposals for the development of the region, to specific digital convergence plans for various countries that have a set of programmes designed to develop the ICT networks and services.



EU Twinning Programmes

Isdefe participates in various twinning programs in the area of ICT. Financed by the European Commission, these are designed to facilitate the incorporation into the EU of countries involved in pre-membership procedures and to promote the development of government agencies in neighbouring countries. Specifically, in 2014 Isdefe took part in a programme to aid in setting up mechanisms to control and monitor the telecommunications equipment market for Turkey's telecommunications agency.

ELECTROMAGNETIC SPECTRUM

National Office for Telecommunications and the Information Society (SETSI)

Isdefe cooperated with SETSI in 2014 as part of the Digital Agenda for Spain programme and its two main areas of activity: the development of telecommunications and promoting the Information Society.

In the area of telecommunications and information technology, Isdefe is closely involved in planning and managing the radio spectrum and in other activities related to developing radio communications services, such as:

- analysing operators' proposals concerning technical projects for radio stations, mobile telephony and fixed wireless loop;
- conducting situational analyses and comparative studies in various trend-setting countries in the areas of new technologies and emergent services;
- providing constant support to managing information systems, both during their functional description and in their subsequent evaluation and validation.

Isdefe was also constantly involved in the transition toward digital television, from creating the specific plan to transition toward DTT and supporting the execution of the Digital Dividend. Isdefe also coordinated the pilot projects on electromagnetic compatibility between the LTE and DTT services in the 800-MHz band.

Isdefe likewise cooperated with the SETSI in managing and executing the New Infrastructures programme to aid in the deployment of superfast networks and broadband infrastructure, and in sharing the infrastructures of telecommunications operators with the public domain.

In the framework of the Information Society, Isdefe assisted in monitoring the actions associated with the Trust Plan in the area of cyber-security and provided support to track the activities with autonomous communities and other entities. A new facet of Isdefe's cooperation with the SETSI was its support with the oversight, communication and coordination of the Digital Agenda for Spain programme.

This fruitful partnership has allowed the company to put together a multidisciplinary working team that is highly adaptable to our client's current and future needs.



ENERGY SECTOR

ENERGY DIVERSIFICATION AND EFFICIENCY

Institute for Energy Diversification and Savings (IDAE)

The cooperation between the Institute for Energy Diversification and Savings (IDAE) and Isdefe has been building since the initial contact was established in 2009.

Specifically, Isdefe continues to collaborate in implementing the Energy Services model in the public sector. Our support focuses on evaluating the potential savings at energy consumption centers, proposing technical measures to achieve energy savings and advising on complex bidding processes while taking into account technical, regulatory and financial criteria.

To this end, Isdefe supports the IDAE in executing the FIDAE Portfolio Fund. In 2014 Isdefe conducted energy studies and proposed bids for municipal lighting systems and district heating networks, it carried out energy improvement studies for public buildings (pools and sports centers, town halls, hospitals, large office buildings, etc.). Work was also completed to verify and certify IDAE aid programmes for investing in energy savings and efficiency involving private sector strategic projects.

The year 2014 saw the Spanish government launch different Programs to Incentivise Efficient Vehicles (PIVE), which required developing and adapting the information systems used by dealers to request the aid packages associated with the plan, as well as the subsystem to verify and validate the assistance paperwork.

The experience acquired through these projects paved the way for Isdefe's cooperation with the Ministry of Agriculture and the Environment and for the management of the PIMA-AIRE plan, whose goal was to replace urban delivery vehicles with others with significantly lower CO2 emissions. Isdefe also helped the IDAE to start up and monitor the MOVELE 2014 plan to boost the use of electric vehicles.

For the IDAE Technical Office for Energy Efficiency in Government Agencies, Isdefe began a new work cycle with the Energy Efficiency Directive aimed at achieving the 3% annual energy renewal commitments at consumption centers for the General State Administration.

Isdefe's assistance was requested in 2014 for its expertise in the area of assembling multidisciplinary teams to supervise processes at power stations and to process administrative paperwork involving subsidies or public aid for generation, especially in the energy sector. This was done in order to provide a response to the implementation of Ministry of Industry, Energy and Tourism Order no. IET/1045/2014 on compensation parameters, which implements Royal Decree 413/14, which specifies the specific these regulations is to unite the electrical generation payments under a new scheme that ensures compensation in keeping with the investment made and with the facilities' operating and maintenance costs so as to ensure a reasonable return.





Ministry of Economy and Competitiveness

Isdefe is ramping up its business as a provider of specialised technical assistance and comprehensive consulting services to the Ministry of Economy and Competitiveness through the development and oversight of international energy and infrastructure projects. These projects involve bilateral or multilateral agreements between the government of Spain and other countries and contribute to the technical excellence and success of Spanish industry in obtaining said projects. They also help to spread the Spanish brand, and they do so while adhering to the basic principles of transparency and equal opportunity, which comprise the pillars of Isdefe's corporate culture.

Worth noting, given its special significance, is Isdefe's help in bidding for and supervising the work during the construction of a 2.17 MW photovoltaic plant in Azraq (Jordan), contracted by Jordan's Ministry of Renewable Energy and Mineral Resources via a bilateral debt conversion agreement. The plant is scheduled to be completed and placed into operation in March 2015. Isdefe's support was also crucial to bidding and evaluating offers to construct a 120-MW wind farm in Gulf El-Zayt (Egypt). Other important projects in progress that show the level of diversification achieved by Isdefe include the preparation of bids and, in most cases, the supervision of construction work for the renovation and outfitting of the General Hospital in Kawolo (Uganda), the management of the construction project for Line 5 of the metro in Ho Chi Minh City (Phase 1), as well as other, smaller projects in countries like Kenya and Honduras.

Ports of the State

In 2014 Isdefe continued the collaboration with Ports of the State that started in 2013 with the writing of "Consolidated guide to energy management in Spain's port industry". Isdefe provided technical assistance to promote R&D as part of work to integrate renewable energy and energy efficiency in Spain's port system.

As part of rendering this assistance, Isdefe drafted a formal proposal for the Smart Green Energy Ports and Harbours (SEPORHA) project aimed at positioning Spain's ports as benchmarks in Europe in the development and demonstration of a new, sustainable and innovative energy model.

This project, spearheaded by Ports of the State along with the Vigo Port Authority, aims to implement various innovative technologies involving the generation, storage, distribution and consumption of electricity at participating ports so as to validate the results pertaining to efficiency, reduced energy costs and reduced emissions. The final result will be published through an Energy Observatory.

In 2014 Isdefe also continued working with several port authorities to implement shore power systems for ships (cold ironing) in their ports. In the process, Isdefe has become a technical reference in this area for Spain's port industry. On top of the work already carried out for the Port Authority of Melilla are the cold ironing projects carried out for the ports of Algeciras, Santa Cruz de Tenerife, Granadilla de Abona, Santa Cruz de la Palma and the Port Authority of the Balearic Islands.





Social Performance

4

Human Capital 70

Commitment to Society 78

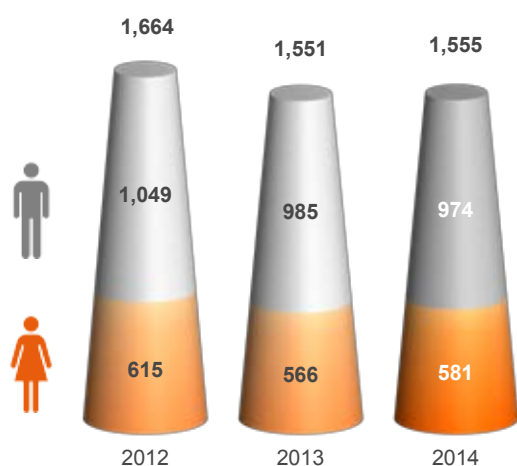
HUMAN CAPITAL

THE WORKFORCE

Isdefe boasts a very qualified team of professionals that is highly trained and committed to the organisation and to its clients.

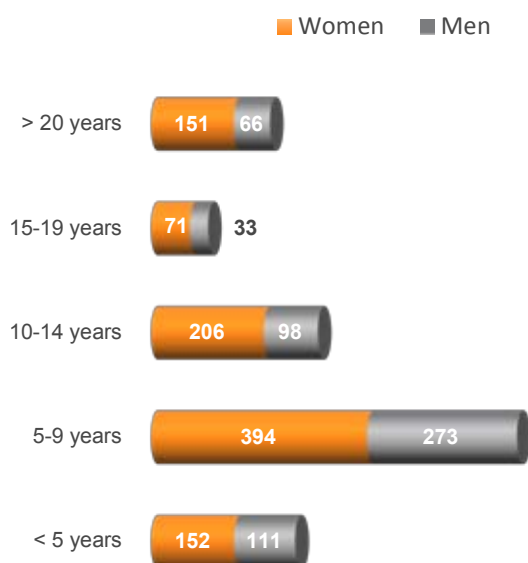
The staff has thirty years of experience, is highly specialised and driven to excel.

► Growth of workforce

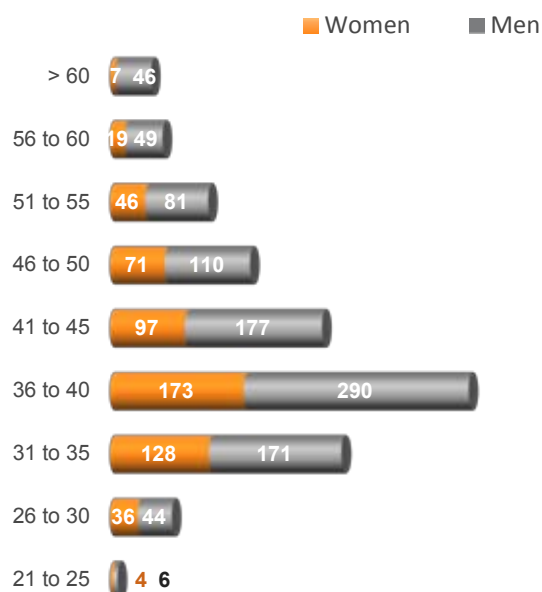


Number of employees on 31/12/2014	1,555
Personnel expenses	93,603,516
No. of employees with university degree	1,246
Gender (men/women)	974 H / 581 M
No. of permanent employees	1,444
Investment in Training	770,350 €
No. of reduced-workday or part-time employees	114
No. of disabled employees	18
Average age	41.48

► Experience of workforce







► Distribution by age and gender







Contract type

				TOTAL 2014	% 	% 	% TOTAL
Permanent contract	Full time	429	906	1,335	27.59%	58.26%	85.85%
	Part time	97	12	109	6.24%	0.77%	7.01%
Temporary contract	Full time	53	53	106	3.41%	3.41%	6.82%
	Part time	2	3	5	0.13%	0.19%	0.32%
Total		581	974	1,555	37%	63%	100%

Law 2/2012 of 29 June, on General State Budgets, specifies that state-owned companies may not hire new personnel save for exceptional circumstances, and only then to cover urgent and immediate needs, in which case a temporary contract may be offered. The law excludes hiring processes initiated in previous years or that are required as part of any multi-annual programs or plans that were in effect when the Law went into effect. Temporary contracts, taking into account the foregoing, must adhere to the criteria and instructions that are issued by the majority shareholder of the company in question, and only after a favorable report is written by the Ministry of Revenue and Public Administrations.

Turnover figures and indicators

								TOTAL
Age		<30	30-50	>50	<30	30-50	>50	
Hires		16	22	0	11	16	2	67
Resignations		3	19	1	3	25	12	63
Hire rate (%)		3.43%	4.68%	0.00%	2.34%	2.11%	1.08%	4.32%
Resig. rate (%)		13.04%	4.04%	1.37%	7.69%	3.29%	6.45%	4.06%

Labour relations and unionisation

Isdefe's employees are covered by the 17th National Collective Bargaining Agreement for Engineering Companies and Technical Firms and by the Workers' Statute. A small percentage of the staff is covered by the 1st Collective Bargaining Agreement for national government personnel, which regulates those areas not included in their work contracts.

For the 2014-2016 period, the challenge is to define a set of working conditions for Isdefe that includes the common working conditions shared by the work centers as part of the new Company Agreement to be negotiated in 2014.

Isdefe currently has five work centers in which the employees enjoy legal representation.

Career planning

Isdefe has had a professional career and remuneration system in place since 2011.

Remuneration policy

Isdefe employs a salary policy that relies on internal equality criteria while at the same time seeking to be competitive in the job market.

The company's financial policy improves on the legally required conditions, with Isdefe's minimum starting salary (€16,000) being 1.76 times higher than the minimum salary (€9,080).

There is a one-to-one ratio in the salaries for men and women.

Benefits

Isdefe complements staff salaries with a range of benefits that include life and medical insurance, food assistance (or discounted cafeteria meals depending on the work center) and pay or bonus advances. Additionally, for employees on maternity, paternity or temporary disability leave, the company improves on the legally required benefits to provide 100% of an employee's actual salary.

Personnel expenses (M €)	
Salaries	70,506,012
Social security paid by the company	17,874,805
Benefits	5,222,698
Total	93,603,515

Awards and distinctions for Isdefe employees

In 2014 the Ministry of Defence awarded:

- ▶ **Constancio Heras Soblechero** the Military Merit Cross with White Band (B.O.D. no. 2 of 3 January 2014). Constancio has been at Isdefe since June of 1991 and is currently working in the Organisation, Processes and Energy Office, part of the Maintenance Division, which belongs to the Army Maintenance Department.
- ▶ **Belinda Misiego Tejeda** the Military Merit Cross with White Band (B.O.D. no. 120 of 23 June 2014). Belinda has been employed at Isdefe since December of 2012. She currently works in the Security and Defence Office, which is part of the Business Development Department.
- ▶ **Gonzalo Santamaría Freire** the Military Merit Cross with White Band (B.O.D. no. 120 of 23 June 2014). Gonzalo has been at Isdefe since November 2004. He is currently the Head of the Maintenance for the Army, part of the Energy Management and Processes Consulting Department.





