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N/54 Sustainability Report 2021. Non-Financial Information Statement

velatia

MS/V

**N/54** SUSTAINABILITY REPORT 2021  
NON-FINANCIAL INFORMATION STATEMENT



**Be smart. Be sustainable**





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# Be Velatia. Be sustainable

As a result of an unequivocal commitment to transparency, since the publication of the first Sustainability Report in 2012, **Velatia** has worked to offer reliable, rigorous and quality information so that its stakeholders can consult the group's performance in this area. The same goal is pursued by this **Sustainability Report. Non-Financial Information Statement** for financial year 2021, approved by the Shareholders' meeting on 29 June 2022.

In order to provide the broadest possible overview, in addition to the consolidated information on the group, this report contains specific information on the **Ormazabal** and **Ikusi** businesses, as well as on the rest of the group's businesses.





As we anticipated, 2021 was a difficult and demanding year. In an environment marked by the influence of the pandemic, supply difficulties and the rising cost of raw materials, a situation of significant instability has arisen, which we are in the process of successfully overcoming. We have had to review priorities in order to concentrate on the most relevant and vitally significant issues for the future of our companies, which has required an additional effort by all the people in the organisation, who have once again demonstrated their commitment and dedication to the **Velatia** project. This effort also helped us to identify opportunities and areas for improvement.

Reconciling the needs of the company in a demanding environment, reacting to threats and seizing opportunities, demonstrates both the necessary capacity to adapt and the indispensable duty to take care of our people and the need to keep focusing on our stakeholders.

Our long history of service and proximity to our customers has allowed us to offer extraordinary - though sadly not perfect - levels of service, but we have received accolades and signs of appreciation for our level of performance, as well as acknowledgment of the inevitable difficulties that we have sometimes resolved without our customary efficiency.

It has been at the most critical moments that we have demonstrated our level of performance and our innovative character. Our suppliers of products and services have made a crucial contribution in this regard, and we have worked side by side with them, building on the trust generated over many years of working together. Without them, without their effort, commitment and competence, we would not have been able to deliver such a good performance this year.

From the financial perspective, the meticulous work carried out in previous years with banks and financial institutions has proven to be fundamental, enabling us to tackle the most turbulent times with the most appropriate financial instruments. This is undoubtedly a key area for achieving our objectives of sustainable profitability.

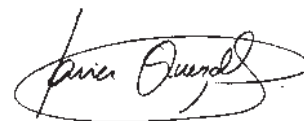
It is as critical to meet our operational targets as it is to do so by demonstrating our commitment to the UN Global Compact, sustainability and our environment. In this sustainable perspective, we are committed to becoming carbon neutral by 2050 with an intermediate target of 68 % reduction by 2030.

The good performance demonstrated allows us to close the year with results that we can undoubtedly describe as satisfactory. A 14 % growth in turnover, reaching 736 million euros in sales.

We have also continued to promote quality employment in this demanding year, reaching a total of 3,700 people. Junior talent, a priority focus of attention through programs such as "Integración" and "ARCO", is crucial to achieving our present and future goals. This makes us continue to take care of our talent, of which we are proud. The work of previous years has borne fruit.

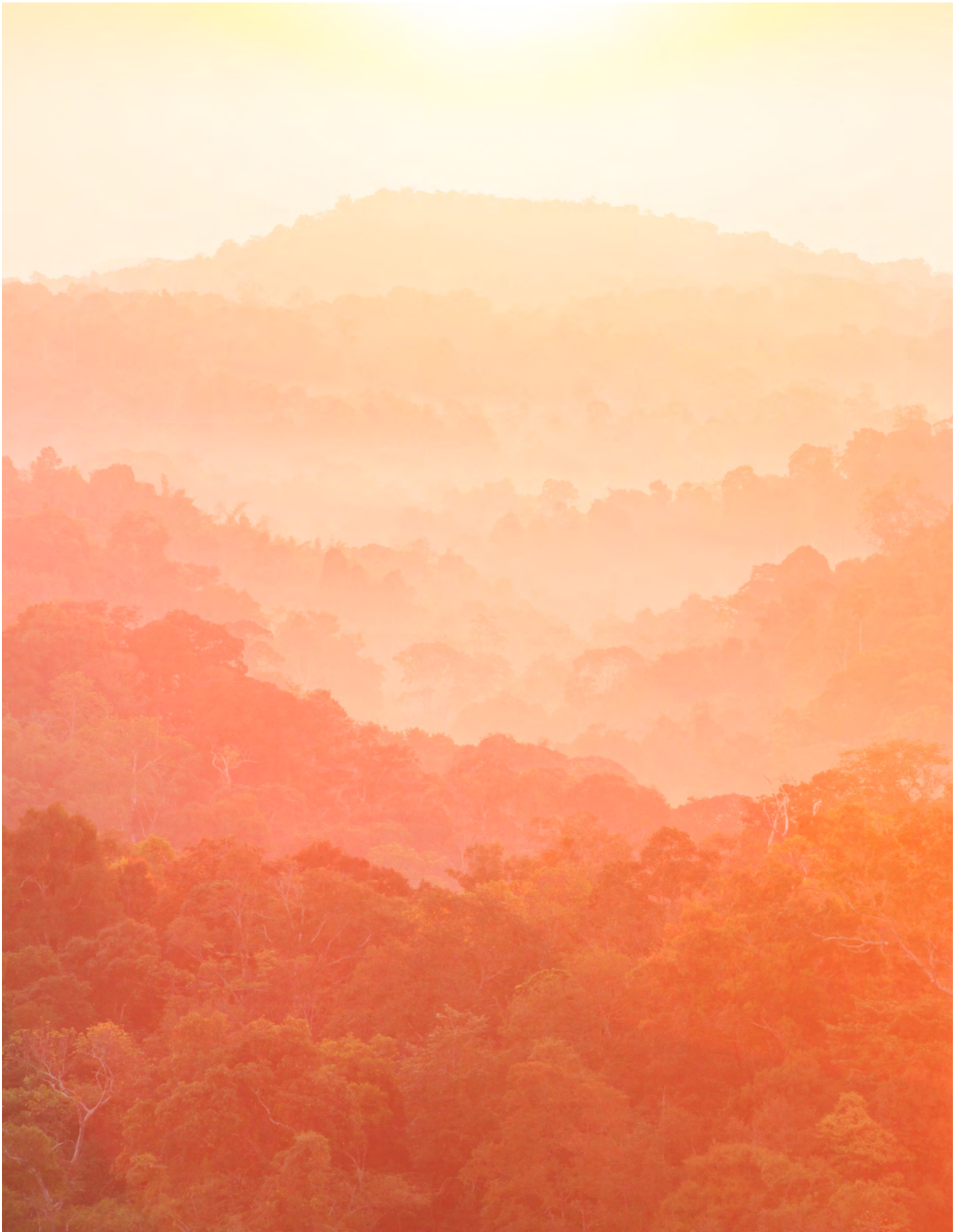
To paraphrase one of Seneca's best-known quotes, "luck is what happens to you when preparation meets opportunity". Preparation and opportunity lie in the talent of our people, not just the youngest, which is what more than fifty years of excellence in management and service to our stakeholders has given us.

I invite you to read this report for a detailed account of our economic, environmental and social performance over the past year.



Javier Ormazabal Echevarria  
President of Velatia





We work globally  
with solutions that help  
meet the challenges  
of sustainability.

# 1. About Velatia





**Velatia** is a group with strong family roots, an industrial character and a technological vocation that works together with its customers to devise, produce and implement solutions aimed at the decarbonisation of the planet, digitalisation, connectivity, and communications security.

In addition to its global dimension (presence in 19 countries on five continents and a workforce of almost 3,800 people spanning some 20 nationalities), it is also locally sensitive, aiming to have a positive impact on the communities in which it operates. **Velatia's** business model seeks to combine growth and sustainable profitability over time, generating value for its stakeholders and for society as a whole.

The group has 22 manufacturing centres, a Research and Technology Centre (CIT), which is among the most advanced in the world in this type of infrastructure in Boroa (Spain), and a Cloud Operations, Cybersecurity and Business Experience Centre (ONCE) in Monterrey (Mexico).

## 1.1. Purpose, vision, values and pillars

These are the four essential elements that shape **Velatia's** personality, those that comprise the corporate identity on which this solid business project with its sights set on a sustainable future is based and developed; guiding its strategy and focusing its activity, initiatives and decision making.

The corporate **purpose** is what defines **Velatia's** role or *raison d'être* in the long term. It establishes the framework within which to create and provide value in a sustainable way, meeting stakeholder expectations, making visible the responsibility of its contribution and the impact it generates around it in economic, social and environmental terms.

### Our purpose

**Velatia is a group that specialises in network optimisation.** As such, it provides reliable and innovative solutions thanks to its capacity for integration and personal engagement with its stakeholders (customers, partners, suppliers, employees, the environment and society at large). Its purpose is based on excellence, technology and sustainability.

The **vision** describes the kind of organisation the group aspires to become in the long term. Together with the purpose, it forms the basis of its policies and strategies.

### Our vision

**Velatia aspires to be an innovative and trustworthy group that contributes positively in all its areas of activity, ensuring performance and the creation of value for all its stakeholders.**

### Our values

In order to achieve the purpose described above, **Velatia** draws on its **values**, which determine the way in which its people and teams behave and operate. These are principles shared by the entire organisation, which constitute its distinguishing features and can be summed up in the following five concepts and definitions:

- **Flexibility:** willingness to understand different options and adapt to different situations.
- **Leadership:** showing a will to succeed in day-to-day activity that can serve as an example and motivation for others.
- **Innovation:** dynamic attitude to create and anticipate new and successful processes, products and/or services.
- **Pragmatism:** efficient results orientation.
- **Support:** willingness to offer and request help in order to develop people and achieve goals.

**Velatia** defines itself as a **family** group, with a strong **industrial** base and technological background, with the capacity for **global** action and made up of companies that aspire to play a **leading role** in their sector.

## Our pillars

Since its origins, these five **pillars** are the foundations that remain unalterable as staunch guardians of the essence and identity of the group, and they constitute its true strength and guarantee for the future (who we are, what we want to achieve, where we are going).

### Family

This is the central pillar, the one that best defines the character of the group.

Javier Ormazabal Ocerin, founder of **Ormazabal**, the origin of **Velatia**, planted the seed of the group in 1967.

- Shareholders actively involved with the business.
- “Virtuous” proximity between shareholders and management team.
- The president is also the group’s first executive.
- Exemplary governance.

### Industry

Manufacturing its own products has been and remains key to **Velatia**’s evolution.

Some of them have revolutionised the industries in which the group operates.

- The group’s businesses devise, manufacture, supply and integrate high value-added solutions, products and services.
- With emphasis on quality and service.
- With a vocation to create value and not speculate (in terms of developing and staying long-term in the businesses and markets).

### Technological

There is no innovation; there are innovative people and companies. The group is committed to innovation as the best way to boost **Velatia**’s growth and that of its customers.

- A group that integrates technology into the reliable and innovative solutions that it supplies to its customers.

- Innovation and continual technological development are at the core of the strategy.
- Technology as a source of differentiation.
- Significant ongoing investment in R+D+i.

### Global

Competing globally and engaging with the markets where it operates in order to establish strong local roots.

- Competing globally with multinationals, but also with local/regional actors.
- Wanting to be close to its customers, many of them leading companies and operators worldwide, supporting them with solutions tailored to the needs of local markets.
- ‘Global’ in the sense of a multi-local approach aimed at establishing strong roots in the markets it serves: having global experiences and local sensitivity.
- “The most global of the local ones; the most local of the global ones”.

### Benchmark

Being renowned for “doing a good job”, growing in a solid and sustainable way.

- “An example to follow” because of its results and ways of doing things.
- “Good place to work”, based on opportunities created, high standards and meritocracy.
- Culture of respect and care for people as one of its main hallmarks: leadership with values.
- Excellence in governance and management.
- Commitment to Sustainability (Responsible Profitability).
- Commitment to local markets: strong local roots.

## 1.2. Companies and businesses

### Ormazabal

#### Electrical grids

**Ormazabal** is a business with over 50 years of experience and expertise in providing customised, reliable and high-tech solutions for electrical infrastructure. Its solutions aim to digitalise the electricity grid, integrate renewable energy generation and connect it to facilities with critical electricity needs (transport, industry, buildings, other infrastructure and electrical vehicles).

### Ikusi

#### Telecommunications networks, cybersecurity, digitalisation and mobility

Company specialising in information and communication technologies (ICT). It applies technology to connect, process and manage information securely and is able to link critical business processes and exploit the information generated (operational and OT solutions). In this way, it offers solutions and services aimed at communication networks, cybersecurity, digitalisation of industrial processes and operation of transport infrastructures.

### Wec

#### Aeronautics

**Wec** designs and manufactures advanced parts and components used mostly in the engines and turbines of the world's leading aircraft manufacturers.

### Stratenergy

#### Specialists in energy services

Energy services company, it implements efficient energy demand management projects, as well as energy-saving measures at its customers' premises, helping them to undertake investments to which they cannot devote their own resources, and monitoring their consumption to offer them continual improvements.

### Smarmec

#### Electromechanical technology and integration

**Smarmec** designs and industrialises mechanical, electronic and IT engineering solutions in the field of smart machines, with its own prototype manufacturing and small production run capabilities. It provides added value in technologically advanced differentiated processes, in additive manufacturing and in connecting technologies.

### Idistek

#### Manufacture of electronic components

**Idistek** specialises in design engineering, industrialisation, manufacturing and testing of complex electronic cards and assemblies for customers who require high quality standards in products and services.

### Supsonik

#### Uninterruptible power systems

**Supsonik** provides quality and reliable electrical energy during a power cut through uninterruptible power systems. Its products are present in the electrical, industrial, naval, aeronautical and railway sectors, among others.

### Gosa

#### Administration and Finance

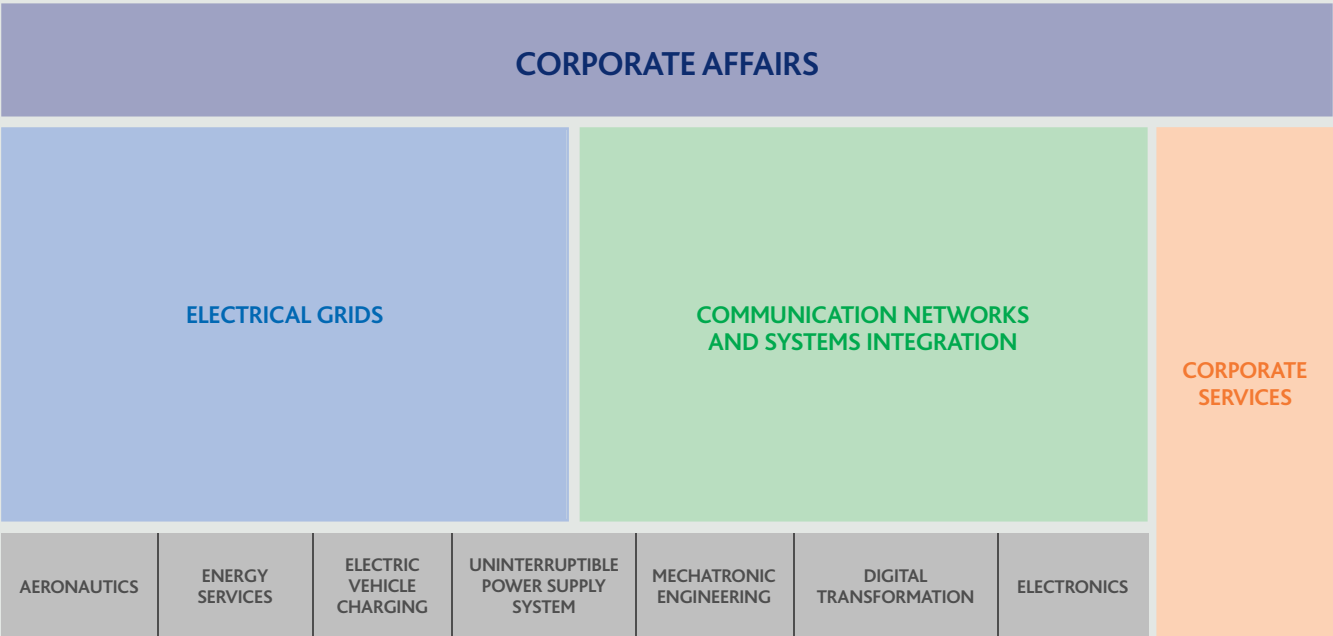
**Gosa** is **Velatia**'s shared services unit, responsible for the administrative management of the group under common criteria of quality and cost optimisation. It provides support in the areas of accounting, treasury, personnel administration and insurance.

Brand architecture

velatia



Structure and companies





## 1.3. Summary of the year

### The year in review

#### **A year as challenging as it was excellent: objectives surpassed**

For **Velatia**, the first year of the 2021/2023 Strategic Plan was both a challenging and an excellent year in which the goals set were comfortably surpassed. In a difficult global context marked by uncertainty, the group was able to make progress in all key business indicators.

After the economic and human impact caused by the pandemic in 2020, the year 2021 began with expectations of strong growth in the global economy thanks to unprecedented economic stimuli and the respite brought by the arrival of the first vaccines. Although coverage was uneven across countries, the immunisation of a large part of the population allowed economies to reopen. In its October report, the IMF put the improvement in world GDP at 5.9 %, the highest rate in decades.

However, as the year progressed, the economy slowed down due to a number of destabilising factors such as bottlenecks in global transport and their effects on the supply chain from the summer onwards, the arrival of a new variant (Omicron) at the end of November which once again caused concern, energy prices, the sharp upturn in inflation in most economies, its impact on the behaviour of the main currencies, etc. All of these factors give rise to an uncertain outlook that has a direct impact on countries and companies.

Aside from the pandemic, if we focus on **Velatia** and its companies, the group had to face this complex scenario in 2021 with exogenous factors beyond its control: the rising cost of raw materials, global supply chaos, shortages of critical components, transport constraints, changes in regulations, etc. Despite all this, the **group's performance can be described as exemplary** in general terms.



Velatia's consolidated results show an **8 % growth in turnover** compared with 2020, reaching **736 million euros**. EBT (earnings before tax) closed the year at 2.8 %, representing a **very significant improvement in profitability**.

### **8 % growth in turnover compared with 2020, exceeding the figure of 700 million euros**

While the annual balance sheet varies from business to business, these results represent a step towards the common goal of **sustainable profitability** -the cornerstone of the current strategic plan- based on meeting stakeholder needs and expectations through a profound commitment to excellence in management and technology as a source of inspiration to make a difference. All these variables make this group a resilient organisation with solid foundations for sustainable growth.

Sustainable profitability at **Velatia** refers not only to the results but also to how they are achieved: in a way that is responsible towards the environment and the planet. To this end, the group established its **roadmap towards decarbonisation** in 2021, with two clear objectives on the horizon set out in the Sustainability Master Plan: to reduce **CO<sub>2</sub> emissions by 68 % by 2030** and to be totally **neutral by 2050**.

### **Roadmap towards decarbonisation: 68 % reduction in CO<sub>2</sub> emissions by 2030 and to be completely CO<sub>2</sub> neutral by 2050**

**Velatia** is constantly evolving as it aims to respond rapidly and efficiently to the increasingly complex and sophisticated needs of its customers. Proof of this is the acquisition in 2021 of the company **Supsonik**, with more than 35 years of experience in the field of uninterruptible power systems, which will support the group's different businesses and, in particular, **Stratenergy**, a company that specialises in offering industrial energy efficiency solutions.

### **Acquisition of Supsonik: a new asset for the group's energy business**

In terms of R&D&I, more and more global players are placing their trust in the technology and innovation provided by **Velatia** companies in their solutions designed to address the major challenges we face. This is the context of **Ormazabal's** participation, during financial year 2021, in leading projects such as a charging superhub for electric vehicles in Oxford, the largest infrastructure of these characteristics in the United Kingdom and the most powerful in Europe; the first hydrogen plant installed in Spain for recharging buses; or **Ikusi's** participation in advanced cybersecurity projects for the protection of large companies and institutions; among many other projects, about which we provide more information in the specific sections on each business.

Looking at the significant activity carried out internally, it is worth highlighting some important milestones: the implementation of the new leadership and performance assessment model in Spain (to be rolled out to the entire organisation in 2022); extension of the GOSA Shared Services environment to Colombia, with services provided from GOSA America; implementation of a Due Diligence process in relation to human rights; or improvement of the cyber-attack detection and response capabilities of our systems; to mention just a few examples.

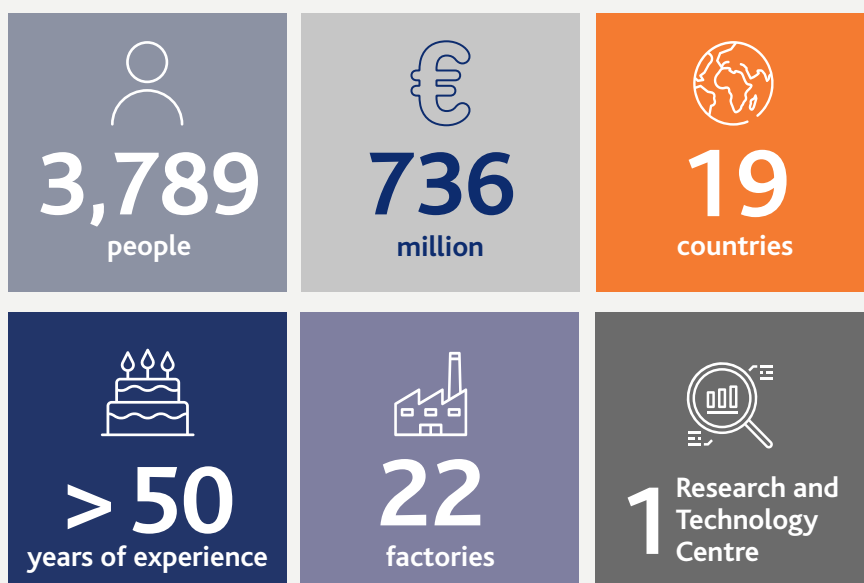
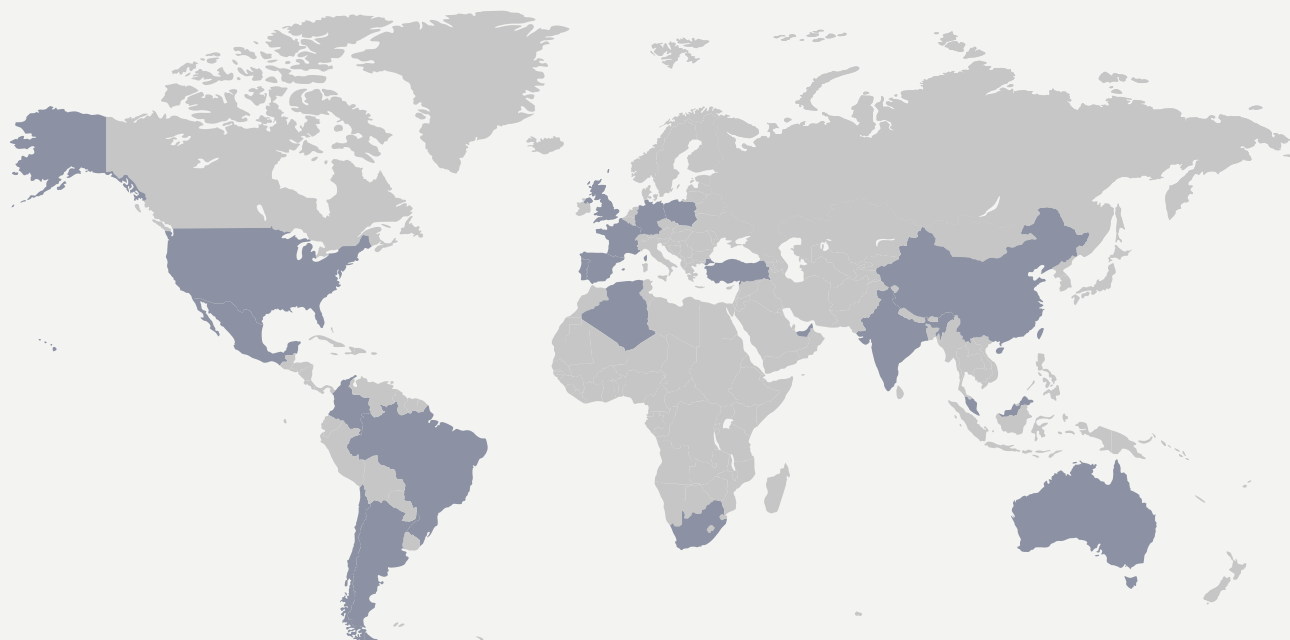
In relation to people, it should be noted that, as a result of the application of the labour law reform approved by the Mexican government, in the second quarter of the year **Ikusi** proceeded to incorporate into its workforce the personnel who, until then, had been working under a mixed collaboration model. This, added to the new contracts signed in all the group's companies, means that, at the close of the financial year, the workforce topped **3,700 people**, an increase of **more than 21 %**.

In 2022 **Velatia** will continue to work on strengthening its business model based on sustainable and responsible profitability that addresses the economic, social and environmental dimensions of its activity.

### **Resilient with strong foundations for sustainable growth**

## Main figures

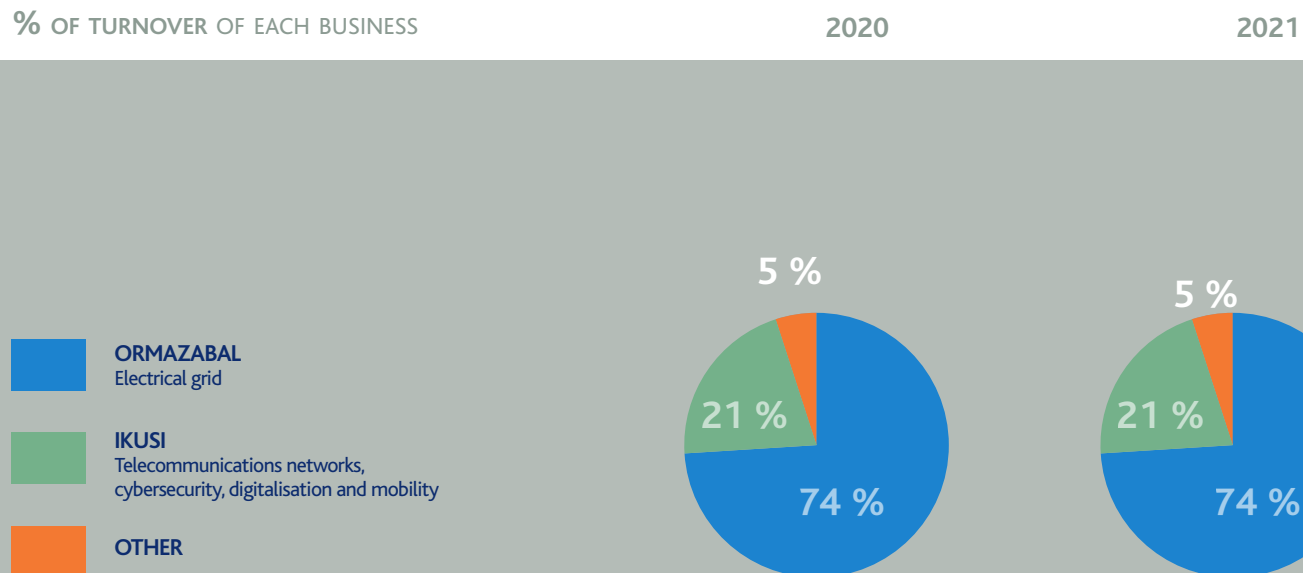
Velatia 2021



## Evolution of turnover

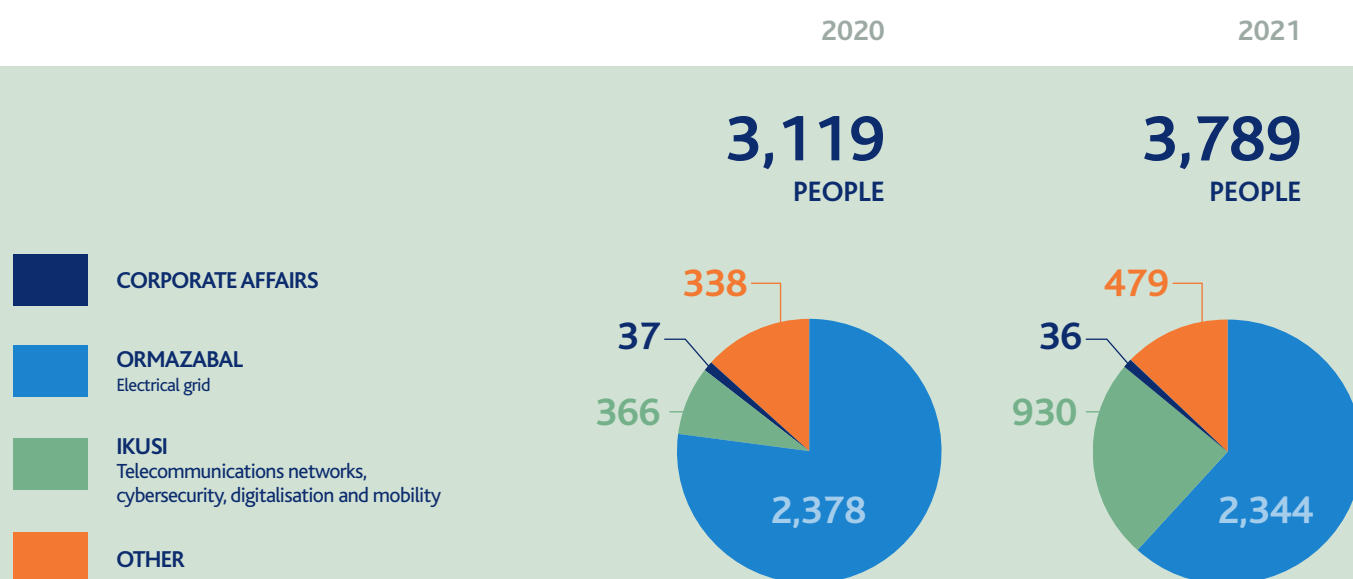
	2020	2021
(millions of euros)	<b>642</b> MILLION	<b>736</b> MILLION
<b>EBITDA</b> (% of turnover)	<b>3.1 %</b>	<b>2.8 %</b>

