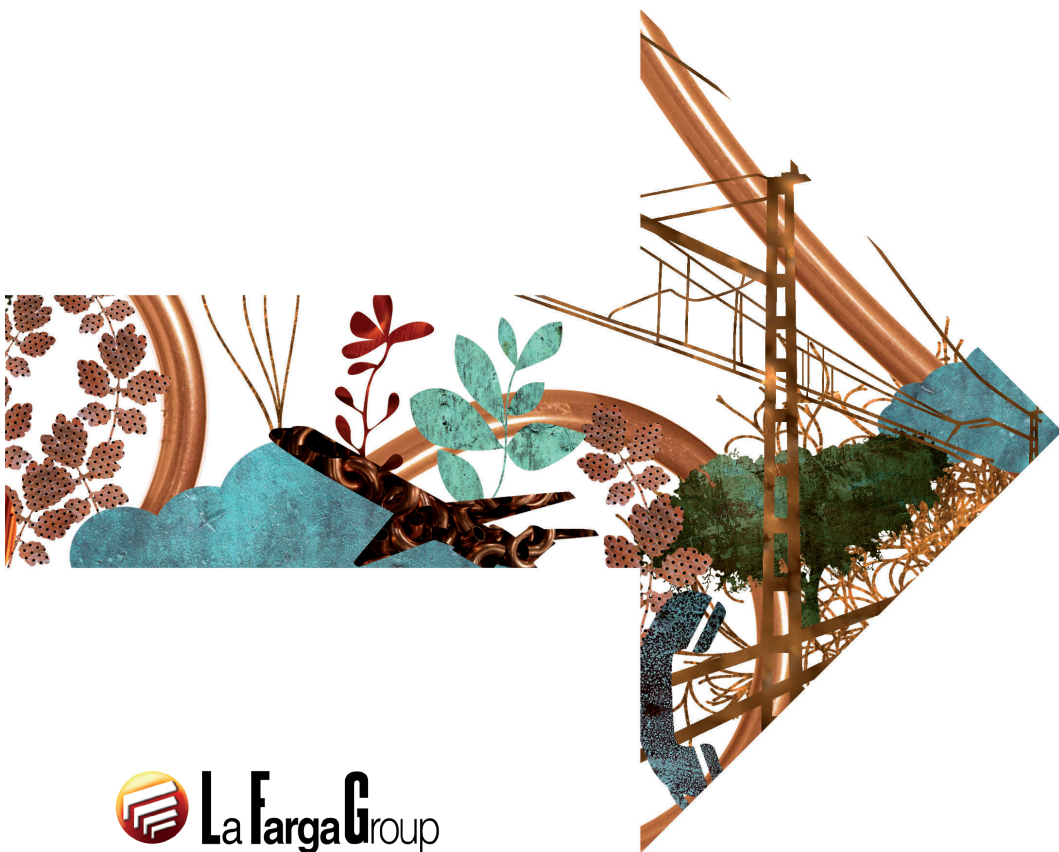


# RESPONSES ADAPTED TO A WORLD IN MOVEMENT

SUSTAINABILITY REPORT 2010



**La Farga Group**  
yourCoppersolutions

## PROFILE

### Annual productivity of LFR



### High performance LFL alloys



### LFL technology in the world

## ECONOMICS



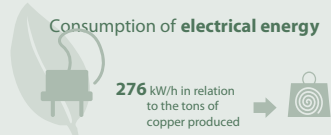
## INNOVATION AND IMPROVEMENT

### R+D+I Investment



## ENVIRONMENT

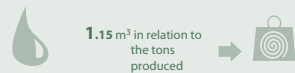
### Consumption of electrical energy



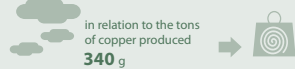
### Consumption of thermal energy



### Consumption of water



### CO<sub>2</sub> emissions

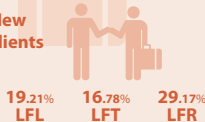


### Packaging material recovered at the end of its useful life.

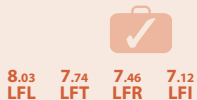


## CLIENTS

### New clients



### Client Satisfaction Index



## QUALITY

### Improvement plans



### Quality certificates



## SUPPLIER COMPANIES

### Local supplier companies



## COMMUNITY

### Investment in grants



### Visits to Copper Museum



## HUMAN RESOURCES



### 312 workers on staff average equivalent



# 1 ABOUT LA FARGA

LA FARGA GROUP IS A FAMILY-RUN COMPANY WITH A CLEAR VISION: TO INNOVATE CONSTANTLY AND INVEST TO IMPROVE.