Breakfast with the CEO

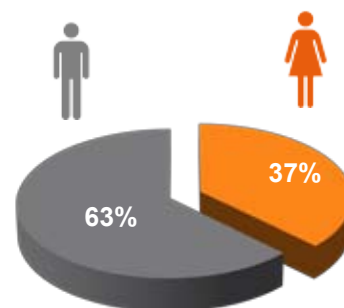
Starting in late 2013, Management set up a new internal communications tool, the "Breakfast with the CEO". This tool allows the company's top executive to have a working breakfast once a month with ten employees. This internal communications initiative, designed to provide a two-way exchange between employees and Management, has been well received by participants from the start and proven greatly beneficial to addressing employees' concerns.

EQUAL OPPORTUNITY, RECONCILIATION AND DIVERSITY

► Distribution by gender, academic degree and age

Category								
	<30	30-50	>50	Total	<30	30-50	>50	Total
Bachelor's Degree	14	295	23	332	15	498	95	608
Associate's Degree	8	84	9	101	11	152	42	205
Non-degreed Technician	1	21	2	24	4	101	35	140
Miscellaneous trades						7	2	9
Administrative	1	85	38	124		10	2	12
Total	24	485	72	581	30	768	176	974

► Distribution by gender



Reconciliation

		
Employees entitled to maternity/paternity leave	56	55
Employees who took maternity/paternity leave	56	55
Employees who returned to work following maternity/paternity leave	100%	100%
Employees who were still working 12 months after returning to their jobs following leave	100%	100%

Recognitions





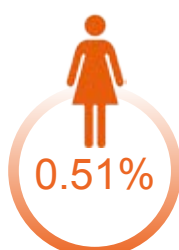
Renewal of the following awards: "Workplace equality" from the Ministry of Labor and Social Security.



Concilia Network, an initiative of the Madrid City Hall.

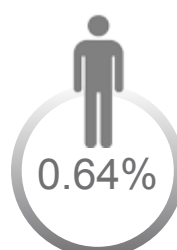
Diversity

							Total
	<30	30-50	>50	<30	30-50	>50	
Staff	24	485	72	30	768	176	1,555
No of disabled employeeed	1	8	1	0	7	1	18



Disability by gender

Isdefe's workforce includes disabled employees, who enjoy alternative measures with special work centers and donated materials.





HEALTH AND SAFETY

From its beginning Isdefe has been committed to fostering a healthy working environment and job characteristics that are conducive to preserving the health and safety of all its employees.

Isdefe's Prevention Policy, issued by the CEO on 26 June 2012, restates the principles of prevention, planning and compliance in order to attain the highest levels of health and safety in an effort to enable the development of an occupational hazard prevention management system that is integrated into the company's activity.

Health and Safety Committee

A total of four committees were set up in 2014, one for each of the work centers with more than 50 employees. The fifth work center, with under 50 employees, has a prevention specialist.

The health and safety aspects covered in formal agreements with these committees include: personal protective equipment, joint health and safety committees, involvement by employee representatives in health and safety audits, employee training and information, claim mechanisms, tracking of the protection measures proposed and periodic onsite inspections.

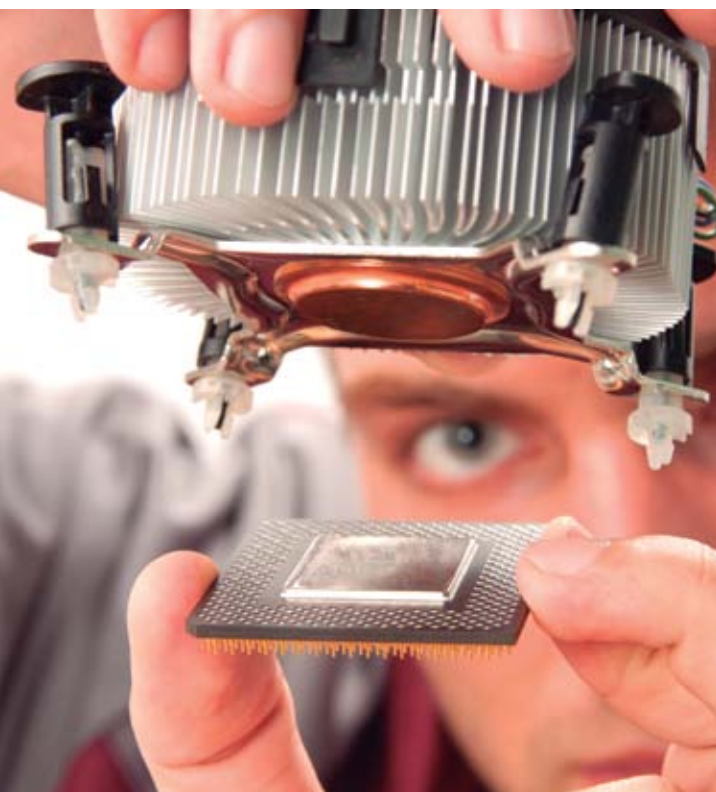


Occupational Risk Prevention

The Prevention of Occupational Risks at Isdefe is based on a management system that is integrated into the company's activity. Prevention efforts are intended to prevent risks and assess those that cannot be eliminated, as well as to plan the prevention. These are the fundamental pillars of the prevention policy, not only so as to comply with regulations, but to go further, as a philosophy that contributes by "preserving and developing the physical and human resources, reducing the losses and the legal liabilities that stem from the presence of occupational risks".

Occupational risk prevention at Isdefe includes the evaluation and training programmes established pursuant to the annual plans, as well as consulting programmes and prevention reports.

In light of the diverse activities performed by Isdefe's employees, the constant improvement of our procedures strives to detect any need that arises in this area so as to ensure the health and safety of workers in all work-related situations.



Health Monitoring

The Health Monitoring Programme at Isdefe includes, among others: completely confidential mandatory, voluntary and return from temporary disability check-ups, as requested by the Medical Service or by the employee; the collection of information on the health status of the workers; and the promotion of on-the-job health and cooperation in health issues with various public health agencies. The programme is thus intended to ensure and protect the health of all employees while at work.

In 2014, the Health Monitoring Programme offered a walk-in service at the main headquarters in Beatriz de Bobadilla and a health care consultation service outsourced to an external contractor at the other work centers.



Some of the indicators associated with the health monitoring service are:

- ▶ **1,050** Medical check-ups
- ▶ **1,225** Healthcare assistance consultation service
- ▶ **314** Vaccinations

Indicators and rates

Average total no. of hours worked/year	2012	2013	2014
Average number of hours worked per employee	1,735	1,733	1,732
Total workforce	1,664	1,551	1,555
Average total number of hours worked per year	2,891,254	2,688,038	2,693,260

Absenteeism	2012	2013	2014
No. of injuries	42	31	27
No. of occupational diseases	1	0	0
No. of work days lost due to workplace related disease or injury	419	444	278
Absenteeism (not including authorized absences)	10,084	10,949	12,102

Injuries	2012	2013	2014
Lost-time injuries (excluding en-route injuries)	10	8	9
Injuries w/o lost time	26	15	9
Injuries en route	6	8	9
Occupational diseases	1	0	0
Total Injuries	43	31	27

- OSHA-Injury Rate: 2.01
- OSHA- Occupational diseases rate: 0
- OSHA-Lost day rate: 20.68
- Absenteeism rate (INSS): 3.54

TRAINING

Within the 2014-2016 Strategic Plan, training becomes a strategic element, given that its people are regarded as Isdefe's greatest asset. The plans and initiatives being developed include aligning the 2014-2016 Training Plan with the company's strategy.



2014-2016 Training Plan

The main goal of the Training Plan is to achieve a proactive training model based on the company's strategy that can address new professional challenges and improve the quality of our service.

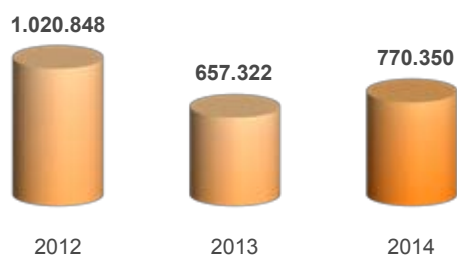
The new plan is being launched in a difficult financial environment that makes it essential to optimise the available resources and capabilities, with internal and online training taking on special significance.

At the core of this Training Plan is the goal of enhancing internal technical training to improve our staff's skills and contribute to the growth of strategic sectors and areas, supported whenever possible by professional certifications for standard technologies and methods.

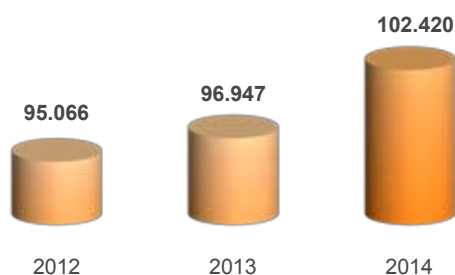
The plan's objectives also include providing continuity to medium- and long-term training.

The total number of training hours in 2014 was **102,420**, which translates into an average of **65.86 hours per employee**.

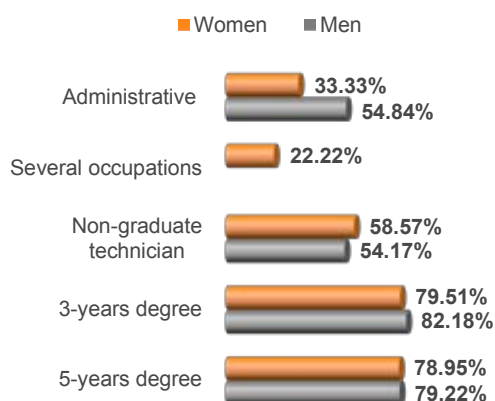
► Investment in training



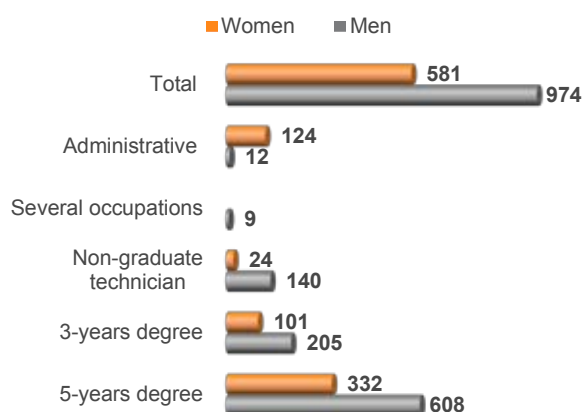
► Training hours



► Proportion of trained employees with respect to total staff



► Distribution by hours / gender & degree



Main Training Activities

- Management support
- Management
- Technology (products and services)
- Certification
- Languages

The Training Plan also includes specialised postgraduate education in areas of interest to Isdefe and provided by academic institutions.

Courses offered

Considering that Isdefe's greatest asset is the knowledge of its workforce, the 2014-2016 Training Plan promotes the following initiatives to enhance knowledge management, to optimise resources and to save time and money.

► Internal training

As a leading technology company, Isdefe's employees are experts in specialised sectors. To this end, Isdefe facilitates employee participation in the training initiatives it offers.

► Online training platform

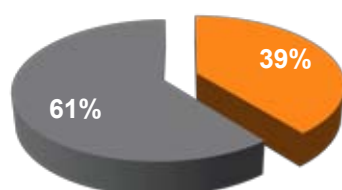
The 2014-2016 Training Plan marks a new milestone in promoting training through new technologies with the availability of a corporate e-learning platform.

There are also online courses that provide access to training to every employee.

- Introduction to the Ethics Code
- Language training
- Occupational Risk Prevention
- Technical courses and certifications
- Environmental awareness

► Distribution by hours type

■ Working hours ■ Not working hours



► Success stories

- Implementation of a corporate e-learning platform that makes training flexible while supporting internal training. The platform is managed and run by Isdefe, which makes it adaptable to the company's needs.
- Enhancement of internal training through 38 internal courses.
- Pathway to obtaining official certificates (ITIL, PMP, CISSP, etc.), with 73 employees certified in 2014 and 124 awaiting the examination. It is also expected that 75 certifications will be renewed. There are currently 16 training courses being offered to aid in obtaining these certifications.

Indicators

- No. of employees who received training: **1,158**.
- Training costs as a percent of total costs (salaries and actual expenses): **0.82%**.
- Total number of training slots offered by the company: **3,668**, of which **1,421** were occupied by **women** and **2,247** by **men**.
- Subsidies and individual training initiatives: **Language subsidies for the amount of €30,627** were offered to 129 individuals, and €20,270 were offered to 52 individuals to obtain official certifications.

► Course listing

■ Classroom ■ On-line



COMMITMENT TO SOCIETY



GLOBAL COMPACT

Since November 2009, Isdefe has expressed its voluntary commitment to social responsibility through its adoption of the United Nations Global Compact and its involvement as a member of the Spanish Network of the Global Compact.

The Global Compact is an international initiative that promotes an ethical commitment among companies to ensure their strategy and their daily operations comply with the ten basic principles of conduct and action in the areas of human rights, labour, environment and anti-corruption.

Membership in the Global Compact offers the clear benefit of the possibility of networking with other companies, learning their best practices and proposing common ideas that can be used to advance the implementation of sustainable management. It also implies the obligation of complying with the ten basic principles of conduct and action and including and implementing them as part of the company's strategy and activities.

The 10 principles of the Global Compact:

HUMAN RIGHTS

Universal Declaration on Human Rights

- 1 Businesses should support and respect the protection of internationally recognized human rights within their sphere of influence.
- 2 Businesses should make sure that their employees are not complicit in human rights violations.

LABOR

ILO Declaration on Fundamental Principles and Rights at Work

- 3 Businesses should uphold the freedom and the effective recognition of the right to collective bargaining.
- 4 Businesses should uphold the elimination of all forms of forced and compulsory labor.
- 5 Businesses should uphold the abolition of child labor.
- 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Rio Statement on the Environment and Development

- 7 Businesses are asked to support a precautionary approach to environmental challenges.
- 8 Businesses are asked to undertake initiatives to promote greater environmental responsibility.
- 9 Businesses are asked to encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

United Nations Convention on Corruption

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

SOCIAL ACTION

Over the course of the year various charity activities are scheduled that promote actions in which employees cooperate with associations, NGOs and non-profit organisations in charity initiatives. Isdefe's social programmes take place through solidarity campaigns, corporate volunteering, donations and participation in charity races that are consistent with the company's business strategy and serve to channel its employees' concern.