## % OF TURNOVER OF EACH BUSINESS





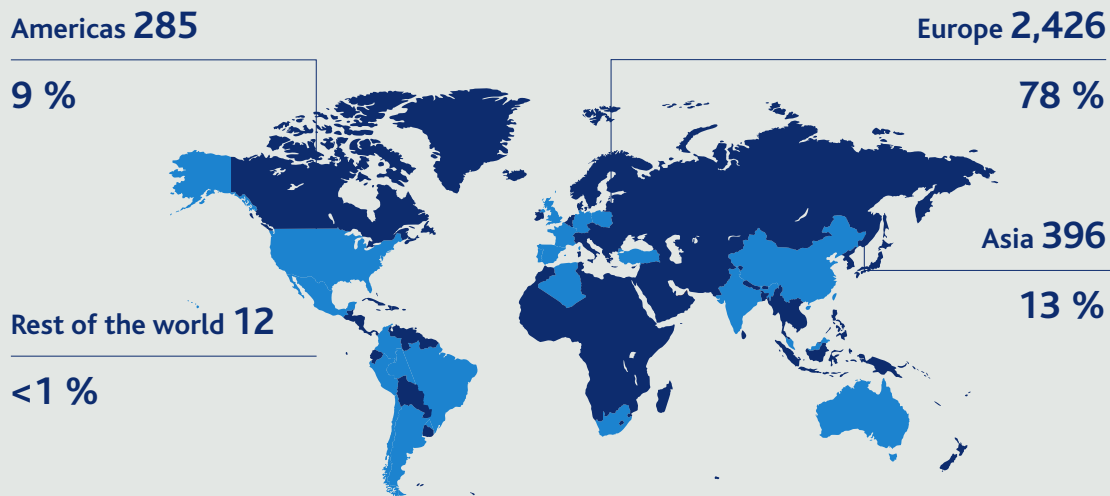
## People data by business



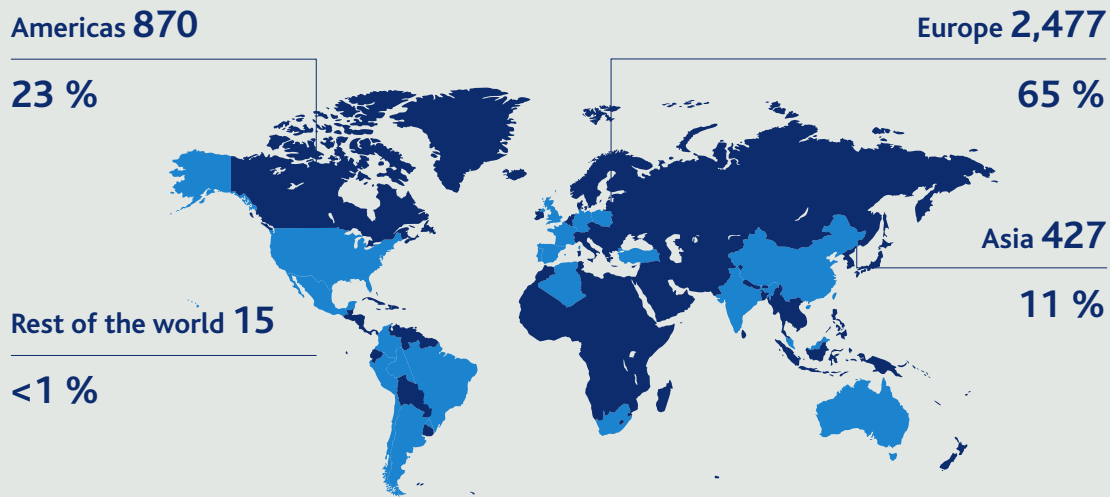
Distribution of staff

BY CONTINENT

2020 - 3,119 people

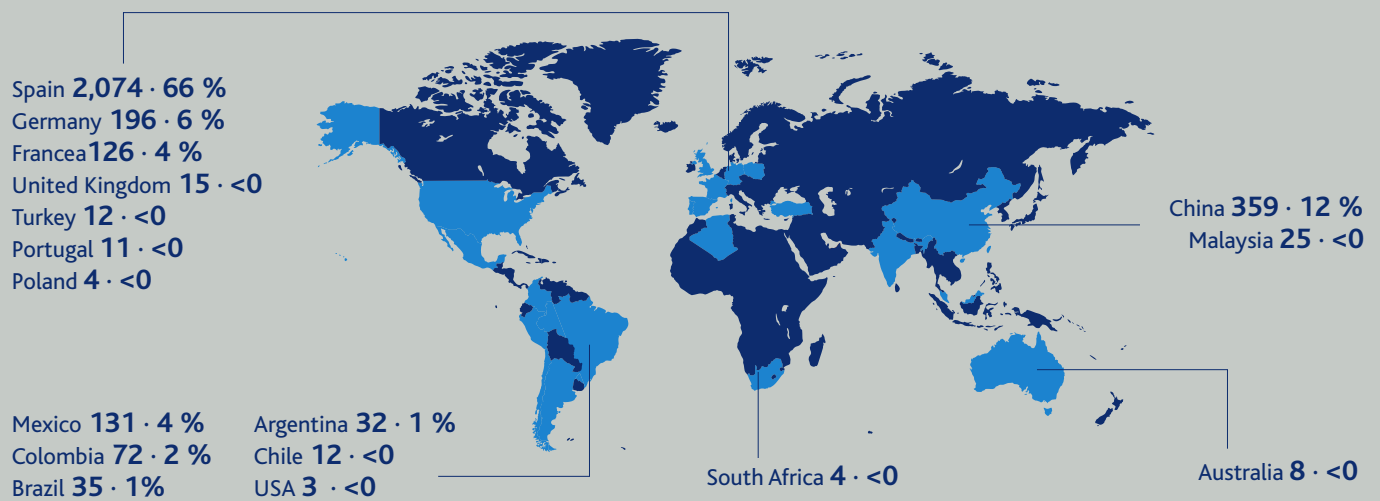


2021- 3,789 people

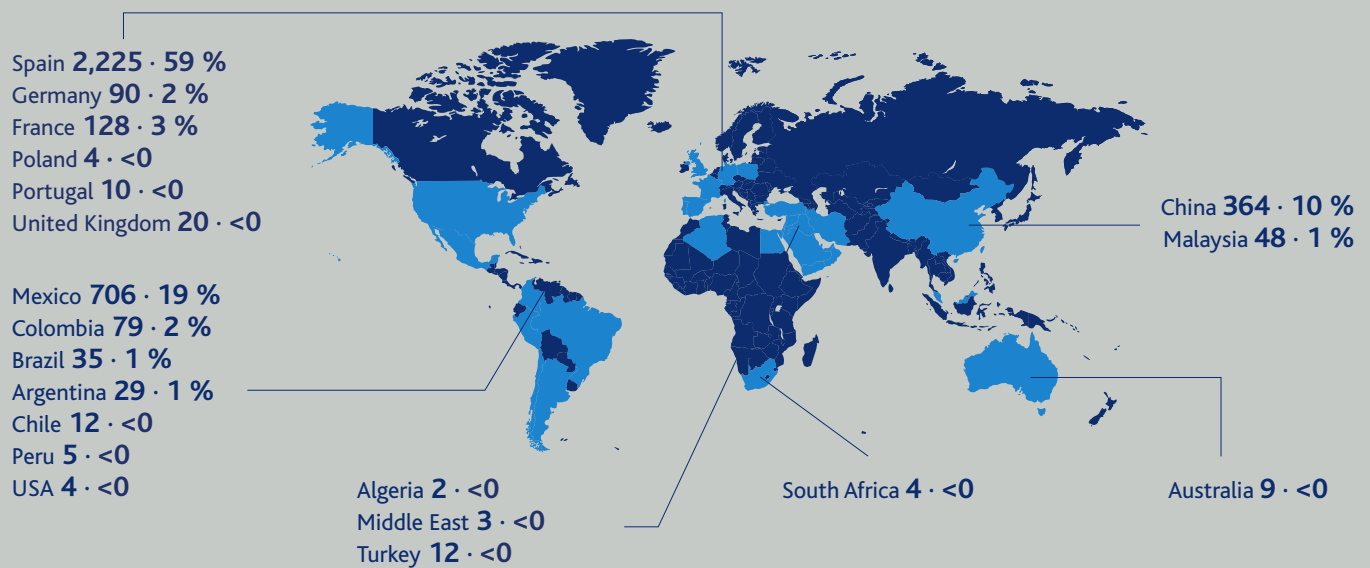


## BY COUNTRY

2020 - 3,119 people



2021 - 3,789 people



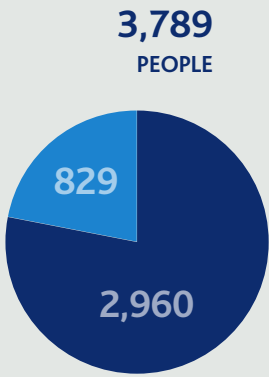
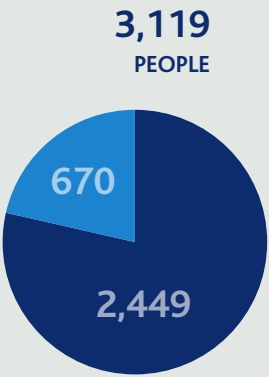
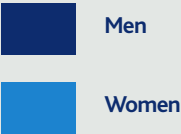
Velatia's strength is the global, multicultural, committed and qualified team that sets the group apart. At the end of 2021, this team was made up of 3,789 people, 65 % of whom are located in Europe, mainly in Spain (59 %), and 35 % in other continents. The profile is that of a dynamic and young organisation -79 % are between 26 and 51 years of age- and with a greater male presence (78 % men and 22 % women).

Professionals from different parts of the world and different businesses who have the following in common: rigour and commitment to a job well done, the spirit of innovation, an interest in continual learning, commitment to sustainability and engagement with the objectives of the group businesses they form part of.

DISTRIBUTION OF STAFF BY GENDER

2020

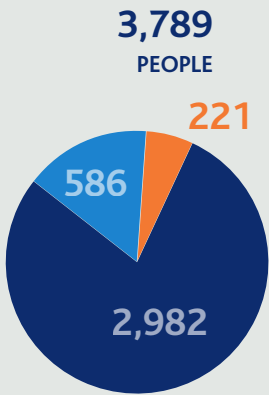
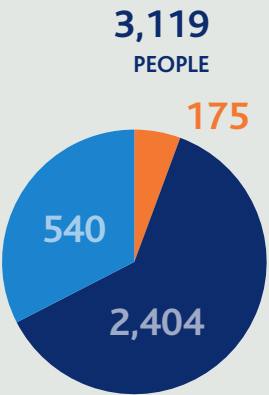
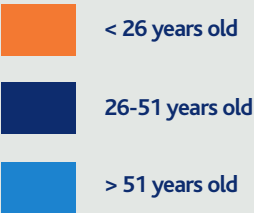
2021



DISTRIBUTION OF STAFF BY AGE

2020

2021





## 1.4. Governance

### Corporate governance

#### Committed to transparency and business ethics

The Board of Directors is **Velatia**'s highest governing body and has the broadest powers to guide, supervise and exercise general control over the group.

Specifically, it is entrusted with the following functions: strategic orientation, organisation, financial and risk control, information policy, monitoring of legal terms and conditions and auditing. The day-to-day management of the businesses is the responsibility of the management teams of the various companies.

**Velatia** complies with the recommendations of the **Code of Good Governance** and Spain's **Law on Corporations**, applicable to it in terms of the structure of the Board (its size and type). Its regulatory framework is established by the Articles of Association, the Rules of Procedure of the Board of Directors, the respective regulations of the committees, and the Code of Ethics that the organisation has adopted.

At the end of financial year 2021, and after a thorough review and update, the new Rules of Procedure of the Board of Directors were approved, and in 2022 the internal regulations of the advisory committees will be reviewed and aligned to the new framework.

The Board is composed of seven members and its chairman, Javier Ormazabal Echevarria, who is also the group's chief executive.

Its duties are defined in the Rules of Procedure.

Five advisory committees operate under the auspices of the Board, three of which -the Audit and Compliance Committee, the Appointments and Remuneration Committee, and the Sustainable Development Committee- are chaired by independent directors, a measure that helps, among other things, to curb any risk arising from the concentration of powers.

The figure of the secretary and legal adviser ensures that the Board acts in accordance with the law and with the articles of association and rules of procedure.

In order to avoid conflicts of interest in the highest governing body, directors are obliged to communicate to the Board any situation that might arise in this context. Any director in such a situation must, in accordance with prevailing legislation, refrain from intervening in matters where there may be a conflict between the interests of the company and those of the executive directors and/or related parties. Independent directors are responsible for overseeing any transactions that could possibly give rise to a conflict of interest.

Finally, the annual accounts reflect transactions with associated enterprises, such enterprises therefore being known to all directors and shareholders.

## Governing bodies

Velatia's governing bodies maintain the highest standards and commitment to the application of good corporate governance practices that help generate value and protect the interests of the company and its stakeholders.

### Board of Directors

#### CHAIRMAN

Mr. Javier Ormazabal Echevarria (3) (4) (5)

#### VICE-PRESIDENT

Mr. Alejandro Ormazabal Echevarria (1) (2) (4) (5) - Proprietary

#### MEMBERS

Mrs. Ana Ormazabal Echevarria - Proprietary

Mrs. Carmen Ormazabal Echevarria (1) - Proprietary

Mrs. Begoña Ormazabal Echevarria (3) - Proprietary

Mr. Ramón Sotomayor Jauregui (2) (5) - Independent (\*)

Mr. Luis Atienza Serna (1) (3) (4) - Independent

Mr. Hipólito Suárez Gutiérrez (1) (4) (2) - Independent

#### SECRETARY (NON-BOARD MEMBER)

Mr. Javier Bicarregui Garay

(\*) From 01.01.2022 changes to external (non-independent) director.

## Advisory committees

The composition of the advisory committees is based on the principles of transparency and independence and is regulated by the Board's rules of procedure.

Of the five committees, three deal with specific areas of activity -the Audit and Compliance Committee, the Appointments and Remuneration Committee, and the Sustainable Development Committee- and the other two focus on the Ormazabal and Ikusi businesses.

### Audit and Compliance Committee (1)

The activities of the Audit and Compliance Committee focus on ensuring the transparency, accuracy and timeliness of financial and non-financial information; evaluating and permanently monitoring the internal control system; validating

the effectiveness of the policies, systems and procedures that ensure the identification and adequate management of the risks faced by the organisation; and ensuring strict compliance with the rules, laws and regulations that affect the group's activities.

This committee is made up of four directors (two independent and two proprietary). Javier Bicarregui Garay also sits on the committee as non-member secretary.

### Appointments and Remuneration Committee (2)

This committee performs the functions relating to the formulation and review of the criteria to be followed for the composition of the committees and the selection of their candidates; proposes the composition of the committees; examines and submits to the board proposals for senior management appointments; proposes the director remuneration policies; is aware of and reviews the senior management remuneration policies; oversees the development of the senior management team, the assessment of its performance, succession plans, and reports on matters that may involve conflicts of interest.

It consists of three members (two independent and one proprietary). Alex Otaegui Furriel is also a member of this committee, as non-member secretary.

### Sustainable Development Committee (3)

This committee focuses on the monitoring and fulfilment of Velatia's sustainability objectives, periodically reviewing the Sustainable Development Policy and proposing its approval, modification and updating to the Board; supervises and evaluates the processes of interaction with the various stakeholders; reports, prior to its approval by the Board, on the annual sustainability report, the Statement of Non-Financial Information and any other relevant information for stakeholders; oversees the company's performance in sustainability matters; evaluates and reviews the action plans and reports thereon to the Board; and, lastly, monitors the group's contribution to the achievement of the Sustainable Development Goals (SDGs).

It is made up of three directors (one independent, one proprietary and one executive). Iciar Marquín Beñarán is also a member of this committee, as non-member secretary.

### Ormazabal Advisory Council (4)

Advisory body strictly limited to the business field, its main purpose being to support **Ormazabal's** business by providing its collaboration and advice.

To this end, this committee's duties include: analysing **Ormazabal's** results and the work of the management team; formulating the strategic plan and monitoring its execution; monitoring budget management; proposing the most important decisions on investments, asset sales, mergers, etc.; and assessing and proposing the authorisation of strategic partnerships.

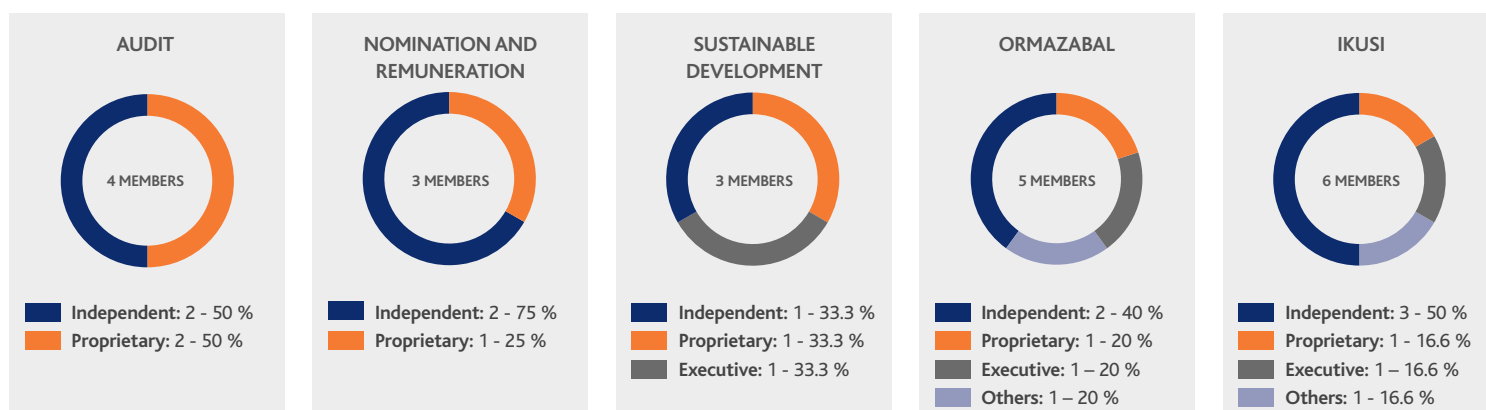
The committee is made up of five members, four of whom belong to the Board of Directors. Jorge González Somavilla, as a permanent member, and Alex Otaegui Furriel, as non-member secretary, also form part of the committee.

### Ikusi Advisory Council (5)

Advisory body strictly limited to the business field, its main purpose being to support **Ikusi's** business by providing its collaboration and advice.

To this end, the duties of this committee include: analysing **Ikusi's** results and the work of the management team; formulating the strategic plan and controlling its execution; controlling budget management; proposing the most important decisions on investments, sale of assets, mergers, etc.; and assessing and proposing the authorisation of strategic partnerships.

The committee is made up of six members, three of whom are members of the Board of Directors. Francisco Garza Zambrano, Francisco Garza Egloff and Iñaki Maiz Elizaran, as well as Alex Otaegui Furriel as non-member secretary.





## 1.5. Ethics and integrity

Velatia's purpose, vision, values and pillars, together with the Code of Ethics and the Sustainable Development Policy, are the source of the ethical principles and operating guidelines that guide the group in the performance of its activities.

All of them make up Velatia's corporate identity, guiding it towards the achievement of its business goals and objectives. Knowing that none of this is possible without an advanced position in environmental compliance and against climate change, without a strong social commitment, and without a rigorous demand for respect and observance of the criteria of good governance.

Therefore, through economic, environmental, social and governance actions, Velatia generates value in a sustainable manner for its different stakeholders, with a strong involvement in the communities where it operates and with which it interacts, thus contributing to the Sustainable Development Goals.

### The value of a job well done

## Code of Ethics

Velatia's Code of Ethics determines the set of principles and guidelines for conduct aimed at guaranteeing the ethical and responsible behaviour of all the people connected with the organisation -managers, employees and the supply chain- in the performance of their duties. Always complying with the legislation in force and respecting the particular cultural characteristics of the countries where the group is present, in accordance with the highest international standards.

The aim of the code is to consolidate Velatia's commitment to the principles of responsible, sustainable and comprehensive business ethics, aimed at contributing to the achievement of the Sustainable Development Goals (in accordance with environmental, social and governance requirements) and the creation of sustainable value for its stakeholders.



Velatia aligns its strategies and operations with the Ten Principles of the Global Compact, the UN initiative that leads business sustainability throughout the world. Since 2002, the group has been part of this agreement on human rights, labour standards, the environment and anti-corruption; it was one of the first Spanish business organisations to join.

**Since 2002, Velatia has aligned its strategies and operations with the Ten Principles of the Global Compact promoted by the United Nations. One of the first Spanish business organisations to join**

## Policies and commitments

If Velatia's values are the essence of the behaviour of the people in the organisation and embody its deepest convictions, the **ethical principles** define the standards of action expected of its professionals, which together make up the framework of the general rules of conduct.

Velatia has a set of corporate policies that develop these ethical principles and contain the guidelines that govern the actions of all the group's companies in line with the purpose, vision, values and pillars that identify it.

These policies are the driving force behind all the activities carried out in a given area, marking out the playing field and the type of management that each of them is intended to achieve. In short, they provide the necessary autonomy that the people in the organisation need to have when performing their duties, providing guidelines on how to operate and behave with each other and with regard to external stakeholders.

## Committee on Ethics and Corporate Crime Prevention

The body in charge of ensuring compliance with the Code of Ethics is the **Committee on Ethics and Corporate Crime Prevention**.

It is made up of the directors of: Corporate Affairs, Finance, Legal Advisory and Internal Audit. Among others, its functions are to:

- Disseminate the Code of Ethics among the staff.
- Resolve any issues that may arise as regards its **interpretation**, as well as offer **guidance** on how to act in case of doubt.
- Evaluate and report **compliance** with the code, as well as provide a **channel** of direct and independent **communication** in order to report possible breaches.
- **Manage and resolve** any complaints, suggestions or enquiries (unresolved by informal procedure) that may arise in connection with workplace harassment.

This committee is also responsible for supervising the **Ethics Channel**, a tool that Velatia makes available to all its stakeholders so that they can safely and anonymously report any irregular conduct, events or situations that may be contrary to the Code of Ethics, corporate policies and procedures, good business practices or current legislation.

The platform on which this channel is based is managed by an external and independent company that guarantees the availability and accessibility of the service, receives all communications, preserves the integrity, objectivity and confidentiality of the information provided, monitors the stages of a complaint, and acts as an intermediary between the company and the complainant in order to safeguard the identity of the latter.

Access to the channel is via the corporate website ([www.velatia.com](http://www.velatia.com)), in the "Code of Ethics" section. For the same purpose, the committee has provided the email address [ethics@velatia.com](mailto:ethics@velatia.com) and, in addition, any breach or violation of the Code of Ethics can be reported directly to those responsible.

In 2021, three communications were received through the Ethics Channel (six in 2020), mainly related to conflict of interest. These have been duly analysed and fully resolved through the established procedure, the appropriate checks being carried out to ensure and maintain minimum levels of risk.

Finally, through the internal **e-training** platform, all Velatia employees are provided with specific training on the Code of Ethics and the use of the Ethics Channel, in order to make them more widely known and used.

## Combating corruption and bribery

### We embrace the tenth principle of the United Nations Global Compact on the fight against corruption in all its forms

Velatia has a **Crime Prevention and Anti-Corruption Policy** designed to act as a genuine beacon of constant vigilance and control with regard to any fraudulent conduct or act of corruption that may occur within the company.

This policy sets out the commitments acquired by the group for the development of a business culture based on ethics and compliance with the law, which are summarised in the following points:

- **Preventive culture:** promoting a preventive culture based on the principle of “zero tolerance” towards wrongdoing and corruption.
- **Self-monitoring:** promoting processes of self-monitoring of actions and decision-making by management and staff so that any actions taken are based on four basic premises: (1) that they are ethically acceptable; (2) that they are legally valid; (3) that it is desirable for society and the group; (4) and that the professional is willing to take responsibility for it.
- **Prevent and react:** integrating and coordinating the set of actions necessary to prevent unlawful acts and react to them if they are committed.

- **Compliance with laws and regulations:** acting in accordance with current legislation and within the framework established by the Code of Ethics, complying with internal regulations.
- **Zero tolerance:** rejecting corruption, including extortion and bribery.
- **Favour transparency:** creating an environment of transparency, maintaining the appropriate internal channels to encourage the reporting of possible irregularities, unlawful acts or acts contrary to the Code of Ethics, without taking any type of reprisal against persons who have reported them through the established channels.
- **Investigating complaints:** following up on possible irregularities while ensuring the confidentiality of the complainant and the rights of the persons under investigation, as well as applying penalties in a fair, non-discriminatory and proportionate manner.
- **Training and awareness-raising programs:** establishing regular training actions and programs that extend to everyone in the organisation for the development of a culture of business ethics and compliance with the law.
- **Internal control systems:** implementing and monitoring effective internal control systems for the prevention and detection of wrongdoing.
- **Ensure material and human resources:** making sure that the Committee on Ethics and Corporate Crime Prevention has the material and human resources to carry out its functions.
- **Assistance and cooperation:** collaborating and providing all necessary assistance to judicial and administrative bodies for the investigation of alleged criminal and fraudulent acts.

## Human rights

As a member of the United Nations Global Compact, **Velatia** is firmly committed to supporting, promoting and disseminating its ten principles, including the one relating to human rights. For this purpose, it has equipped itself with a set of tools that guarantee and promote protection of and respect for human rights in order to prevent, mitigate and remedy any possible impact on people -both within the organisation and throughout the entire value chain- as well as on the local communities in the environments where it operates.

**Velatia's** commitment to **respect human rights** establishes the fundamental criteria and the necessary measures to avoid, mitigate or alleviate any rights violation situation that may occur during the course of its activity. Therefore, it undertakes the following obligations:

- To promote a **culture of respect** for human rights through training and awareness raising.
- To demand **scrupulous respect** for human rights from its stakeholders in accordance with international standards, applicable legislation and the group's own Code of Ethics.
- To ensure that everyone in the organisation **assumes responsibility** for fulfilling the commitment to respect human rights on a daily basis. Everyone has the duty to be aware of matters within their remit that may involve a violation of human rights, and to implement, if necessary, the appropriate measures to remedy them or to proceed with the corresponding complaint.
- To identify potential violations by defining a **risk map** and deploying the corresponding **action plan** to avoid or mitigate these risks.
- To provide efficient and confidential **reporting mechanisms** (Ethics Channel), giving people in the organisation training on how to use them.

## In 2021, Velatia defined a General Human Rights Management Framework

In 2021, **Velatia** defined a **General Human Rights Management Framework** that includes three elements:

- Commitment to human rights.
- Human rights due diligence, which aims to identify, prevent and mitigate impacts arising from its activities or its value chain.
- Complaint mechanisms to detect and remedy any violations that may have occurred.

Throughout the year, an analysis was conducted to identify the gaps or opportunities for improvement in this area. To this end, a pilot test was carried out at two **Velatia** companies (Ormazabal Media Tensión and Ikusi México) in which compliance with the Human Rights policy and the rest of the related corporate procedures and policies were examined. Specifically, these four aspects were analysed: the right to equality and non-discrimination, the right to equal opportunities for people with disabilities, respect for different cultures (religion), and respect for those who act as representatives of the personnel in relation to their information rights. In each of these areas, the stakeholders involved and/or threatened, the appropriate monitoring activity and those responsible for this monitoring were also identified.

The conclusions of this first approach have been positive in terms of social management at **Velatia**, with the logical cultural and legal nuances. The project will continue during the strategic period 2021-2023, and the results obtained will allow us to prepare a solid process with which to extend all the necessary measures to all the group's companies.



## Velatia in major international agreements

As a member of the **United Nations Global Compact**, Velatia is committed to supporting, promoting and disseminating its ten principles related to human rights, labour practices, the environment and anti-corruption, both internally and within its sphere of influence.

As a result of this commitment, since 2005 it has published annual progress reports on the progress made in each of these principles. These reports are available to all stakeholders on the websites of the Spanish Global Compact Network and the United Nations Global Compact.

By signing up to this agreement, the group joins forces with more than 12,000 other organisations from over 160 countries, making it the largest corporate social responsibility initiative in the world.

Likewise, at Velatia we strive to incorporate the **Sustainable Development Goals (SDGs)** into the performance of our activity. For this purpose, in 2019 we selected and prioritised certain SDGs (section 1.8. of the report) in order to define lines of work with specific targets associated with each SDG and monitoring systems to be able to measure the contribution made by the group to the **2030 Agenda**.

Finally, since 2020, the group has been part of the **"Family Business for Sustainable Development"** initiative, which brings together 180 personalities from the business world and is promoted by the United Nations and The Family Business Network. The Family Business Network. Adherence to this agreement combines family roots and a strong commitment to the sustainability of the group, which seeks to contribute to responsible global development by enhancing the role of family businesses.

**Velatia is part of the "Family Business for Sustainable Development" initiative promoted by the United Nations and The Family Business Network**



## 1.6. Risk management

**Velatia** considers risk control and management from an integrated and cross-cutting approach to all decision-making processes, both at the level of corporate governance bodies and in each of the businesses. To this end, it has an organisational structure, systems and procedures that enable it to reduce, insofar as possible, the threats it is exposed to and which could hinder the development of its business strategy and the achievement of its objectives.

The presence of businesses in various areas of activity and countries with different regulatory, political and social settings means that their exposure to risk has particular characteristics in each case. The **Risk Control and Management System** enables the identification and assessment of risks and makes it possible to take decisions aimed at minimising the impact of these risks in each line of business.

On an annual basis, the **Audit and Compliance Committee**, steered by the Board of Directors, supervises the risk maps presented by the senior management of each business and their possible evolution. It also makes sure they are managed in line with the general policy in this area, allowing the group's exposure to be known at all times.

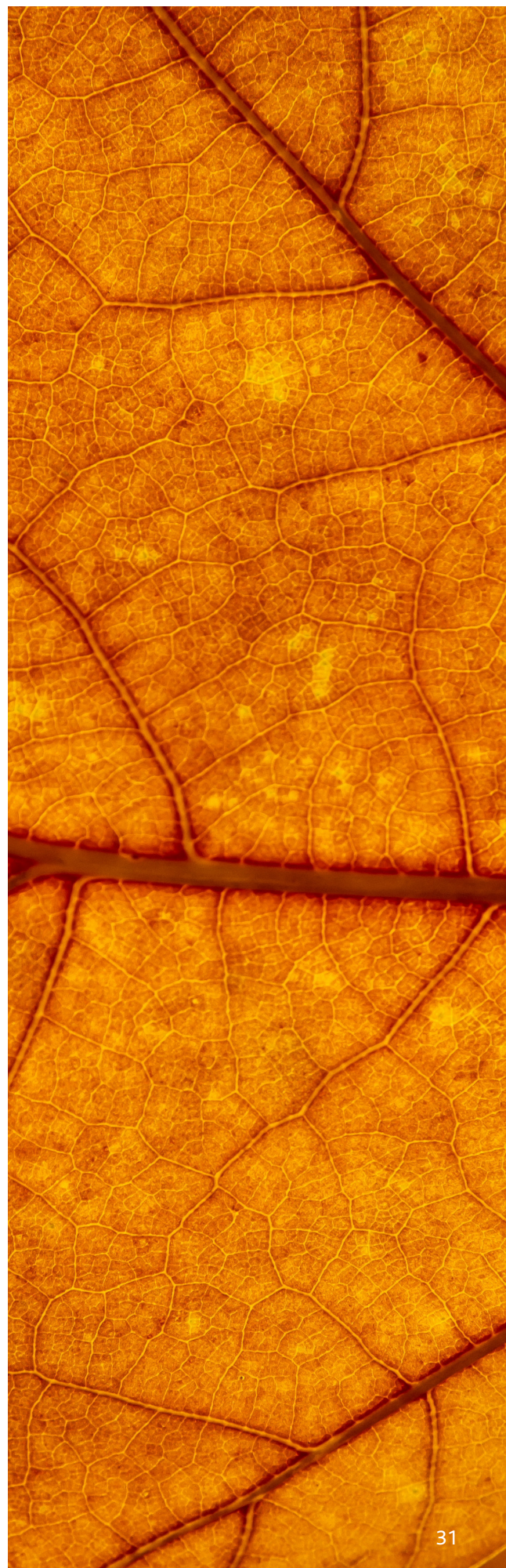
To support performance and decision making, a map of the different business risk scenarios has been drawn up by dividing them into different categories in order of priority, based on their likelihood of occurrence and their impact.