## 1.1 LA FARGA LACAMBRA

- 2010 was the **year of internationalisation** and **diversification** of **products** and **markets**.
- Our long history in innovation enabled us to achieve a **high level in the quality of copper**.
- The advances were achieved in technology, recycling, product quality and environment.
- The crisis resulted in a larger number of “made to measure” orders, which required the hiring of 17 new people.
- La Farga Lacambra took part with its own stand in the **Innotrans Berlin 2010 Fair**, exclusive to the railway sector.

## 1.2 LA FARGA TUB

- The necessity of finding appropriate alternatives in a market in recession enabled us to branch out towards new clients, which has contributed to the **expansion of the company**.
- 2010 was characterised by a huge effort in research and **machinery to create new products and to open up new markets**.
- La Farga Tub took part with the ECPPC in the **Instalmat fair**, a benchmark event in the domestic and industrial installations sector in Spain.

## 1.3 LA FARGA ROD

- Despite the complex market situation, in 2010 we **increased exports** (from 40% to 43%).
- We significantly improved the **quality of the product** due to the **consolidation and establishment of continuous** improvement projects.
- We must highlight the important investment made in a new production line to broaden the range of products offered.
- **0 figure of accidents with time off** both for our own staff and external staff.

## 1.4 LA FARGA INTEC

- In the longstanding history of collaboration between LFL and Continuos Properzi, the two companies have provided their technology to La Farga Intec to **27 plants in 15 countries around the world**.
- In 2010 the TPCO (China) and Kamkat (Russia) start-ups were completed, and technology was sold to the new **SDI-La Farga** plant in the **United States**.
- In 2010 the new plant in China was inaugurated, Ganzhou Jiangwu La Farga high-speed Railway Copper materials.

## 2 SUSTAINABLE DEVELOPMENT

IT IS IMPERATIVE THAT LA FARGA GROUP HAS A SUSTAINABLE FUTURE AND TO DO SO OUR MANAGEMENT HAS TO BE SUSTAINABLE IN ALL FIELDS.

### THE 8 AXIS OF LFG'S CORPORATE RESPONSIBILITY



At the end of December 2006, LFG joined the **UNITED GLOBAL COMPACT** to promote our company's SOCIAL RESPONSIBILITY, by adopting the ten principles that it encompasses.

#### Media Channel

A new feature in 2010, with the aim of being in the vanguard of everything relating to the **world of copper**, we have created the **Media Channel**, available to all those interested in this information, as a platform for **knowledge** about copper in all its meanings and formats: recycling, traditional and new uses, history, advantages, innovations, the everyday work of LFG, etc.

The aim of this feature is to have a presence in the 2.0 media, increase interactivity, organise and concentrate knowledge and provide value.

The Media Channel includes:

- YouTube – The world of copper ([www.youtube.com/user/lafargaGroup](http://www.youtube.com/user/lafargaGroup))
- Blog Your Copper Solutions ([www.yourcoppersolutions.info](http://www.yourcoppersolutions.info))
- Press ([www.lfl.es/esp/canal-media-prensa.asp](http://www.lfl.es/esp/canal-media-prensa.asp))

# 3 ECONOMY

**THE INCORPORATION OF SUSTAINABILITY CRITERIA INTO LA FARGA GROUP'S ECONOMIC MANAGEMENT STRUCTURE HAS ENABLED US TO IMPROVE THE GLOBAL MANAGEMENT OF THE COMPANY AND MAKE IT MORE TRANSPARENT, THUS ENSURING PROFITABILITY AND VIABILITY.**

In 2010 we **invested 6,967,371 million euros** in the Group's companies in order to improve processes, the purchasing of machinery, creation of new products and consolidation of new infrastructures.