Charity campaigns

“€1 donation” campaign



In 2014 the “1 euro donation” campaign was started for the Project to Promote Success in Excellence, following the success of the 2013 campaign.

The initiative invited employees to donate one, five or ten euros from their pay in response to the request made by this NGO to Spanish society as part of the “Now more than ever” campaign.

In January a group of Isdefe employees had the chance to visit the Red Cross chapter of the region of Madrid, located in Carabanchel Alto, and see how volunteers provide lunches and personalised school tutoring for boys and girls at risk of social exclusion.

A new center was recently financed and the money raised was given to the Red Cross at the end of the year.



7th Charity Christmas Campaign 2014



For yet another year a great result was obtained at the 7th annual Charity Christmas Campaign thanks to donations from the employees.

Numerous boxes full of toys, books, skates, dolls and stuffed animals were given to the Madrina (Godmother) Foundation and to the Karibu Association, two organisations that work to ensure that no child goes without a present at Christmas.

Christmas and non-perishable food products were also collected and delivered to the San Francisco soup kitchen, near Isdefe's headquarters.

► Success Stories: Masnatur Christmas Party at BdB3

The 2014 campaign included the celebration at Isdefe of the Christmas party of the Masnatur Foundation, at which boys and girls from the foundation, with which Isdefe has a partnership agreement, spent a very pleasant afternoon with Santa Claus.

The celebration, which featured our CEO, Francisco Quereda, included karaoke and snacks.

It was a fun and moving party in which the kids rang out the year with singing and dancing. The cherry on top was the visit by Santa Claus, who handed out gifts bought with the donations made by Isdefe employees.



Christmas Cards

Through a certificate of recognition, the NGO Ayuda en Acción (Help in Action) has been certifying Isdefe's collaboration in the Christmas card campaign.

Isdefe orders its Christmas cards from this Spanish development aid NGO, which is working to eradicate poverty in marginal areas.

"Caps for a new life" campaign

In 2014 five deliveries of plastic caps totalling 118,000 caps were made to the Seur Foundation. This makes a total of 418,500 caps delivered since 2012, when this project was implemented as Isdefe.



Employees contributions have helped 31 children get medical treatment and orthopaedic devices that their families would otherwise have been unable to provide to them.

In addition, recycling these caps prevented the emission of 1,265 tonnes of CO₂, the main cause of climate change, to the atmosphere.

"Donate your mobile"

This campaign, in which Isdefe joined forces with the Entreculturas Foundation and the Spanish Red Cross, closed out 2014 with 380 mobiles donated since its inception in 2009.

Over these five years, employees have donated over 300 mobiles, not including the 79 obsolete mobiles that the Information Systems and Media Department donated in 2014 following the change in the company's mobile services provider.

Por fuera, llevas una pequeña tirita



Por dentro, un orgullo inmenso

"Give the gift of life"

The Isdefe medical service conducts this campaign in cooperation with the Spanish Red Cross every year.

A mobile blood donation bus is sent twice a year to the Medical Service at BdB3 to ensure the availability of blood in hospitals.

4th running of the Entreculturas race

130 Isdefe employees and their relatives took part in the 4th Charity Race "Run for a cause, run for education", organised by the Entreculturas Foundation. The goal of the event, held in February at the Casa de Campo in Madrid, was to fund children's education in the Democratic Republic of the Congo.

At the end of the race there was an awards ceremony at the auditorium in the theme park at which the companies were thanked for their involvement and at which Isdefe was awarded a trophy for the second year in a row, this time for the children's 350 metre race.

The CSR Department promotes these activities that, in addition to helping good causes and financing development aid projects, increase awareness of the importance of education while promoting sports and a healthy lifestyle in employees.





Corporate volunteerism

Isdefe encourages community spirit by organising several Corporate Volunteering days every year, in concert with the Masnatur Foundation. The goal is to improve the lives of people with disabilities through leisure activities.

In June a field trip was organised to the Getafe Air Force Base, where children in the foundation had the chance to spend a great day with Isdefe and foundation volunteers.

The aim of the partnership agreement with Masnatur is twofold: to promote the integration of people with different abilities and to familiarise the civilian population with the work of the Armed Forces.



Donations

Isdefe aligns its corporate strategy with this type of event by donating to the charity drives organised by the Ministry of Defence at the offices of the Joint Chiefs of Staff and the defence headquarters in benefit of the Spanish Red Cross and the Spanish Cancer Society (aecc).

Isdefe has been donating every year since 2007 to the **Spanish Armed Forces and Civil Guard Assistance Foundation**, whose mission is: professional development and job placement, as well as similar efforts made on behalf of groups at risk of social exclusion that are part of the Armed Forces and Civil Guard family, especially those with some kind of disability.



► Success Stories: Donation of computer material

In 2014 Isdefe worked out a Donation Agreement with the Spanish Armed Forces and Civil Guard Assistance Foundation to donate to it those laptop and desktop computers that are no longer used by employees.

As part of this agreement, Isdefe donated 181 computers that were used for Foundation projects, such as: PHILP, which seeks to provide job placement and training for orphans of service members and for the Civil Guard's pro-orphan association; the FASCOM (Forces, Social Action and Communication) and AIRE projects at the Air Force's Our Lady of Loreto School, which cover the faculty's needs so that the training programme's beneficiaries, the children, acquire the best possible technology and digital skills.





COOPERATION WITH SOCIETY

ISDEFE PARTNERSHIPS WITH ASSOCIATION AND FOUNDATIONS

► ECONOMIC SECTOR

- AEC - Spanish Association for Quality
- AENOR - Spanish Association for Standardisation and Certification
- APD - Association for Progress in Management
- Fundación Pro Rebus Academiae

► TECHNOLOGY SECTOR, R&D

- AESMIDE - Association of Companies Contracting with Government Agencies in Spain and other States, through collaboration in the 2014 AESMIDE Forum on 9 October at the Center for Higher National Defence Studies (CESEDEN).
- AMETIC - Association of Electronics, Information Technologies, Telecommunications and Digital Content Companies, with which Isdefe collaborated at the 7th Seminar on "Satellite Communications for Government and Defence Uses", held in Santander from September 3 to 5.
- ASDA – Association of Scientific Development of ATM in Europe
- EARS - European Association of Remote Sensing Companies
- ETSIA - School of Aeronautical Engineers
- Spanish Aeronautics and Astronautics Foundations
- Foundation of Defence and Security Technologies
- IDS - Information in Spanish for Defence and Security, with the participation at UNVEX '14 from 4 to 6 March in Madrid
- ISMS Fórum España
- TEDAE - Spanish Association of Defence, Aeronautics and Space Technologies, with which Isdefe participated in the 2nd International Course of the National Police Force, held from 2 to 4 June in Palencia, and in the 15th International Course of the Civil Guard, held in September in Madrid.

► SOCIAL SECTOR

- Karibu Association
- Forum for Socially Responsible Contracting
- Armed Forces and Civil Guard Assistance Foundation
- Madrina Foundation
- Masnatur Foundation
- Seur Foundation
- UN Global Compact
- Entreculturas NGO
- Red Cross NGO
- Spanish Network of the Global Compact

CONGRESSES AND FAIRS IN 2014

Isdefe part in many events, conferences and fairs. Below is a list of those the company participated in as sponsors or participating partners.

► UNVEX'14 3rd Congress on Unmanned Vehicles

The third UNVEX congress, which was held in Madrid from 4 to 6 March of 2014, featured internationally renowned speakers analysing the unmanned systems (US) sector. Isdefe took part in two conferences covering the full scope of the use of aerial, land and marine US, from their various civilian applications, like border surveillance, security and fire-fighting, to military uses.



► ICAO Seminar on Traveller Identification Management

From 25 to 27 June, a regional seminar was held at Madrid's Royal Mint on machine-readable travel documents -electronic passports and visas- and on traveller identification management. Isdefe had a stand to discuss its support of the deployment, by the Ministry of the Interior's State Security Office, of an Automated Border Control (ABC) system in Spain.



► ATM

From 4 to 6 March, Madrid hosted the largest international conference on air traffic management, the 2014 World ATM Congress, at the IFEMA fairgrounds. Isdefe set up a stand at this event, organised by CANSO (Civil Air Navigation Services Organisation), which brings together numerous exhibitors from the aviation industry as well as visitors from around the world.



► 75th anniversary of the Air Force

On 11 October the "Aire 75" International Air Festival was held at the Torrejón Air Base. It was presided over by HRH King Felipe VI, accompanied by his father, the King Emeritus Juan Carlos I. The festival was attended by over 250,000 people.

Isdefe, as a partner in the programme to commemorate the Air Force's 75th anniversary, set up a stand at the base that was visited by large numbers of officials and pilots from the various demonstration squadrons taking part in the event.





PROMOTING EXCELLENCE AND KNOWLEDGE

Universidad Politécnica de Madrid (UPM)

As in previous years, Isdefe cooperated in the 5th annual Master's in Information Security Management.

Isdefe-UPM Chair

Since 2006 Isdefe has cooperated in this Chair with the Universidad Politécnica de Madrid's School of Telecommunications Engineers to promote activities involved with research, development and dissemination of knowledge beyond the organisation in areas related to security and defence technologies.

The main goal of this Chair is to promote teaching, research and university-company cooperation in the areas of defence and security. To this end, various studies are conducted on the R&D activities that are carried out by the Ministry of Defence. The Defence R&D system is evaluated, along with its relationship with the sector, and the transportability and duality conditions with respect to civilian technologies are analysed.

Against this backdrop, the Isdefe-UPM Chair collaborated in the second National Congress on R&D in Defence and Security, organised by the Zaragoza University Center for Defence on 6 and 7 November. This congress was attended by experts in defence and security R&D from industry, academia and research centers.

In 2014 the Chair published book no. 12, "From COMBAT GRANDE to SACTA: a fruitful process of technical innovation".

The UPM General Foundation

Isdefe cooperates with the Foundation in hosting the prestigious summer courses that are held in Granja de San Ildefonso in the month of July.

In 2014 Isdefe organised a course on "Remotely Piloted Aircraft Systems".

Universidad Complutense de Madrid (UCM)

Since 2012 Isdefe has had a partnership agreement with the Universidad Complutense.

Through the agreement Isdefe will cooperate in teaching the Master's program in Defence Logistics and Financial Management, organised by the Universidad Complutense de Madrid (UCM) in concert with the Ministry of Defence through the CESIA (Navy Center for Management Studies). 2014 was this programme's fourth year.

Association of Spanish Graduates in Security and Defence (ADESyD)

In 2014 Isdefe signed a Partnership Agreement with the ASEDyD for the purpose of jointly organising academic activities such as courses, conferences, meetings, workshops, congresses and symposia at both civilian and military centers so as to promote the culture of security and defence.

ADESyD held its first congress at Isdefe on 27 November under the slogan "Sharing (visions of) Security".

Association of Telecommunications Engineers (COIT)

Isdefe renewed its cooperation with the Association of Telecommunication Engineers through a Partnership Agreement. In addition, every year Isdefe sponsors the COIT (Association of Telecommunication Engineers) Awards for the Best Doctoral Thesis and for the Best Senior Year Project. Isdefe has been sponsoring these awards for several years to encourage academic development in those areas of interest to the company.

Spanish Association of Aeronautical Engineers (COIAE)

In 2014 Isdefe took part in the Aeronautical Engineering Congress on “Analysis and Challenges of the Sector in the 21st Century”, which hosted the nation’s leading authorities on aeronautics.

Air Force

Isdefe sponsors the Air Force’s Maintenance Excellence Awards, created in 2007 by the Office of the Air Force’s Chief of Staff. The purpose of these awards is to recognise the Department and the people who have stood out over the course of the year in systems maintenance.

In addition, Isdefe took part in the 36th Air Force Awards, the purpose of which is to foster the knowledge that Spanish society has of this institution by promoting the various facets of aeronautical culture, artistic creativity and the values of the Armed Forces.





Environmental Performance

5

Environmental policy 88

Control of consumption 89

Waste management 94

ENVIRONMENTAL POLICY

Isdefe has an environmental policy and an environmental management system that has been UNE-EN ISO 14001:2004 certified by AENOR since 2007 and is renewed annually, which forces us to constantly improve our management.

Environmental Policy

- Comply with the environmental laws applicable to our activity, as well as with those environmental commitment made to clients.
- Identify and evaluate the environmental aspects derived from our activities so as to prevent negative impacts on the environment.
- Properly manage the waste generated through reuse, segregation and recycling.
- Promote environmental awareness in every employee by striving to establish best environmental practices at the workplace.
- Promoting the environmental awareness of every employee through the establishment of good environmental practices in the workplace.
- Establish a constant improvement process for our environmental behavior by periodically reviewing the EMS and the environmental targets and goals.
- Promote and disseminate this policy to Isdefe employees, partners, subcontractors and suppliers and make it available to any interested parties.

Environmental Management System (SGA)

Management at Isdefe reviews the EMS annually to ensure its ongoing suitability, adaptation and efficiency. This review relies on the information provided in the performance report on the EMS in place at Isdefe, a report that is prepared every year by the Safety Department.

► New scope of the EMS



Consulting, engineering and technical assistance services involving the creation, design, development, implementation and maintenance of communications, command and control, air navigation, airport and aerospace systems, logistics, security, information technology and infrastructure management systems, as well as the oversight of industrial cooperation and technology transfer agreements.

IDAE Course



So as to raise awareness in our employees, in October a course was launched through the virtual classroom of the Ministry of Industry and Energy's IDAE (Institute for Energy Diversity and Savings). The goal was to train 50 employees assigned at Isdefe's headquarters through a course "aimed at different public sector employees and intended to **promote awareness and active cooperation between all users to reduce energy usage**".