### Strategic risks

Risks that affect the objectives identified in the strategic reflection process of the businesses. Leading to the non-fulfilment of strategic objectives.

### Operational risks

Related to processes, people and products: inadequate or faulty internal processes, human errors, system failures, etc.



### Compliance risks

Related to the set of rules or principles that define the ethical behaviour, rights, responsibilities and expectations of the different stakeholders in business governance.

Within this category, controls have been identified to mitigate threats arising from the following regulations:

- Privacy and confidential information.
- Scams and misleading advertising.
- Safeguarding competition.
- Corruption.
- Fiscal and Social Security.
- Labour.
- Environment.
- Sectoral regulation.

### Information risks

Mainly, those arising from financial reporting. Velatia has a Financial Reporting Internal Control System (Sistema de Control Interno sobre la Información Financiera, SCIIF) whose proper functioning reasonably ensures the reliability of the group's financial report.

This system is defined on the basis of the methodology established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which provides an integrated framework for internal control of financial information whose aim is to ensure that completed transactions are faithfully recorded, providing reasonable assurance regarding the prevention or detection of errors in annual accounts.

## Main risks identified

### COVID-19 risk management

Uncertainty about the evolution and duration of the pandemic, its effects on mobility habits in the medium and long term, as well as the need to provide a safe environment, create an uncertain risk scenario that has had an adverse effect on the global economy and may have repercussions in some areas of the companies. For example, aspects related to the health and safety of the workforce, the reduction of business opportunities, contractual breaches, availability of people, management of teleworking, etc.

These risks, which were new in 2020 at the height of the health crisis, are now fully integrated into normal business management and are therefore continuously monitored.

### Supply chain risks

As a consequence of the impact of the pandemic on international transport, 2021 saw new threats added to the list of supply chain risks that are being managed in the appropriate way by businesses, such as:

- Commodity price developments.
- Insufficient supply of materials for manufacturing.
- Increased costs and lead times in logistics services.
- Increased energy costs.

The group has a **Regulatory Framework for the Procurement Function**, which provides with common and compulsory guidelines that regulate the complete procurement cycle, from identifying the need to satisfying it. All the businesses carry out a systematic supplier approval process in which suppliers must undertake to comply with the Procurement Policy and the Code of Ethics by signing the Quality Manual and the Code of Ethics provided to them for this purpose.



**Velatia's Risk Control and Management System** allows the panel of suppliers to be monitored and divided into different categories according to their criticality.

## Cybersecurity risks

Attacks or incidents related to cybersecurity continue to grow and the trend indicates that they will continue to do so exponentially. The harm caused ranges from total or partial loss of information or the payment of large sums of money, to the disclosure of confidential information with the resulting reputational damage.

**Velatia** has an **Information Security Committee**, which is responsible for establishing the strategy for mitigating these dangers. It promotes, prioritises and manages the established plans and programs in the event of a crisis situation related to systems or information security. It also supervises risks and reports to the Board of Directors when requested to do so.

In addition, **Velatia** has a **Security Master Plan** that defines and organises the actions to be implemented and a **Business Continuity Plan** that is reviewed and approved annually.

Finally, several measures have been put in place, such as an **awareness-raising and training plan**, as well as a specific tool allowing anyone in the organisation to report a security incident, either real or suspected.

In addition, the group has a cyber-risk policy to insure against this kind of damage.

## Talent management risks

### New methodology for performance assessment: identifying internal talent

Aware of the importance of people for meeting any strategic challenge, **Velatia** has identified a number of risks related to talent management, adopting the necessary measures to mitigate them. In this regard, a new methodology has been developed for **performance assessment**, with its corresponding digital support tool, which aims to help identify internal talent.



A pilot test was carried out in 2021, the results of which will enable this process to be scaled up to more than 180 people in the organisation in 2022. The **Velatia Leadership Model**, together with the assessment process and the individual development plans that arise from it, will ensure that talent management is more in line with the needs of each professional profile.

## Financial risks

These risks are related to exchange rate fluctuations against the euro and the currencies of the main countries in which the group operates.

Note 11.4 of the group's annual accounts specifies the different types of financial risks and their treatment.

## Human rights risks

**In 2021, Velatia implemented a human rights due diligence process that aims to "protect", "respect" and "remedy" the social impacts that its activity could cause**

The **Code of Ethics** sets out the commitments made by the group based on the **UN Guiding Principles on Business and Human Rights**, adopted in 2011, which constitute the first global standard for preventing and remedying business-related human rights abuses.

In order to reinforce its commitments, in 2021 **Velatia** launched the Human Rights Due Diligence process, a preventive mechanism that will allow the organisation to identify, assess, prevent, mitigate and remedy adverse (real or potential) impacts on human rights, on which work will continue throughout 2022.

Complaint channels serve not only to facilitate the complaint-making process, but also to strengthen the relationship with stakeholders. The main channel for complaints is the Ethics Channel available to both staff and third parties with a legitimate interest. As indicated in the section on Ethics and Integrity (section 1.5. of this report), queries are sent in complete confidentiality and, if necessary, the appropriate measures are taken to resolve the situation detected.

## Environmental risks

Respect for the environment has led **Velatia** to develop a series of policies and implement measures aimed at minimising any risk that may arise as a result of its activity.

The entire process of identifying, assessing, controlling and managing climate-related risks is integrated into the general risk analysis of the different businesses. This process also determines the opportunities that arise from actions such as incorporating eco-efficiency criteria in product development (extending good practices to all group companies, implementing environmental management systems, etc.), as well as in the development of new products whose ultimate goal is the decarbonisation of the economy and the fight against climate change.

**Velatia** has a liability policy for environmental risks covering the risk of atmosphere, soil or water pollution.

## Management of risks related to the community

The main risks identified with the community refer to possible breaches of regulations applicable to the environments and countries where the group operates, as well as those attributable to their main suppliers.

In order to manage such contingencies, **Velatia** has identified risks and controls related to legal compliance within its internal control system.

## 1.7. Sustainability

**We think of sustainability as a different way of doing things, combining the pursuit of profit with social engagement and respect for the environment**

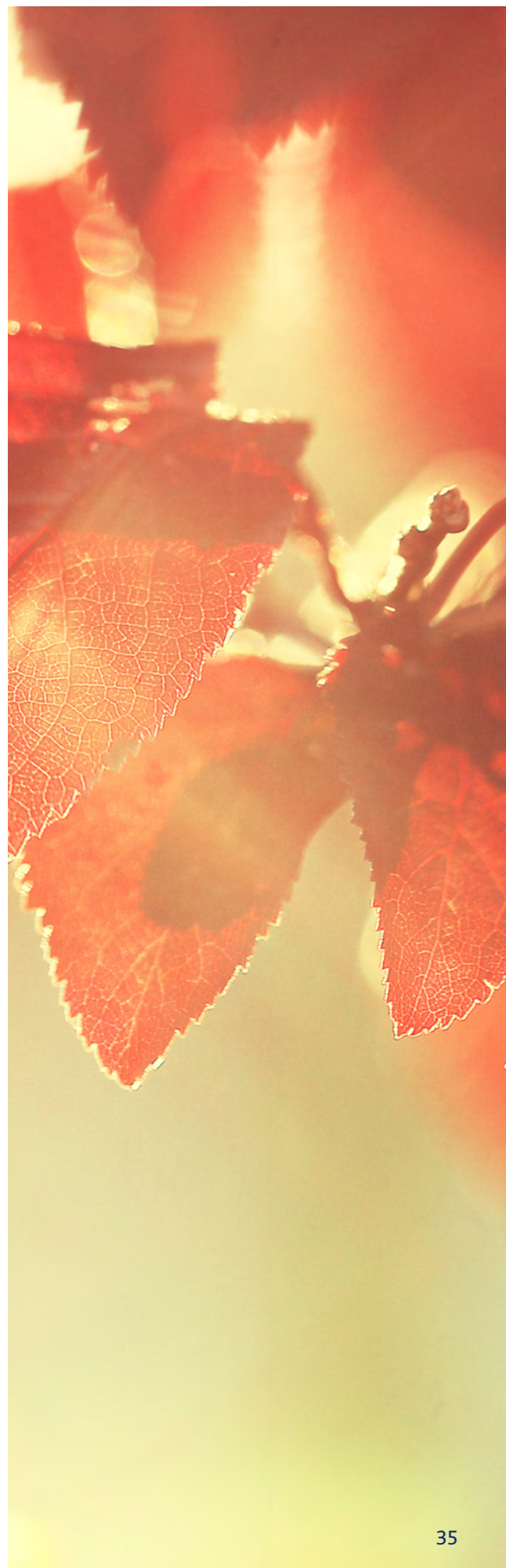
Sustainability is the key element in **Velatia**'s business strategy that will enable it to strengthen its position in the economic sectors with the greatest prospects and to underpin its future. For this reason, sustainability management cuts across the entire organisation and contributes to sustainable development through the creation of long-term value.

In order to successfully overcome the sustainability challenges facing society, **Velatia** undertakes a number of principles and commitments as set out in its **Sustainable Development Policy**, which takes into account the interests and needs of its stakeholders.

For its part, the **Sustainability Master Plan for 2021-2023**, integrated into the respective strategic plans of the businesses, includes the social and environmental issues identified as relevant -both strategically and operationally- by the different stakeholders.

In order to determine these priority or relevant issues, a thorough analysis process was carried out prior to the development of the master plan, taking into consideration several aspects:

- Different stakeholder expectations.
- Competitor best practices.
- Regulatory trends.
- Pending issues after the preparation of the previous plan.





The following table shows the needs and expectations detected in this analysis:

Lines		Subject matter	Shareholders	People	Suppliers	Funders	Society
Economic performance and customer relations	Development of new solutions	Competitive and differentiated value proposition	✓	✓			
		Digitalisation					✓
		"Innovation in products and services. Promotion of and commitment to R+D+i"			✓		✓
		Promotion of smart cities					✓
	Economic performance, creation of economic and financial value	Value of the growing group/Project with a future	✓				
		Economic performance, solvency, etc.				✓	
Business ethics and corporate governance	Ethical behaviour and regulatory compliance	Compliance with code of ethics		✓	✓	✓	
		Regulatory compliance					✓
		Combating corruption and fraud				✓	
		"Excellence in management: System certification and widespread use of standards and benchmarks"	✓				✓
	Corporate governance and transparency	"Reputation, prestige, company" "Benchmark" "Growing brand value"	✓		✓		
		Good corporate governance	✓				
		Transparency, reporting and collaboration	✓		✓	✓	
		Dialogue and consultation with stakeholders					✓
	Participation in regulatory development	Participation in the development of regulations and legislation					✓
Human capital management	Talent management	Diversity and Equal Opportunity	✓				
		People development and training	✓	✓			
	Wellbeing of employees	Work-life balance and flexibility	✓				
		Quality employment		✓			

Lines		Subject matter	Shareholders	People	Suppliers	Funders	Society
Impact on society	Generating positive social impact	"Integration of CSR into the business and contribution to SDGs" "Responsible company committed to the environment"	✓				✓
		Leadership and local development, impact on local employment. Creation of wealth and jobs. Generating positive social impact				✓	✓
		Collaboration with universities or other academic bodies					✓
	Inclusion and collaboration	Social action programmes Corporate volunteering					✓
	Commitment to human rights	Commitment to human rights					
Environment	Climate change	Initiatives to minimise GHG emissions and protect the environment					✓
		"Commitment to sustainability and decarbonisation, in all its scope" "Promote the use of renewable energies" "Promote 'green' attitudes"		✓		✓	✓
	Integration of the circular economy	Life cycle analysis			✓		
		Reduce environmental impact on the supply chain/responsible supplies			✓		
		Product safety and eco-efficiency					✓
		Integration of the circular economy					✓
Responsible relations with partners, suppliers and other stakeholders	Lasting partnerships	REnduring and cost-effective relationship, win-win			✓		
		Common defence of joint interests					✓
	Relations with suppliers	Compliance with payment terms and conditions			✓		
		Equal opportunities			✓		
		Integration into the value chain			✓		
Business model	Business model	% majority control	✓				
		Focus on flagship industrial and technological businesses and efficient and standardised operation	✓				
		Global view of markets and opportunities and international positioning for each business tailored to each market	✓				

## Materiality analysis

**Velatia** bases its sustainability model on managing the possible impacts and risks arising from the activities carried out by the group's companies, identifying opportunities, as well as the measures designed to mitigate possible impacts.

To this end, **Velatia** has carried out a materiality analysis tailored to each of its main businesses, which, together with the previously identified relevant issues for the group, served to obtain the **materiality matrix**.

In order to identify these issues, the following aspects were analysed:

- Environment.
- Competition.
- Best practices in the sector.
- Applicable regulations.
- Trends in ESG (Environmental, Social and Governance) criteria.
- Sustainable Development Goals as they relate to business.
- Main objectives of **Velatia's** Strategic Plan 2021-2023 and business interests.

The relevant issues identified are listed below:

ENVIRONMENT

- Reduction in emissions.
- Efficient energy consumption.
- Decarbonisation of the energy mix.
- Improved life cycle and eco-design of products.
- Material reduction, reuse, recycling.
- Promotion of "green" attitudes.
- Climate change risk management.

HUMAN CAPITAL MANAGEMENT

- Diversity and Equal Opportunity.
- Occupational health and safety.
- Quality employment.
- People development.
- Development of digital skills and entrepreneurship.

## ECONOMIC PERFORMANCE AND CUSTOMER RELATIONS

- Economic and financial performance.
- Innovation in products and services.
- Development of new solutions and digitalisation.
- Connectivity and digitalisation.
- Customer satisfaction.
- Network reliability.
- Product and service safety.
- Customer privacy.
- Cybersecurity.

## RESPONSIBLE RELATIONS WITH PARTNERS AND SUPPLIERS

- Reducing the environmental impact of the supply chain/responsible suppliers.
- Responsible supply chain.
- Partnerships with local allies.

## BUSINESS ETHICS AND CORPORATE GOVERNANCE

- Economic and financial performance.
- Compliance, ethics and integrity.
- Combating fraud and corruption.
- Responsible use of technology.
- Risk management.
- Transparency and reporting.
- Involving management in sustainability management.
- Reputational risk management and business trends with stakeholders.

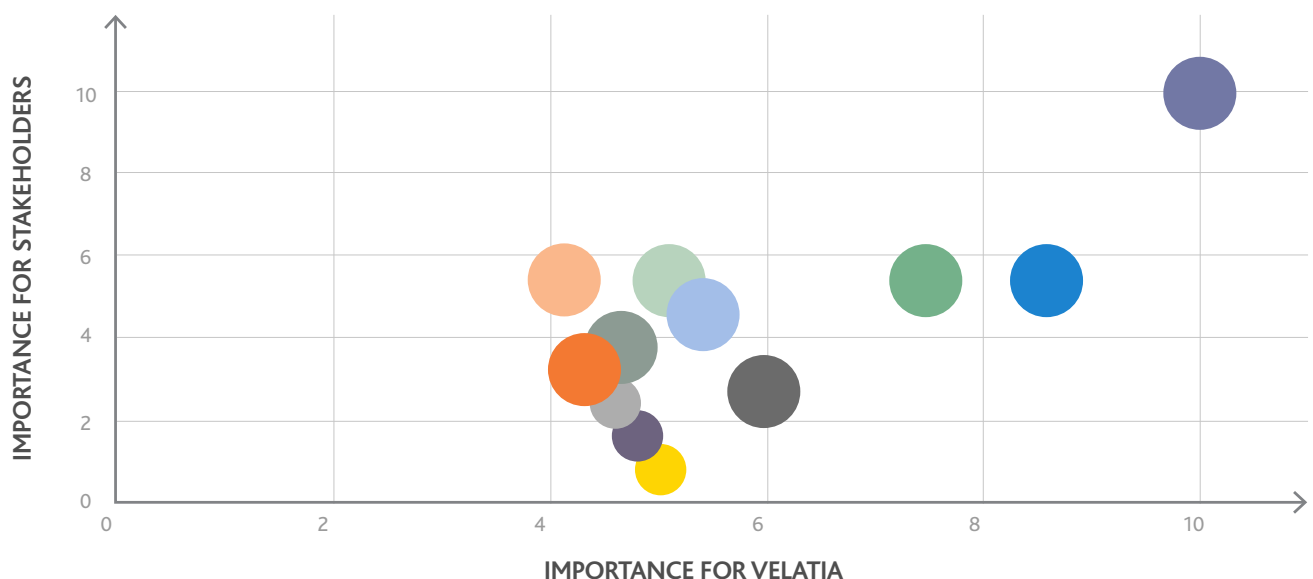
## IMPACT ON SOCIETY

- Leadership and local development.
- Impact on local employment.
- Human Rights.
- Inclusion and collaboration.

## Prioritisation of relevant topics

The **materiality matrix** shown in the graph is the result of checking the results obtained in the businesses' internal assessment of the most relevant topics for their activity, including their prioritisation, against the external assessment according to their importance and dependence for stakeholders.

These topics have been used to define the objectives and commitments to be pursued by the corporate area and the businesses, and they have been integrated into their corresponding strategic plans. Likewise, the different people responsible for fulfilling them and the resources needed to address them have been determined.



- Corporate governance and transparency
- Ethical behaviour and regulatory compliance
- Integration of the circular economy
- Development of new solutions
- Lasting partnerships
- Relations with suppliers
- Climate change
- Wellbeing of employees
- Generate impact
- Talent management
- Economic performance, creation...
- Supply chain
- Participation in the development of regulations and legislation
- Inclusion and collaboration
- Commitment to human rights
- Customer experience



## Lines of action, ambitions and commitments

### 1. Ethics and corporate governance

Identified as one of the most important expectations and as a hygiene factor, it encompasses all aspects of good governance, ethics, integrity and transparency. The goal of corporate governance is to generate long-term trust and commitment between the organisation and its stakeholders.

**Velatia** has defined a framework of integrity comprising the Code of Ethics and a number of policies that set out the operating principles.

#### Ambition:

- **Integrity** of behaviour.
- **Excellence** in management.
- **Inclusive dialogue and trust** with stakeholders.

### 2. Human capital management

Commitment to people by promoting their development and diversity, as well as ensuring equal opportunities in order to make **Velatia** a diverse and inclusive group.

#### Ambition:

- To have people who are **aware of** and committed to sustainability.
- To ensure equal opportunities. A **diverse and inclusive group**, with a culture that allows work-life balance and **flexibility**.
- To achieve a **fair pay system** that takes into account social and environmental achievements.
- To be a benchmark in **level of employee satisfaction**.
- **To ensure safety and minimise accidents**, especially those with causes attributable to the company.

### 3. Environment

Reduce resource consumption in carrying out activities, as well as contribute to the energy transition and the fight against climate change through products and services.

#### Ambition:

To be an **environmentally committed** group that stays ahead of the curve on regulatory compliance, uses **clean energy and efficient processes**, and contributes to **decarbonisation** by installing products that make the grid more efficient.

### 4. Impact on society

Balancing the development of the business with the interests of the communities where the group operates, generating a positive social impact by creating jobs, developing the local economy, collaborating with educational institutions, paying taxes and distributing the value generated.

#### Ambition:

- To be perceived as **creators of wealth and employment** at local level, supporting young people through training and, also, the most disadvantaged in society, in line with business interests.
- To ensure compliance with **human rights** in all its activities in all locations.
- To be an **active part** of society, contributing its knowledge for sound regulatory development.

### 5. Economic performance and customer relations

Encourage innovation in products and services to improve and boost growth, both of the group and of the community it forms part of.



#### Ambition:

- To promote **technological innovation and digitalisation** as a lever for transformation towards more sustainable business models.
- To be a **benchmark** in the provision of services, driven by the search for new solutions.

#### 6. Partnerships and responsible relations with partners and suppliers

Promote responsible partnerships to build networks of shared value.

#### Ambition:

- To promote **sustainability** among partners and suppliers.
- To be and to have **trusted partners**.

Bearing in mind the importance of sustainability for its stakeholders, the sustainability model approved by Velatia in 2020 reaffirms its desire to consolidate within the organisation a genuine culture linked to the Sustainable Development Goals promoted by the UN, as a central pillar of its activity. This model incorporates environmental, social and governance considerations that, building on the dialogue with the respective stakeholders, will generate initiatives to meet their needs and expectations.

To this end, and following the path marked by the **Velatia Management Model**, requirements have been established to help the companies that make up the group progress towards an excellent management model in search of sustainability.

## 1.8. Sustainable Development Goalse

In 2015, the UN adopted the 2030 Agenda with seventeen Sustainable Development Goals and their corresponding targets to be achieved so that countries and societies can jointly address the major challenges facing humanity: from the fight against climate change to poverty eradication, equality, inclusion and economic and social progress.

For the first time, the SDGs have put on the table and on the same agenda the severe deterioration suffered by the planet and the unequal distribution of well-being, making it necessary to move towards more sustainable development models without any further delay.

This vision is shared by **Velatia**, which has pledged to prioritise five SDGs, adapting them to the contexts in which it operates with innovative responses and positive impacts in areas such as the decarbonisation of the economy, digitalisation, cities and smart transport:

**SDG 5 (Gender equality):** work on the development of equality plans; on increasing women's presence in the organisation to make it more equal, sustainable and effective; on pay equity and on raising awareness among the workforce.

**SDG 7 (Affordable and clean energy):** technological partner of electricity companies in decarbonisation through the development of products linked to renewable energies, digitalisation and services associated with the energy efficiency of companies and sustainable mobility.

**SDG 8 (Decent work and economic growth):** to be a benchmark in the creation of quality employment based on equal opportunities, as well as sustainable economic growth.

**SDG 9 (Industry, innovation and infrastructure):** **Velatia** contributes to boosting Industry 4.0 through knowledge and support in digital tools resulting from continuous research and innovation processes.

**SDG 11 (Sustainable cities and communities):** cities are where 50 % of the world's population live. Velatia's solutions are aimed at transforming today's cities into smart and interconnected environments.



For each of the five goals selected as priorities, Velatia has identified a set of indicators and deploys different actions to help achieve them and, thereby, overcome the challenges posed by the 2030 Agenda.

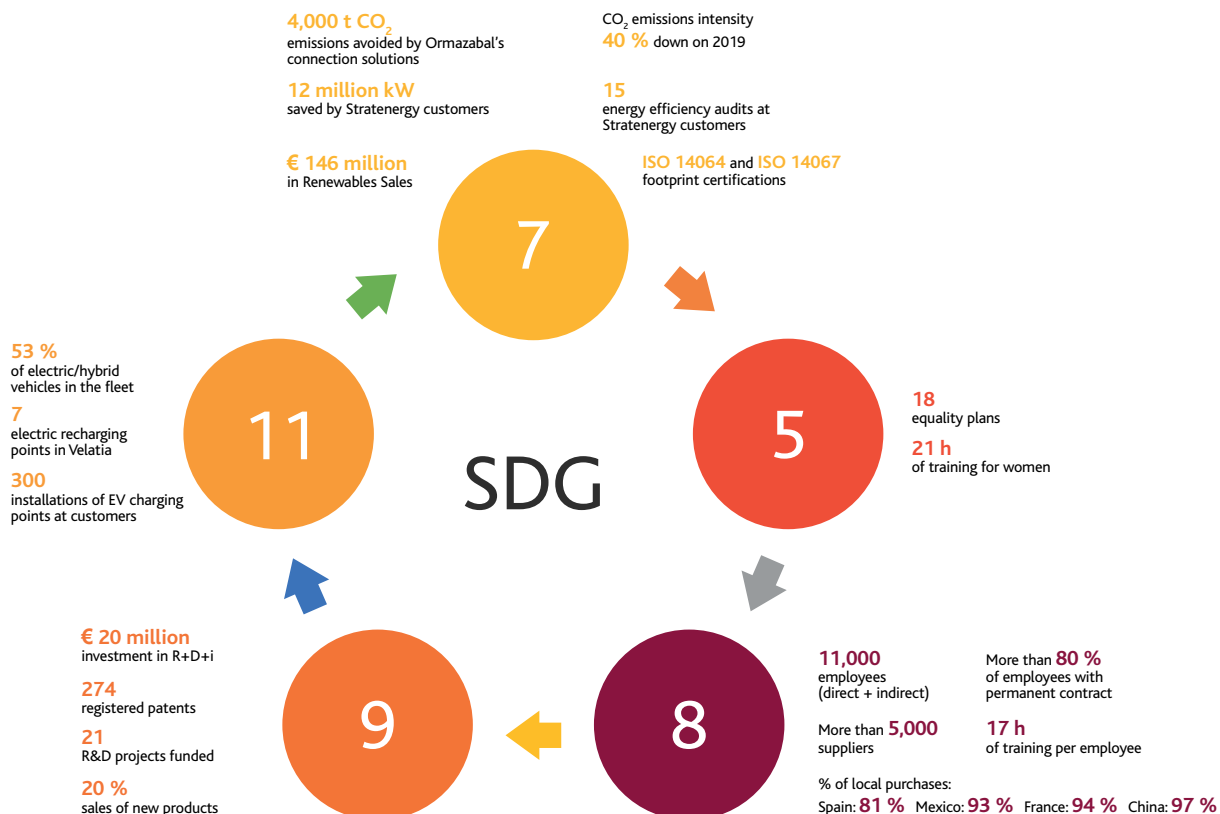
In 2021, Velatia launched the **Sustainability Master Plan** for the strategic period 2021-2023, integrated into the business plans. The following section describes the progress made during the year in the different SDGs, including four key aspects:

- **Decarbonisation roadmap:** design of the map that will lead us towards this ambitious goal, on which two important milestones are marked as a result of Velatia's commitment and responsibility towards the environment: an ultimate goal to be CO2 neutral by 2050, and an intermediate goal to reduce these emissions by 68 % by 2030.
- **Circular economy:** Ormazabal, Velatia's power grid business, has carried out a detailed diagnosis of its carbon footprint -both by product and by organisation- and has

completed a "Buy Green" project in collaboration with other companies.

- **Human Rights Due Diligence process:** in line with staying one step ahead of requirements, anticipating what is to come, Velatia has launched this important project whose aim is to identify the risks of vulnerability in this aspect. In 2021, information was collected for an initial analysis in Spain and Mexico.
- **Equality plans:** the corresponding plans have been drawn up for companies located in Spain and will continue to be extended to the rest of the countries.

**Innovative solutions and positive impacts in areas such as decarbonisation of the economy, digitalisation, smart cities and smart transport in line with the SDGs**



## Contribution to the SDGs in 2021



### **SDG 5: Empower women and girls to reduce gender inequality, with the aim of eliminating the social inequality that this gap causes**

Despite the progress made in recent decades, there is still a long way to go on gender equality, and the effects of the COVID-19 pandemic could reverse the small gains that have been made.

With a firm determination to incorporate a culture of equal opportunities in the organisation and empower its women, 2021 saw **Velatia** complete the **equality plans** initiated in previous years to be implemented in all its companies located in Spain. These plans go beyond the legal requirements in this field and include aspects such as payroll records and work-life balance measures, awareness-raising campaigns and other measures agreed upon with the employees themselves.

This objective is also reflected in **Velatia's** participation in the community by collaborating and sponsoring initiatives such as Industria Erronka, promoted by the Biscayan Federation of Metal Companies (FVEM), which seeks to bring industry closer to the young people of Bizkaia, placing special emphasis on promoting the incorporation of women in this sector in an attempt to close the large gap between men and women.

The commitment to equality was completed in 2021 with a self-diagnosis of the organisation's performance, including women as a central element in the Human Rights Due Diligence measures. This revealed a very satisfying high standard of management.





### **SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all**

Velatia has more than fifty years of experience in renewable, efficient and sustainable technologies.

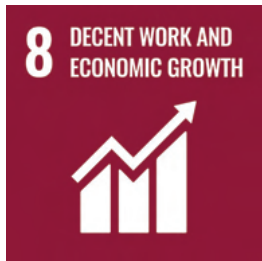
To make the energy transition effective, smart grids, renewable energy and fast and ultra-fast charging for electric vehicles are needed. **Ormazabal**, as a strategic supplier to electricity companies, collaborates in decarbonisation through the development of products linked to renewable energy, digitalisation, services associated with energy efficiency in companies and sustainable mobility. It also purchases electricity with a renewable energy certificate to complete its efforts in this area.

**Ormazabal**, a group company specialising in electricity grids, has always been committed to technological exploration and innovation in the field of renewable energies. For several years now, it has been working closely with the main global and local wind turbine manufacturers in the countries where it operates. This allows it to supply the products and services that form part of these essential infrastructures for the transition to a low-carbon, low-emission green economy, in accordance with the UN's commitment in its SDG 7 and the European Green Pact.

The future of decarbonisation depends on meeting our climate commitments today. Commitments that, without a doubt, cannot be undertaken without an electricity grid prepared to adapt to electric vehicles and the increasing implementation of multi-point renewable generation sources.

In 2021, in line with the strategy and goal of fighting climate change, and as part of its respect for the environment -resulting in the development of policies to minimise the environmental impact of its activity- **Velatia** achieved a 42 % reduction in the intensity of its CO<sub>2</sub> emissions (total: direct and indirect) compared with 2019 (last recorded figure before COVID-19).

**Reducing its footprint: Velatia has reduced the intensity of its CO<sub>2</sub> emissions by 42 % compared with 2019**



### **SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

**Velatia** continued to create jobs in 2021 despite the difficulties at all levels caused by the pandemic. This growth has been based on quality and stability, as well as the incorporation of young talent, women and the integration of disadvantaged groups.

In this regard, it is worth highlighting **Velatia's** regular collaboration with different training centres for company internships and its participation in the **Decade of Action for Youth Employment** project led by the Novia Salcedo Foundation, which aims to generate an international movement of reflection, thought, debate and action to address and implement actions aimed at solving the severe problem of unemployment at this stage of life. The ultimate goal of this project is for the UN to declare a decade dedicated to youth employment.

Likewise, in order to check that the jobs we offer are decent, a Human Rights Due Diligence process has been implemented as a pilot project in the Spanish and Mexican commercial networks, with largely positive results.

The concern for sustainable growth has focused not only on people but also on a firm commitment to an environmental strategy based on efficient and respectful production. The Group is committed to the principles of the circular economy, determined to minimise the possible negative impacts that its activity could cause, and it strives to achieve efficient management of the waste it generates. For this reason, an environmental and circular economy analysis was carried out in 2021, analysing issues such as the life cycle of products, eco-design, carbon footprint, green purchasing, promotion of renewable energy, etc.

Based on this diagnosis, together with the prioritisation of actions, a roadmap is being drawn up in order to minimise negative business impacts.

Finally, it is also worth mentioning **Velatia's** participation in the preparation of the next four-year plan of the Basque Ecodesign Center, an entity that **Velatia** has helped to promote.