## 3.1 LA FARGA LACAMBRA

- For 2011, due to the broadening of the range.
- 2010 was characterised by the **diversification of products**, above all, those related to the railway market as well as developing other alloys with which we are pioneers.
- As well as the diversification of products, 2010 also saw a diversification of the **market**, working in new geographical areas.

- For 2011, due to the broadening of the range of traditional products that LFL offers with new products, it is planned that our efforts will be focused on the improvement of the service.

## 3.2 LA FARGA TUB

- For 2011 we expect to **gain markets in countries** such as Portugal, the south of France and in North Africa.

## 3.3 LA FARGA ROD

- The **growth of international demand** will place LFR as a key supplier of wire rod, increasing its sales outside of the domestic market.

## Economic Indicators

(In €)

	LFL		LFT		LFR		LFI	
	2009	2010	2009	2010	2009	2010	2009	2010
Revenue	278,981,296	<b>417,483,757</b>	73,668,316	<b>102,524,810</b>	276,856,454	<b>516,658,546</b>	955,283	<b>1,484,383</b>
Operating costs	261,185,357	<b>399,091,757</b>	67,725,219	<b>96,772,443</b>	273,661,901	<b>513,681,467</b>	154,700	<b>65,046</b>
Salaries and social benefits	7,204,126	<b>7,360,208</b>	3,381,430	<b>3,577,260</b>	973,103	<b>1,066,044</b>	98,733	<b>158,261</b>
Payments to financial backers	1,662,365	<b>2,700,344</b>	293,762	<b>336,176</b>	2,526,091	<b>3,139,417</b>	83,872	<b>78,853</b>
Direct payments to the government	3,008,484	<b>2,999,321</b>	1,369,288	<b>1,452,434</b>	415,817	<b>441,556</b>	44,038	<b>44,038</b>
Payment CMC taxes	6,605,355	<b>3,577,064</b>	8,514,059	<b>12,186,324</b>	153,351	<b>995,693</b>	72,335	<b>72,335</b>
Significant financial aid received from governmental bodies	318,257	<b>153,389</b>	3,907	<b>96,875</b>	17,086	<b>52,978</b>	0	<b>0</b>
Turnover	257,550,462	<b>425,778,786</b>	70,462,130	<b>101,516,692</b>	276,626,592	<b>516,436,399</b>	955,283	<b>1,484,383</b>
Net profit	5,241,639	<b>5,112,826</b>	500,583	<b>270,884</b>	599,721	<b>243,477</b>	68,852	<b>539,040</b>
Cash flow	8,189,111	<b>8,316,864</b>	2,298,202	<b>1,937,804</b>	1,379,397	<b>1,135,495</b>	572,120	<b>1,042,532</b>
% of exportation	17%	<b>19%</b>	14%	<b>22%</b>	32%	<b>41%</b>	100%	<b>100%</b>
Expenditure	271,344,480	<b>409,705,419</b>	72,904,269	<b>102,012,114</b>	275,414,681	<b>515,646,238</b>	756,701	<b>726,800</b>
Total investment	3,218,784	<b>3,480,694</b>	1,324,437	<b>2,306,558</b>	542,104	<b>1,179,306</b>	2,134	<b>813</b>
Corporate income tax	1,914,298	<b>1,985,284</b>	-28,015	<b>-93,517</b>	86,152	<b>39,015</b>	45,862	<b>139,693</b>
Total assets	87,192,148	<b>88,099,185</b>	31,850,748	<b>35,218,518</b>	41,984,710	<b>38,635,480</b>	4,951,838	<b>5,154,664</b>
Shareholders' equity	35,151,825	<b>38,047,177</b>	16,414,390	<b>16,234,750</b>	17,346,944	<b>17,680,152</b>	1,333,651	<b>1,872,691</b>

## 4 INNOVATION AND IMPROVEMENT

**AT LFG WE ARE CONTINUOUSLY IMPROVING AND INNOVATING IN ALL SPHERES OF THE COMPANY. WE ARE DEVELOPING NEW PRODUCTS AND SERVICES AND EVEN PRODUCTION PROCESSES. INNOVATION IS ESSENTIAL FOR PROGRESS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT.**

2010 stood out for being the **year of innovation**, thanks to the effort, enthusiasm, spirit of overcoming obstacles and teamwork as the driving forces of applied research. Throughout the year we have turned into reality research and development projects in which we have been working for a long time.