Green purchasing

In 2014 Isdefe continued to apply environmental criteria to its purchasing processes. In our requirements to providers, Isdefe continued to encourage the inclusion of environmental clauses in the purchasing and contracting processes whenever allowed by their scope.

Environmental expenses and investments at Isdefe in 2014

Expenses (€)	2012	2013	2014
Waste management	28,493.23	26,137.82	28,845.34
Maintain Environmental Management System Certificate	6,530.30	2,710.00	2,710.00
Other	3,499.69	1,000.00	
Total expenses	38,523.22	29,847.82	31,555.34

CONTROL OF CONSUMPTION



Isdefe tracks those parameters that have the highest environmental impact, such as the use of electricity, water and consumables at printing centers.

ENERGY

Isdefe's energy consumption is due to its use of electricity and natural gas, both of which are supplied from external sources. An exception to the above is the renewable installations that are used to provide:

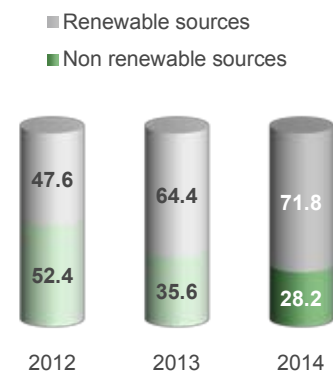
- Hot service water through the solar thermal installation which uses evacuated tube collectors located on the building's roof;
- Heat and electricity during the winter to the building's climate control system by means of the micro-cogeneration facility;
- Electricity for the building's own use supplied by the solar photovoltaic installation.

► Direct energy consumption by primary source (GJ)

	2012	2013	2014
Non-renewable sources (natural gas)	1,321.82	1,385.31	1,425.00

► Indirect energy consumption by primary source (GJ)

	2012	2013	2014
Renewable sources (electricity)	4,182.19	4,769.46	5,317.51
Non-renewable sources (electricity)	4,603.93	2,636.54	2,088.49



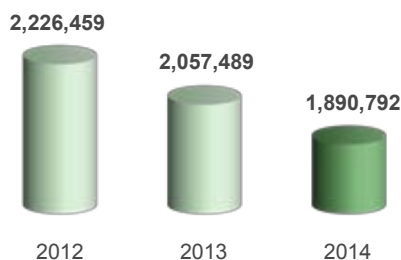
Consumption

The annual electricity and gas usage at the company recorded in 2014 is shown in the graphs on the following page. The electrical and thermal energy produced by the renewable systems installed in the building were as follows:

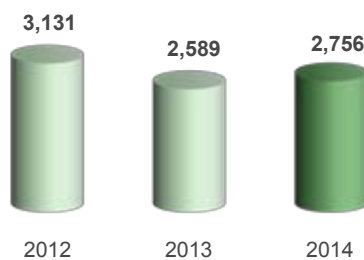
- Photovoltaic system: 15,827 kWh/year (electrical)
- Micro-cogeneration: 2.8961 kWh/year (electrical)
- 68,798 kWh/year (thermal)



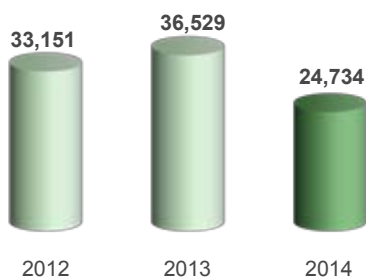
► Electricity (kWh)



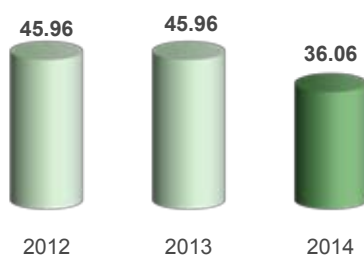
► Electricity (kWh) / employee



► Natural gas (m³)



► Natural gas (m³) / employee



Energy savings and efficiency initiatives

The year 2014 saw a significant reduction in energy use in the building, as evidenced by the Annual Energy Management Report, which describes the energy baseline for the BdB3 building and the tracking and monitoring policies. The report reveals the savings, both financial and environmental, obtained, which translated into lower greenhouse gas emissions (125 fewer CO₂ equivalent tonnes) and energy costs with respect to the previous year. The measures implemented in 2014 as part of the ongoing measures to improve energy efficiency at the BdB3 building are shown below.

Electricity:

- Start-up of the solar photovoltaic system to supply the building's electricity.
 - Automation of the lighting control system for the access ramps to the underground garage. Optimisation of lighting via separation of circuits and automatic actuation of lighting using Luxmate system.
 - Optimisation of hours and modes of operation of the building's climate-control system (indoor evaporator units). Programming of operating strategies for the climate-control system to keep the temperature inside the building within a temperature range of 23 to 25 degrees C.
 - Implementation of software to monitor and control lighting loads in the building.
 - Definition of predictive maintenance tasks in the summer to improve efficiency in the dissipation of thermal energy in the cooling towers.
- In absolute financial, energy and environmental terms, this reduction in electricity usage translated into:
- **Financial:** a 7.75% drop in electricity costs with respect to 2013.
 - **Energy:** an annual savings of 153,410 kWh, equivalent to a 7.46% drop in consumption compared to 2013.
 - **Environmental:** reduction in greenhouse gas emissions equivalent to 100 tonnes of CO₂ per year.

Natural Gas:

- Improved utilisation of the solar thermal energy system to supply heat to the hot water tank by using evacuated-tube technology. Three-way proportional control valves were installed to ensure a continuous supply of renewable energy when there is no demand in the building.
- The efficiency was optimised by modifying the operating strategies of the building's micro-cogeneration system.

The reduction in natural gas usage translated into:

- ▶ **Financial:** a reduction in natural gas costs equivalent to 24.2% of those paid in 2013.
- ▶ **Energy:** a 32% drop in usage in 2013.
- ▶ **Environmental:** a reduction of 25 equivalent tonnes of CO₂ per year.

Prevention is the best type of Environmental Management that can be implemented. By eliminating or noticeably reducing the causes that lead to use, we are eliminating consumption.



Isdefe's headquarters continue to maintain their "B" energy efficiency rating.

WATER

The water is supplied from the municipal water network and is solely intended for office use to supply:

- Hot and cold water for office use (bathrooms, faucets, drains in wet areas).
- Heat dissipation by evaporation in cooling towers of the climate control system.
- Adiabatic humidification (influx of water vapour) in air treatment units.
- Flushing water and irrigation of outdoor landscaped areas.

The building is equipped with a recovery system to reclaim grey water from faucets, showers and HVAC system condensation, as well as rain water, for use in flushing devices and for watering the green roof and the landscaped areas on the ground floor.

The wastewater generated is exclusively from bathroom use and is all routed to the city sewage system. Given the type of activity that takes place at Isdefe, there are no discharges or pollution associated with its activity.





Initiatives to reduce water consumption

The actions taken to achieve the water reduction targets set for 2014 were as follows:

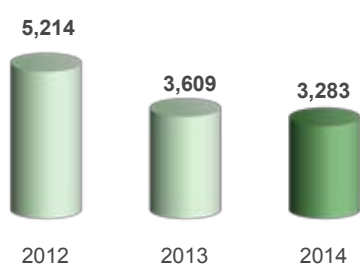
- Improved maintenance tasks specifically to control the pressure of the flushing water used in toilets.
- Optimised flow rates and pressures to the hot service water and drinking water systems.
- Added CALCAT magnetic treatment systems to the cooling towers to reduce their purge intervals as determined by the water's conductivity.
- Optimised the operation of the wash cycles in the grey and rainwater treatment station.

These initiatives led to the following results:

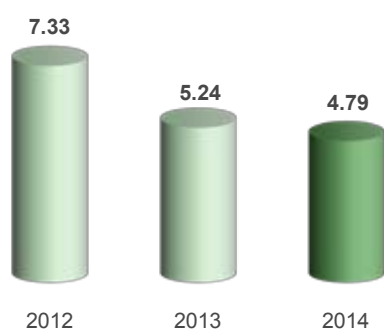
- ▶ **Financial:** 14.9% reduction in water costs with respect to those paid in 2013.
- ▶ **Energy:** an annual savings of 326 m³, equivalent to a 9% drop in consumption compared to 2013.

Consumption

▶ Water use (m³) at BdB3



▶ Water use (m³) per employee

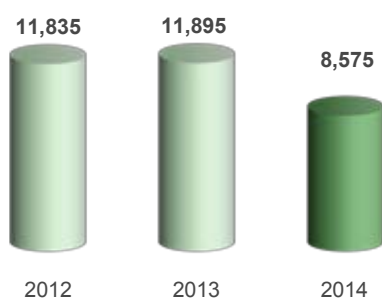


PAPER

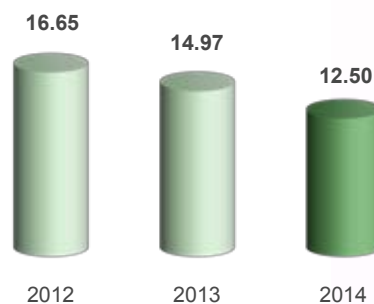
The volume of paper used relied more on the consumption of paper made from recycled fibres, which accounted for 52.52% of all the paper used.

Consumption

► Paper use (kg)



► Paper use (kg) per employee



Campaign to reduce paper use

On 23 June Isdefe started a campaign to instil in our workforce the responsible attitude we should have toward the rational use of paper:

The specific goals of this campaign were:

- To inform personnel of the paper use and recycling rates at the headquarters building in Beatriz de Bobadilla.
- To remind them of the measures they can take individually to optimise paper usage.
- To emphasise the need to reduce paper usage and to encourage reutilisation.

OTHER CONSUMPTION

Toner and ink cartridges

There was a notable 33.40% reduction in this consumption figure, a result of instilling in employees the habits of reviewing information before printing it and of properly configuring the printers.

The usage figures for the BdB3 building in 2014 were:

	Absolute figures			Figures per employee*			
	2012	2013	2014	2012	2013	2014	VARIATION
Ink and toner cartridges (ea.)	677.00	504.00	340	1.40	0.63	0.50	32.24%
Fluorescent and other bulbs (kg)	20.16	53.20	63	0.03	0.07	0.09	18.94%
Plastic cups (Kg)	538.33	430.50	680.60	0.76	0.54	0.99	58.79%

* Avg. number of employees en 2014: 686

WASTE MANAGEMENT



WASTE PICK-UP

Isdefe has a waste sorting and selective pick-up plan in various areas and makes available containers for sorting waste at the point of origin.

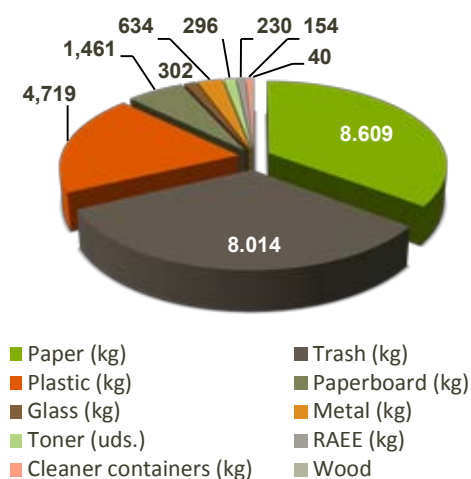
There is a recycling center located in basement six of the Isdefe headquarters that houses various containers for segregating and storing the different types of waste generated in the building. There, in addition to the destruction of paper and computer media, the waste is compressed and packaged. There is also a series of special containers for waste classified as hazardous (fluorescent bulbs, aerosols, batteries, used cooling motor oils, contaminated packaging, antibacterial liquids and biocides, oils, etc.). The recycling center provides proof that the waste is properly separated, of the amounts produced, that it is properly labelled and that it is transported offsite by an authorised handler.

Waste type

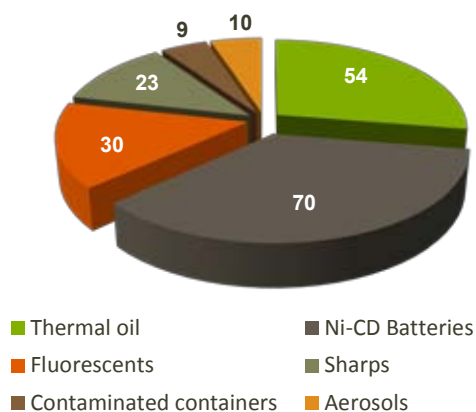
	Amount generated			Treatment method	Delivery to authorized handler		
	2012	2013	2014		2012	2013	2014
Hazardous waste* (kg)	87,50	194		Recycling; Disposal	YES	YES	YES
Non-hazardous waste (kg)	26.405,46	23.315		Recycling	YES	YES	YES

* Does not include the weight of the toner cartridges.

► Non-hazardous waste 2014



► Hazardous waste 2014 (Kg)





Total waste generated in BdB3

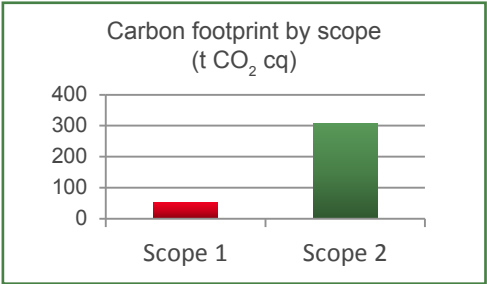
	Absolute figures			Figures per employee,			
	2012	2013	2014	2012	2013	2014	VARIATION
Paper and cardboard (kg)	10,368.00	10,122.00	10,070	14.58	12.73	12.73	-12.69%
Used toner and ink cartridges (ea,)	523.70	259.00	296	0.74	0.33	0.44	13.78%
Electrical and electronic equipment (kg)	1,246.00	230.00	226	1.75	0.29	0.33	2.17%
Used fluorescent bulbs (kg)	20.00	35.00	30	0.03	0.04	0.04	14.66%
Yellow container (kg)	3,481.00	3,120.00	3,709	4.90	3.92	5.47	18.35%
Glass containers (kg)	457.00	348.00	302	0.64	0.44	0.45	13.60%
Metal and scrap metal	280.00	287.00	634	0.39	0.36	0.94	119.93%
Organic waste	9,164.00	7,945.00	8,014	12.89	9.99	11.82	0.42%
Medical-sanitary (kg)	62.40	52.30	55.20	0.09	0.07	0.08	5.08%
Batteries	48.00	50.00	70	0.07	0.06	0.10	39.38%
Plastic cups (kg)	614.00	823.00	1,010	0.86	1.04	1.49	22.18%

Greenhouse gas emissions



The method used in 2014 to determine the carbon footprint was the Carbon Footprint Calculator developed by the Ministry of Agriculture, Food and the Environment. This tool calculates the greenhouse gas emissions associated with the organisation's activities and considers both direct emissions (Scope 1) and indirect emissions (Scope 2) caused by electricity usage.