### **SDG 9: Develop resilient infrastructures, promote inclusive and sustainable industrialisation, and foster innovation**

The development of the industry of the future depends on the implementation of innovative, inclusive and sustainable systems and means of production.

**Velatia** works to promote the digitalisation of industry, both in its own production centres and by supporting other industries with its knowledge and support in digital tools, which involves continuous research and innovation processes.

Digitalisation, the integration of new technologies such as artificial intelligence, the cloud and control networks, means that companies are increasingly exposed to cyber-attacks. **Velatia** has designed tools that respond to the possible threats that can occur in the business environment, becoming, at the same time, an accelerating element in the process of digital transformation of businesses.

In the context of supporting inclusive industrialisation, the group is committed to local companies and sustainable transport in its communication with suppliers and with the people working in the organisation.

In addition, **Velatia** seeks to generate a positive economic impact in the geographical areas where it is present (especially in those where it has production plants) by supporting local companies. Therefore, as a result of its strategy aimed at responsible production and consumption throughout the supply chain, the group reinforces its commitment to local agents by focusing most of its expenditure on the five main countries where it has production centres.

<sup>(1)</sup> In terms of innovation, part of the group's DNA since its inception, the solutions related to energy sustainability developed by **Velatia** are central to the ecological transition. In this combination of commitment and vocation, the Research and Technology Centre (CIT) was set up in 2008 to identify, acquire and disseminate strategic technologies within the organisation for the development of its new products and services; it is especially designed for the development of technologies related to smart grids.

<sup>(1)</sup> 22 January 2021: The Minister of Science and Innovation visits the CIT.

(From left to right) Denis Itxaso, the Spanish Government's Representative in the Basque Country; Pedro Duque, Minister of Science and Innovation; Javier Ormazabal, President of Velatia; and Teresa Riesgo, Secretary General for Innovation.



### **SDG 11: Ensure that cities and human settlements are inclusive, safe, resilient and sustainable**

**Velatia** contributes to the creation of sustainable and inclusive urban environments. To this end, it offers its high technological capacity in networks and digitalisation to create sustainable and resilient infrastructures, both for the development of smart grids, the digitalisation of the management of different facilities such as airports, and the digital transformation of industry.

In this regard, it carries out software integration projects for the management of smart cities, technological integration and engineering projects that promote safe, sustainable and accessible mobility in road infrastructures and in the railway environment.

The high levels of pollution in the world's major cities come mainly from the transportation of goods and people. The consequences for both the environment and public health (cardio-respiratory diseases, among other effects) are clear. All of this makes work towards sustainable and responsible mobility, free of fossil fuels, essential to meet global commitments in relation to climate change.

**Velatia's** strategic commitment to SDG 11 is also reflected in its participation in projects that help to build a more decarbonised and greener world. An example of this in 2021 was its collaboration in the installation of Iberdrola's first hydrogen station in Spain, specifically in Barcelona, which will provide a green hydrogen refuelling service for buses belonging to the city's metropolitan transport company. In the near future, the facility will enable other fleets and industries that adopt this vector as an energy solution to be supplied. Behind this is the aim of generating a driving force for everything related to this technology, in line with the

principles of the *European Hydrogen Strategy and the Hydrogen Roadmap* of the Ministry for Ecological Transition and the Demographic Challenge.

**Velatia's** projects are carried out in close collaboration with customers and, on many occasions, also with other companies in the sector. As an example, it is worth highlighting its participation in **Iberdrola's Global Smart Grids Innovation Hub (GSGIH)**. This international centre located in Bilbao aspires to become a global benchmark in the development and implementation of smart grids and will provide a response to the major challenges posed by the energy transition.







2.

Velatia  
commitments



## 2.1. People

### A culture based on mutual trust that brings together personal and organisational goals in a mutually beneficial way

Velatia's greatest competitive advantage lies in its human capital. This is its main hallmark and the driving force behind its growth and business success. In line with its **purpose and values**, the people who make up the group work every day to constantly improve the products, services and solutions offered to its customers.

Velatia places people at the centre, values them and maintains a culture based on mutual trust that allows personal objectives and those of the organisation to be brought together in a mutually beneficial way. This symbiosis of interests is intended to give rise to a two-way commitment (person - organisation) with a twofold aspiration:

- Facilitate the **attraction and retention** of the necessary talent, whenever and wherever your business operates.
- **To involve all people** in the success of the group, promoting its economic and social development and thus contributing to the achievement of SDG 8 (Decent Work and Economic Growth).

To this end, **Velatia** assumes and promotes these seven **general principles of action** that should govern the management of its human capital:

1. Development of an **industrial relations framework** that favours a social climate that encourages innovation and flexibility; in short, the competitiveness and efficiency that guarantee business sustainability. A model based on the generation of trust, communication, transparency and participation, and which facilitates an environment geared towards a shared project.

2. Designing a **value proposition** that helps to attract, recruit, select, hire, develop, promote and ensure the loyalty of talent; comprising a competitive total reward and a diverse and inclusive work environment that facilitates work-life balance and fosters professional growth. Progress based on objective performance criteria, equal opportunities and commitment to **Velatia's purpose and values**. In short, a value proposition that favours the consolidation of stable, quality jobs.
3. Developing **uniform** human capital **processes** that further implement a culture of talent in all countries and businesses in which the group operates, respecting local particularities.
4. A **total reward system** that attracts and retains the best professionals and aligns their objectives with those of the organisation.
5. Valuing the contribution of all professionals to the creation of value in **Velatia** and its growth.
6. Guaranteeing that the selection, hiring and promotion processes of the group's companies ensure that their professionals are suitable people, aligned with the provisions of **Velatia's purpose and values** and with the principles set out in its Code of Ethics, and that their track record is valued. All of this is without forgetting the importance of respecting individual identity and convictions.
7. A working environment that promotes the well-being of people in their spheres of influence.



**Be smart. Be Velatia**  
Let's make the future smart

## Outstanding activity

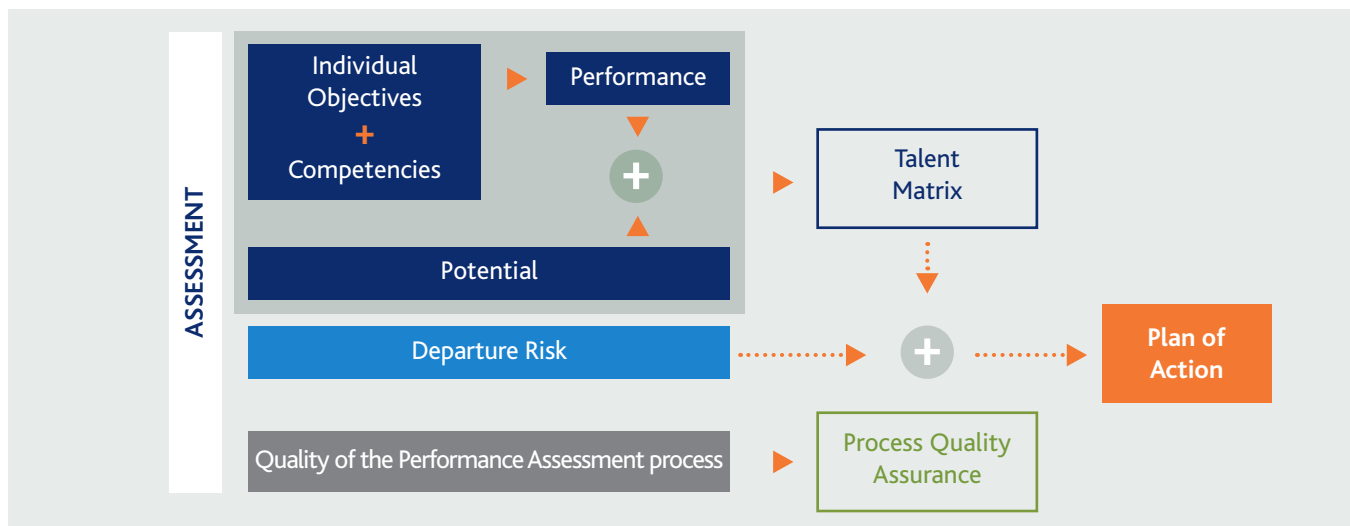
### Equal opportunities in terms of gender equality

In financial year 2021, the project to publish the equality plans for the remaining 15 centres in Spain was completed. Subsequently, **Velatia** has managed the cross-cutting actions that appear in these plans on issues such as awareness raising, training, criteria for payroll records and auditing, etc. In addition, the awareness-raising sessions on issues related to equal opportunities have been defined and will get under way in the first quarter of 2022.

### Updating the Performance Assessment process and Development Plan in MOI

The Performance Assessment process and the MOI (Indirect Manpower) Development Plan have been updated, as has the new specific IT support tool for the assessment. Specifically, the actions carried out were as follows:

- Acquisition and implementation of the IT platform for Performance Assessment (IT & People).
- Loading of master data and parameterisation of the tool.
- Preparation of materials for communication to the different groups: preparation of handbooks, manuals, templates and tutorial videos about the tool, as well as a space on the intranet that includes all of this.
- Launch of a pilot test.
- Ex-post assessment: In order to assess the suitability of the model and the new tool, a questionnaire was sent to the participants. In addition, brainstorming sessions were held with members of the Management Committee.
- Training on the model and the assessment tool.



### Junior Talent Development: "Integración" program and ARCO Program

The "Integración" program, which has been implemented online, has made a number of improvements to its tools in order to attract more participants and encourage greater involvement.

Among the new features, it is worth highlighting a language platform, the incorporation of gamified training inspired by video games (Ada-Gamelearn) which replaces the previous one ("Travel with Velatia") with the aim of offering a more attractive and interactive format; and which has obtained an average score of 8 out of 10 in the overall level of satisfaction.

In addition, webinars have been incorporated into the program with topics related to the group's values, equal opportunities for men and women, the Sustainable Development Goals, finance (for non-financiers) and Velatia's "Employer Branding". The participation rates in these sessions are: 73 % in Leadership, 63 % in Support and 56 % in Pragmatism and SDGs.

Overall, a total of 77 participants from seven different countries took part in these actions.

Within the ARCO program, also carried out in online mode, a total of 59 people participated in the many different activities:

- Training in "Impact Presentations".
- **Assessment Center:** development of a totally virtual assessment process supported by a computer tool with the aim of assessing the strengths and areas for improvement of the people taking part. Nine Human Capital professionals collaborated in this assessment procedure.
- **Individual Development Plan (IDP):** a one-hour training session in which each participant learns to draw up their own IDP. Based on the conclusions of the assessment, and with the collaboration of the managers, learning goals should be set to enable them to continue their professional development in the group.
- **Presentation of projects:** at the end of October, individual presentations were made in order to get to know the reality of other businesses and companies in the group, as well as to put into practice what had been learnt.
- **Gamelearn skills training:** the program organisers will also propose one or two gamified training courses in the form of a video game, at the end of which they will have the complete Gamelearn catalogue at their disposal so that they can continue to learn more if they wish to do so.

### Employer Branding: A "seeding" strategy

Velatia's success necessarily involves attracting the talent it needs by strengthening its employer branding, giving it presence and visibility in the labour market.

In 2021, the focus was placed on a "seeding strategy" that seeks, on the one hand, to give visibility to the brand in the global market (selecting the countries with the most activity or where the employer brand is to be highlighted); and, on the other hand, to increase the visibility of the job offers and, in general, the employment section of the website.

In order to pursue this twofold objective, various actions were carried out during the year:

- Keeping company profiles active by continually feeding them with videos and material to make the brand more visible in the labour market.
- Participating in a new edition of the Erronka program, in this case as sponsors, promoting the image of Velatia as a future employer brand for young people of school age (from the age of 15-16), and helping to bringing young talent (women and men) closer to the world of industry.
- Promotional campaign on social networks.

### Velatia Leadership Model

In 2021, conditions were established to allow the Leadership Model (developed the previous year) to be deployed globally, regardless of business, location or professional level.

In particular, the following issues were addressed:

- **Updating the Human Capital Process Map** and the process map based on the concepts developed in the Leadership Model.
- **Communication and awareness raising** on the Leadership Model aimed at the pilot group of the performance assessment process.

- **Preparing the necessary communication materials** for the appropriate dissemination of the model to the different groups of the organisation.
- **Leadership Development Program.** This program identifies aspects to work on from both an organisational and an individual perspective.

At the competency level, support manuals and handbooks were developed for the whole organisation, as well as coaching, mentoring and other programs related to the specific leadership profile.

From the cultural point of view, a space has been provided on the intranet for content related to these aspects that are being developed in the organisation. Individually, through participation in learning communities, mentoring or webinars.

- **Communication and training** for the team of Human Capital professionals.

### Senior Management Model

Senior management has followed the lines marked out in the previous strategic period, including actions in three basic areas:

- **Communication:** two briefings for senior managers were held, in addition to the annual conference in December. They were also kept informed and involved in the management of the pandemic.
- **Development:** within the framework of the Leadership Development Program, we have identified the focal points for working with this group and their role in facilitating the development of others in the organisation through activities such as mentoring.
- **Compensation:** the existing benefits have been managed (Spain Benefits Plan).

### Consolidation of dashboard information

Incorporation of this tool, applicable at both business and corporate level, which includes the most relevant indicators in people management. In this regard, it provides important information for the corresponding payroll audits that have to be integrated into the different equality plans. Likewise, the tables it generates provide data for any reference period for each of the companies in the group.

### Adjustment of the Recognition Program

The Theoretical Framework of the Recognition System has been adjusted on the basis of what was created in 2020 for Spain, including fiscal and legal aspects.

In addition, the Recognition Policy has been drafted as part of the Total Reward System. Further progress in this area will require a much wider deployment of the Leadership Model to reinforce a recognition-oriented culture.

### Planning the Total Reward System "landing" tasks

The Total Reward Systems area has worked on the correct implementation and monitoring of the process and the activities linked to it. Specifically:

- **Annual corporate bonus:** a new system has been established and the corresponding actions have been deployed for implementation by Velatia's businesses and functional areas.
- **Wage structure:** wage structures have been updated in accordance with the established frequency. During financial year 2021, structures and market information were updated, both in traditional countries (Spain, France and Germany) and in emerging market countries (China and Mexico).
- **Communication of the Total Reward Policy:** further information has been communicated on the creation and valuation of a position, the pay rise, as well as the payroll record for trading companies in Spain.
- **Payroll recordl:** extensive and in-depth internal programming work has been carried out at Human Capital level to standardise the payroll record -ensuring compliance with current legal requirements- and to serve as a basis for the corresponding payroll audits to be integrated into the equality plans of Velatia's companies. The tables generated make it possible to obtain the information for any reference period for each of the companies, given that, by agreement, each company has its own organisational structures. The automation of this standardisation process, starting from the salary information source, is a pending issue to be addressed in the coming years.



### Creation of the Occupational Risk Map

A labour audit process has been launched to identify the labour law risks that each **Velatia company** may face.

Once this audit process has been carried out, the next step is to draw up a risk map for the entire group, which will provide an overview on the basis of which decisions can be taken on those matters and risks that are of a cross-cutting nature.

In all companies audited during the year, actions have been planned to eliminate or mitigate the risks observed.

### Deployment of the Organisational Model

In the last quarter of 2021, two actions were carried out in relation to the project aimed at analysing the Human Capital function in greater detail: on the one hand, creating a map of roles in the area (corporate, business and their relationships), and, on the other, defining the knowledge and competency profile for each identified role.

### Coordination of the COVID management team

Throughout the year, we continued to monitor the impact and evolution of the pandemic on the people of Velatia, updating and editing the necessary protocols and procedures in accordance with the evolution of the changing circumstances of the health crisis.



## Employment

Being a benchmark organisation for the creation of quality employment has always been one of **Velatia's** main aspirations. Aware that having the best talent is the cornerstone for achieving the ambitious challenges it has set itself, during 2021 it continued to promote quality and future employment, using best practices in identifying, attracting and retaining talent.

The group's employment strategy focuses on preserving job security, the guidelines governing industrial relations, protecting diversity and equal opportunities in access to employment, strengthening health and safety aspects, training, and promoting professional development as well as behaviour and attitudes in accordance with the ethical principles assumed by the entire organisation and external companies.

By the end of 2021, **Velatia's** workforce had grown by 21 %, rising from 3,119 people in 2020 to 3,789 in 2021. The reasons for this significant increase are to be found mainly in the incorporation of the workforces of the Mexican companies that formed part of the subcontracted personnel in 2020, as well as in the company Supsonik having joined the group.

The following data on employment, compensation, health and safety and training includes information from all the companies that make up the group.

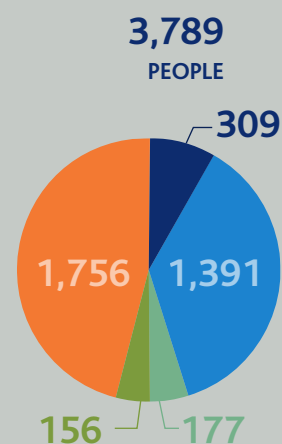
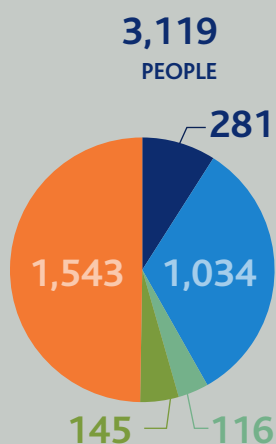
**ABy the end of 2021,  
Velatia's workforce had grown by 21 %**

## Distribution of staff

BY PROFESSIONAL CATEGORY

2020

2021

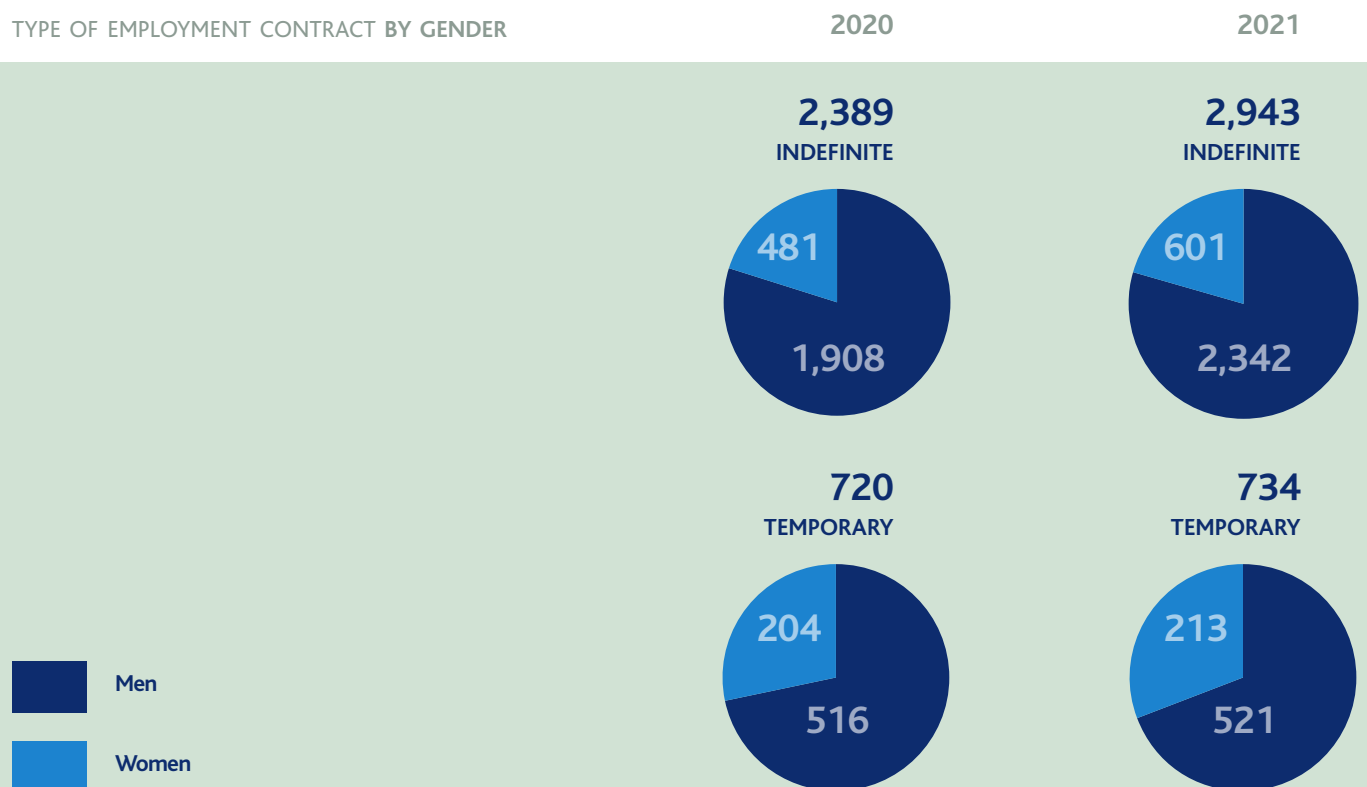


## Average annual contracts

The group's competitive position rests fundamentally on the experience of the people who are part of it. This approach is consistent with the most common contract type, as can be seen from the annual average of indefinite and temporary contracts <sup>(2)</sup>.

Velatia, being aware of the need to give young people a chance to start their career, offers internships every year through different instruments: internship contracts, educational cooperation agreements, etc. In 2021, 201 young people were offered this opportunity.

TYPE OF EMPLOYMENT CONTRACT BY GENDER

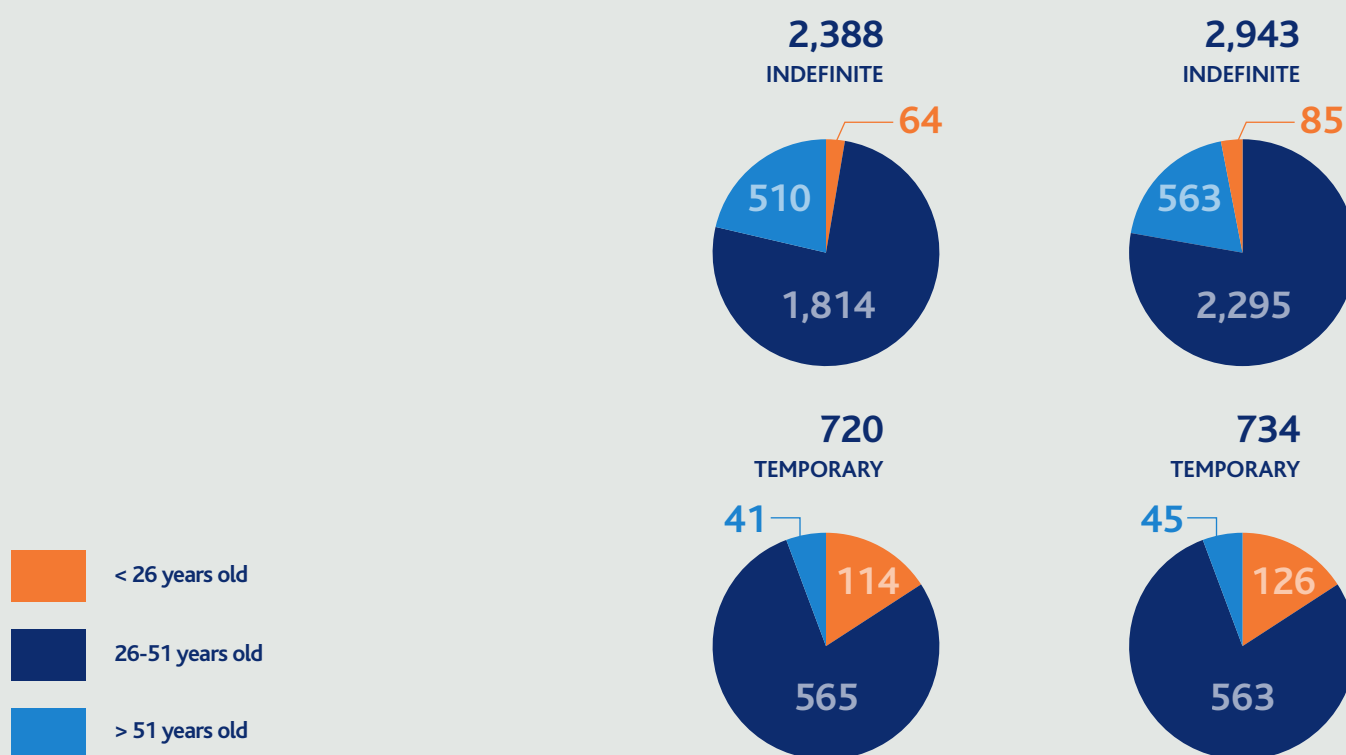


<sup>(2)</sup> The annual average has been calculated using the average number of Velatia employees during 2021 and 2020, respectively, taking into account the salary payments calculated in each month.

## TYPE OF EMPLOYMENT CONTRACT BY AGE

2020

2021



## TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

	2020		2021	
	INDEFINITE	TEMPORARY	INDEFINITE	TEMPORARY
Management	271	30	262	26
Scientific, intellectual and support specialists and professionals	860	165	1,186	145
Employees of an administrative nature	81	24	159	22
Sales personnel and similar	127	19	136	20
Other qualified personnel	1,050	482	1,200	521
<b>Total</b>	<b>2,389</b>	<b>720</b>	<b>2,943</b>	<b>734</b>

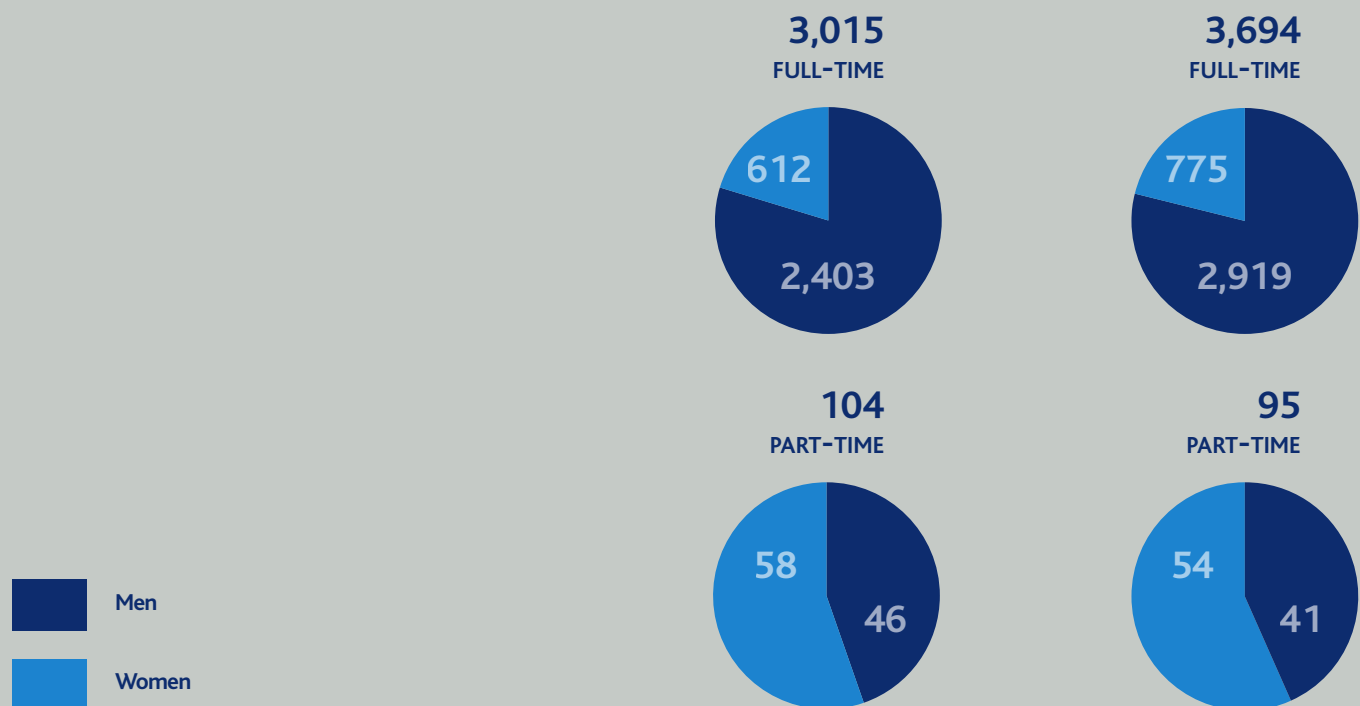
## Employees by type of work schedule

The distribution in terms of number of employees by type of work schedule, gender, age and professional category at the end of financial years 2021 and 2020 is as follows:

TYPE OF WORK SCHEDULE BY GENDER

2020

2021

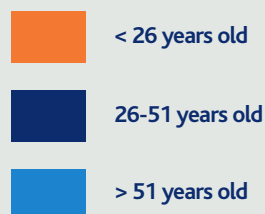




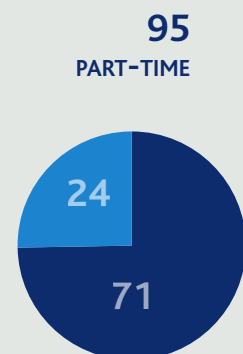
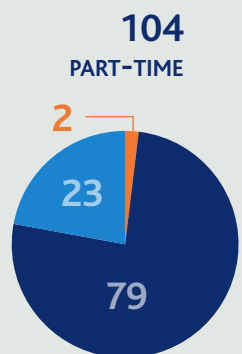
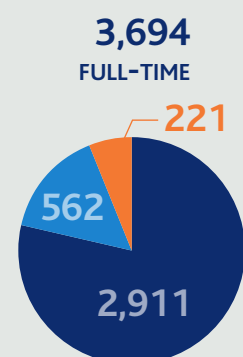
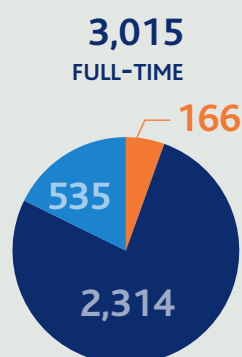
## TYPE OF WORK SCHEDULE BY AGE

2020

2021



In many circumstances, the measures to promote work-life balance that Velatia makes available to its staff help eliminate the need for part-time work. This is one of the main reasons why most of the contracts signed in 2021 are full-time.