The efforts made by LFG in innovation continue to be **focused on the quality and development of the product**. These lines are undertaken through the new mechanisms of management and development of innovation.

With this in mind, this year we consolidated a global research area divided into 4 coordinated lines by the CEO of the Group. All this has meant a restructuring of the R+D+I Department:

**Applied development and innovation:** research undertaken internally, within the facilities of LFG, has focused on processes and products. In 2010 we created a small research centre within our own LFG installations, with a large investment in new machinery.

**Research management:** this includes the creation of patents, relations with institutions and research centres. We have created a department to manage external relations from the point of view of research.

**Basic research:** it features the creation of a research centre in the Universitat Autònoma de Barcelona (UAB) with our own staff. We take part in the Sincrotró project with two scientists from LFG working in the UAB. The aim is to work in network.

**Operative innovation:** promotion of innovative projects that can be implemented in the operative area and promotion of communication between R+D+I and the area of operations, quality and engineering.

In 2010 the **investment in R+D+i** of the LFG industrial companies was **2% of the turnover and 40% of the result**.

The R+D+I structure has nine people distributed around the different companies and is responsible for networking with several technology centers and universities for purposes related to research and innovation.

In order to provide an efficient and cross-sectional response from the Group to this new aspect of innovation, we have created the following committees:

**Committee of innovation for research**, to provide follow-up to the research projects.

**Committee of innovation for the market**, to introduce the ideas of the market into the innovation process.

**Committee of innovation for operations**, which transfers the low-risk innovation projects to the operations area (quality, engineering and operations).

**R+D+i investment**



# 5 PROFESSIONAL DEVELOPMENT

AT LA FARGA GROUP WE BELIEVE IN THE PERSONAL AND PROFESSIONAL ENRICHMENT OF OUR STAFF AND THEIR SATISFACTION. THE AXIS OF OUR HUMAN RESOURCES POLICY IS THE EVOLUTION OF TALENT REFLECTED IN SKILLS, THE ABILITY TO OVERCOME WEAKNESSES, THE CARE WE TAKE WHEN DEALING WITH OTHERS AND THE WAY WE MOTIVATE OURSELVES. THIS IS ACCOMPANIED BY FAIRLY AND COMPETITIVELY COMPENSATING PERFORMANCE AND PROMOTING A WORK LIFE BALANCE.

- **New focus of the Human Resources Department**, which changed its name to People and Organisation Management, in order to respond to the continuous improvement projects, to reinforce the internal projects and improve the development of people (role development).

- **Continuous improvement** as regards dynamism and challenges, ultimately aiming at participative and autonomous management (micromanagement) which leads to all workers of the company moving towards excellent management of the processes for which they are responsible. Along side that, a policy of closer and plausible recognition.

- Concentrating the **commercial function and the operative and client quality function in the different companies.**

- New structure of innovation and research.

**90%** of the **workforce** comes from the county of **Osona**.

In 2010, there were **10 internal promotions**.



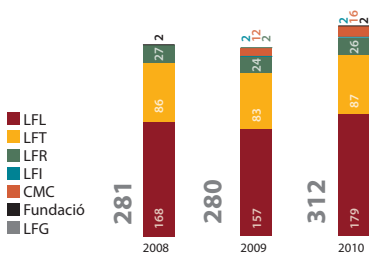
A total of **€143,071** has been invested in **training** with a total of **7,993 hours**.

For the 2010-2011 course **160 grants** were awarded, which came to a total amount of **€16,116**.

In **LFR** the most outstanding measure promoted in 2010 was "**Experience continuous improvement**", aimed at involving operatives in carrying out continuous improvement, encouraging their participation and recognising their work and involvement. This action was accompanied by general training in aspects of continuous improvement and specifically in knowledge of the actual installations. also we reoriented the **suggestions system**, devoting a specific theme to each month, enabling us to make the utmost of staff participation.

The **Internal Annual Communication Plan** has been completed by **83%**.