Scope 1	51,2252 t CO₂eq
Fixed installations	5.2752 t CO ₂ eq
Vehicle travel	4.2000 t CO ₂ eq
HVAC	41.7500 t CO ₂ eq
Scope 2	305.2594 t CO₂eq
Electricity	305.2594 t CO ₂ eq
Scope 1+2 carbon footprint	56.4846 t CO₂eq







Corporate Governance

6

Profile of the Organization 98

Administrative Bodies 100

Other Management Bodies 104

Good Governance Practices 106

PROFILE OF THE ORGANIZATION

LEGAL NATURE

Ingeniería de Sistemas para la Defensa de España, S.A., Isdefe, is a company that is part of the Public State Sector. It belongs to the Ministry of Defence and the entirety of its shares is owned by the National Institute for Aerospace Technology (INTA). It was created in Madrid on 17 October 1985, pursuant to Article 6.1 of the General Law on Budgets (11/1977).

Company name	Ingeniería de Sistemas para la Defensa de España S.A. Isdefe
Company address	Beatriz de Bobadilla 3, 28040 Madrid
Tax identification number	A78085719
Website	www.isdefe.es
Contact	general@isdefe.es
Reporting period	2014 FY
Period losing date	12/31/2014

The Company is governed by its company charter, by any applicable trade, civil and labour laws, by Law 47/2003 on General Budgets, by the revised text of the Law on Public Sector Contracts (3/2011), by the Law on the Patrimony of Government Agencies (33/2003), as well as by any other regulations that apply to state-owned companies.

- Organic Law 2/2012 of 27 April, on Budget Stability and Financial Sustainability.
- Law 4/2007 of 3 April, on the transparency of financial relations between government agencies and state-owned companies, and on the financial transparency of certain companies.
- Law 19/2013 of 9 December, on transparency, access to public information and good governance.



Isdefe is the in-house technical services provider for the General State Administration (AGE) and for those agencies, entities and organisations associated with or reporting to it.

The company specialises in technical/management consulting and in technical assistance and engineering projects and in other services. The main areas in which it carries out its activity are Defence and Security, Aerospace, Transport, Government Agencies, Information and Communications Technologies and Energy. It also carries out projects and provides maintenance and management services for NASA, ESA and INTA space facilities in Spain.

CORPORATE OBJECTIVE

- To provide consulting, engineering and technical assistance services, in particular in the areas of defence and security.
- To plan, develop and execute projects and programs involving construction, supply and service contracts in those areas specified above.
- To provide consulting and assistance services in the area of Industrial Cooperation Agreements involving materiel acquisition programs and Defence contracts, as well as to aid in the negotiation, execution and monitoring of those international Defence programs in which Spain is a participant and in Defence projects abroad, including humanitarian aid and peacekeeping programs.
- To support, assist and advise Spanish industry as requested by the Ministry of Defence.
- To provide specialized technical support in cutting-edge technologies, such as:
 - Monitoring and data acquisition stations for space vehicles.
 - Launch and landing pads, facilities for the calibration, testing and certification of equipment used in aerospace projects.
 - Facilities for testing new aerospace projects.
 - Space information and documentation centers, as well as others devoted to treating, analyzing, processing and distributing information collected from satellites.
 - Other activities involving aeronautical and space engineering.

COMPANY OWNERSHIP AND OPERATIONS

Date of last modification	Net worth (€)	Number of shares
27 june 2012	41,372,100	137,907
Shareholder		Percentage
The Esteban Terradas Institute for Aerospace Technology, INTA		100%

Listing of direct/indirect stake by the company in other companies					
Company name	Percentage owned		Board members provided	Conflict of Interests	Related Operations
Hisdesat Servicios Estratégicos, SA	Direct 30%	Indirect 0	0	---	---



ADMINISTRATIVE BODIES

According to Article 15 of the Isdefe Corporate Charter, the governance and administration of the company are entrusted to the Board of Shareholders and to the Board of Directors.

BOARD OF SHAREHOLDERS

The Board of Shareholders is structured pursuant to Law 33/2003 of 3 November

on the Patrimony of Government Agencies, which includes the stipulations for the representation and custody of the national government's corporate assets, as well as special stipulations for state-owned companies whose capital is entirely and either directly or indirectly owned by the national government or its public agencies, in the case of Isdefe its sole owner being the Esteban Terradas National Institute for Aerospace Technology (INTA), an autonomous organisation.

General operating guidelines

The Board of Shareholders may be ordinary or extraordinary and shall be convened by the Board of Directors.

Stipulation of the Board of Shareholders

Ordinary Board of Shareholders (art. 18 Corporate Charter)

Convened by the Board of Directors.
Must meet within the first six months of each fiscal year.

Extraordinary Board of Shareholders

Convened by the Board of Directors. Any meeting not described in Article 18 of the Corporate Charter shall be regarded as extraordinary.

Functions

- Any matters that fall within its purview.
- Appointment of Account Auditors.
- Approval of corporate management, of the previous year's account and resolution on the application of the results.
- Final appointment of Board Members, renewal and termination of terms.
- Modifications to Corporate Charter.

Adoption of agreements

At the first meeting, the shareholders present or represented must own at least 50% of the outstanding capital. At the second meeting, the shareholders present must own at least 25% of the outstanding capital. In any event, the provisions of Article 194 of the Law on Public Corporations shall apply.

Agreements shall require a majority, with the President casting the tie-breaking vote if needed.

Composition

The President and Secretary of the Board shall be the same person as the Chairman of the Board of Directors, as stipulated in Article 181 of the Law on the Patrimony of Government Agencies and Isdefe's Corporate Charter. In the case of Isdefe, the President of the Board of Shareholders is the Secretary of State for Defence.

BOARD OF DIRECTORS

The company shall be administered and run by a Board of Directors, which shall represent the company and is fully empowered to act on its behalf (Article 28 of the Corporate Charter).

General operating guidelines

The Board of Directors consists of members named by the General Board and selected in a vote. The Board elects a Chairman of the Board and a Managing Director, who shall preside over the Board in the absence of the Chairman. The Board also elects a Secretary, who is currently not regarded as a member of the Board.

The Board meets at least once a month and as convened by the Chairman of the Board or by a third of its members. A quorum for any meeting shall be the majority of its members, any of whom may allow another to represent him or her, though none of the members present, except for the Chairman or his designee, may have more than two votes. The Board of Directors met 11 times in 2014.



Number of Board Members specified in Art. 28 of the Corporate Charter

Article 28 of the Isdefe Corporate Charter \ Royal Decree 451/2012 of 5 March	Maximum	Minimum
	15	10

Functions

- Fully empowered to represent the company.
- Define the company's strategy.
- Exert full control over the company.

Adoption of agreements

All agreements require a majority vote from the Members present at the meeting, with the tie-breaking vote being cast by the Chairman.

- As stated by the members of the Board of Directors, and pursuant to Royal Legislative Decree 1/2010 of 2 July, which approved the revised text of the Law on Public Corporations, Article 229, modified in the text of the new Law 31/2014 of 3 December, no member has a direct or indirect conflict of interest with those of the company.
- There are no restrictions on the age of the board members.
- The wages of the members of the Board of Directors are dictated by Royal Decree 451/2012 of 5 March, which regulates the salary structure for top management of state-owned companies and other entities, and by Article 28 of Isdefe's Corporate Charter.



Composition of the Board of Directors (31/12/2014)

Voting members		
Chairman	Other positions	Appointed
Pedro Argüelles Salaverría	Secretary of State for Defence	24/01/2012
Managing Director	Other positions	Appointed
Francisco Quereda Rubio	Chief Executive Officer	13/03/2012
Members	Other positions	Appointed
Ignacio Azqueta Ortiz	Lieutenant General, General Director of INTA	25/09/2012
Juan Campins Miralles	Lieutenant General, Vice-Chairman of the Joint Chiefs of Staff of the Ministry of Defence	29/05/2014
Juan Antonio Carrasco Juan	Lieutenant General, Chairman of the Joint Chiefs of Staff of the Ministry of Defence	26/06/2012
José Cordon Perogil	Construction Vice-President of the Directorate General of Highways of the Ministry of Development	26/04/2012
Francisco Javier Franco Suanzes	Admiral, Vice-Chairman of the Navy Chief of Staff	25/09/2012
Carmen Gandarillas Rodríguez	Purchasing Vice-President of the Ministry of Finance and Public Administrations	29/11/2012
Juan Manuel García Montaño	Lieutenant General, Director of Armaments and Materiel of the Ministry of Defence	25/09/2012
Juan Bautista García Sánchez	Lieutenant General, Chief of the Army Logistics Support Command	30/05/2013
José Luis Gil López	Vice-President of Information and Communications Technology of the Ministry of Economy and Competitiveness	27/02/2009
Eduardo Gil Rosella	Lieutenant General, Vice-Chairman of the Air Force Chief of Staff	17/12/2013
Vicente Gimeno Aránguez	Division Director, Director of Financial Affairs of the Ministry of Defence	20/12/2012
Ana María Molina Sánchez	Cabinet Director, Office of the Ministry of Defence	13/03/2012
José M ^a Orea Malo	Lieutenant General, Chief of the Air Force Logistics Support Command	25/09/2014
Non-Voting Member		
Secretary and Legal Counsel	Other positions	Appointed
Isabel María Torres Fernández	Attorney for the State	06/02/2012

Dismissals

- Mr. Jesús Carlos Fernández Asensio, who was dismissed as a member of the Isdefe Board of Directors at the Extraordinary General Meeting of 29 May 2014.
- Mr. Fernando Sacristán Ruano, who was dismissed as a member of the Isdefe Board of Directors at the Extraordinary General Meeting of 31 July 2014.

AUDIT AND SUPERVISORY COMMISSION

The Board of Directors makes up and appoints the Audit and Supervisory Commission with a minimum of three members and a maximum of five. The majority of this commission's members must be non-executive members. The President is elected from among the non-executive members of the Board. The commission's secretary shall be the secretary of the Board of Directors (Art. 34, Corporate Charter).

Functions

- Review the financial information to be released by the company.
- Review the information given to the General Board and the Board of Directors regarding its activities.
- Review all relevant questions deemed of interest.

Composition

President	Mr. Vicente Gimeno Aránguez
Members	Ms. Carmen Gandarillas Rodríguez / D. Juan Manuel García Montañó
Secretary	Ms. Isabel María Torres Fernández

MEETINGS OF THE ADMINISTRATIVE BODIES

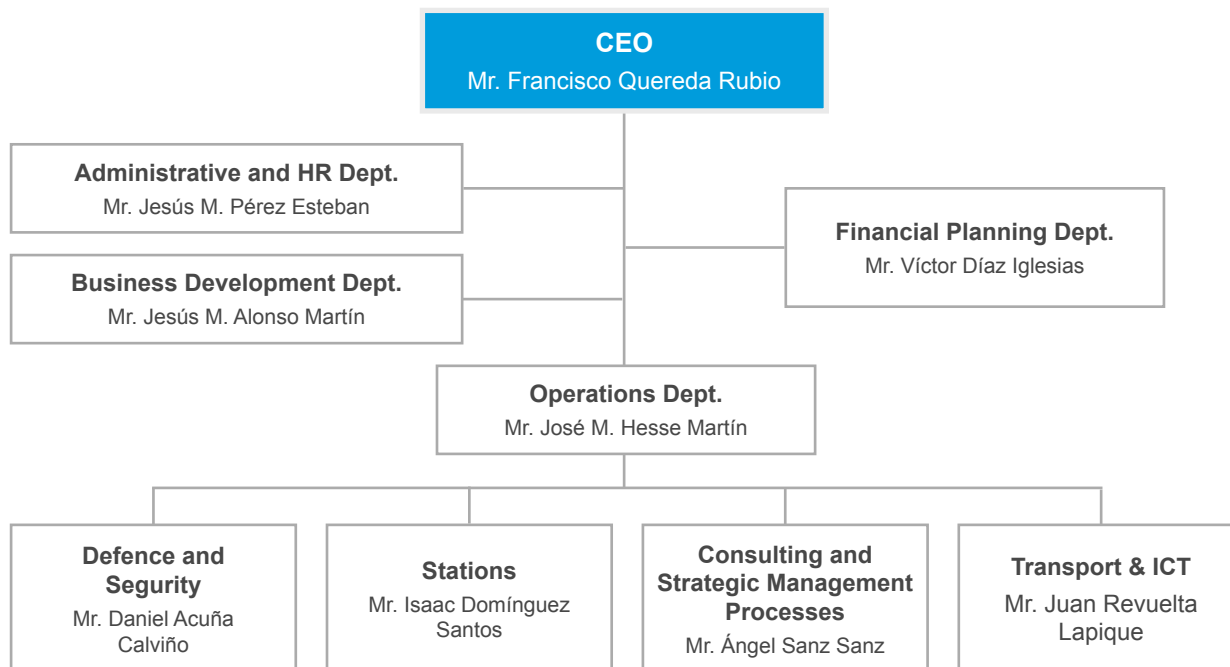
Administrative Body	Meetings in 2014
Ordinary/Extraordinary General Board	1/4
Board of Directors	11
Audit and Supervisory Commission of the Isdefe Board of Directors	1





OTHER MANAGEMENT BODIES

COMPANY ORGANIZATIONAL CHART (31/12/2014)



MANAGEMENT COMMITTEE

The mission of this Committee is to define and coordinate the company's strategy and progress in all its areas of activity.