## TYPE OF WORK SCHEDULE BY PROFESSIONAL CATEGORY

	2020		2021	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Management	271	10	297	12
Scientific, intellectual and support specialists and professionals	999	35	1,362	29
Employees of an administrative nature	101	15	160	17
Sales personnel and similar	144	1	154	2
Other qualified personnel	1,500	43	1,721	35
<b>Total</b>	<b>3,015</b>	<b>104</b>	<b>3,694</b>	<b>95</b>

## Rate of employee turnover

The staff turnover for the year was as follows:

### STAFF MOVEMENTS

	2020	2021
Initial staff	2,915	3,119
New staff	952	1,747
Turnover	(748)	(1,077)
Final staff	3,119	3,789

## Dismissals

The dismissals that took place during 2021 and 2020 are broken down by gender, age and professional category as follows (using the average number of **Velatia** employees):

### DISMISSALS BY GENDER

Distribution of dismissals by gender	2020	2021
Men	2.3 %	3.8 %
Women	0.8 %	1.4 %

## DISMISSALS BY AGE

	2020	2021
< 26 years old	0.2 %	0.1 %
26-51 years old	2.1 %	3.3 %
> 51 years old	0.7 %	1.7 %

## DISMISSALS BY PROFESSIONAL CATEGORY

	2020	2021
Management	0.3 %	0.4 %
Technical staff	1.1 %	2.2 %
Administrative staff	0.3 %	0.1 %
Sales staff	0.2 %	0.3 %
Other	1.1 %	2.1 %

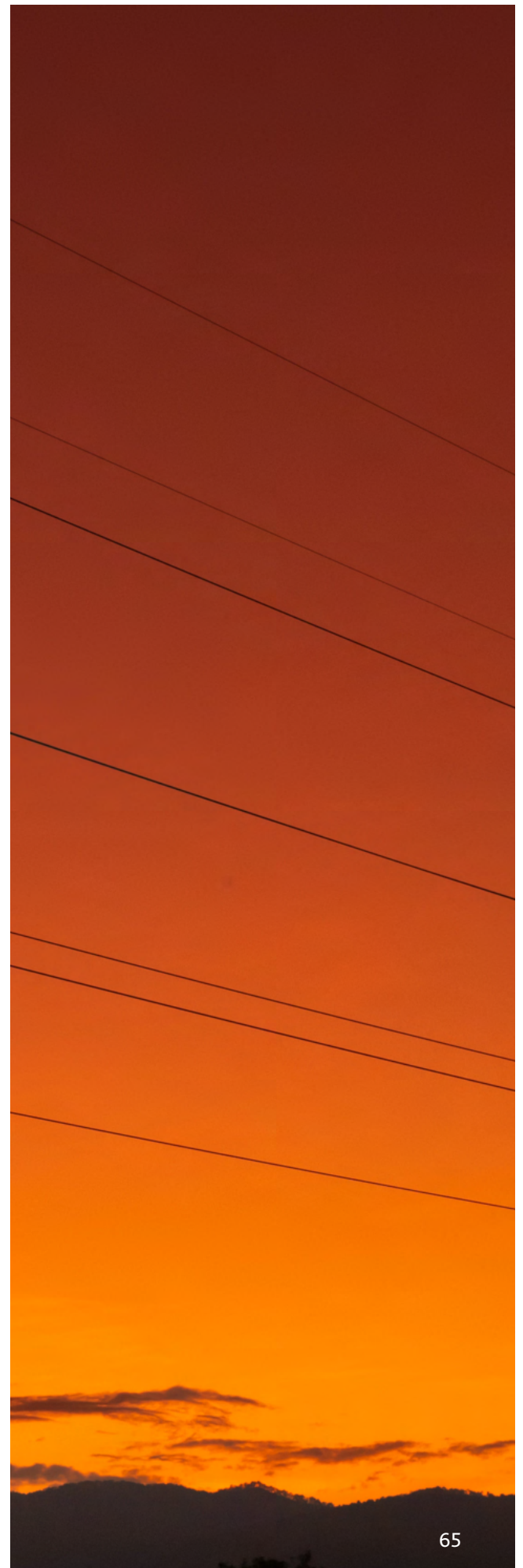
## Accessibility

As a group committed to diversity and social inclusion, **Velatia** respects universal accessibility and therefore takes into consideration the criteria for an inclusive work environment for both its staff and its stakeholders; and takes care to design its products to be respectful, safe, healthy, functional, understandable and aesthetically pleasing.

### Employment of people with disabilities

**Velatia** carries out various actions in the field of integration of people with disabilities. Among them, it collaborates with several special employment centres for different production processes in the countries where it is present; and cooperates with specialised entities, such as the Adecco Foundation, in order to promote the integration of people with disabilities in the workplace.

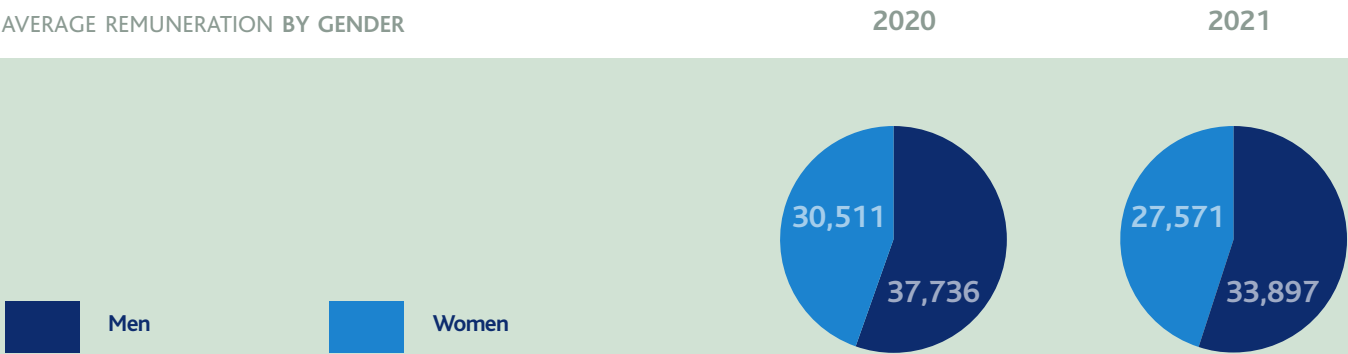
In compliance with the legal regulations regarding the employment of people with disabilities, in 2021 the number of disabled employees amounted to 26, the same as in 2020.



Average remuneration

The average remuneration of employees for financial years 2021 and 2020 (except senior management), taking into account all existing remuneration items in the organisation (fixed, variable, bonus, benefits, incentives, etc.) and distributed by gender, age and professional category, is as follows:

AVERAGE REMUNERATION BY GENDER



The average remuneration at group level has decreased for both men and women, mainly due to the effect of the inclusion of the Mexican companies’ workforces as **Velatia** staff (and not as subcontractors), following the change in labour regulations in this country.

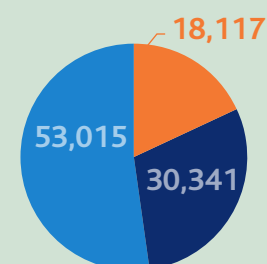
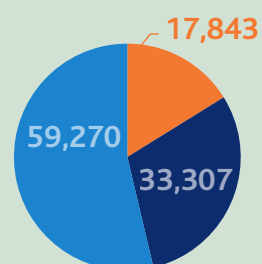
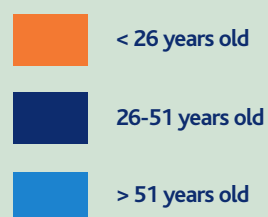
With regard to the pay gap, the main cause lies in the different composition of the workforce by category in each geographical area. So, if we analyse the composition by region, 65 % of the staff corresponding to Europe have an average salary difference of only 3 % and, more specifically in Spain (which accounts for 58 % of the total workforce), this drops to 2 % as a result of the different actions deployed in **Velatia** to promote equal opportunities.



## AVERAGE REMUNERATION BY AGE

2020

2021



## AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

	2020	2021
Other management team	82,004	81,922
Scientific, intellectual and support specialists and professionals	37,676	31,806
Employees of an administrative nature	29,666	22,544
Sales personnel and similar	48,971	51,113
Other qualified personnel	26,182	25,524

\*Amounts in euros.

## Wage gap

The applicable collective bargaining agreements regulate the average remuneration of employees throughout the group, establishing criteria of equity between similar jobs regardless of gender. In this regard, both the remuneration of employees subject to the agreement and that of those to whom the agreements do not apply are established in a fair manner, avoiding gender-based discrimination.

If we calculate the wage gap taking into account the actual average fixed remuneration of women compared with that of men (except senior management), by geographical area, we obtain the following percentages in 2021:

Geographical area	2020	2021	No. men	No. women
Europe	8 %	3 %	2,262	526
East Asia	16 %	10 %	262	178
Americas	20 %	27 %	784	230
Rest of the world	3 %	47 %	28	4

The result of the pay gap arising from the above calculation (where a figure greater than zero represents the percentage that women are paid less than men) is due to different factors, including the historically low female presence in some areas of activity (due to the composition of the workforce and the higher population of men than women in general), the different specialisation of jobs (more men than women in positions of responsibility), and seniority in the company.

An individual wage gap analysis, by company and by wage bracket, and a demographic analysis of the group's employees in each category were carried out in 2021, leading to the following conclusions:

- The number of women at management levels is very low.
- The group of people destined to occupy managerial positions in the medium term is also mostly made up of men.
- In the longer term, the distribution between men and women is likely to be somewhat more balanced.

If we take the geographical variable as the point of reference, we find that in Europe the pay gap has decreased. Thus, while the percentage of men and women remains similar, the average remuneration of men has fallen by 3 %, and the average remuneration of women has increased by practically the same proportion. This is mainly due to the change in the composition of categories in 2021, with more women in middle management.

East Asia has also seen a narrowing of the pay gap in this period, indicating a positive outlook towards greater equality in average pay between men and women.

In the Americas, on the other hand, the widening the gap corresponds to the increase in the workforce due to the inclusion of personnel from Mexican companies. These new incorporations modify the composition by category with respect to the previous period, with an increase in the "Management Team" and "Technicians" categories where men predominate, generating an increase in the average wage gap.

For the "Rest of the world", the gap has widened due to the change in management positions; however, the number of people in the "Rest of the world" is not very representative.

## Organisation of work

### Being renowned for creating quality jobs is one of Velatia's highest aspirations

Each company in the group determines the aspects relating to work schedule, rest periods and all other applicable working conditions in accordance with the respective agreements. **Velatia's** Code of Ethics, in the section on Labour Rights, states that the work schedule will conform to the local legislation of each country, ensuring compliance with the conventions and recommendations of the International Labour Organisation (ILO).

Freedom of association and trade union representation are guaranteed in the various laws and agreements relating to industrial relations.

Likewise, the concern of families regarding work-life balance makes this an important aspect of human capital management for **Velatia**. In this regard, various measures have been adopted, such as making the working day more flexible and improving maternity and paternity leave, which are fundamental to achieving the ultimate goal of a workforce made up of satisfied, healthy and committed people.

The group has different communication channels to reach all the people who make up the group. The main channels are: corporate website, intranet, annual conferences, notice boards in the production centres, in-house magazines, suggestion boxes, personal and direct communication by managers and directors, works councils and health and safety committees.

In 2021, a new communication tool was incorporated and made available to the workforce: **My Velatia**, a website and an application that can be downloaded to a mobile phone, where any professional can not only access information and receive company communications, but also carry out administrative procedures.

## Health and safety

**Velatia** considers health and safety a priority objective and a fundamental value to be preserved at all times, not only by the companies that make up the group but also by the collaborating companies.

This commitment is set out in the policies of Sustainable Development and of Quality, Environment, Safety, Health and Wellbeing; and it takes the form of three lines of action:

- Establish a **safe working environment** by developing a preventive culture in relation to occupational health and safety.
- Promote respect for the health and safety of people by **preventing** damage to and deterioration of health.
- Achieve and maintain recognised international certifications of quality management, environment and occupational health and safety systems.

In line with this preventive culture, **Velatia** undertakes the following challenges:

- **Training:** Promote training and actions to **eliminate hazards and reduce risks** to employees' health and safety during the course of an activity.
- **Working conditions:** Provide **safe and healthy working conditions** to prevent injuries and deterioration of health.
- **Workplaces:** Protect and **improve the physical spaces** and contents of workplaces with respect to a wide range of risks, from breaking and entering to fire.
- **Labour integrity:** To guarantee insofar as possible the labour integrity of workers in compliance with the respective sectoral regulations, and implementing the necessary measures.
- **International certifications:** Achieve and maintain the most recognised **certifications** of quality, the environment, and occupational health and safety management systems.

The **Health and Safety Committees** are responsible for monitoring compliance with applicable local regulations in different companies within the group. **Velatia** also has personnel who specialise in these matters and perform functions focused on the continual improvement of good practices and procedures, as well as on maintaining the strictest regulations and obtaining certifications in risk prevention systems.

Several companies of the group have OHSAS 18001 certification. Up until the entry into force of the new ISO 45001 standard (in March 2018), this was the most important technical specification for the implementation and management of occupational risk prevention systems. In addition, in order to enhance our commitment to safety, some companies in the group have completed the transition from OHSAS 18001 certification to ISO 45001 certification. Adding the two together, **Velatia** currently has 19 certifications.

Applying for these certifications, which involves constantly improving all aspects related to the health and safety of the people in the organisation, is completely voluntary, a fact that demonstrates the organisation's proactive attitude (surpassing legal requirements) to achieving levels of excellence in this field.

In considering health and safety as fundamental priority issues, **Velatia** strives to minimise the number of accidents, thoroughly monitoring the evolution of the most representative indicators <sup>(3)</sup>.

During 2021 there were 77 accidents requiring leave (6 involving women) and 123 accidents without leave (13 involving women), while in the previous year there were 74 accidents with leave (18 involving women) and 98 accidents without leave (8 involving women). These accident figures correspond to the Ormazabal business, the Ikusi business, and the companies WEC and Idistek.

In addition, the frequency and severity indices for the **Velatia** group are presented below:

	2020	2021
Frequency Index <sup>(3)</sup>	13.69	12.4
Seriousness Index <sup>(4)</sup>	0.32	0.35

## COVID management

**Velatia** has continued to monitor the evolution of the pandemic and its impact on people in the organisation, updating and editing the necessary protocols and procedures according to changing circumstances.

The **Velatia Plan for Protection against COVID-19** is managed by those in charge of the workplaces and the Human Capital directors of each business. It contains the guidelines for the rollout schedule, the physical organisation of work, management of teleworking, management of vulnerable groups, aspects of immunological health and safety (management of protective equipment, health management of external personnel, workstation hygiene and cleanliness, communication in case of showing COVID-19 symptoms, etc.), and other processes within the scope of Human Capital.

## Absenteeism

The **absenteeism rate**, understood as the non-compliance with the working day due to sick leave, accidents at work, maternity, union hours, leave permitted under the collective agreement, leave of absence and absence due to unpaid leave; a total of 234,059 hours during 2021 (182,263 hours in 2020).

<sup>(3)</sup> The number of hours worked by employees is theoretical, considering an estimated work schedule of 145 hours per month for each line of business.

<sup>(4)</sup> Number of accidents per million hours.

## Training

### The number of hours spent on training reached 60,635, despite COVID restrictions

Recognising the strategic value of properly managing the training of people as the basis for the growth and success of a company, **Velatia** sets up different initiatives, processes and procedures that allow for the real and effective development of all the categories of employee that make up the group.

To this end, **Velatia** aims to disseminate and share the knowledge that currently exists within the organisation, as well as to help employees acquire, gradually and increasingly, knowledge and skills aligned with the group's strategy, so that through continual learning they can perform their jobs with greater efficiency and effectiveness, and better adapt to the cultural and technological changes that will allow the group to be more competitive.

**Velatia** conveys the following commitments in relation to training, as set out in the approved training policy:

- Increase our employees' **knowledge and skills** progressively.
- Align the training given with the **competencies, values and requirements** set out in the strategy of the company.
- Promote maximum **pooling of the existing knowledge**, providing the necessary resources and enabling their efficient use.

In this context, training actions, adapted to the particular needs of the workforce, were carried out around the world throughout 2021, with a total of 60,635 hours invested for the benefit of 1,904 people. The cross-cutting topics addressed during the courses and workshops focused mainly on leadership, strategic planning and languages (mainly English).

#### HOURS INVESTED IN TRAINING

	2020	2021
Management	11,378	4,351
Technical staff	39,840	31,028
Administrative staff	3,470	6,388
Sales staff	1,567	1,432
Other	19,219	17,435
<b>Total training hours</b>	<b>75,474</b>	<b>60,635</b>
Average number of training hours per employee <sup>(5)</sup>	24.88	16.49

Due to COVID restrictions on meetings and seating capacity, in-person training was reduced in 2021. The total number of hours spent on training fell by 19 % compared with the previous year and the average number of hours per employee was down by 33 %.

If we differentiate by gender, of the 60,635 hours invested in the year, 42,946 correspond to men and 17,689 to women <sup>(5)</sup> (58,809 and 16,665 in 2020, respectively).

<sup>(5)</sup> Total number of training hours in 2021 among the average total staff in said year.





## Digital disconnection

Nowadays, the increasing ease of connection through technological means makes it possible, on occasions, to blur the distinction between work and private or family life. This reality and the relevant regulations make it necessary to facilitate greater autonomy in the management of working time and flexibility in the place where services are provided.

Under this premise, **Velatia** is committed to promoting measures to safeguard rest time at the end of the working day in order to improve the work-life balance, and thereby also contribute to a more efficient management of the working day, as well as to prevention in occupational health.

## Equality

### Commitment to equal opportunities, non-discrimination and diversity is intrinsic to Velatia's management

The commitment to equal opportunities, non-discrimination and diversity wherever it operates is intrinsic to **Velatia's** management, the promotion of diversity and inclusion being regarded as fundamental elements of its strategy. The group thus underlines its firm commitment to Principle 6 of the United Nations Global Compact, concerning the elimination of discrimination in respect of employment and occupation.

Furthermore, the Code of Ethics also promotes respect for the principles of equality of opportunity, diversity, respect for individuals and non-discrimination on grounds of race, colour, gender, sexual orientation, language, religion, political or other opinion, economic status, disability or status.

In keeping with the commitment made to guarantee protection of fundamental human rights, Velatia has developed a Protocol on Prevention and Action against Workplace Harassment, which aims to establish the measures necessary to prevent and act against any type of harassment in the workplace (sexual, discriminatory and/or psychological). This protocol was updated in 2021 to include gender-based harassment.

The **Committee on Ethics and Corporate Crime Prevention** is primarily responsible for handling complaints or communications related to harassment. This body is responsible for managing and resolving any complaints, suggestions or enquiries about situations of harassment that have not been resolved by informal procedure.

In addition, **Velatia** identifies the figure of the mediator as the relevant expert who will act as confidential adviser and be responsible for managing proceedings in cases of harassment classified as mild, and who will refer to the Committee on Ethics and Corporate Crime Prevention any cases considered to be serious, or any breaches of the agreements reached by informal procedure.

In 2021, the group developed equality plans for 15 centres located in Spain, in addition to the existing ones.





## 2.2. Innovation

**Working closely with the companies that are now developing the technology that will transform our world tomorrow**

For **Velatia**, innovation is not only a differentiating factor but one that is also intrinsic to the creation of sustainable solutions that respond to major global challenges. This view is not a product of the current reality, but instead part of the way in which it has approached business entrepreneurship for more than fifty years. The commitment to innovation is the transforming pillar that drives the evolution of the group, that of the sectors in which it operates and that of its environment.

**Velatia** is present in some of the key areas identified by the economy's megatrends -and those that demand the most innovation- working closely with the companies that are now developing the technology that will profoundly transform tomorrow's world and, therefore, our lives. In 2021, new global actors have chosen **Velatia** as a technological partner because of the **flexibility, proximity and adaptability** that characterise our way of working.

The group's commitment to innovation is reflected in its Sustainable Development, Quality, Environment and Health, Safety and Wellbeing policies, which establish two main areas of action:

- Establish **lines of continual improvement** in the quality, reliability, durability, flexibility, adaptability and environmental performance of our products.
- Promote innovation and continual improvement through **excellence**.

**Velatia** promotes lines of research to strengthen our competitiveness and that of our customers in fields such as electrical networks and smart grids, smart cities, ICTs, aeronautics, design engineering and electromechanical solutions, energy services and high-tech electronics. So, for example:

- We develop technologies that contribute to the **transformation of electrical networks** by providing them with capacity for transitioning to a new energy mix with a greater penetration of renewables, in the strategy geared towards a decarbonised economy.



- We create vital infrastructures to meet the needs of sectors such as transportation, currently immersed in the **e-vehicle** revolution.
- Our technology allows us to capture, analyse, merge and **convert data into useful information**, essential ingredient for smart management in sectors such as airports, cities, smart grid or health.
- We participate in **digital transformation** with specialised business applications to improve operational efficiency, security and user experience.
- Its **cyber security** solutions protect companies and organisations from such threats.
- In 2019, **Velatia** began to develop **electrical products whose origin is totally digital**, and it continues to make progress along the same lines.

**Velatia** has an open innovation model that allows it to create the best solutions, products and services that provide value to its customers and respond to current and future challenges to enable a more sustainable, innovative and efficient society. This model allows it to maintain a privileged relationship with some of the main national and European research centres, as well as with universities, promoting collaboration and knowledge exchange. Considering the linking of industry and academia to be essential to promote research activities and improve its chances of attracting talent.

The adoption of this model seeks to maximise the group's capacity for innovation from both inside and outside the organisation. From within, by developing a culture of innovation that fosters continuous improvement and creativity. From outside, by taking advantage of the opportunities offered by collaborations through an ecosystem that fosters the development of new ideas and business opportunities.

The Group's technology strategy is integrated into the respective strategic plans of the businesses, as set out in the relevant sections devoted to them.

## Our own technology and new products

### In-house products account for nearly all of Velatia's sales

If the barometer that measures a company's level of innovation is the percentage of sales of its own products, in the case of **Velatia** this volume represents practically the entire business. This is because for the group, innovations are much more than ideas; they become products and solutions that drive business and contribute to the progress of its customers, the industrial sectors in which it operates and, ultimately, society as a whole.

With regard to new products, understood as products developed in recent years, **Velatia** maintains an active innovation indicator relating to turnover from this source, which represents a significant part of the group's total turnover.

## Innovation in figures

2021	
R+D+i expenditure (thousands of euros)	19,600
R+D+i personnel (people)	115
Invoicing in new products (thousands of euros)	128,034
No. of patent applications	5
Average age of industrial property	9.4
No. of patents and industrial property registrations	274



## Collaborations

As part of its commitment to innovation, **Velatia** collaborates with leading national and European research and technology centres and organisations:

### Tecnalia

First private centre for applied research and technological development in Spain and one of the most outstanding in Europe. It consists of more than 1,400 experts from more than 30 countries and seeks to transform technology into GDP to improve people's quality of life, creating business opportunities in companies. Its research activity is based on the premises of excellence and investigation and contributes to economic development, social cohesion and sustainability.

### Innobasque (Basque Innovation Agency)

The objective of Innobasque, whose Governing Board **Velatia** forms part of, is to situate the Basque Country among the leading regions for innovation in Europe. In collaboration with all its partners and all the actors in the Basque innovation system, Innobasque fosters new initiatives and promotes the implementation of new policies in this area.

### Basque Science, Technology and Innovation Network

Since 2005, **Velatia** has formed part of this research body, in the Business R&D Units category. Thanks to this accreditation, it continues to hold an important position among the group of agents driving technological innovation in the Basque Country, as well as strengthen ties with similar organisations in this field in other territories.



## 2.3. Environment

### Responsible towards the environment and biodiversity, in accordance with the principles of sustainable development

Velatia promotes and integrates into the organisation a culture that respects the environment and biodiversity, in line with the principles of sustainable development. In short, a culture that encourages the reduction of the environmental impact generated by products and processes, in line with the principles of the circular economy; that prevents pollution to reduce its adverse effects on climate change; that puts the emphasis on the conservation of natural resources and, finally, that applies sustainability criteria when designing its products.

The determination of its positioning is reflected in the pursuit of excellence in environmental management, aligned with European guidelines, to ensure the positive impact of its activity on the environment and help tackle the challenges of the 2030 Agenda.

Velatia's environmental commitments are set out in its Sustainable Development, Quality, Environment and Health

and Safety policies. These policies aim to ensure responsible management, process improvement and sustainable use of the resources it employs in order to mitigate the impact of its operations on the environment, climate and health.

In order to fulfil these commitments, everyone in the organisation must understand and assume such policies and strive to minimise the environmental impact resulting from their activities and their use of the equipment, facilities and resources available to them. Commitments that extend to critical suppliers who must commit themselves in writing by signing the Quality Manual and the Code of Ethics.

The search for excellence has led Velatia to develop an **Environmental Management System** with the following functions:

- Promote and integrate a **responsible culture** with regard to the environment.
- Maximise employee **participation and consultation** in the comprehensive management of policies, promoting new ideas and recognising achievements.



- Ensure **compliance** with laws, regulations and standards, as well as with the voluntary commitments undertaken.
- Enhance training, flexibility, innovation and continuous improvement through **excellence**, environmental protection based on pollution **prevention** and sustainable use of resources, as well as actions to eliminate hazards and **reduce risks** for the health and safety of employees.
- Provide safe and healthy **working conditions** to prevent injuries and deterioration of health.
- Provide a **common framework** for establishing and reviewing the balanced scorecards of **Velatia's** companies, always geared towards the
- Achieve and maintain recognised **international certifications** of quality management, environment and occupational health and safety systems.
- Maintain fluid **communication** with the different stakeholders.

Among the advances made in favour of sustainability and the fight against climate change, it is worth highlighting the incorporation in 2021 of the **Velatia** decarbonisation roadmap to achieve a 68 % reduction in CO2 emissions by 2030 and reach zero emissions by 2050.

### Velatia prepares to embrace the challenges and opportunities of a zero-emission future

## Provisions and insurance

In 2021 and 2020, the liabilities side of the balance sheet contains no provisions for possible contingencies related to environmental improvement and protection, and neither does it include any known liabilities and/or compensations due.

In addition, **Velatia** has a Civil Liability policy for environmental risks that guarantees coverage for any damage, provided that the cause of such damage is accidental, sudden, unforeseeable, unexpected and unintentional.

## Certifications

**Velatia**, in its firm commitment to the environment, continues to deploy its **Environmental Management System** in accordance with the highest international standards and requirement levels in this area.

The group's main companies are ISO 14001 certified. ISO 14001 is the most widely used technical standard worldwide for the implementation and assessment of environmental management systems and is voluntary. In total, **Velatia** holds 17 ISO 14001 certifications, in addition to several Carbon Footprint certifications both at the organisational level and by product families.

In order to ensure the maintenance and implementation of the above mentioned certificates, the organisation has a team distributed among its main plants that performs the following functions, among others: identifying the legal requirements in the field of environmental management, evaluating the degree of compliance with these requirements, helping to define, deploy and assess environmental objectives, conducting internal audits of the Quality and Environment Management System, and, finally, offering training talks on quality management and environmental management at **Velatia** to new recruits.

## Pollution and climate change

### Intensity of direct and indirect CO<sub>2</sub> emissions 42 % down on 2019

In accordance with the environmental strategy regarding the reduction of CO<sub>2</sub> emissions and with the ultimate goal of zero emissions by 2050, **Velatia** continuously monitors the footprint of its activities and prepares greenhouse gas (GHG) emissions reports where direct and indirect emissions are quantified.

In relation to this, total direct emissions include the fuel consumed in production processes and boilers (fuel, gas), as well as the fuel of company vehicles used for sales and assembly work purposes. Total indirect emissions also include electricity consumption.

In the following table we show the results of **Velatia**'s environmental performance in relation to GHG emissions:

GHG emissions (t CO <sub>2</sub> eq.) <sup>(6)</sup>	2020	2021
Direct (Scope 1)	2,485 t	3,651 t
Indirect (Scope 2)	1,152 t	1,009 t

Electrification of transport is one of the most important paths towards decarbonisation, and the one that is developing most rapidly. **Velatia** has continued to promote the digital transformation of electricity networks by providing them with capacities to assume a new energy mix with a greater presence of renewable energies, as well as infrastructures to meet the needs of sectors such as transportation, currently immersed in a revolution with the emergence of the electric vehicle.

Taking into account the level of activity, in 2021 **Velatia** reduced the intensity of direct and indirect CO<sub>2</sub> emissions by 42 % compared with 2019 (last recorded figure before COVID-19). One of the actions that contributed most to this reduction was the decision to consume electricity only from renewable sources in several of the group's companies, a fact that has been certified through the corresponding Guarantee of Origin certificates.

This means that, despite an increase in activity compared with 2020, indirect emissions are down by 12 %. In addition, certain measures have also been put in place to improve energy efficiency which have contributed to this reduction.

In terms of direct emissions, in absolute terms there was an increase in direct emissions associated with a rise in gas consumption mainly due to the increase in production.

As mentioned above, in 2021 **Velatia** designed its decarbonisation roadmap to reach emission neutrality by 2050.

## Circular economy

At **Velatia** we base the implementation of an environmental strategy on the circular economy, with the aim of minimising possible negative impacts arising from our activity and with the firm purpose of achieving an effective management of the waste that we generate.

On the basis of this desire, in 2021 we implemented various equipment recycling and reuse procedures that promote waste disposal and reduction, providing the necessary tools for generating the least possible impact on the environment.

Most of the group companies have contracts with specialised waste management companies that cover the entire waste cycle, from collection and transport to handling (and, where possible, return for reuse), as well as the liability of both parties.

<sup>(6)</sup> The scope of the information reported for GHG emissions is the same as that used for energy consumption information. The emission factors used to calculate greenhouse gas emissions have been based on the methodology defined for calculating the carbon footprint for emissions trading, verified by an independent expert.

## Waste management

Type of waste	2020	2021
Hazardous waste	177,785 kg	281,340 kg
Non-hazardous waste	2,903,781 kg	5,156,549 kg

Hazardous waste is that whose intrinsic properties pose risks to health or to the environment and its management is a priority for the group. In this respect, 28 % of the waste generated in 2021 was recovered, 59 % was disposed of, 10 % underwent a valorisation process and 18 % was sent to controlled landfills. These figures represent an improvement in the results of the process compared with the previous year, in which 2 % was recovered, 54 % was disposed of, 26 % underwent a valorisation process and 18 % was sent to controlled landfills.

The increase is mainly due to a general increase in activity and in the number of people working on site, as well as to the clear-out of material and equipment due to the relocation of the Ikusi offices in Miramón.

With regard to the management of non-hazardous waste generated in 2021 -specifically, scrap metal, paper and cardboard, plastics and wood, concrete waste, etc.- 47 % was recovered, 46 % underwent a valorisation process, 6 % was disposed of, and 3 % was sent to controlled landfills. In 2020, 52 % was recovered, 41 % underwent a valorisation process and 7 % was sent to controlled landfills.

The increase in non-hazardous waste is mainly due to the wider range of waste reported by Uniblok and Ormapost, which now includes concrete waste. If we compare the same type of waste in both years, non-hazardous waste in Velatia would amount to 3,497,817 kg, which would represent an increase of 20 % with respect to 2020, which is associated with the increase in activity.

## Sustainable use of resources

### Evolution of water consumption

Velatia continues to make progress in its determination to achieve responsible production and consumption across the supply chain. To this end, in 2021, measures have continued to be implemented to raise awareness throughout the company about the responsible use of water in all work-related activities.

Consumption	2020	2021
Water consumption (m <sup>3</sup> )	43,608 <sup>(7)</sup>	45,984

This table shows an increase in the volume of water consumed, mainly due to the increase in cement production at the Uniblok factory in Seseña (Toledo) and the increase in the number of people working on site.

<sup>(7)</sup> Water consumption in 2020 included the companies UK, OBS and OZS, in addition to the perimeter of financial year 2019.

### Evolution of raw material consumption and energy consumption

**Velatia**, in its aim to achieve maximum optimisation of resources, promotes the efficient and responsible use of raw materials and energy at all stages of the process in the different areas of activity. Similarly, it has environmental and energy management systems with which it can take measurements and, based on these, assess and take action, and thus continue to implement measures, if necessary, that allow it to increase energy efficiency and optimise the consumption of resources in production processes.