## Our team



The workforce of LFG increased by 32 people compared to 20.

**69%** of the **workforce** of La Farga Group is aged between **26 and 45**.

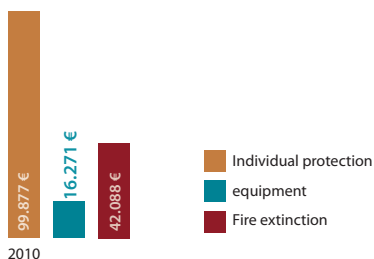
# 6 OCCUPATIONAL HEALTH & SAFETY

AT LA FARGA GROUP WE APPLY THE MEANS NECESSARY TO GUARANTEE HEALTH AND SAFETY IN THE WORKPLACE. SAFETY IS ESSENTIAL IN AN ACTIVITY LIKE OURS. ACCORDINGLY, WE PROVIDE TRAINING AND COMPREHENSIVE INFORMATION TO OUR WORKERS IN ORDER TO GUARANTEE HEALTH AND SAFETY IN THE WORKPLACE.

The 3 industrial companies of LFG are certified according to the **OSHAS 18001**.



## Costs in prevention of occupational risks (LFG)



## Safety indicators of LFG



## Safety improvement in the LFG installations

In 2010 we undertook a safety audit that involved the elaboration of an action plan with the measures to be established in order to increase safety. One of the actions undertaken is the new entrances to the company facilities

in order to improve the safety of visitors, both to the company and the museum.

## Improvements in the prevention of occupational risks

	LFL	LFT	LFR	LFG	
	No.	No.	No.	No.	
Actions pending	69	92	21	182	34%
Actions completed	283	46	24	353	66%
<b>Total</b>	<b>352</b>	<b>138</b>	<b>45</b>	<b>535</b>	

## Example of the best practices

### La Farga Group puts the emphasis on safety

*The 2nd Week of Safety Culture was held with lots of activities*





# 7 CUSTOMER SATISFACTION

FOR LA FARGA GROUP SATISFYING THE EXPECTATIONS AND NEEDS OF OUR CUSTOMERS IS A KEY OBJECTIVE. ACCORDINGLY, WE CONSIDER CUSTOMERS TO BE AT THE CENTRE OF ALL OUR DECISIONS. AT LFG WE THINK THAT ALL ACTIONS AND DECISIONS HAVE AN EFFECT ON OUR CUSTOMERS AND THEY ARE PRESENT IN EVERYTHING THAT WE DO.

Direct contact, personalised dealings and distinguished service, attending quickly and efficiently to orders and/or enquiries, are the values with which we ensure active and qualitative attention to each of our clients. To achieve the maximum satisfaction our actions are focused on:

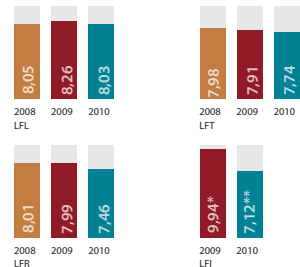
- **Constant improvement** in the technical quality and **service** offered.
- **Collaboration** with the clients.
- Transmission of the **culture of continuous improvement** both internally and externally.
- Transmission of the culture **of continuous improvement** both internally and externally.
- Placing the **clients** in the **centre** of all our **actions**.



As something new and with the aim of improving the management of client satisfaction, we have highlighted the **integration of the improvement plans objectives** with those of the account managers, thus involving a larger number of people at LFG.

## Client satisfaction rate

We evaluate the client satisfaction rate annually for each of the companies, which enables us to analyse the service in general and the technical quality of the product.



**Objectives for 2011 are focused on the policy of service:**

- Introducing the focus of service as objective at all levels.
- Improving delivery times.
- Reviewing the sales and reengineering processes.
- Putting a commercial restructuring into practice.
- Improving the channels of communication between the commercial, logistic and production areas.

In 2010 **85%** of the **planned external communication actions** have been undertaken.