General operating guidelines

The Management Committee meets as convened by the Chief Executive Officer, or as proposed by the directors after consulting with the CEO. Decisions are made by consensus following deliberations on the subjects specified in the order of business. The Management Committee met 18 times in 2014.

Functions of the Management Committee

- To advise the CEO.
- To coordinate the implementation of the company's strategy.
- To monitor the company's progress.

Composition of the Management Committee

Management Advisory Committee	
President	Post
Francisco Quereda Rubio	CEO
Members	Post
Jesús M. Alonso Martín	Director of Business Development
Víctor Díaz Iglesias	Director of Financial Planning
José M. Hesse Martín	Director of Operations
Jesús M. Pérez Esteban	Director of Administration and HR
Daniel Acuña Calviño	Director of Defence & Security
Isaac Domínguez Santos	Director of Space Stations
Juan Revuelta Lapique	Director of Transport and ICT
Ángel Sanz Sanz	Director of Consulting and Strategic Management Processes
Secretary	Post
Miguel Ángel Plaza Uceda	Director of Financial Department

SALARIES AND COMPENSATION SCHEMES FOR RESIGNATIONS

The salaries of Isdefe's top managers and executives are regulated and within the limits established by Article 4 of RD 451/2012 of 5 March, and by the Order of the Ministry of Revenue and Government Agencies of 30 March 2012, which implements it.

AGE PYRAMID FOR GOVERNANCE BODIES

	Women			Men			Total
	<30	30-50	>50	<30	30-50	>50	
Board of Directors	0	2	0	0	0	13	15
Management Advisory Cmte.	0	0	0	0	2	8	10
Total Governance Bodies	0	2	0	0	2	21	25
Total percentage GB.	0%	8%	0%	0%	8%	84%	100%

OTHER INTERNAL MANAGEMENT BODIES

The company has other governance and management bodies:

Coordination and Management Advisory Committees

Their creation, modification, dismissal, composition, competencies and operations are subject to the will of Isdefe management. Their main mission involves operations and management.

- Operations Committee
- Sales Steering Committee
- R&D Steering Committee
- Quality Advisory Committee
- Transparency, Good Governance and CSR Committee
- Technology-Ethics Committee
- Commission for the Security of Private Information
- Process Advisory Committee
- Contracting Board
- R&D Technical Group
- Commercial Group

Committees with employee and union representation

Their creation, modification, dismissal, composition, competencies and operations are based on a regulation or on an agreement with employee representative groups, and their main mission is to involve workers in certain decisions and to enforce those regulations that affect workers as a whole.

- Ethics Committee
- Equal Opportunity Committee
- BdB3 Health and Safety Committee
- Training Committee

Committees External to Isdefe Management

These are created by law for other interests specific to workers and are unrelated to management.

- Commission to Oversee the Pension Plan



GOOD GOVERNANCE PRACTICES

CODE OF ETHICS

Over the course of 2014 Isdefe consolidated the implementation of the Code of Ethics published in 2013 by putting in place the control mechanisms and other instruments needed by employees to enforce it.

From its beginnings Isdefe has always expressed its commitment to the development of ethical codes, as evidenced by the approval of a Moral Code in 1989 and the Code of Conduct, published in 2011. In 2013 a further step was taken with the launch of a new Ethics Code that includes tools to enhance its implementation and enforcement.

The Code of Ethics provides an operating guide for how Isdefe employees should behave in their jobs. This new Code reinforces the corporate culture under the umbrella of three fundamental ethics principles: integrity, professionalism and respect.

The most significant aspect of this Code of Ethics is that, in addition to its legal stipulations, it exemplifies Isdefe's desire to go even further by adopting the voluntary principles in leading international guidelines such as the Universal Declaration of Human Rights, the United Nations Global Compact and the OECD's Principles of Corporate Governance, which establish international values involving human rights, labour relations, the environment and anti-corruption.

OVERSIGHT MECHANISMS

Internal oversight

Within the Board of Directors there is an Audit and Supervisory Commission consisting of three Board members who review the financial information presented to the Board of Directors at the Ordinary General Assembly, and inform the Board of the results of the annual account audits conducted by external auditors.

Once the fiscal year is closed out, the Board of Directors is required to finalise the annual accounts, the Management Report and the proposed distribution of income within three months.

Isdefe, as a privately held company, submits all of its annual accounts and its Management Report for external audit. The account auditors are named at the general shareholders' meeting pursuant to the stipulations in Article 36 of the Isdefe Corporate Charter.



Company name	Date of Appointment
Grant Thornton S.L.P.	26 November 2013

External Oversight

As a state-owned company, every year, in accordance with the General Law on Budgets, Isdefe presents its Multi-Year Plan of Action and its Operating Budgets and Capital, along with a three-year forecast, for inclusion in the next year's General state Budgets. As a company within the Ministry of Defence, these budgets are sent to this Ministry's Budget Office.

The approved annual budgets are sent to the State Comptroller, a branch of the Ministry of Economy and Revenue, and then forwarded to the Court of Audit for review as part of the government's general accounts for the year.

Another external oversight mechanism is the Ministry of Revenue's General Directorate of Personnel Costs and Public Pensions.



Reporting Mechanisms

Isdefe has implemented a Code of Ethics and the control mechanisms that facilitate its implementation and compliance, such as an e-mail hotline available to all employees, buzonetico@isdefe.es, a monitoring body called the Technology-Ethics Committee, and a "Procedure for implementing the Code of Ethics", which, in addition to defining the reporting protocol and the operation of the committee, lays out a resolution timeline and guarantees the confidentiality of the individuals involved and of the information they provide.

In addition, Isdefe has reporting mechanisms in place to prevent any type of moral and/or sexual harassment in the workplace, including any type of discriminatory treatment that might take place within the company. These are the "Harassment and Discrimination Procedures". These guidelines, implemented in 2008, are based on the responsibility of every employee to ensure respect, dignity and freedom in the workplace, as well as to ensure training in these areas. The guidelines include a clear procedure to be followed and establish the Ethics Committee, which is responsible for evaluating any situation involving harassment or discrimination that may arise and propose the opportune disciplinary measures, enforcing the content of the Procedures and resolving any interpretation or question that may arise concerning their application.



RISK MANAGEMENT

Isdefe safeguards the company's strategic targets and goals through proper risk management that complies with legal requirements and by establishing internal guidelines. These are available on the employee portal to ensure the correct conduct of their activities.

Isdefe has an ISO 9001 Quality Management System that guarantees the quality of our services and an ISO 14001 Environmental Management System that minimises the potential environmental risks associated with our activity.

Likewise the Occupational Risk Prevention Policy is an integrated management system within the company's activity that is designed to prevent risks and evaluate those that cannot be eliminated, as well as to plan prevention.

In the area of Information Security, Isdefe has the highest principles for safeguarding classified information. These are used to define the set of technical, organisational and technological security rules, regulations, procedures, practices and measures needed to obtain a proper, proportionate and reasonable level of protection for classified information, as required by our clients.

As concerns the security of information of a personal nature, Isdefe handles the risk by creating a commission that coordinates and standardises security aspects at Isdefe and tracks and enforces said aspects.

Isdefe also has a General Risk Management Procedure that describes the method for managing risks in a contract so as to reach the planned objectives that apply, particularly in one of the industries of such relevance to the company's objective as defence, one that, by its synergistic nature, is addressed in every contractual relationship that is crafted.

Finally, as a fundamental risk principle, is top management's involvement in the overall supervision of risk management through its active participation in both the definition and tracking of risks, given the competitive advantage that prudent risk management offers in today's financial environment.

Risk monitoring

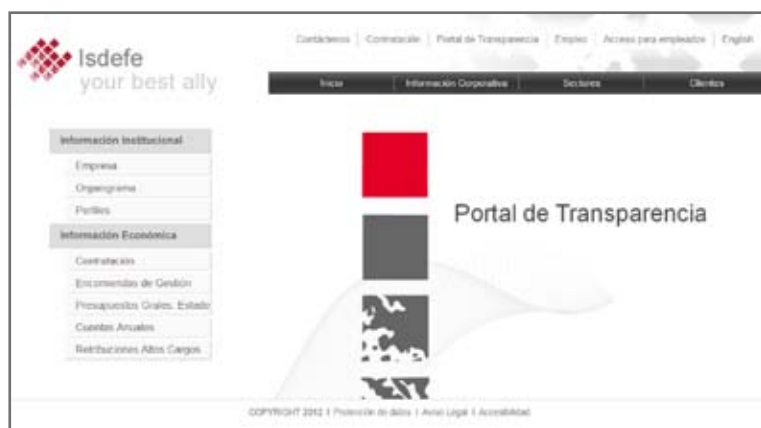
This is an ongoing process involving permanent observation and analysis by the stakeholders and effected through the various committees in place at Isdefe. These committees take in constantly updated information, not only from clients but on the progress of various parameters that provide a snapshot of the company at any given moment.

TRANSPARENCY

In 2014 with the entry into force of Law 19/2013 of 9 December, on transparency, access to public information and good governance, Isdefe increased its transparency by publishing the Transparency Portal on its corporate website. The publication of this Portal represents a benefit to the public by reinforcing transparency in the company's management and activity and by providing information on how public funds are used.

Isdefe has a corporate website where all of the relevant information on the company is published, such as corporate information, the areas in which we operate and the latest news, as well as any information that is required by law.

On the website, users can download the Code of Ethics, as required by the Law on the Patrimony of Government Agencies. Also accessible are the Annual Report, including the Corporate Social Responsibility report, and the Corporate Governance Report, as required by the Law on Sustainable Financing.



Isdefe also publishes on its website information pertaining to contractual activities. Users can check published bids and their relevant documents and all other required paperwork, along with their status and any contracts awarded, as required by Royal Legislative Decree 3/2011 of 14 November, which approved the revised text of the Law on Public Sector Contracts.

Additionally, Isdefe has an Employee Portal containing all the information of interest to employees, such as corporate information, company policies, management processes, as well as company and industry news. It also serves as a work tool that facilitates communications between different departments at the company.

Isdefe's goal is to establish a work flow and dialogue among its stakeholders by efficiently communicating the company's advances, results and activities.

ELECTRONIC INVOICING

Over the course of 2014 we developed a software program that allows us to issue electronic invoices, or e-bills, and send them to our public sector clients via the FACE portal. The development and testing of this software was completed before year's end, in compliance with Law 25/2013 of 27 December.





Annual Accounts



Balance sheet 112

Income statement 114

Audit report 115

BALANCE SHEET

AT 31.12.2014 (IN EUROS)

ASSETS	NOTES	2014	2013
A) NON-CURRENT ASSETS		131,356,349.86	132,235,122.69
I. Intangible assets	NOTE 7	586,305.34	211,894.86
3. Patents, licences, trademarks and other		3,357.74	4,253.13
5. Computer software		582,947.60	207,641.73
II. Property, plant and equipment	NOTE 5	93,746,689.89	95,939,994.37
1. Land and buildings		90,040,429.51	91,118,403.11
2. Plant and other items of property, plant and equipment		3,706,260.38	4,137,105.55
3. Work in progress and advances		0.00	684,485.71
III. Investment property	NOTE 6	1,189,180.88	393,857.79
1. Land		389,170.24	389,170.24
2. Buildings		800,010.64	4,687.55
IV. Non-current investments in Group companies and associates	NOTE 9.4	32,454,000.00	32,454,000.00
1. Equity instruments		32,454,000.00	32,454,000.00
V. Non-current financial assets	NOTE 9.1	193,841.63	327,024.33
2. Loans to third parties		191,981.63	316,437.03
5. Other financial assets		1,860.00	10,587.30
VI. Deferred tax assets	NOTE 11.5	3,186,332.12	2,908,351.34
B) CURRENT ASSETS		59,492,568.27	46,698,008.37
II. Inventories		24,872.12	0.00
6. Advances to suppliers		24,872.12	0.00
III. Trade and other receivables		50,302,296.51	34,313,410.66
1. Trade receivables for sales and services	NOTE 9.1	41,828,941.61	23,609,043.38
2. Receivables from group companies and associates	NOTE 9.1	7,474,485.68	9,944,033.31
3. Sundry accounts receivable	NOTE 9.1	0.00	7,634.80
4. Staff	NOTE 9.1	58,499.98	89,335.95
5. Current tax assets	NOTE 11.1	656,559.25	656,109.02
6. Other accounts receivable from Public Authorities	NOTE 11.1	283,809.99	7,254.20
V. Current financial investments	NOTE 9.1	187,980.61	109,210.72
2. Loans to companies		50,729.92	104,923.58
3. Debt securities		0.00	1,851.26
5. Other financial assets		137,250.69	2,435.88
VI. Current accruals and deferred income		118,249.70	348,820.48
VII. Cash and cash equivalents	NOTE 9.1	8,859,169.33	11,926,566.51
1. Cash		8,859,169.33	11,926,566.51
TOTAL ASSETS (A+B)		190,848,918.13	178,933,131.06