The following table shows the consumption of the main raw materials and energies used in the group's production processes:

Raw materials	2020	2021
Main raw materials [magnetic sheet, enamelled wire (aluminium), chemical consumables (oil and aluminium strip)]	18,799,458 kg	21,931,032 kg

Consumption	2020	2021
Electricity (kW h)	14,102,510	14,757,126
Natural gas (Nm <sup>3</sup> )	913,609	1,377,993
Diesel A and C consumption (l)	148,967	246,140
Gasoline (l)	34,057	47,997

Electricity kW h	2021
Renewable	11,692,650
Non renewable	3,064,476
<b>Total</b>	<b>14,757,126</b>

### Energy efficiency

The results show a significant reduction in electricity consumption at a general level, taking into account an increase in activity compared with the previous year, mainly associated with the energy efficiency measures put in place and which were extensively analysed and detailed in the audits carried out in 2020. In addition to those mentioned above, more measures have been implemented in this regard, such as the replacement of lighting with LED systems and energy monitoring, among others.

It should also be noted that, in accordance with Royal Decree 56/2016, large companies or groups of companies must undergo an energy audit every four years, covering at least 85 % of the total final energy consumption of all facilities located in the national territory; in 2020 and 2021, **Stratenergy**, **Velatia's** energy services company, carried out an internal energy audit of 100 % of the group's facilities in Spain, proposing solutions to improve energy efficiency throughout the organisation.





## 2.4. Customers

Velatia places customer satisfaction at the centre of its strategy, from the process of listening to their needs to the execution of each project, always seeking to achieve the highest degree of compliance in order to meet their expectations. In this sense, more than a supplier of products and services, **Velatia** seeks to become a true technological partner based on long-term relationships.

The products and services of the companies of the group take into account all the **safety parameters** provided for in the regulations applicable in each case. Should the need arise, customers can make use of a **Claims and Complaints System** adapted to the reality of each company.

**As a result of the commitment to quality, it should be noted that a total of 25 Velatia companies worldwide were ISO 9001 certified by the end of 2021**

Companies with a high volume of complex operations have an incident logging tool that allows them to improve the quality of service and implement corrective actions where necessary.

In addition, all of them regularly monitor the complaints received, identifying the type, status and resolution date of each complaint.

As a result of the commitment to quality, it should be noted that **Velatia's** businesses had a total of 25 ISO 9001 certified companies worldwide by the end of 2021.



## 2.5. Suppliers

**Velatia** undertakes the following commitments with the supply chain, which are set out in the Corporate Social Responsibility and Purchasing policies:

- Extend **social, environmental and occupational** hazard prevention aspects to our supplier companies.
- Establish mutually beneficial relationships and prolonged stability with those companies by rigorously applying the Code of Ethics.
- Respect the principles of **Corporate Social Responsibility** by encouraging our suppliers to comply with human rights requirements and the laws, regulations and standards of the countries in which the group operates.

During 2021, progress continued to be made in these three areas, working towards responsible production and consumption throughout the supply chain.

### Commitment to local suppliers

**Velatia's** activity in the geographical regions where it is present is geared towards creating value for local suppliers, in line with the interests of the businesses. This commitment acquires even greater importance in territories where the group has production plants.

**Velatia** aims to have a direct impact on the local economy through job creation and the payment of wages and taxes, and also to generate positive economic impacts indirectly by supporting local companies through our supply chain.

In this regard, the company regularly monitors the volume of purchases associated with each area, which allows it to keep the proportion of local suppliers within a significant percentage range.

% expenditure on local suppliers	2020	2021
Spain	84 %	81 %
France	97 %	94 %
Germany	60 %	69 %
China	98 %	97 %
Mexico	70 %	93 %
Colombia	47 %	85 %



### Sustainability in the supply chain

Procurement management in the group's companies seeks to add value, both for its businesses and for suppliers, thereby boosting the creation of wealth and employment in local communities.

Aligning the corporate function of procurement with each of **Velatia's** operational departments allows us to determine and apply the best assessment criteria in each procurement or purchasing process, and to always be at the forefront in terms of sustainability, environmental assessment and human rights criteria. Along these lines, companies wishing to form part of the supply chain must undertake the commitments acquired by agreeing to comply with the Code of Ethics, the Purchasing Policy and the ten principles promoted by the United Nations Global Compact.

The supplier approval process primarily involves analysing two main issues: the availability of environmental certifications and compliance with environmental regulations. Both aspects are continually monitored through annual audits.

## 2.6. Society

### Velatia concludes the "Buy Green" project



2021 saw the conclusion of this pilot project, promoted by several Bizkaia-based companies that took on the challenge of procuring sustainable products and services in the running of their businesses. **Velatia** took part in the project alongside leading companies and institutions such as Iberdrola, CIE Automotive, EDP, Vicinay, Euskaltel and the Basque cluster Aclima.

The project involved analysing the environmental criteria of the raw material procurement process, identifying the percentages of incorporation of secondary raw materials and the environmental criteria in cross-company purchases.

The objective by 2020 was to ensure that procurement of half of the products, services and works in sectors prioritised by the relevant public authorities – vehicles, civil works, cleaning, stationery, etc. – favours those with reduced environmental impact.

Since the outset, **Velatia** has maintained a firm commitment to the creation of sustainable value for society as a whole.

In addition to the initiatives that make up its traditional social agenda, further support was added in 2021, reaffirming its desire to contribute to the educational, technological, social, cultural and environmental progress of communities.

The **Velatia** brand is a member of the main associations in the sectors in which it operates, some of which are listed below:

Associations	
AMETIC	Asociación de Empresas de Electrónica, Tecnologías de la Información, Telecomunicaciones y Contenidos Digitales
	Asociación Instituto de Auditores Interno
	Asociación Clúster Marítimo Español
AEFAME	Asociación Empresa Familiar de Euskadi
AERCE	Asociación Española de Profesionales de Compras
APD	Asociación para el Progreso de la Dirección
DIRCOM	Asociación Profesional de Directivos de Comunicación
	Círculo de Empresarios Vascos
EUSKALIT	Fundación Vasca para el Fomento de la Calidad
INNOBASQUE	Agencia Vasca de la Innovación
IEF	Instituto de la Empresa Familiar
IZAITE	Asociación de Empresas Vascas para la Sostenibilidad
	Red Española del Pacto Mundial de Naciones Unidas (Spanish Network of the UN Global Compact)

## Support for training

**Velatia** seeks to bring the company closer to the world of education and for this purpose maintains a close collaborative relationship with various training institutions to promote the development and growth of the local economic fabric. In this sphere, we maintain various agreements, scholarships and internship options.

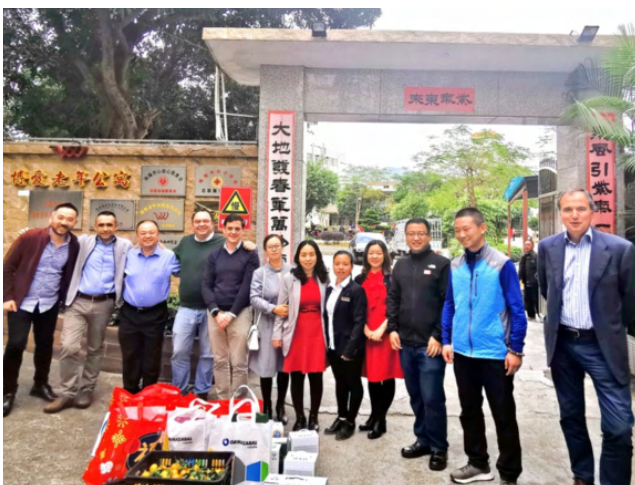
Since 2012, **Velatia** has been a member of the Euskampus Foundation, whose aim is to connect institutions, disciplines and people, co-creating knowledge and solutions for the common good.

## Shared knowledge

A significant part of the **Velatia** president's role involves performing representative functions in associations, foundations and governmental institutions. Likewise, both the president and the members of the Management Committees of **Velatia**, **Ormazabal**, **Ikusi** and other **group's businesses** participate as speakers in various events or forums, essential as drivers of economic and social development, and they provide the organising bodies value in terms of knowledge, experience and support.







Ormazabal Zhuhai employees helping to maintain the local environment.

## Management of social action

Velatia's social agenda is part of a business model that considers both the economic and human dimension of its project as the only way to achieve long-term sustainable profitability that benefits all its stakeholders.

The various partnerships, sponsorships and donations that the group makes **define its own identity** and are a manifestation of its attitude of responsibility towards society in general and local communities in particular.

Velatia has a **Social Action Management Procedure** that allows us to effectively manage our contributions to the community, minimising risks and maximising the reputational opportunities that could arise from these contributions.

The commitments set out in the **Social Action Policy** focus on the following purposes: to contribute to the development of the society in which we operate and/or maintain business relations, promoting innovation in search of a better quality of life for that society and the creation of value for the group. Con tal fin, define tres áreas de actuación:

### Social area

**Training and research:** activities and projects aimed at educating and training people and achieving social progress through training and research.

**Social integration and community development:** activities and projects that seek to contribute to the progress of the community and to the integration of the most disadvantaged social groups.

### Cultural area

Programmes or collaborations aimed at promoting and developing the visual, performing and musical arts that favour their dissemination in society.

### Environmental area

Projects or activities aimed at preserving our environment.



We specify the destination of **Velatia**'s contributions to the entities with which it collaborates on a regular basis (Fine Arts Museum Foundation, Guggenheim Museum Bilbao Foundation, Novia Salcedo Foundation, Unicef and Save the Children), as well as the new support provided this year in areas such as the professional development of women and gender equality, the reuse of computer equipment, environmental initiatives, and giving young people an insight into the metal industry, among others.

#### Social action:



Novia Salcedo Foundation.

#### Project: "Decade of Action for Youth Employment"

The aim of the project is to boost youth employment and meet the targets set out in SDG 8: creation and dissemination of knowledge, communication, awareness raising and presence in society.

This initiative aims to ensure that young people improve their employability and find a decent, quality job that will allow them to pursue their plans and ambitions in life, from both a personal and a career development perspective.

In 2021, **Velatia** joined the **Generation Network of the Novia Salcedo Foundation**, a new initiative that brings together all the concerns of the different actors (civil society, companies, etc.) in pursuit of its founding goal: "to achieve greater employability among the young population".

Of the various projects that have been launched under the umbrella of this network, **Velatia** has actively participated in the "Young Talent for Industry" project, whose main purpose is to increase the employability of young people in the industrial sector, incorporating a paradigm shift in the process that consists in promoting competency-based recruitment instead of qualification-based recruitment.



**Save the Children**

Save the children.

#### Project: "Las palabras que emergen"

"Las palabras que emergen" is a Save the Children project in Mexico that aims to achieve child development in society based on culture and parental involvement.

The project is aimed at rebuilding the social fabric and improving the quality of life in communities with weak social welfare systems and insufficient institutional coverage for strengthening reading and writing skills, as well as mathematics for pre-school children.

In addition, **Velatia** collaborates with other entities in this country (as part of the business strategy), such as the Mexican Red Cross for the purchase of material for its assistance units and the "Food for all" program of the BAMX food bank.



Unicef.

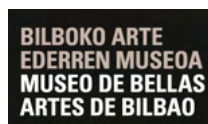
### Project: COVID Emergency in Brazil

In 2021 **Velatia** extended its cooperation with Unicef with the aim of improving the lives of children around the world.

In this regard, its contributions now also include the “**Give Blue for Two**” initiative, which consists of a different kind of gift for a good cause, whose ultimate beneficiaries are the most vulnerable children.

Among the projects that **Velatia** continues to support is the COVID Emergency in Brazil, coordinated by the Spanish committee and Unicef Brazil. The aim of this project is to implement humanitarian measures in vulnerable areas of Brazil in order to, on the one hand, contain the transmission of the coronavirus and guarantee the continuity of essential services and, on the other, mitigate the impact of the pandemic on the most vulnerable children and teenagers. This action seeks to have a positive impact on the prevention, early detection and control of the disease, as well as to reduce the adverse consequences it may have on the lives of children and adolescents, in the short, medium and long term.

### Cultural action



#### Bilbao Museum of Fine Arts

**Velatia** seeks to contribute to the development of the museum in its mission to assemble, preserve, study and disseminate its collection of ancient, modern and contemporary art, ensuring its enrichment, maintaining its services and promoting quality activities. In this way, it actively participates in the projection of the cultural values of the Basque Country and, ultimately, education through art.

### GUGGENHEIM BILBAO

#### Guggenheim Museum Bilbao

Since its inauguration in 1997, the Guggenheim Museum Bilbao has been an international artistic reference point and a symbol of the economic vitality of a people. Values that **Velatia** shares and supports with a commitment to actively collaborate with the activities organised by the museum.



Bilboko Koral Elkartea  
Sociedad Coral de Bilbao

#### Eskolan Kantari – Choral Society of Bilbao

The aim of this project is to create an intercultural scene with the voices of the young choir singers of Eskolan Kantari, giving them a chance to participate in performances by the highly renowned Bilbao Choral Society. In this way, **Velatia** wants to help spread musical education in society as well as the cultural values of the Basque Country.

As a result of this project, 10 schools receive weekly choir singing lessons given by the teachers of the choral society.

## New support initiatives

### Supporting women's professional development and gender equality

**Velatia** added new initiatives to its social action in 2021, such as the collaboration with PWN (Professional Women's Network), an international movement that seeks to promote women's professional careers and gender equality in companies. Specifically, it is supporting the "**Men on Board**" initiative, which is a call to men to achieve gender-balanced leadership at all levels of society, favouring a work-life balance based on gender equality and co-responsibility.

The aim of this project is to address the gender gaps that have increased with the pandemic, which has particularly affected women.

### Support for investments with an environmental or social objective

**Velatia** has signed an agreement with the insurance company QBE as part of the "Premiums4Good" project, whereby it undertakes to contribute 25 % of the QBE insurance premium to investments with a social or environmental impact. For example, in the Asian Development Bank Gender or Thematic Bonds.

### Activities in China

Throughout the year, the staff of **Ormazabal's** production centre in the Chinese city of Zhuhai carried out various activities in favour of the local community such as helping to clean the streets and public spaces in the area where the factory is located, donating 400 COVID protection suits to the Fengshan sub-district office, and sponsoring a charity event for children with autism.

### Donation of computer equipment

As part of its commitment to the circular economy and the environmental and social management of resources, in 2021 **Velatia** collaborated with the OECD Foundation (Organisation for Economic Co-operation and Development) by donating disused computer equipment to be upgraded and given a second life. This equipment will go to educational centres or initiatives lacking resources, thus helping to narrow the digital divide.

Two robots were also donated, one to the Urritxe training centre in Amorebieta and the other to the Bidebieta training centre in Basauri, both in Bizkaia, so that final-year vocational training students can assemble a robotic cell with the support of an expert collaborator. In addition to the robots, logistical support was also offered to ensure that the project reaches a successful conclusion.

### Tree planting

Finally, it is worth mentioning the climate actions promoted by some of the group's companies, such as **Ormazabal**, consisting of planting trees in their immediate surroundings.



**Velatia participates in Industria Erronka, an initiative designed to give young people an insight into the metal industry**

**Velatia** collaborates with Industry Day in Bizkaia (Industria Erronka), an initiative organised by the Biscayan Federation of Metal Companies (FVEM) of which it is a member, whose objective is to bring this sector -the most important in Bizkaia- closer to those who are destined to lead the future: the youth of today. It is an excellent opportunity to raise awareness of the opportunities offered by metalworking companies, to encourage the incorporation of women, and to show the strength and value of Bizkaia's industry. FVEM brings together more than 900 companies and industrial groups, including **Velatia**.

## Contribution to society

**Velatia** is committed to strict compliance with current legislation in this area and the associated internal reporting requirements.

The following tables show the economic contribution to society as a result of the activity carried out in 2021 taking into account the economic value generated, the economic value distributed and, as a result of the difference between these two items, the economic value retained.

### (A) ECONOMIC VALUE GENERATED

Income	2020	2021
Sales figure	641,878	736,458
Other operating income	5,876	5,480
Financial revenue	979	1,589
Equity method profit	-1,581	2,580
<b>TOTAL</b>	<b>647,152</b>	<b>746,107</b>

### (B) ECONOMIC VALUE DISTRIBUTED

	2020	2021
Consumption and work carried out	-383,340	-414,717
Other operating costs	-99,048	-101,996
Staff costs	-160,62	-174,168
Financial expenses	-6,244	-6,516
Corporate taxes	-8,106	-5,386
<b>TOTAL</b>	<b>-657,100</b>	<b>-702,783</b>

### ECONOMIC VALUE RETAINED (A - B)

	2020	2021
	-11,148	43,324



## Profits earned by country

Velatia's ultimate goal is to generate confidence and distribute value in the national and international market through responsible action, particularly in the tax field. The significant information on pre-tax earnings is presented below country by country, divided into the main geographical areas where the group operates.

### PRE-TAX EARNINGS

Geographical area/country	2020	2021
Spain	-14,692	1,787
Germany	-9,524	-3,341
France	-1,489	9,661
Brazil	5,280	7,437
Western Europe	-271	639
North America and Central America	965	3,174
South America	-1,294	958
Asia & Oceania	-486	488
Africa	-43	-1
<b>TOTAL</b>	<b>-21,554</b>	<b>20,802</b>

## Fiscal responsibility

**Velatia** has a fiscal policy, approved by the Board of Directors on 28 July 2016, which sets out the **basic principles of ethical conduct, good governance and transparency** that must be followed in tax matters.

The strategy in this regard places the emphasis on ensuring compliance with applicable tax legislation as well as adequate coordination of tax policy. All of this within the framework of making a significant contribution to society and supporting the group's long-term business strategy, avoiding risks and inefficiencies that could arise in this respect in the execution of business decisions.

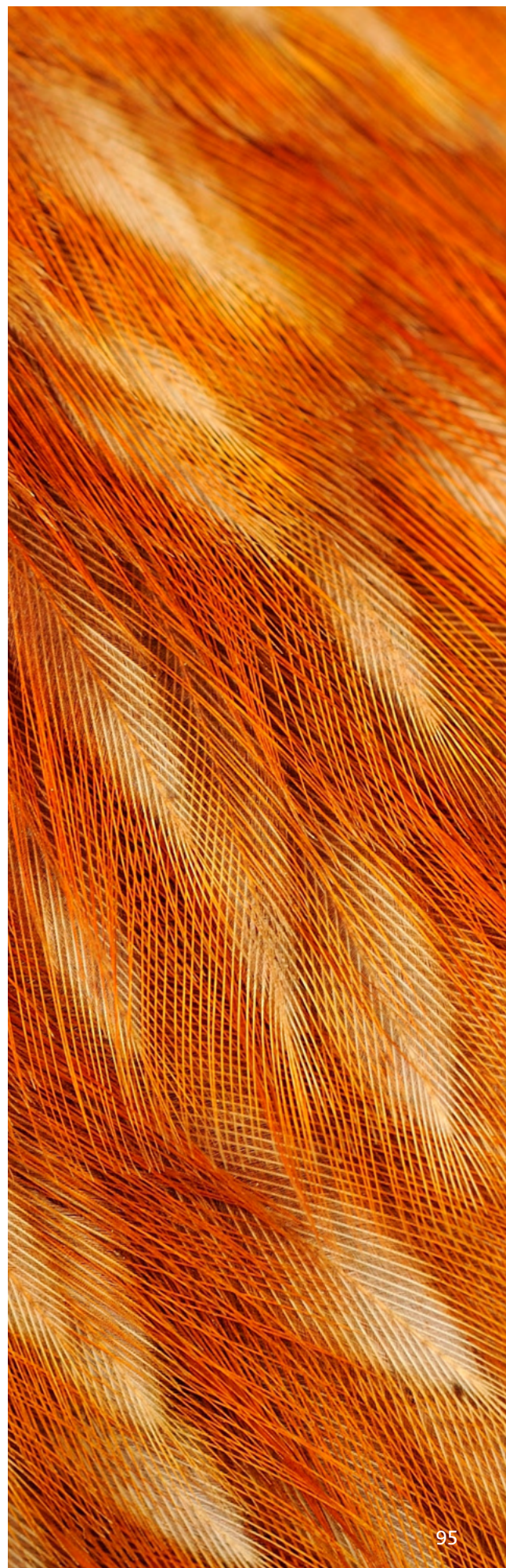
Likewise, **Velatia's** tax policy includes a commitment to good tax practices applicable to the entire organisation.

## Profit taxes paid

As indicated in the Cash Flow Statement of **Velatia's** Consolidated Annual Accounts, 575,000 euros in profit taxes were paid in financial year 2021 (274,000 euros were paid in 2020).

## Grants

**Velatia** has the support of public bodies through grants for innovation and development projects. Information relating to grants received has been included in the Consolidated Annual Accounts of **Velatia** and Dependent Companies (Note 15.2) for the year ended 31 December 2021.

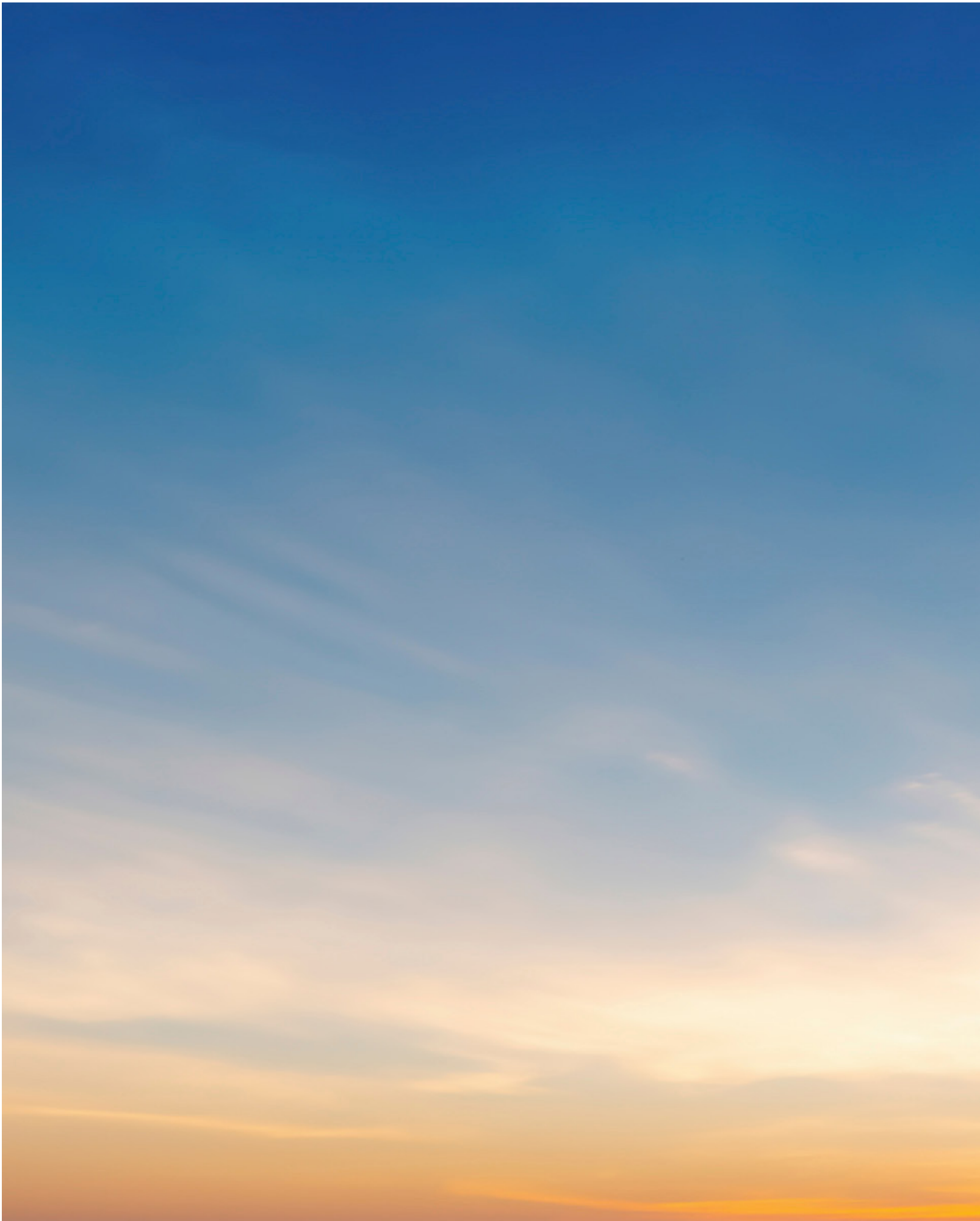








Be smart.  
Be Ormazabal







Be Ormazabal.  
Be sustainable



We are part of the solution  
in the transition to a more  
sustainable future

“We work, together with our customers, on solutions  
for the transition to a sustainable future”

# 1. About Ormazabal





**Ormazabal** is a global company with expertise in customised, reliable and high-tech solutions for electrical infrastructure, with more than 50 years of experience.

Since the outset, its proven innovative capacity and spirit of internationalisation have allowed it to position its technology worldwide and consolidate its position as one of the leading companies in the sector.

The generation of electricity from renewable sources, as well as electricity grids, and increasingly electrified consumption are key to the energy transformation process leading to a decarbonised, more sustainable and environmentally friendly future for the economy. Ormazabal is taking on this great challenge together with leading global companies in the electricity sector. Putting our faith in the value of strength in numbers. Being part of the solution.

## 1.1. Purpose, mission, vision and values

### Purpose

To lead the technological evolution of electricity networks in order to enable the **energy transition**.

### Mission

To provide **customised, reliable** and **high-tech solutions** for electrical infrastructure, backed by proven experience and an excellent standard of service.

### Vision

To be the **benchmark** for customers in the **innovation** of their electrical networks.

### Values

**Ormazabal**, as part of **Velatia**, shares these five values strongly rooted in the group's culture:

- **Flexibility:** willingness to understand different options and adapt to different situations.
- **Leadership:** showing a will to succeed in day-to-day activity that can serve as an example and motivation for others.
- **Innovation:** dynamic attitude to create and anticipate new and successful processes, products and/or services.
- **Pragmatism:** efficient results orientation.
- **Support:** willingness to offer and request help in order to develop people and achieve goals.

### "Technology for your sustainable grid"

This corporate slogan is a declaration of intent that reinforces the Corporate Social Responsibility strategy and the value proposition of the **Ormazabal** brand.

## 1.2. Ormazabal business

**Ormazabal's** main business segments are:

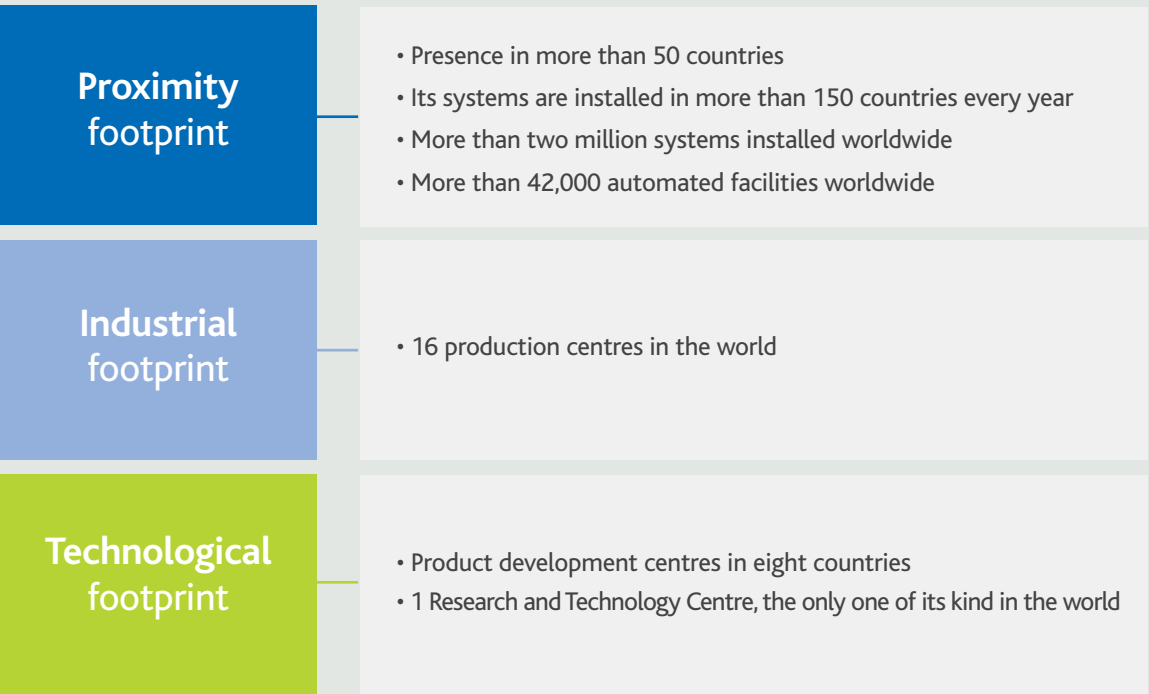
- Public distribution.
- Integration of renewable energy generation.
- Electricity end-users: infrastructure, industry and tertiary sector.



### 1.3. Ormazabal in figures

**Ormazabal** has a strong international presence with 16 production centres in different geographical areas and the capacity to operate in more than 50 countries through subsidiaries and distributors. This allows the company to be close to its customers and to adapt to the characteristics of local markets in order to be able to respond quickly and personally to their needs. Because, beyond the walls of the factories and offices, there is a workforce of more than 2,400 highly qualified people who believe in the importance of a job well done.

#### Leaving a positive footprint on the planet



Foundation

**1967**  
year

Experience

**+ 50**  
years

People

**2,444**  
employees

Global presence

**+ 50**  
countries

Commercial offices

**15**  
countries

Production centres

**16**  
worldwide

Research and Technology Centre

**1**  
unique in the world



## 1.4. Summary of the year

### The year in review

#### Ormazabal's growth surpasses forecasts and the industry average

In a scenario fraught with great difficulties, **Ormazabal** managed to close the year having far surpassed its growth and profitability objectives, not to mention the industry average.

In figures, the company managed to increase its turnover by **more than 15 % to 543 million euros** and doubled its profit with a **profitability of 6.9 %**. And all this despite mobility problems, unforeseen events such as the considerable increases in raw material costs and the consequences of the global supply crisis, which have had, as expected, a significant impact on the accounts. In this context, therefore, in order to achieve this substantial improvement in results, it has been vital, together with the increase in turnover, to keep a tight rein on overheads.

The progress made is not only related to the improvement in the performance of its activity but also to its strategic and competitive position as a result of the enormous effort made by the entire workforce. During 2021, the company managed to cope with the huge increase in demand (over 30 %) while carrying out the reconfiguration of the supply chain that will be a vector of competitiveness in the coming years.

Likewise, the innovation efforts of the last five years -with a 25 % increase in R&D&I investment- are bearing fruit. Examples include the digitalisation of all products and the major advances in alternatives to SF6. **Ormazabal's** performance in innovation allows it to envisage a near future in which its advantage over its competitors will not only remain but even grow.