# 8 QUALITY

**THE WHOLE ORGANISATION IS GEARED TOWARDS QUALITY, WHICH WE GUARANTEE BY ENSURING COMPLIANCE WITH ALL THE REQUIREMENTS DEMANDED BY OUR CUSTOMERS AND CONTROLLING ALL THE PROCESSES IN ORDER TO REACH OUR ULTIMATE GOAL: TOTAL CUSTOMER SATISFACTION BOTH WITH THE PRODUCTS WE OFFER AND WITH OUR SERVICE.**

The 3 industrial companies of LFG are certified by the **ISO 9001**.



## New certificates of products

**LFL** → **CETREN certificate** for contact wire and copper magnesium cables

**LFT** → Extension of the **NF certificate** (France) brand for large measurements.

Attainment of **ETA certificate** for Sanitub (standard: En 1057) in Scandinavia.



In 2010 we formalised and consolidated the **process analysis** management systems with the aim of organising the procedures and defining them with the maximum level of detail; this enables us to evaluate which should be improved and immediately be able to reflect these improvements in the new management system planned for 2012.

## Analysis of the processes

- 1st. Definition of processes (2009-2010).
- 2nd. Reengineering of processes (2010-2011)
- 3rd. Establishment of new information system (2011-2012).
- 4th. Consolidation of the tool (2012).

This technique features the concept of the **Lean office** as the major aspect responsible for the improvement in the management systems in order to increase the processes efficiency. This innovation in the procedures enables us to improve the costs, quality, service, flexibility and, in short, the company cash flow.

## Example of the best practices

**We establish the special attention control for new products**

*It is another step forward in ensuring the maximum quality in the new ducts we offer to the market*



# 9 RESPECT FOR OUR ENVIRONMENT

**RESPECT FOR OUR NATURAL ENVIRONMENT IS ONE OF LA FARGA GROUP'S ESSENTIAL VALUES. THAT IS WHY WE ARE WORKING TOWARDS AN ECOLOGICAL PRODUCTION PROCESS WITH A RESPONSIBLE MANAGEMENT OF RAW MATERIALS AND NATURAL RESOURCES. IT IS ALSO WHY WE ENDEAVOUR TO MINIMISE POLLUTION. TO ENSURE THIS, WE SET OURSELVES IMPROVEMENT TARGETS EVERY YEAR.**

The 3 industrial companies of LFG are certified by the **ISO 14001**.



## Our environmental aspects

- Optimisation of the use of natural resources and of processes.
- Integral Waste Management of waste and residual waters.
- Prevention and control of emissions to the atmosphere.
- Mitigation and minimisation of impacts. In an industrial activity like ours, with multiple processes that involve the use of water and energy in distinct points, reducing consumption with action at all levels and in all spheres is a daily challenge.

In an industrial activity like ours, with multiple processes that involve the use of water and energy in distinct points, reducing consumption with action at all levels and in all spheres is a daily challenge.

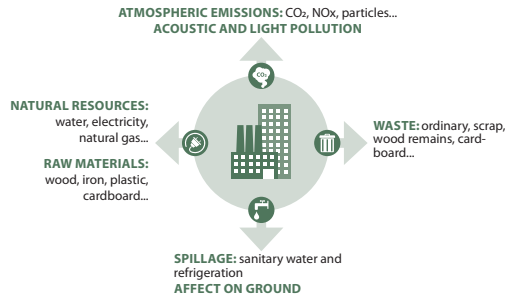
During 2010, consumption evolved in a diverse way due to the circumstances.

Globally, less water per unit has been consumed due to the improvement in the control and efficiency of the cooling circuits, especially those related to the foundry.

The global consumption of energy per production unit has shown an increase due to the starting up of new machines and due to the increase in use of the existing installations.

Waste management is focused in an integral way, foreseeing its production in all the stages of the lifecycle of the products.

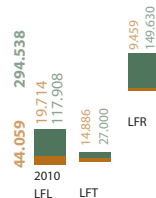
## Most significant environmental impacts



The main waste products are treated according to the regulations of the Catalan Waste agency. Most of them are recycled or recovered.