EQUITY AND LIABILITIES		NOTES	2014	2013
A) EQUITY			134,748,557.52	131,899,846.69
A-1) SHAREHOLDERS' EQUITY		NOTE 9.5	134,748,557.52	131,899,846.69
I. Share capital			41,372,100.00	41,372,100.00
1. Registered capital			41,372,100.00	41,372,100.00
III. Reserves			88,527,746.69	88,163,880.79
1. Legal and bylaw reserves			1,948,067.20	1,711,680.61
2. Other reserves			86,579,679.49	86,452,200.18
VII. Profit (loss) for the year		NOTE 3	4,848,710.83	2,363,865.90
B) NON-CURRENT LIABILITIES			4,170,084.81	3,577,081.36
I. Long-term provisions		NOTE 13	3,078,564.95	3,078,564.95
4. Other provisions			3,078,564.95	3,078,564.95
II. Non-current payables		NOTE 9.2	1,091,519.86	498,516.41
2. Bank borrowings			0.00	0.00
5. Other financial liabilities			1,091,519.86	498,516.41
C) CURRENT LIABILITIES			51,930,275.80	43,456,203.01
II. Short-term provisions		NOTE 13	5,507,262.14	4,296,054.44
III. Current payables		NOTE 9.2	976,369.33	479,800.80
2. Bank borrowings			3,962.70	39,918.27
5. Other financial liabilities			972,406.63	439,882.53
V. Trade and other payables			45,446,644.33	38,680,347.77
1. Suppliers		NOTE 9.2	12,162,659.32	308,073.19
3. Sundry accounts payable		NOTE 9.2	185,073.56	9,791,543.86
4. Staff (remuneration payable)		NOTE 9.2	3,536,018.94	3,930,541.68
5. Current tax liabilities		NOTE 11.1	111,429.37	0.00
6. Other accounts payable to Public Authorities		NOTE 11.1	5,873,788.07	5,070,365.82
7. Customer advances		NOTE 9.2	23,577,675.07	19,579,823.22
TOTAL EQUITY AND LIABILITIES (A+B+C)			190,848,918.13	178,933,131.06

INCOME STATEMENT AT 31.12.2014 (IN EUROS)

PROFIT AND LOSS ACCOUNT

INCOME STATEMENT	NOTES	2014	2013
A) CONTINUING OPERATIONS			
1. Net revenue	NOTE 21	139,361,678.47	131,579,740.78
b) Services		139,361,678.47	131,579,740.78
4. Supplies		-29,650,547.43	-23,372,722.90
a) Cost of goods held for resale used	NOTE 12	-4,080,235.12	-634,021.68
b) Cost of raw materials and other consumables used	NOTE 12	-877.84	-2,682,967.01
c) Works performed by other companies		-25,569,434.47	-20,055,734.21
5. Other operating income		322,324.91	1,044,056.88
a) Non-core and other current operating income		313,353.02	495,892.08
b) Operating grants transferred to profit or loss	NOTE 16	8,971.89	548,164.80
6. Staff costs		-93,603,516.19	-96,038,406.22
a) Wages, salaries and similar expenses		-70,506,012.00	-73,688,550.44
b) Employee benefit costs	NOTE 12	-23,097,504.19	-22,349,855.78
7. Other operating expenses		-8,664,018.85	-9,667,505.71
a) Outside services		-7,279,117.29	-8,310,723.16
b) Taxes		-381,406.91	-365,707.93
c) Losses on, impairment of and change in allowances for trade receivables		-991,964.49	-950,241.11
d) Other current operating expenses		-11,530.16	-40,833.51
8. Depreciation and amortisation charge	NOTE 5/6/7	-2,434,950.53	-2,721,531.63
10. Excessive provisions		207,498.00	1,810,065.45
11. Impairment and gains or losses on disposals of non-current assets		-7,736.21	-1,140.24
a) Impairment and losses	NOTE 5/7	10,192.49	0.00
b) Gains or losses on disposals and others		-17,928.70	-1,140.24
A.1) PROFIT (LOSS) FROM OPERATIONS (1+2+3+4+5+6+7+8+9+10+11)		5,530,732.17	2,632,556.41
12. Finance income		80,307.95	112,069.73
b) From marketable securities and other financial instruments		80,307.95	112,069.73
b2) From third parties		80,307.95	112,069.73
13. Finance costs		-31,699.14	-59,965.50
b) On debts to third parties		-31,699.14	-59,965.50
15. Translation differences	NOTE 10	278,063.46	-53,783.86
16. Impairment and gains or losses on disposals of financial instruments		-17,036.98	0.00
A.2) FINANCIAL PROFIT (LOSS) (12+13+14+15+16)		309,635.29	-1,679.63
A.3) PROFIT (LOSS) BEFORE TAX (A.1+A.2)		5,840,367.46	2,630,876.78
17. Income tax	NOTE 11.2	-991,656.63	-267,010.88
A.4) PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS (A.3+17)		4,848,710.83	2,363,865.90
B) DISCONTINUED OPERATIONS			
18. Profit (loss) for the year from discontinued operations net of tax		0.00	0.00
PROFIT (LOSS) FOR THE YEAR (A.4+18)		4,848,710.83	2,363,865.90



AUDIT REPORT

GrantThornton

Grant Thornton
José Abascal, 56
28003 MADRID
T +34 91 576 39 99
F +34 91 700 45 32
madrid@es.gt.com
www.GrantThornton.es

Independent Auditors' Report on Financial Statements

To the Sole Shareholder of INGENIERÍA DE SISTEMAS PARA LA DEFENSA DE ESPAÑA, S.A.U.

Report on financial statements

We have audited the accompanying financial statements of INGENIERÍA DE SISTEMAS PARA LA DEFENSA DE ESPAÑA, S.A.U. (hereinafter, the Company), comprising the balance sheet as at 31 December 2014, the income statement, the statement of changes in equity, the statement of cash flows and the annual report for the fiscal year ended on said date.

Directors' responsibility with respect to financial statements

Directors are in charge of preparing the accompanying financial statements so as to present fairly the equity, financial position and results of operations of INGENIERÍA DE SISTEMAS PARA LA DEFENSA DE ESPAÑA, S.A.U., pursuant to the financial reporting regulatory framework applicable to the Company in Spain, identified in Note 2.a) of the accompanying annual report, and the internal control required to allow the preparation of financial statements free of material misstatements due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We have performed our audit pursuant to current Spanish standards governing the audit of financial statements. Such standards require that we comply with ethical requirements and that we plan and perform the audit in order to obtain reasonable assurance that the financial statements do not contain any material misstatements.

An audit requires the application of procedures in order to obtain audit evidence on the amounts and information disclosed in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of material misstatement risks in the financial statements due to fraud or error. Upon assessing those risks, the auditor considers the appropriate internal control for the preparation by the Company of the financial statements, for the purpose of designing proper audit procedures according to the circumstances, not to express an opinion on the Company's internal control efficacy. An audit also includes evaluating the correctness of the accounting policies used and the fairness of the accounting estimates made by Management, as well as evaluating the presentation of the financial statements as a whole.

We consider that the audit evidence obtained is sufficient and proper to support our audit opinion.

Opinion

In our opinion, the accompanying financial statements reflect, in all relevant aspects, a faithful picture of the equity and financial position of INGENIERÍA DE SISTEMAS PARA LA DEFENSA DE ESPAÑA, S.A.U. at 31 December 2014, as well as of the results from operations and cash flows for the relevant reporting period ended on such date, all of this pursuant to the applicable financial reporting regulatory framework and, in particular, the accounting principles and methods contained therein.

Report on other legal and regulatory requirements

The management report attached hereto for the reporting period 2014 contains the explanations that the directors consider appropriate, concerning the situation of the Company, its business development and other matters and does not form an integral part of the financial statements. We have verified that the accounting information contained in said Directors' Report matches the 2014 financial statements. Our task as auditors is limited to verifying the Directors' Report within the scope mentioned in this paragraph and does not imply the review of any information other than that obtained from the Company's accounting records.

Grant Thornton

Alfredo Ciriaco

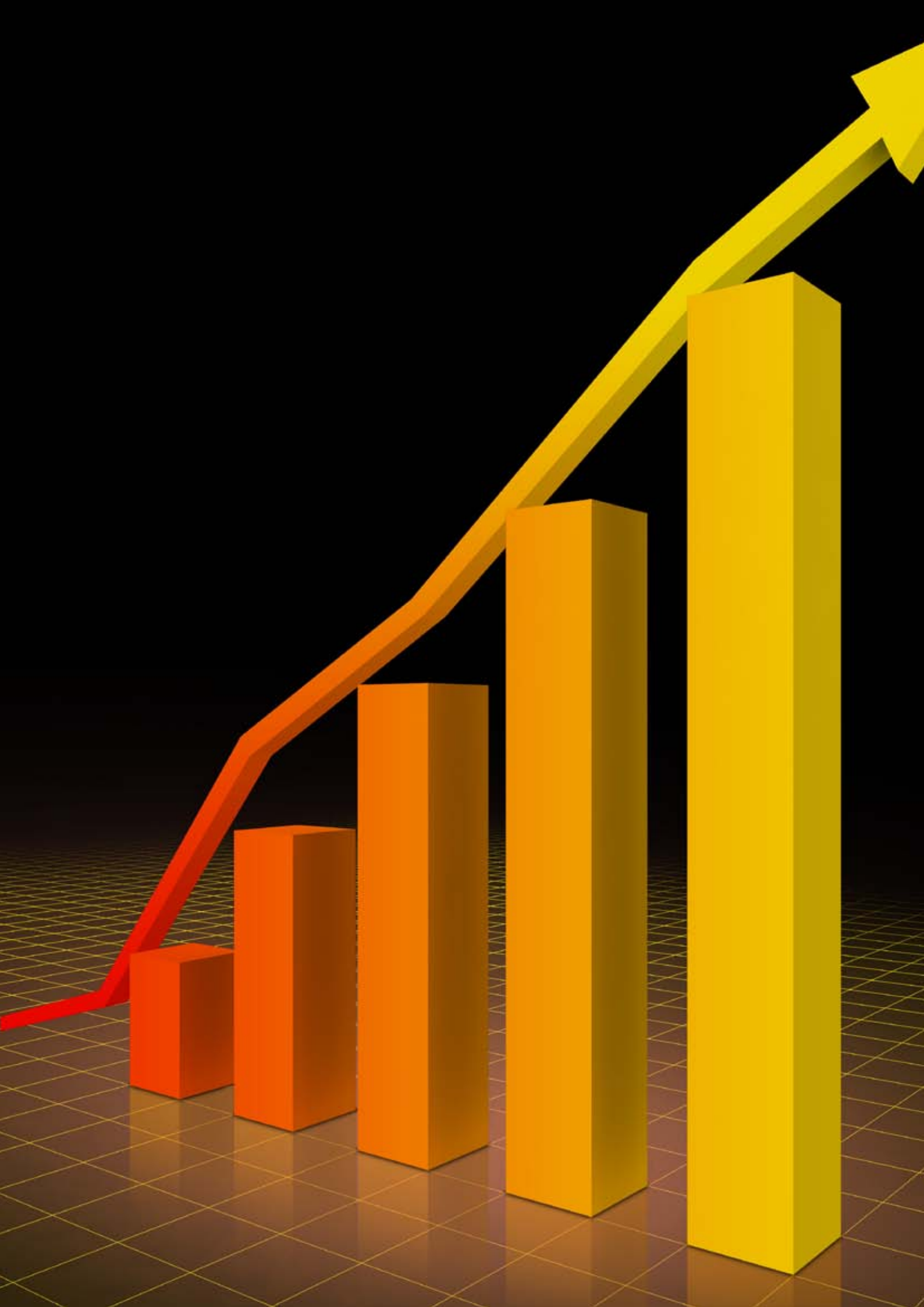
10 April 2015

Auditores

Acting member:
GRANT THORNTON, S.L.P.

Year 2015 No. 01/15/07002
CORPORATE SEAL. EUR99.00

Report subject to the law under section 44 of the Consolidated Audit Law, as approved by Royal Decree-Law 1/2011, of 1 July





GRI Indicators

B

Results and challenges 118

Principles of development 120

GRI Indicators 121



RESULTS AND CHALLENGES

EMPLOYEES

RESULTS	
GOAL	STATUS
Implement an Occupational Risk Prevention Policy that is common to all employees.	Accomplished.
Create a Training Plan in keeping with the company's Strategic Plan.	Accomplished.
CHALLENGES	
GOAL	
Implement a Mobility Plan at the company that helps to reduce the number of accidents on the way to/from work.	

THE ENVIRONMENT

RESULTS	
GOAL	STATUS
Reduce paper usage per employee by 2% with respect to the previous year.	The amount of paper used per employee was reduced by 27.6%.
Reduce natural gas usage by 2% with respect to 2013.	The amount of natural gas usage fell by 32%, well in excess of the stated goal.
Reduce electricity usage by 1.5% with respect to the total amount used in the building in 2013.	The amount of electricity used was reduced by 7.75%.
Determine the carbon footprint (amount of greenhouse gas emissions) at the BdB3 building.	Multi-annual goal (2014-2015).
Carry out at least one IDAE course on reducing consumption and waste in the workplace for 25 Isdefe employees who are assigned to the Isdefe headquarters.	Accomplished.
CHALLENGES	
GOAL	
Reduce paper usage per employee by 1.5 % with respect to the previous year.	
1% reduction in relative (per building occupancy) electricity usage with respect to 2014.	
Maintain constant with respect to 2014 the energy per occupancy performance indicators for water consumption.	
Maintain constant with respect to 2014 the energy per occupancy performance indicators for natural gas consumption.	
Conduct experimental calculation of the carbon footprint (amount of greenhouse gas emissions) at the BdB3 building (2014-2015 multi-annual goal).	

SUPPLY CHAIN

RESULTS	
GOAL	STATUS
Continue to require suppliers to include environmental clauses in their purchasing and contracting processes.	Environmental clauses have been included, as described in the section on suppliers in Chapter 2 of this document.
Continue increasing the use of hybrid paper.	The use of hybrid paper has increased to 54.52%.
Continue implementing an e-billing procedure that will allow us to comply with Law 25/2013 of 7 December starting in 2015.	The use of e-billing was expanded in 2014 to include national and international clients.
CHALLENGES	
GOAL	
Continue to require suppliers to include environmental clauses in their purchasing and contracting processes whenever allowed by their scope.	
Continue increasing the use of hybrid paper.	

SOCIETY

RESULTS	
GOAL	STATUS
Informational transparency pursuant to the Law on Transparency, Access to Information and Good Governance.	The Transparency Portal was published on the Isdefe corporate website in December.
Align social actions in keeping with the company's strategy.	Goal planned as part of the 2014-2016 Strategic Plan and within the Marketing and CSR Master Plan. The Social Action Programme, which considers the initiative of aligning the social action with the corporate strategy as one of the main courses or action, is expected to be approved in 2015.
CHALLENGES	
GOAL	
Publication of the Social Action Programme.	
Consolidation of the Implementation of the Code of Ethics.	