## One third of sales in the year were new products

2021 confirmed that the major underlying trends identified in the analysis process prior to the strategic plan for the period 2021-2023 remain fully in place. Decarbonisation of the economy is unstoppable and, in Europe in particular, the Next Generation funds will accelerate the changes that have been announced. This will further expand the size of traditional markets for all energy businesses, such as the digitalisation of electricity grids, investments in renewable energy generation sources or electric vehicles. It will also drive new segments of opportunity, such as green hydrogen or large-scale electricity storage.

Projects carried out during the year, such as a local smart grid station for the German operator Westfalen Wesser, whose network **Ormazabal** is helping to automate; a large hybrid wind-solar project in Australia; the first public green hydrogen charging station in Spain; and a charging superhub for electric vehicles in Oxford, which is set to be one of the largest infrastructures of its kind in Europe. These are just a sample of **Ormazabal's** capacity to take advantage of all the opportunities that lie ahead and for which it is preparing.

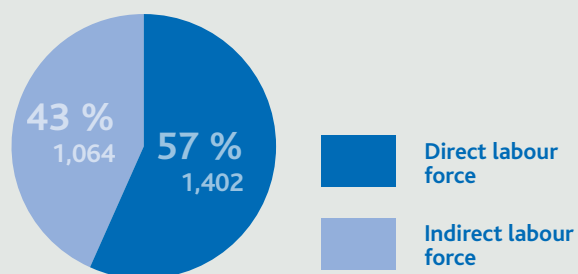
In relation to the commitment to talent management, two significant milestones should be mentioned: one is the launch of the "**Advanced**" training certificate aimed at the commercial networks promoted by Ormazabal Learning Center, and the other is the implementation of a mentoring program (**Ormazabal Mentoring Experience**) to accelerate the integration and development of the talent of people within the company.

In 2022 **Ormazabal** will continue to do its utmost to offer its customers the most advanced technological solutions, facing up to the uncertain scenario in which the markets are moving in the way it knows best: focused on strategy and working in alignment. The results bear this out.

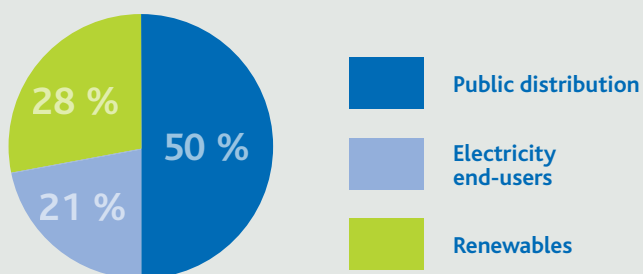
## Evolution of turnover

	2020	2021
(millions of euros)	<b>472</b> MILLION	<b>543</b> MILLION
<b>EBITDA</b> (% of turnover)	<b>7.40 %</b>	<b>8.63 %</b>
<b>EBT</b> (% of turnover)	<b>3.80 %</b>	<b>6.90 %</b>

## STAFF 2021



## DISTRIBUTION OF SALES 2021





## Ormazabal milestones

### Smart local network station / Germany

Project for **Westfalen Weser** with which **Ormazabal** takes a decisive step in its aim to accompany this important German distribution network operator in the automation of its network.

**Ormazabal** was responsible for the supply and configuration of the medium voltage equipment for the pilot project of a local network station that can be remotely controlled. Following this initial success, a further 28 stations produced by **Ormazabal** and equipped with Telecontrol technology are now operating online.



### Hybrid wind-solar project for Iberdrola / Australia

This developer is relying on **Ormazabal** for its first large renewable project in Australia. The project, located in Port Augusta, South Australia, is Iberdrola's first hybrid wind-solar plant in the world and also **Ormazabal's** first primary substation in Australia. The facility will combine 210 MW of wind power with 107 MW of photovoltaic and will generate enough clean energy to meet the annual demand of 180,000 homes.



### Supply of 800 photovoltaic systems / South East Asia, Australia, Europe, Africa and the Americas

In 2021, **Ormazabal** was awarded an important contract by two major technology groups in the photovoltaic sector for the supply of 800 medium voltage units with the capacity to generate a total of 3 GW of energy. The equipment supplied consists of the most advanced technology in protection, automation and communication systems to meet the specific needs of photovoltaic plants.





#### First public green hydrogen station / Spain

Ormazabal's strategic commitment to sustainability has led to its participation in the implementation of Iberdrola's first hydrogen plant in Spain, which will provide a hydrogen refuelling service for buses belonging to the Barcelona Metropolitan Transport Company (TMB), and which may be extended to other potential consumers in the future. A project of great singularity due to the high level of digitalisation involved. One more example of Ormazabal's constant efforts in technological and digital evolution, together with leading companies such as Iberdrola, to make the energy transition possible.



#### Electric vehicle charging superhub / United Kingdom

Project consisting of the supply of substations for an electric vehicle charging superhub in Oxford, the largest infrastructure of its kind in the UK and the most powerful in Europe.

Ormazabal is Powersystems UK's technology partner for the design, manufacture and supply of the distribution substations for Energy Superhub Oxford, a consortium of business, public and academic organisations. This is a pioneering project that combines several innovative technologies to reduce carbon emissions and clean the air in the streets of Oxford.



#### More than 100 hubs for ultra-fast charging stations / France

In 2021, Ormazabal went past the one hundred mark in connection centres installed in France and contracted by one of the most important recharging operators in Europe. With this important milestone, the number of ultra-fast charging stations (with a capacity of 1,250 kVA or more) installed for this operator throughout Europe now exceeds 150.

### Mexico City metro solution / Mexico

In early 2021, the Mexico City metro suffered a massive fire that severely damaged the control centre as well as the electrical substation that powered several of its lines. Thanks to the substation installed by **Ormazabal**, the power supply was restored in record time. The Federal Electricity Commission thanked the company for its rapid response and its full support both in engineering works and supplies.



### Solution for Iberdrola's mobile substations / Spain

**Ormazabal** reached a new milestone with the delivery of an innovative turnkey engineering solution designed to equip two compact mobile substations. The proposal provides Iberdrola with mobile equipment that is quick to install, eliminating additional transport time and costs, and whose commissioning is carried out in far less time than other conventional solutions on the market. All of this meets the customer's most stringent quality standards.



### Grand Paris Express Project / France

The "Grand Paris Express" project is the largest urban project in Europe and is part of an economic development plan for the Ile-de-France region (Paris region) which aims to respond to transport needs and local economic and social developments.

**Ormazabal** is participating with the supply of medium voltage switchgear including cgmcosmos gas insulation systems. All the connection centres will be for to the railway traction part of a new line scheduled to be commissioned in 2025.







### Ormazabal Learning Center launches Advanced

In 2021 Ormazabal launched a new advanced training certificate aimed at the company's sales network, for which a total of 260 people had registered by 31 December.



### Ormazabal Mentoring Experience

2021 saw the advent of the mentoring activity with 26 participants from different organisations, the aim of which is, on the one hand, to accelerate the integration of new recruits with potential and, on the other, to promote the development of those who already have a track record in the company.

## Participation in industry activities

**Ormazabal** presented its solutions for the sustainable and digital electricity grid during **CIRE** 2021, the International Conference and Exhibition on Electricity Distribution held on-line from 21 to 23 September. In addition to sharing its virtual stand, company executives participated in some of the talks.

Likewise, from 30 November to 2 December, **Ormazabal** presented its innovations for the digitalisation of grids at the **Enlit Europe 2021** congress, which returned to the in-person format. This forum addressed all aspects of the energy transition in Europe with the participation of leading national and international exhibitors.

In terms of sponsorship, it is worth mentioning the backing of the main event of the European electricity industry, **Eu-relectric Power Summit 2021**, which took place online on 25-28 May. The closing day brought together policy makers and senior executives involved in Europe's high-power re-charging infrastructure to promote an in-depth public debate on strategic policy issues such as this. Attendees included Jesús López, Head of Fast Charging Deployment for Smart Mobility at Iberdrola, Ismael Ertug, Member of the European Parliament, Christopher Burghardt, President of Charge Up Europe, Alexander Junge, Director of Electrification BP Europe SE, and Elena Rodríguez, Head of Electric Mobility at **Ormazabal**, who acted as coordinator.

The second sponsorship worth highlighting is the **3rd Aelec Congress** which, under the title "**Connecting the future**", focused on electrification as a lever for economic recovery and brought together the leading voices in the sector from Spain and the rest of Europe.

Throughout the year, the Marketing Department also organised various webinars, including "Automation of pedestal disconnectors" (Mexico), "RES Generation LCOE" and "Protection, control and automation. Integrated units", among others.







Arantxa Tapia, Basque Government Minister for Economic Development, Sustainability and Environment, presents the "A de oro" award to Iratxe Madariaga, Director of Management Systems at Ormazabal.

## Awards and recognitions

### "A de Oro" and "A de Bronce" Awards

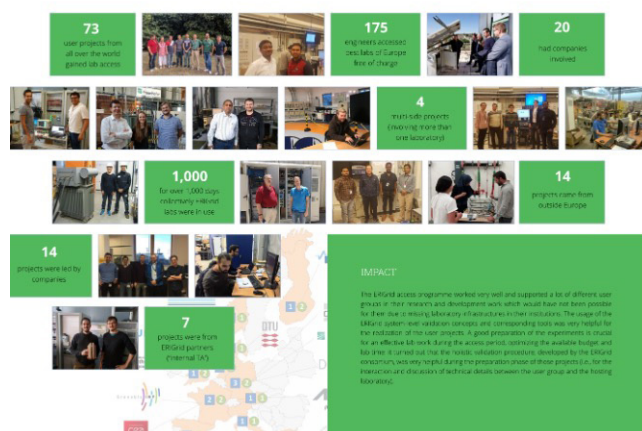
#### In recognition of Ormazabal's excellence in management

Ormazabal uses the Euskalit Advanced Management Model as a benchmark for evaluating and improving its management system, which in 2017 earned it the Gold A award in the Industry category. In 2021, the secondary division was once again awarded the "A de Oro", this time in the Customer category. The primary division received the **A de Bronce** award. Both awards once again demonstrated the company's commitment to continuous management improvement.

Euskalit, the Basque Foundation for Quality, bases its Advanced Management Model on the European system of excellence EFQM (European Foundation for Quality Management).

### Iberdrola special mention at the RETO Awards

As part of the annual Iberdrola RETO Conference, the electricity company recognised the work of the companies that altruistically collaborated in obtaining and transporting essential health and protection material during the most critical moments of the pandemic. Ormazabal received a special mention for its help in importing high-tech respirators. The president of Velatia, Javier Ormazabal, received the award during the ceremony held to coincide with the inauguration of the Innovation and Training Campus organised by Iberdrola in Madrid and attended by Their Majesties the King and Queen of Spain.



## 1.5. Governance

### Governing bodies

As part of **Velatia**, **Ormazabal** is governed by the group's highest governing body, the Board of Directors, whose regulatory framework is laid down in the Articles of Association, the Rules of Procedure of the Shareholders' Meeting, the Rules of Procedure of the Board of Directors, the various Rules of Procedure of the Board Committees, and the Code of Ethics.

In 2020, the **Ormazabal Committee** was set up within the Board of Directors, comprising five members and given a fundamentally advisory role strictly within the scope of the business. As such, it acts as a means of support, providing collaboration and advice.

Notwithstanding any other tasks that the Board of Directors of **Velatia** may assign to it, this committee performs the following duties: analysing **Ormazabal's** results and the work of the management team; proposing the strategic plan and monitoring its execution; monitoring budget management; proposing to the Board the most important decisions on investments (sale of assets, mergers, etc.); assessing and proposing the authorisation of strategic partnerships; implementing mechanisms to obtain the most accurate information on all areas of the company; proposing the remuneration policy to **Velatia's** Appointments and Remuneration Committee; any other objective that helps the company achieve its purposes; and, lastly, gathering information, preparing presentations, etc., as and when requested by the Board.

#### Ormazabal Advisory Council

##### CHAIRMAN

Mr. Javier Ormazabal Echevarria

##### MEMBERS

Mr. Alejandro Ormazabal Echevarria

Mr. Hipólito Suárez Gutiérrez

Mr. Luis Atienza Serna

Mr. Jorge González Somavilla

##### SECRETARY (non-member)

Mr. Alex Otaegui Furriel



## 1.6. Risk management

**Ormazabal** constantly monitors the evolution of risks that could jeopardise the fulfilment of its objectives and plans for the future. As a result of a process of strategic reflection, the company has identified, assessed and prioritised these threats and has divided them into four categories, assigning to each of them the corresponding measures aimed at mitigating their impact:

- Strategic risks.
- Operational risks.
- Compliance risks.
- Information risks.

In financial year 2021, two new risks were added to the list, both of which have a great potential impact on the company's business: one is related to the rise in raw material prices and the other to global supply chain problems and their impact on companies. These threats are likely to continue over time, which is why the company has included in its management plan for 2022 a new strategic project aimed at closely monitoring these threats and reducing their possible effects, in order to monitor them adequately.

The most immediate risks, prioritised for monitoring and management purposes, are as follows:

2021 Risk
Product commoditisation
Innovation and new products
Flexibility in manufacturing
Prescribing capability
Sales force
Attracting and retaining talent
Sustainability and renewable energies
Partnerships and/or takeovers
Resources for growth
Exchange rate
Commodity price trends
Operational planning of the supply chain

## 1.7. Sustainability

### Identifying stakeholders

Aware that the delimitation and cataloguing of stakeholders is a fundamental task for an organisation, **Ormazabal** carries out analysis and monitoring to ensure that all relevant stakeholders are being considered.

The following perspectives are taken into consideration in the process of identifying these groups:

- **Proximity:** groups that interact closely with the company, including internal stakeholders.
- **Influence:** those who influence (or could influence) the performance of the company's activity.
- **Liability:** those with legal obligations.
- **Dependence:** groups that depend on the activity of the company.

These stakeholders are prioritised according to two variables:

- **Influence:** whether they can have an impact on the company or whether a stakeholder is strategic for decision-making purposes.
- **Dependence:** whether they are directly or indirectly dependent on the company's activity, on its products and services or on its functions.

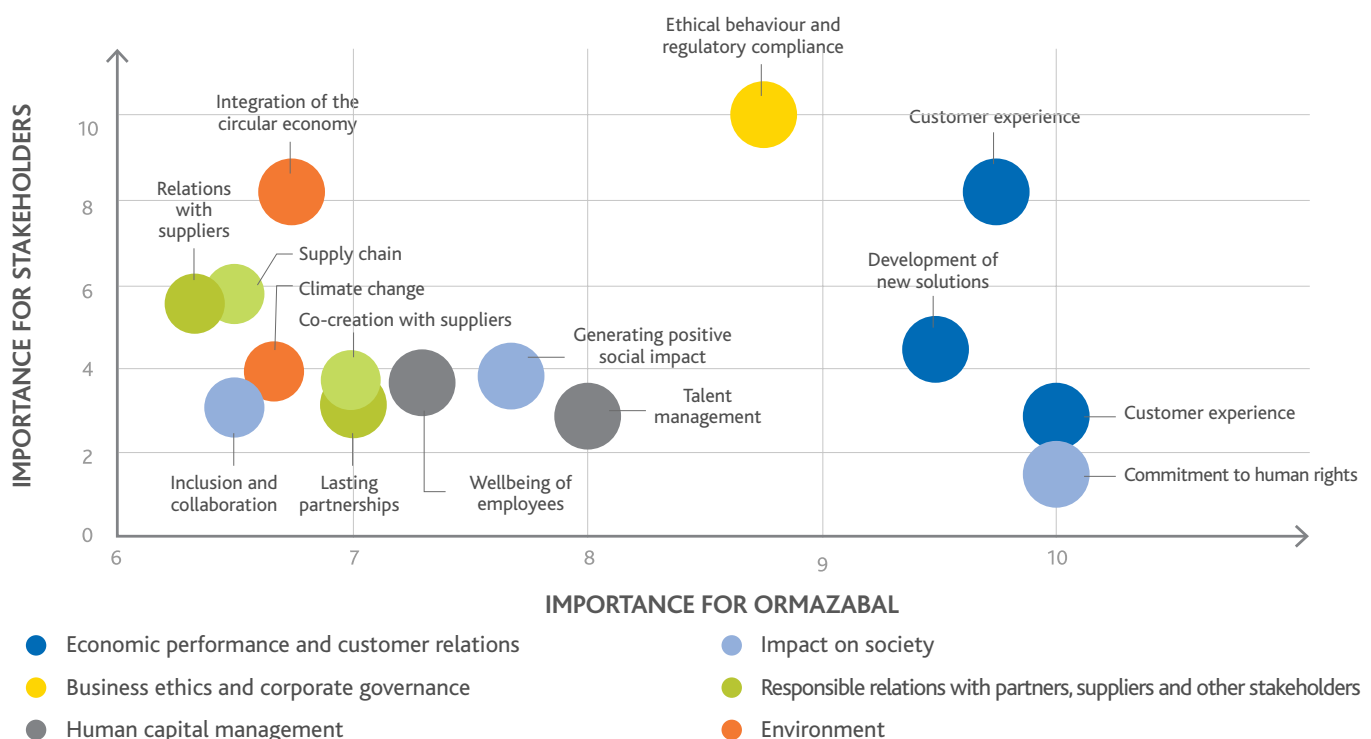
### Identifying relevant issues

During financial year 2020, **Ormazabal** maintained a constant dialogue with its stakeholders through the usual communication channels and procedures to identify the issues considered relevant in relation to sustainability.

The materiality study, which is the basis for determining **Ormazabal's** strategic priorities in this field, took into account the following elements:

- Analysis of the expectations of the different stakeholders.
- Analysis of competitors' best practices.
- Analysis of regulatory trends in the energy environment and in sustainability that may affect the company's activity now or in the future.
- Review of projects pending from the previous strategic plan.

The following **materiality matrix** is obtained from the cross analysis between the "importance for the business strategy" variable and the "priority for stakeholders in each of the issues considered relevant" variable:







## Lines of action, ambitions and commitments

Based on this matrix, **Ormazabal** has determined what objectives it wants to achieve, what commitments it will make and what lines of action it will establish to achieve them. There are six basic lines of action:

### 1. Ethics and corporate governance

Complying with the code of ethics and policies that establish the operating principles. Strengthening its commitment to good governance, ethics, integrity and transparency; considered important by stakeholders and an essential foundation for building trust and long-term commitment between the two parties.

#### Ambition:

- **Integrity** of behaviour.
- **Excellence** in management.
- Inclusive **dialogue** and **trust** with stakeholders.

### 2. Human capital management

Putting faith in people, promoting their development and diversity. Ensuring equal opportunities in order to be a diverse and inclusive company.

#### Ambition:

- To have people who are **aware of** and committed to sustainability.
- To ensure equal opportunities to make **Ormazabal** a **diverse and inclusive company**, with a culture that allows work-life balance and **flexibility**.
- To achieve a **fair pay system** that also takes into account social and environmental achievements.
- To be a benchmark in level of **employee satisfaction**.
- To ensure **safety** and **minimise accidents**, especially those with causes attributable to the company.



### 3. Environment

Reducing resource consumption in carrying out activities, as well as contribute to the energy transition and the fight against climate change through its products and services.

#### Ambition:

To be an environmentally committed group that stays ahead of the curve on regulatory compliance, uses clean energy and efficient processes, and contributes to decarbonisation by installing products that make the grid more efficient.

### 4. Impact on society

Balancing the development of the business with the interests of the community where the group operates, generating a positive social impact by creating jobs, developing the local economy, collaborating with educational institutions, paying taxes and distributing the value generated.

#### Ambition:

- To be perceived as **creators of wealth and employment** at local level, supporting young people through training and, also, the most disadvantaged in society, in line with business interests.
- To ensure compliance with **human rights** in all its activities in all locations.
- To be an **active part** of society, contributing its knowledge for sound regulatory development.

### 5. Economic performance and customer relations

Encourage innovation in products and services to improve and boost growth, both of the company and of the community it forms part of.

#### Ambition:

- To promote **technological innovation** as a lever for transformation towards more sustainable business models.
- To be a **benchmark** in the provision of services, driven by the search for new solutions in the **company**.

### 6. Partnerships and responsible relations with partners and suppliers

Promote responsible partnerships to build networks of shared value.

#### Ambition:

- To **promote sustainability** among partners and suppliers.
- To be and to have **trusted partners**.



## 1.8. Sustainable Development Goals

**Ormazabal focuses its SDG efforts on ensuring access to affordable, reliable and sustainable energy for all people, wherever they live**

Ormazabal's strategy focuses on addressing the complexity of the challenges defined by the Sustainable Development Goals with innovative responses and positive impacts in areas such as energy transition, digitisation, cities and transport, among others.

Of the SDGs prioritised by Velatia, Ormazabal focuses its efforts and contribution on SDG 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all people, wherever they live.



The goal of SDG 7 is expanding infrastructure and improving technology for clean energy in all developing countries, as a crucial goal of the 2030 Agenda that can stimulate growth and at the same time help the environment.

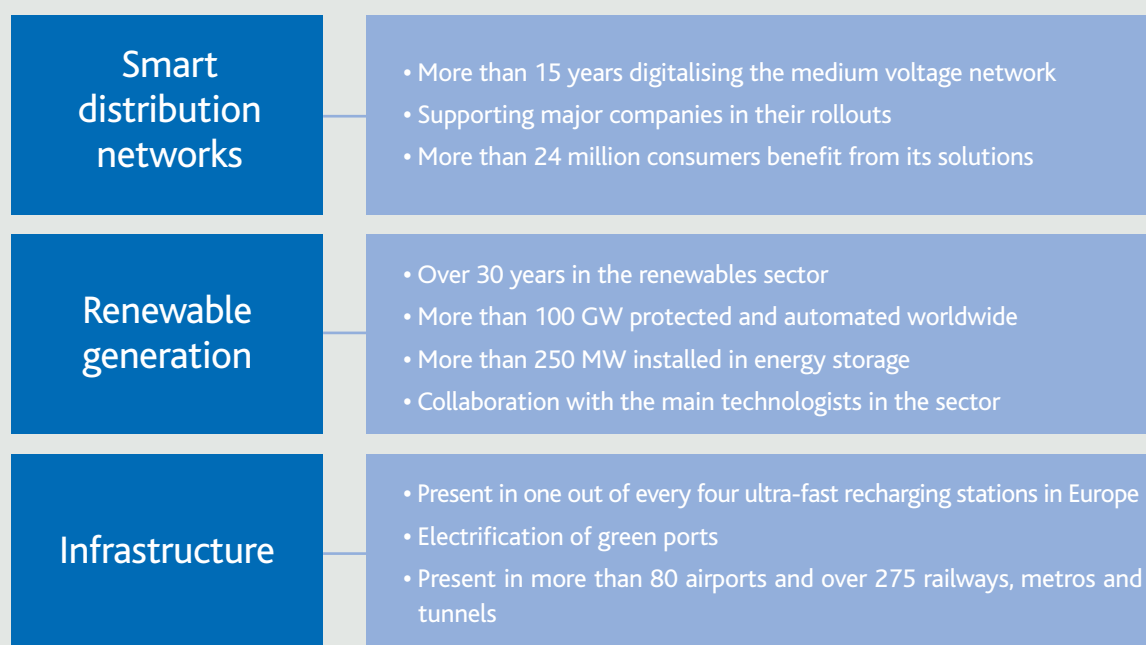
### Identified targets:

**Target 7.1:** Ensure universal access to affordable, reliable and modern energy services.

**Target 7.2:** Increase substantially the share of renewable energy in the global energy mix.

**Target 7.3:** Double the global rate of improvement in energy efficiency.

## CONTRIBUTION TO THE SDGS



**Ormazabal** helps ensure efficient access to energy through its processes and businesses, also increasing the percentage of renewable energy generated, favouring the energy transition and providing value in the fight against climate change. In this regard:

- It works to ensure that its **facilities** are environmentally **responsible**. To this end, during 2021 it carried out an in-depth analysis of the energy performance of its buildings in Spain with a view to improving their efficiency.
- It purchases **energy from 100 %** certified **sources** for its centres in Spain.
- It **minimises** all waste by facilitating recycling and incorporating **eco-design** into its products.

The alignment of its Strategic Plan (2021-2023) with the Sustainable Development Goals highlights **Ormazabal's** commitment to the future of the business, the environment and society.

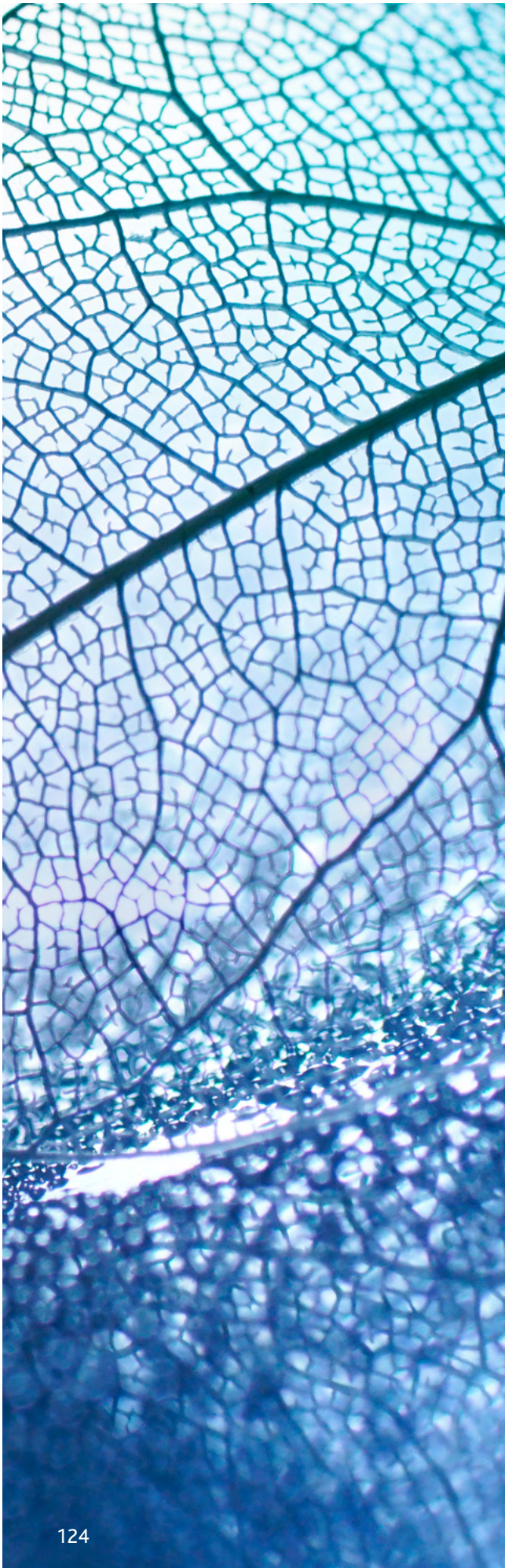




2.

Ormazabal  
commitments





## 2.1. People

At the end of 2021, **Ormazabal**'s diverse and singular team was made up of 2,344 people, most of whom are located in Europe (86 %), mainly in Spain (76 %), with the remaining 24 % spread across the other continents. 82 % of the staff are men and 18 % women, and 75 % of the total are aged between 26 and 51, a young profile with extensive proven experience.

## Employment

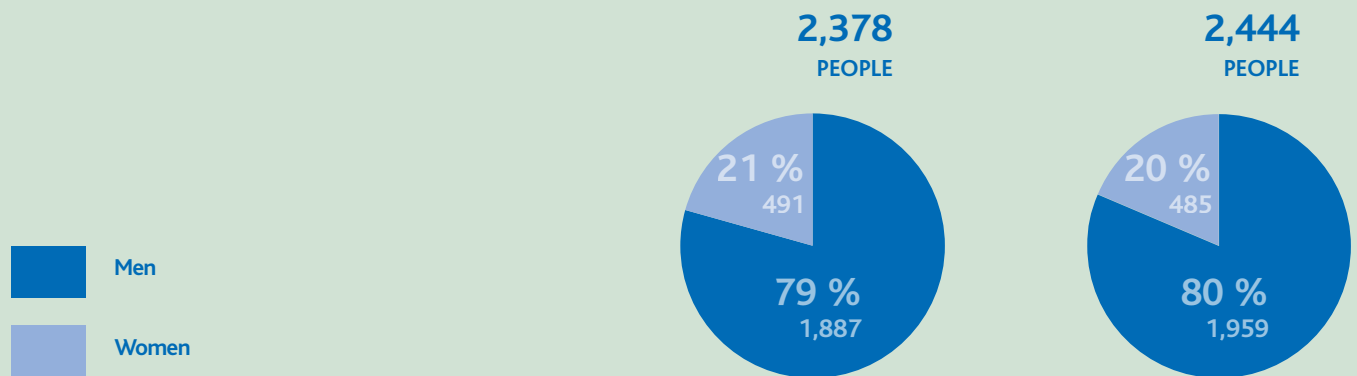
**Ormazabal** considers talent attraction and management to be two crucial factors for successfully tackling the major challenges it faces. As a result of the activity carried out, in 2021 the workforce remained at similar levels to the previous year.