## Environmental costs and investments

■ Expenditures  
■ Investments



## Example of the best practices

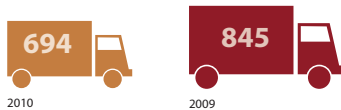
### La Farga Rod installs a pioneering system of water filtration

*This new system improves copper production and enables a saving of water of up to 75%*

# 10 VALUE CREATION

VALUE CREATIONS IS LA FARGA GROUP'S ULTIMATE GOAL. TO REACH THIS OBJECTIVE, WE MANAGE OUR RESOURCES USING VALUE CREATION CRITERIA FOR CLIENTS, SUPPLIERS, SHAREHOLDERS AND SOCIETY IN GENERAL.

## Number of supplier companies



**27% of all LFG suppliers are local** (from the counties of Osona and Ripollès).

The prioritisation of local supplier companies contributes to the invigoration of economic activity and the creation of wealth in our county and its environs.

2010 was characterised by an **optimisation of suppliers of services and provisions, including transport**. To highlight some new developments; the outsourcing of the management of:

- Wooden spool supply and the recovery of pallets and metallic spools (the suppliers are located within the industrial precinct of LFG, where they store, manufacture and prepare the stock of the products before being used in the productive processes);
- First Intervention Equipment (FIE). In this case we have installed FIE dispensing machines, which has enabled us to increase the control of deliveries to personnel, rationalise consumption and minimise the environmental impact by reducing tran

In LFG we extend the commitment to social responsibility in our raw materials to supplying companies by means of the inclusion of SOCIAL and ENVIRONMENTAL CRITERIA in the EVALUATION and SELECTION procedure.

## Social setting

To spread our experience and know-how, we have collaborated in 4 TALKS and SEMINARS.

## La Farga Foundation and The Copper Museum

The Fundació La Farga takes part in more than **12 cultural associations** and this year has **taken part in more than 21 activities in the county**.



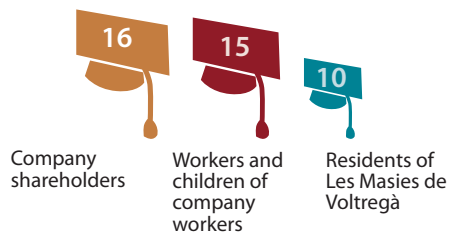
## Number of visits to the Copper Museum

### Satisfaction rate

**9,21 private visits**

**9,31 travel agencies.**

## Grants awarded 2010



## Aid for growth of entities



**For more information you can consult our full Sustainability Report on our website, [www.lfg.es](http://www.lfg.es)**

Ecocert Ibérica, SL, a company of the ECOCERT Group, with tax number B62209044, and registered offices in Manlleu, has been the company that has undertaken the verification of the 2010 Sustainability report of La Farga Group. This company is totally independent from La Farga Group and, prior to this certification, has had no type of commercial link or any other kind of connection with the organisation.

This report is available in PDF format on the website of La Farga Group: [www.lfg.es](http://www.lfg.es)

For more information about its contents you can write to [etica@lfg.es](mailto:etica@lfg.es)

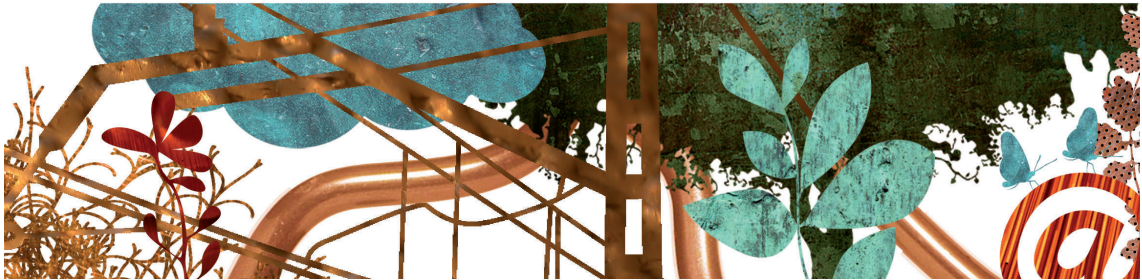
This report has been revised by the Global Reporting Initiative, and its conclusion is that it complies with the criteria for an A+ level of applications.





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[www.lfg.es](http://www.lfg.es)  
[www.yourcoppersolutions.info](http://www.yourcoppersolutions.info)



For **more information**  
you can consult our full  
**Sustainability Report**  
on our website, [www.lfg.es](http://www.lfg.es)