PRINCIPLES FOR CRAFTING THE CSR REPORT

The 2014 Annual Report is the sixth Social Responsibility report published by Isdefe in keeping with the guidelines in version 3.1 of the Global Reporting Initiative. In addition, in the disclosure table Isdefe indicates its compliance with the ten principles of the United Nations Global Compact, thus honouring its commitment to said organisation to provide an annual progress report in this area.

Materiality: The contents of this report were selected based on their relevance.

Stakeholder Inclusiveness: Isdefe maintains a transparent dialogue and relationship with all of its stakeholders through the means described in Chapter 1 of this document. Isdefe's strategies are intended to create value for all of its stakeholders.

Sustainability Context: In preparing this CSR report, we have covered the three areas relevant to social responsibility: financial, social and environmental. Also included are a Corporate Governance report and an Activities report. Isdefe uses this report to assess its commitment to the sustainability of its everyday activities, and notes that the actions and policies carried out adhere to social responsibility criteria.

Completeness: The 2014 Annual Report was written using the methodology laid out in version 3.1 of the GRI Guidelines, which specify the contents, scope and coverage and ensure the quality of the information presented.

Quality of the Information Presented

The information published adheres to the following principles:

- **Balance:** The report clearly presents the positive and negative aspects of Isdefe's performance and includes the level of compliance with respect to the previous year's commitment, thus allowing the reader to make a reasonable assessment of the organisation's social responsibility.
- **Comparability:** The information contained in this report includes, whenever possible, figures from the last three years.
- **Accuracy:** All of the information contained in this report is accurate and sufficiently detailed so that stakeholders can properly judge the company's performance.
- **Timeliness:** Isdefe publishes its Annual Report every year as tangible proof of its commitment to CSR.
- **Clarity:** The information is presented in a way that is understandable, accessible and useful.
- **Reliability:** The data contained in this CSR Report is supported by the management systems of the various departments responsible for the data. Said systems are managed rigorously and transparently.



GRI INDICATORS



CONTENT INDEX OF THE REPORT

DESCRIPTION	PAGE
1. STRATEGY AND ANALYSIS	
1.1 Statement from the most senior decision-maker of the organization.	5, 7
1.2 Description of key impacts, risks, and opportunities.	11, 12-15, 108
2. ORGANIZATIONAL PROFILE	
2.1 Name of the organization.	10, 98
2.2 Primary brands, products and/or services.	11, 23-24
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	22, 109
2.4 Location of organization's headquarters.	2, 12
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	13, 15
2.6 Nature of ownership and legal form.	98
2.7 Markets served.	14-15, 26-27
2.8 Scale of the reporting organization.	16-17
2.9 Significant changes during the reporting period regarding size, structure, or ownership.	There has not been any significant changes. 98-99
2.10 Awards received in the reporting period.	72, 73
3. REPORT PARAMETERS	
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	2
3.2 Date of most recent previous report (if any).	2013. 2
3.3 Reporting cycle (annual, biennial, etc.).	Annual. 120
3.4 Contact point for questions regarding the report or its contents.	2
3.5 Process for defining report content.	2, 120
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	3
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	2-3
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	2
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	2
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	There has been no re-statement
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	There has not been any significant changes



DESCRIPTION	PAGE
3.12 Table identifying the location of the Standard Disclosures in the report.	122-132
3.13 Policy and current practice with regard to seeking external assurance for the report.	No external verification has been requested.
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT	
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	100-105
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	Only the CEO is an executive member. 102
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Only CEO are executive members. 102
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	18, 72, 105, 109
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	105
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	101
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	100, 102
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	10, 18, 32, 34, 74, 78, 88, 106
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	103, 106-109
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	100-105
5. COMMITMENTS AND ENGAGEMENT	
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.	106, 108
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	71, 78, 82
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	78, 82, 84
6. STAKEHOLDER PARTICIPATION	
4.14 List of stakeholder groups engaged by the organization.	18
4.15 Basis for identification and selection of stakeholders with whom to engage.	18, 120
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	18-19
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	19, 118-119

MANAGEMENT APPROACH

DESCRIPTION		PAGE
DISCLOSURE ON MANAGEMENT APPROACH EC		
Aspects	Economic performance	5, 7, 22
	Market presence	14-15, 22
	Indirect economic impacts	34-35
ENVIRONMENTAL DIMENSION		
Aspects	Materials	94-95
	Energy	89-91, 95
	Water	91-92
	Biodiversity	All Isdefe's facilities are located on urban sites. None of them are located in or adjacent to protected areas or areas of high diversity.
	Emissions, effluents and waste	91, 94-95
	Products and services	90-94
	Compliance	88
	Transport	Isdefe's operations do not have significant impacts imply due to de transporting products and other goods.
	Overall	88
SOCIAL DIMENSION		
Aspects	Employment	70-73
	Labor/management relations	72
	Occupational health and safety	74-75
	Training and education	76-77
	Diversity and equal opportunity	73
	Equal remuneration for women and men	72



DESCRIPTION		PAGE
DISCLOSURE ON MANAGEMENT APPROACH HR		
Aspects	Investment and procurement practices	34-35, 77-78
	Non-discrimination	73
	Freedom of association and collective bargaining	72
	Child labor	Isdefe has suscribed the UN Global Compact and strictly comply with the Spanish legislation.
	Prevention of forced and compulsory labor	Isdefe has suscribed the UN Global Compact and strictly comply with the Spanish legislation.
	Security practices	74, 77, 106-108
	Indigenous rights	Due to Isdefe's activities natures, not indigenous rights violations occur.
	Assessment	Isdefe operations does not require this type of review.
	Remediation	Isdefe has not performed actions of this nature.
DISCLOSURE ON MANAGEMENT APPROACH SO		
Aspects	Local communities	78-81
	Corruption	77-78, 106-107, 109
	Public policy	109
	Anti-competitive behavior	106
	Compliance	106-109
DISCLOSURE ON MANAGEMENT APPROACH PR		
Aspects	Customer health and safety	Isdefe's activity does not include products or services may affect the costumer safety and health.
	Product and service labelling	32-33
	Marketing communications	32, 78, 88
	Customer privacy	33, 108
	Compliance	32, 107

INDEX OF GRI INDICATORS OF THE REPORT (GRI G3.1)

	DESCRIPTION	GLOBAL COMPACT	PAGE
ECONOMIC PERFORMANCE INDICATOR			
ASPECT: ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		16-17, 112-114
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	No significant implications, risks and opportunities due to climate change are foreseen in relation to Isdefe's activities.	
EC3	Coverage of the organization's defined benefit plan obligations.		72
EC4	Significant financial assistance received from government.		28, 112-114
ASPECT: MARKET PRESENCE			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.		72
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		34
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Isdefe international activities do not require local staff.	
ASPECT: INDIRECT ECONOMIC IMPACTS			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		78-85, 88-93, 118-119
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		12-13, 35, 88-93
ENVIRONMENTAL PERFORMANCE INDICATOR			
ASPECT: MATERIALS			
EN1	Materials used by weight or volume.	GC8	93, 94
EN2	Percentage of materials used that are recycled input materials.	GC8	93
EN3	Direct energy consumption by primary energy source.	GC8	89
EN4	Indirect energy consumption by primary source.	GC8	89
EN5	Energy saved due to conservation and efficiency improvements.	GC9	90-91
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	GC8	90-91
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	GC8	90
EN8	Total water withdrawal by source.	GC8	91
EN9	Water sources significantly affected by withdrawal of water.	GC8	91
EN10	Percentage and total volume of water recycled and reused.	GC8	91



DESCRIPTION		GLOBAL COMPACT	PAGE
ASPECT: BIODIVERSITY			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	GC8	All Isdefe's facilities are located on urban sites. None of them are located in or adjacent to protected areas or areas of high diversity.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	GC8	All Isdefe's facilities are located on urban sites. None of them are located in or adjacent to protected areas or areas of high diversity.
EN13	Habitats protected or restored.	GC8	All Isdefe's facilities are located on urban sites. None of them are located in or adjacent to protected areas or areas of high diversity.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	GC8	This indicator is not considered relevant because Isdefe's facilities are located on urban sites.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	GC8	Due to the nature of Isdefe's activities, no species are affected by Isdefe's operations.
ASPECT: EMISSIONS, EFFLUENTS AND WASTE			
EN16	Total direct and indirect greenhouse gas emissions by weight.	GC8	95
EN17	Other relevant indirect greenhouse gas emissions by weight.	GC8	95
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	GC9	90-91
EN19	Emissions of ozone-depleting substances by weight.	GC8	95
EN20	NOx, SOx, and other significant air emissions by type and weight.	GC8	Due to the nature of Isdefe's activities, these kind of emissions are not generated.
EN21	Total water discharge by quality and destination.	GC8	91
EN22	Total weight of waste by type and disposal method.	GC8	94-95
EN23	Total number and volume of significant spills.	GC8	Due to the nature of Isdefe's activities, no spills have occurred.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	GC8	Isdefe does not transport, import or treat hazardous waste.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	GC8	Due to the nature of Isdefe's activities, there has not been any discharges of water and runoff. All facilities are located on urban sites.
ASPECT: PRODUCTS AND SERVICES			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	GC8	66-67, 90-93
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	GC8	Due to the nature of Isdefe's activities as service provider, Isdefe does not sell products that require packaging materials.

	DESCRIPTION	GLOBAL COMPACT	PAGE
ASPECT: COMPLIANCE			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	GC8	Isdefe has not registered any significant fine.
ASPECT: TRANSPORT			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	GC8	Isdefe's operations do not have significant impacts imply due to the transporting products and other goods.
EN30	Total environmental protection expenditures and investments by type.	GC8	88
SOCIAL PERFORMANCE INDICATOR			
1. LABOR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.		12, 70-71
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.		12, 70-71
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		72-73
LA15	Return to work and retention rates after parental leave, by gender.		73
LA4	Percentage of employees covered by collective bargaining agreements.	GC3	72
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	GC3	The minimum notice periods are in accordance with current legislation (15 days).
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
LA6	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs.		74
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.		75
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		74-75
LA9	Health and safety topics covered in formal agreements with trade unions.		74
LA10	Average hours of training per year per employee by gender, and by employee category.		76
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		76-77
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.		72
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	GC6	73, 105
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		72



DESCRIPTION		GLOBAL COMPACT	PAGE
2. HUMAN RIGHTS			
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	GC1 GC2	Isdefe has not subscribed these kind of agreements: due to the nature of its activities and their location, no risks on violation of human rights are foreseen. Isdefe contracting procedures are compliant with the consolidated text of the Law on Public Sector Contracts.
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	GC1 GC2	Isdefe contracting procedures are compliant with the consolidated text of the Law on Public Sector Contracts.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GC1 GC6	Due to the nature of Isdefe's activities, this activity has not been considered relevant.
ASPECT: NON- DISCRIMINATION			
HR4	Total number of incidents of discrimination and corrective actions taken.	GC1 GC6	Isdefe has recorded one incident of discrimination. 107
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	GC3	No operations of this type has been registered. 72
ASPECT: CHILD LABOR			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	GC5	Isdefe's activity and its operations do any imply such risk. Isdefe has subscribed Global Compact and strictly complies with the Spanish legislation.
ASPECT: PREVENTION OF FORCE AND COMPULSORY LABOR			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	GC4	The company's activity and its operations do not implicate this kind of risks. Isdefe has subscribed Global Compact and strictly complies with the Spanish legislation.
ASPECT: SECURITY PRACTICES			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		Isdefe has subscribed Global Compact and strictly complies with the Spanish legislation. 78
ASPECT: INDIGENOUS RIGHTS			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		Isdefe's activities do not violate rights of indigenous people.
ASPECT: ASSESSMENT			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		Isdefe operations do not require this type of review.

DESCRIPTION		GLOBAL COMPACT	PAGE
ASPECT: REMEDIATION			
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms".		Isdefe does not perform actions of this nature.
3. SOCIETY			
ASPECT: LOCAL COMMUNITIES			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.		Due to the nature of Isdefe's activities, no significant impacts on local communities are foreseen.
SO9	Operations with significant potential or actual negative impacts on local communities.		Isdefe does not perform actions of this nature.
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		The nature of Isdefe's activities, no significant impacts on local communities are foreseen.
ASPECT: CORRUPTION			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	GC10	106-108
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	GC10	94% of staff have received the Isdefe Code of Ethics training course. 77
SO4	Actions taken in response to incidents of corruption.	GC10	There has no been any incident of corruption during 2014. Isdefe has internal and external control mechanisms to avoid this type of incidents. 106-107
ASPECT: PUBLIC POLICY			
SO5	Public policy positions and participation in public policy development and lobbying.		In Spain, lobbying is not allowed
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		There have not been done contributions of this type.
ASPECT: ANTI-COMPETITIVE BEHAVIOR			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		Isdefe has not registered any significant fines.
ASPECT: COMPLIANCE			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		Isdefe has not registered any significant fines.
4. PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		No health and safety impacts of Isdefe's services and products are foreseen.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		Services offered by Isdefe has not significant health or safety impact.



DESCRIPTION		GLOBAL COMPACT	PAGE
ASPECT: PRODUCT AND SERVICE LABELLING			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Isdefe permanently communicates its clients all the necessary information about the services being provided, and strictly complies with the Spanish legislation in the matter.	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Isdefe has not recorded incidents of this type.	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		32-33
ASPECT: MARKETING COMMUNICATIONS			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		10, 78, 109
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Isdefe has not recorded incidents of this type.	
ASPECT: CUSTOMER PRIVACY			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Isdefe has not recorded incidents of this type.	
ASPECT: COMPLIANCE			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Isdefe has not recorded incidents of this type.	

Published in 2014 by Isdefe:

Isdefe (Engineering Systems for the Defence of Spain)

Beatriz de Bobadilla, 3 28040 Madrid. Spain

www.isdefe.es

Date of release: september, 2015

Photography:

Copyright © Isdefe, Ministry of Defence, INTA and ITM

Printed in Madrid:

By Print Madrid

© Isdefe 2015



2014 Annual Report