## Distribution of staff

BY GENDER

2020

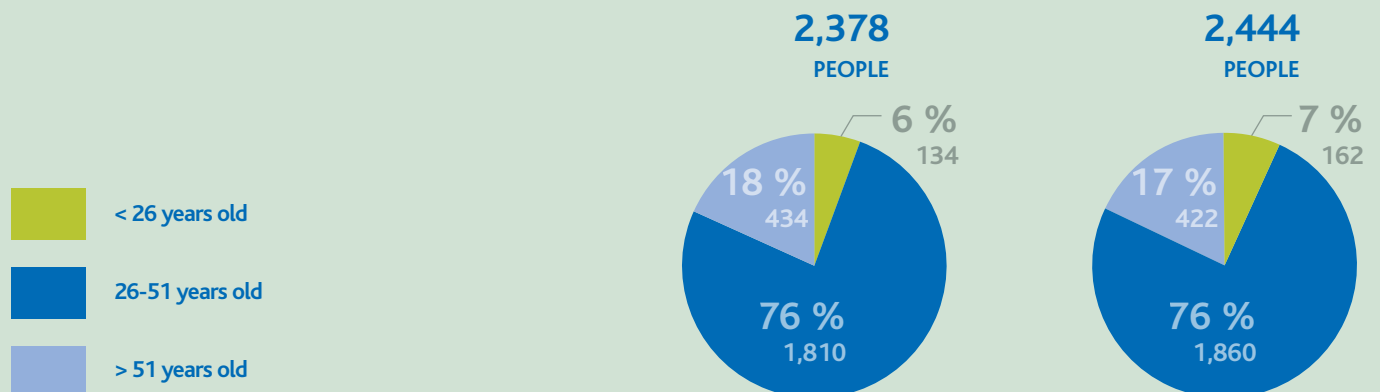
2021



BY AGE

2020

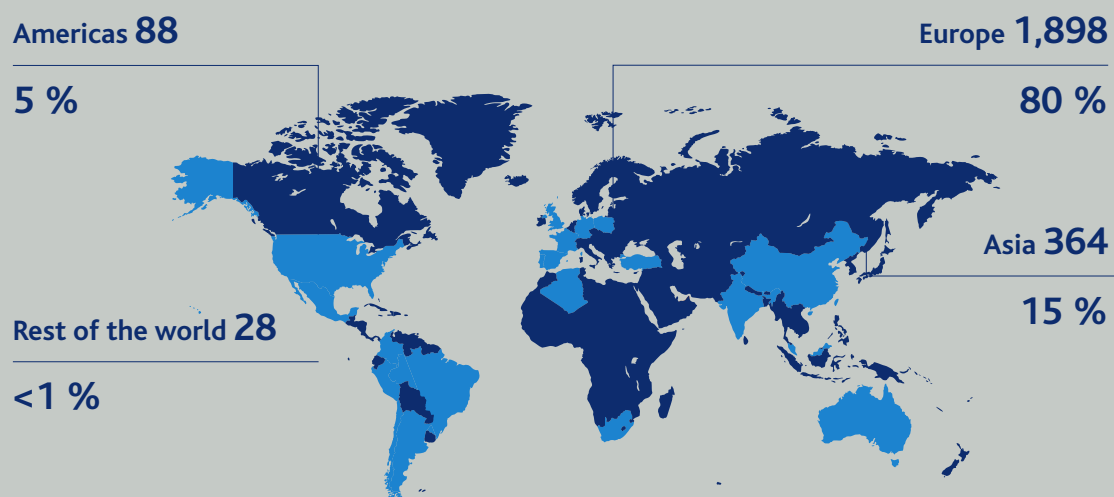
2021



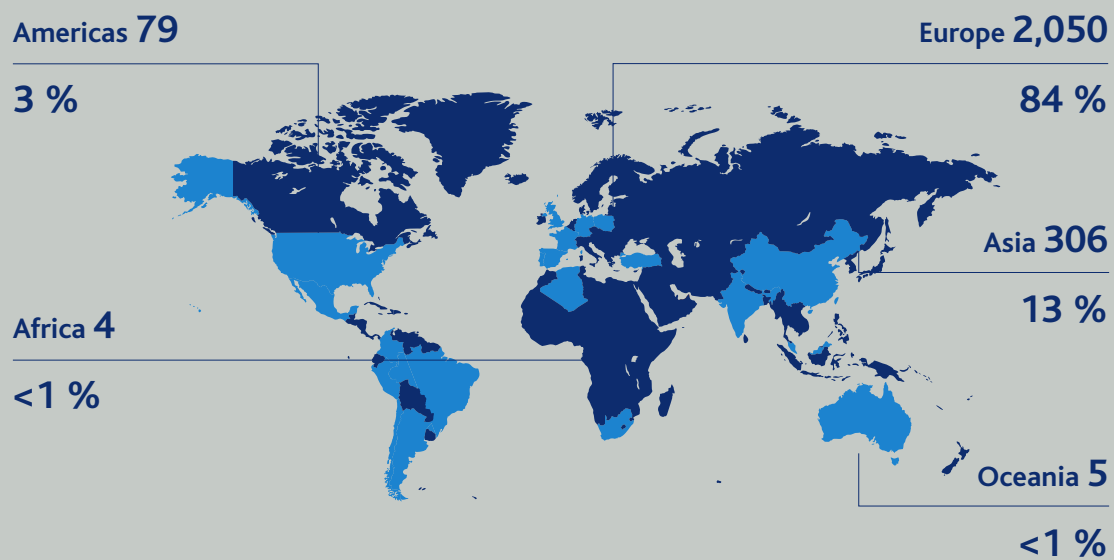
## Distribution of staff

BY CONTINENT

2020- 2,378 people



2021- 2,444 people

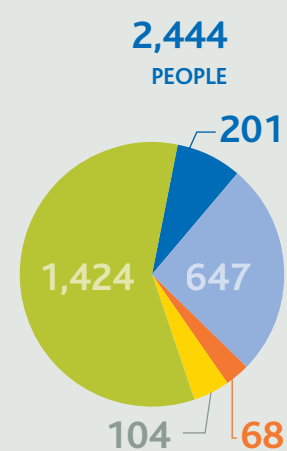
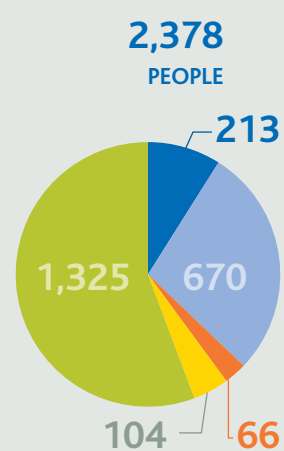


## Distribution of staff

BY PROFESSIONAL CATEGORY

2020

2021



Average annual contracts

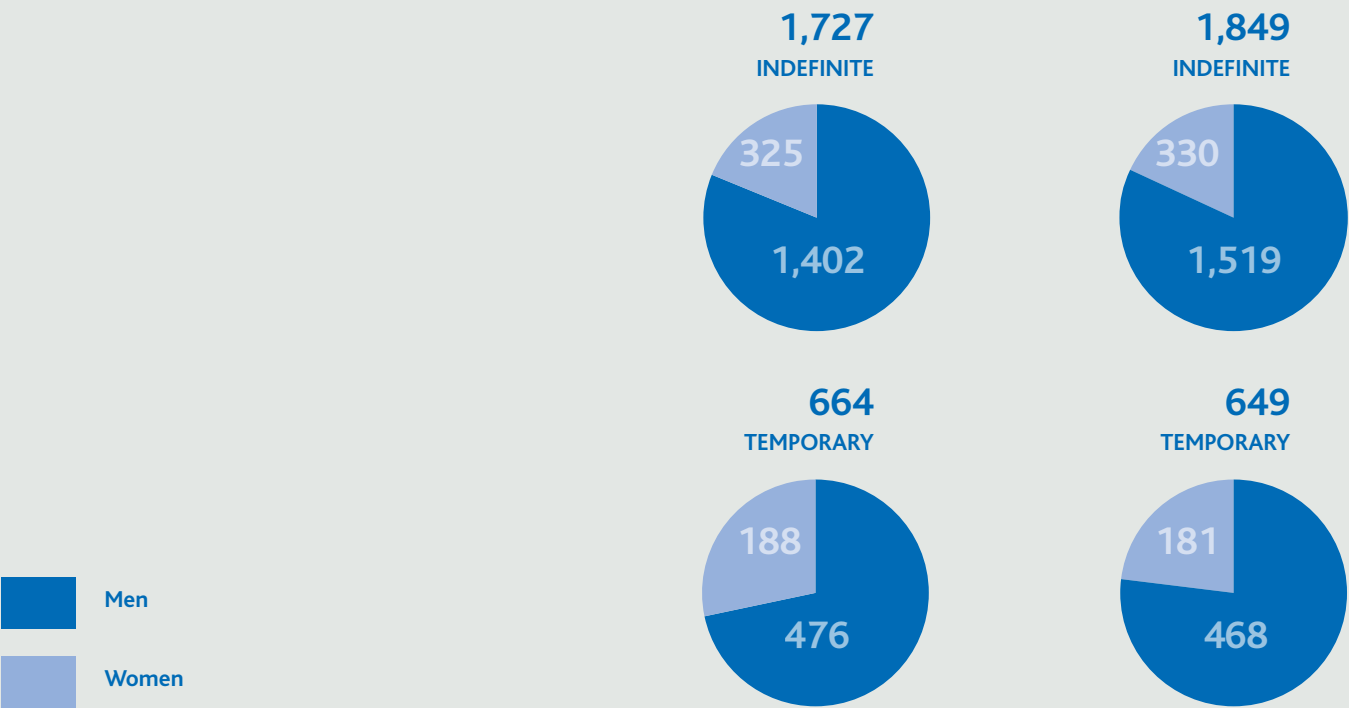
74 % of the employment contracts entered into in 2021 are full-time

The experience and knowledge of the people who form part of Ormazabal are key to strengthening its competitive position. This approach is consistent with the most common type of contract at the company (74 % of indefinite contracts), as can be seen from the following breakdowns of information with the annual average number of indefinite and temporary contracts, where it can be seen that temporary contracts are reduced by 23 %.<sup>(8)</sup>

TYPE OF EMPLOYMENT CONTRACT BY GENDER

2020

2021



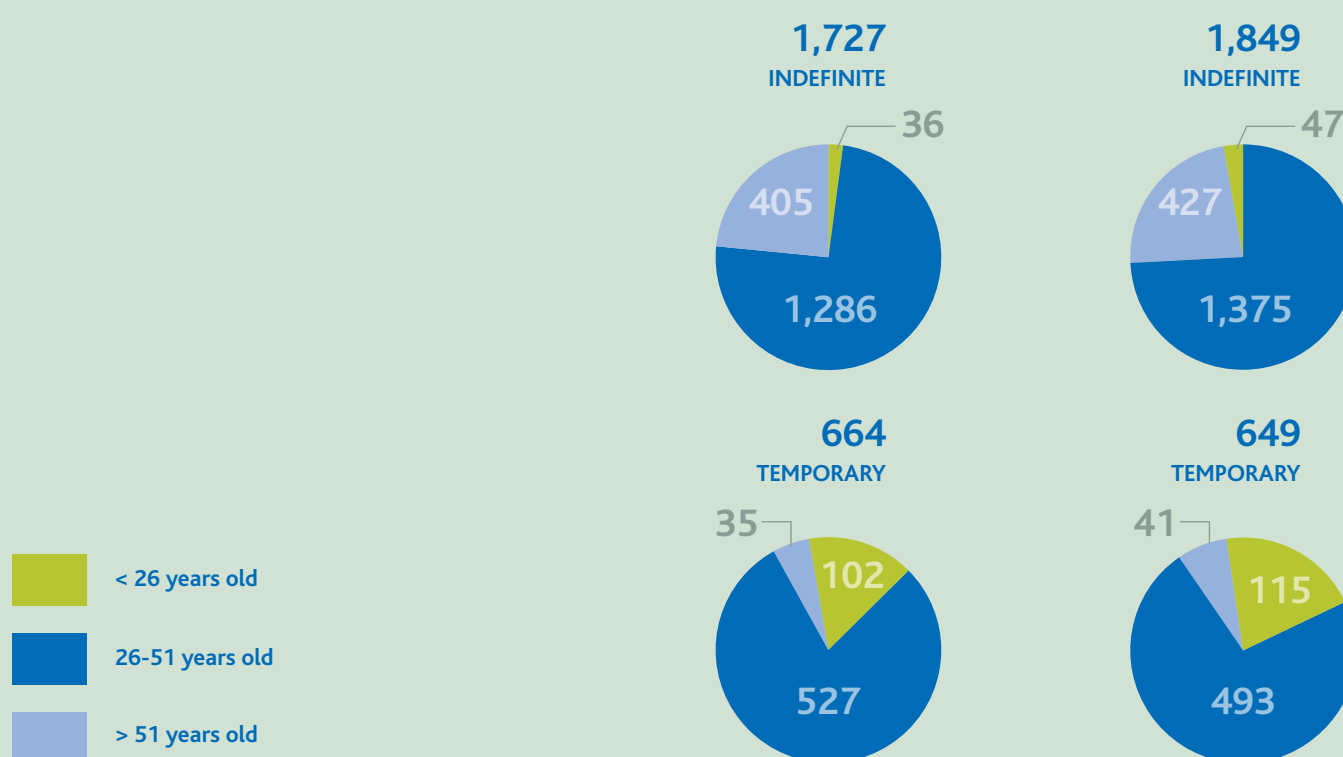
<sup>(8)</sup> The annual average figure has been calculated using the average staff of Ormazabal during 2021 and 2020, taking into account the salary payments calculated in each month.



## TYPE OF EMPLOYMENT CONTRACT BY AGE

2020

2021



## TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

	2020		2021	
	INDEFINITE	TEMPORARY	INDEFINITE	TEMPORARY
Management	204	29	181	19
Scientific, intellectual and support specialists and professionals	555	145	556	119
Employees of an administrative nature	50	19	51	16
Sales personnel and similar	80	19	89	18
Other qualified personnel	838	452	972	477
<b>Total</b>	<b>1,727</b>	<b>664</b>	<b>1,849</b>	<b>649</b>

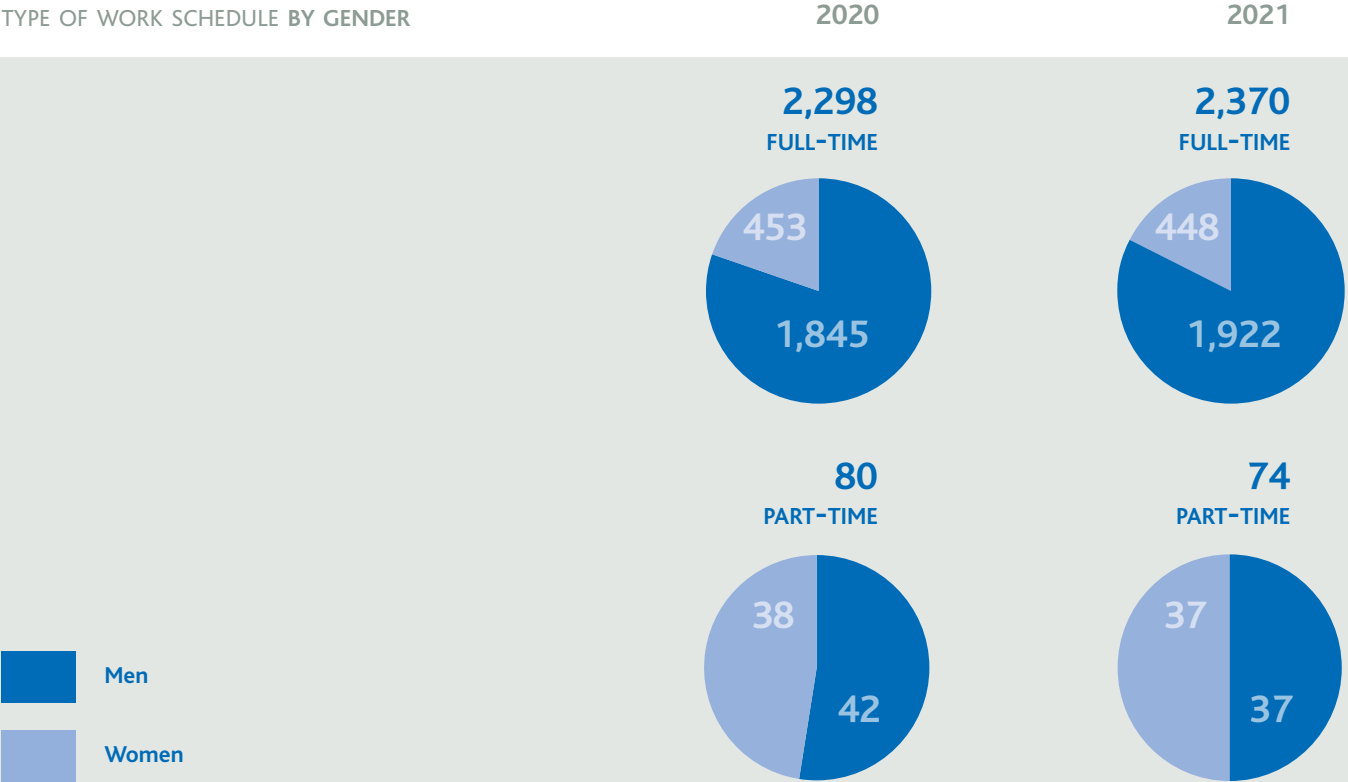
Employees by type of work schedule

The distribution of **Ormazabal**'s staff by type of work schedule, gender, age and professional category is as follows:

Most of the contracts are full-time, thanks to the work-life balance measures adopted

As shown in the tables, most of the contracts made in 2021 and 2020 are full-time contracts. The work-life balance measures that **Ormazabal** makes available to its staff make it unnecessary, in many circumstances, to take part-time work.

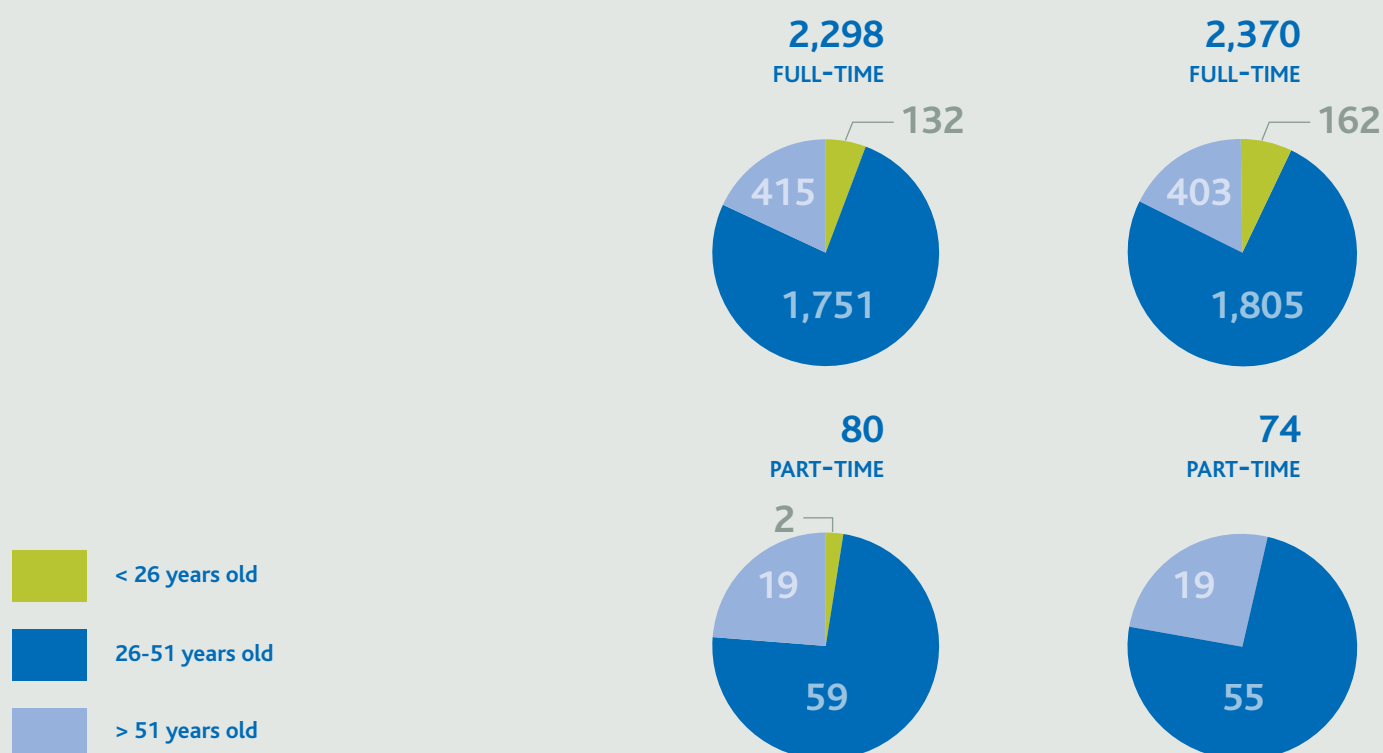
TYPE OF WORK SCHEDULE BY GENDER



## TYPE OF WORK SCHEDULE BY AGE

2020

2021



## TYPE OF WORK SCHEDULE BY PROFESSIONAL CATEGORY

	2020		2021	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Management	207	6	181	8
Scientific, intellectual and support specialists and professionals	645	25	590	22
Employees of an administrative nature	57	9	58	10
Sales personnel and similar	103	1	102	2
Other qualified personnel	1,286	39	1,339	32
<b>Total</b>	<b>2,298</b>	<b>80</b>	<b>2,270</b>	<b>74</b>

## Dismissals

The dismissals that took place during 2021 and 2020 are broken down by gender, age and professional category as follows:

Distribution of dismissals by gender	2020	2021
Men	1.3 %	3.6 %
Women	0.4 %	1.5 %

Distribution of dismissals by age	2020	2021
< 26 years old	0.1 %	0.1 %
26-51 years old	1.3 %	2.6 %
> 51 years old	0.3 %	2.4 %

Distribution of dismissals by professional category	2020	2021
Management	0.0 %	0.5 %
Technical staff	0.3 %	1.3 %
Administrative staff	0.1 %	0.2 %
Sales staff	0.2 %	0.2 %
Other	1.1 %	3.0 %

## Employees with disabilities

For nearly 40 years **Ormazabal** has maintained a collaborative relationship with the **Lantegi Batuak Foundation**, as well as with other non-profit organisations whose aim is to help people with disabilities by **promoting and achieving their integration into society and the job market**, hiring them to perform various productive activities both in Spain and in other countries where **Ormazabal** is present.

More than 200 people with disabilities were employed during 2021. In 2021, these entities billed **Ormazabal** for more than 23 million euros, over 13 % up on the previous year (20 million euros in 2020).

It is also worth highlighting the number of people with disabilities recruited in 2021: a total of 26 jobs (26 jobs in 2020). In addition, **Ormazabal** collaborates with the Gureak and Urbegi centres to help people with disabilities find employment.

### Average remuneration

The average remuneration of employees for financial years 2021 and 2020 (except senior management), taking into account all existing remuneration items in the organisation (fixed, variable, bonus, benefits, incentives, etc.) and distributed by gender, age and professional category, is as follows:

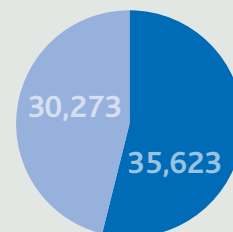
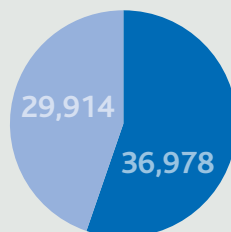
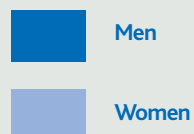




## AVERAGE REMUNERATION BY GENDER

2020

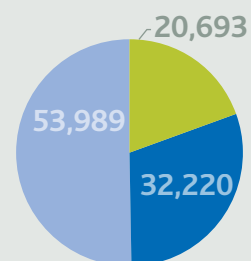
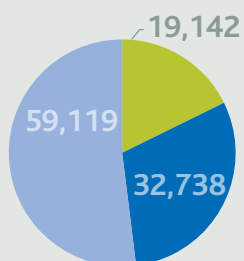
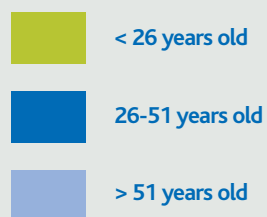
2021



## AVERAGE REMUNERATION BY AGE

2020

2021



## AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

	2020	2021
Management	78,817	82,668
Scientific, intellectual and support specialists and professionals	38,996	39,425
Employees of an administrative nature	31,671	27,874
Sales personnel and similar	49,868	51,578
Other qualified personnel	25,934	25,946

## Wage gap

The applicable collective bargaining agreements regulate the average remuneration of employees of **Ormazabal**, establishing criteria of equity between similar jobs regardless of gender. In this regard, both the remuneration of employees subject to the agreement and that of those to whom the agreements do not apply are established in a fair manner, avoiding gender-based discrimination.

If we calculate the wage gap taking into account the actual average fixed remuneration of women compared with that of men (except senior management), by geographical area, we obtain the following percentages in 2021:

Geographical area	%	No. of men	No. of women
Europe	3 %	1,903	398
East Asia	10 %	219	149
Americas	3 %	68	11
Rest of the world <sup>(9)</sup>	47 %	28	4

The wage gap results shown in the table (where a figure greater than zero represents the percentage that women are paid less than men) stem from a number of factors, including the historically low female presence in some the areas of activity (due to the composition of the workforce and the larger population of men than women in general), the different specialisation of jobs (more men than women in positions of responsibility), and seniority.

An individual wage gap analysis, by company and employee categories, and a demographic analysis of the group's employees were carried out in 2021, the main conclusions of which are as follows:

- The number of women at management levels is very low.
- In the longer term, the distribution between men and women is likely to be somewhat more balanced.

By geographical region, the wage gap in Europe and East Asia has narrowed, mainly due to the increasing number of women in middle management. On the other hand, it has widened in the Americas due to the increase in the percentage of men in managerial and technical positions. In the "Rest of the World" it has also increased as a result of the variation in the proportion of men and women between professional categories, taking into account that, as there are only a small number of people, any variation has a very significant effect on the gap percentage.

<sup>(9)</sup> "Rest of the world" includes: Oceania, Middle East, United Kingdom and Southeast Asia.



## Organisation of work

Being renowned for creating quality jobs is one of **Ormazabal's** highest aspirations.

Each company in **Ormazabal** determines the aspects relating to work schedule, rest periods and all other applicable working conditions. **Ormazabal's** Code of Ethics, in the section on Labour Rights, states that the work schedule will conform to the local legislation of each country, ensuring compliance with the conventions and recommendations of the International Labour Organisation (ILO).

Since 2018, Ormazabal has been promoting reflection on the work-life balance. This has given rise to a set of measures that are being progressively analysed and implemented in the organisation.

As far as industrial relations are concerned, freedom of association and trade union representation are enshrined in the regulations, collective agreements and other agreements entered into with the workers' representatives.

The company's main channels of communication with its employees, in addition to the trade unions, are the corporate website, the intranet, notice boards at production plants, in-house magazines, suggestion boxes, annual conferences, personal and direct communication by managers and directors, workers' committees, and health and safety committees. In 2021, the **My Velatia** app, shared by the entire group, was added to the list of internal communication options.

## Health and safety

**Ormazabal's** commitment to health and safety -priorities in its performance- is set out in its Sustainable Development, Quality, Environment and Safety, Health and Wellbeing policies, and consists of three fundamental points:

- Establish a **safe working environment** by developing a preventive culture in relation to occupational health and safety.
- Promote **respect for the health and safety** of people by preventing damage to and deterioration of health.
- Achieve and maintain recognised international **certifications** of quality management, environment and occupational health and safety systems.

In line with this preventive culture, **Ormazabal** undertakes the following commitments:

- **Training:** Promote training and actions to **eliminate hazards and reduce risks** to employees' health and safety during the course of an activity.
- **Working conditions:** Provide **safe and healthy working conditions** to prevent injuries and deterioration of health.
- **Workplaces:** Protect and **improve the physical spaces** and contents of workplaces with respect to a wide range of risks, from breaking and entering to fire.
- **Labour integrity:** To guarantee insofar as possible the labour integrity of workers in compliance with the respective sectoral regulations, and to implement the necessary measures.
- **International certifications:** Achieve and maintain the most recognised **certifications** of quality, the environment, and occupational health and safety management systems.

The Health and Safety Committees are responsible for monitoring compliance with applicable local regulations in different companies within **Ormazabal**. In addition, to complement their work, the company has specialised personnel performing functions focused on continually improving our practices and procedures and continuing to meet the strictest standards applicable to risk prevention systems.

As a result of their commitment to prevention, several **Ormazabal** companies have **ISO 45001 certification**, the most internationally recognised standard for occupational health and safety management systems, designed to protect both staff and visitors to the centres from accidents and occupational diseases. Having this certificate entails improvement in all aspects related to the health and safety of the people in the organisation and, as it is a voluntary process, it shows the degree of involvement and proactivity of the company in this important matter for business management.

Country	Society	Expiry
China	Ormazabal Kunhsan Switchgear	2024
	Ormazabal Beijing Switchgear	2024
	Ormazabal Zhuhai Switchgear	2024
England	EPDL Ormazabal Limited	2023
Spain	Prefabricados Uniblok	2024
	Ormazabal Distribución Secundaria	2023
	Ormazabal Media Tensión	2024
	Ormazabal Cotradis	2022
France	Ormapost	2023
Brazil	Ormazabal Brazil	2024
Mexico	Ormazabal Mexico	2023

Moreover, it should be noted that Ormazabal Zhuhai organises regular free medical consultations and offers all its employees annual medical check-ups. This is a concrete example that is the product of a responsibility shared by all **Ormazabal** companies.



## Accidents

In line with its commitment to health and safety, one of **Ormazabal's** priority goals is to minimise the number of accidents by closely monitoring the evolution of the most representative indicators (9) available:

	2020	2021
Frequency Index <sup>(10)</sup>	18.76	18.33
Seriousness Index <sup>(11)</sup>	0.45	0.53

In 2021, there were 76 accidents at work with sick leave (8 women) and 114 without sick leave (15 women). In 2020, there were 73 accidents with leave (8 for women) and 115 without leave (18 for women).

## Absenteeism

**Ormazabal** also monitors absenteeism, this being understood as non-compliance with the work schedule due to various circumstances: sick leave, work accident, maternity, union hours, leave allowed under collective agreement, leave of absence and unpaid leave. The number of hours computed as absenteeism in 2021 was 210,992 (155,627 in 2020).

The increase in absenteeism is due to the incorporation of companies that were not included in previous years, namely Ormapost, Ormazabal France and Ormazabal Zhuhai Switch-gear.

## Training

Aware that the training of the entire workforce is the basis of the company's growth and success, **Ormazabal** attaches strategic value to the effective management of training, devising initiatives, processes and procedures that allow for real and effective development of the various categories of employee that make up the company. Its aim is to disseminate and share the knowledge that currently exists within the company, as well as to progressively and increasingly generate knowledge and training in line with the organisation's strategy in the people who make up the organisation. All this, in order to achieve, through continual learning, the following objectives:

- **Perform** their jobs with greater **efficiency and effectiveness**.
- Better **adapt to the cultural and technological changes** that allow the company to be more competitive.

As stated in the policy adopted and published in this regard, **Ormazabal's** training commitments are summarised in the following points:

- Increase our employees' **knowledge and skills** progressively.
- **Align the training** given with the competencies, values and requirements set out in the strategy of the company.
- Promote maximum **pooling** of the existing knowledge, providing the necessary resources and enabling their efficient use.

In this context, **Ormazabal** has carried out in 2021 training activities tailored to the needs of its staff worldwide, the total number of training hours amounting to 33,380, from which 1,435 employees have benefited.

<sup>(9)</sup> The number of hours worked by employees is theoretical, considering an estimated work schedule of 145 hours per month for each line of business.

<sup>(10)</sup> Number of accidents per million hours.

<sup>(11)</sup> Number of days lost due to accident with sick leave divided by number hours worked (see subindex 8) per thousand.

## Two new training programs: Sophos Advanced and Ormazabal Mentoring Experience

The content of the courses delivered can be divided into four main areas: product (Ormazabal Learning Center), development and leadership, languages (mainly English), and strategic planning.

In addition, among the extensive activity in this area during 2021, two new training programs were launched and are already bearing fruit:

- **Sophos Advanced:** a program for commercial profiles in which 230 people participated in its first year.
- **Ormazabal Mentoring Experience:** program to develop potential talent in Ormazabal with a result of 13 mentors trained and the first mentoring processes carried out.

### HOURS INVESTED IN TRAINING BY PROFESSIONAL CATEGORY

	2020	2021
Management	7,969	2,651
Technical staff	26,325	13,995
Administrative staff	1,667	521
Sales staff	961	742
Other	16,295	15,471
<b>Total training hours</b>	<b>53,217</b>	<b>33,667</b>
Average number of training hours per employee <sup>(12)</sup>	22.26	13.90

Of the total number of training hours given in 2021, 27,728 hours correspond to men and 5,652 hours to women, representing an average of 14.48 hours of training per man and 13.14 per woman.

The pandemic has reduced the number of training hours, the total number having fallen by 37 % in relation to the previous year. This means that the average number of training hours per employee has been reduced by the same proportion.

<sup>(12)</sup> Total number of training hours in 2021 among the average total staff in said year.

## Equality

### Equal opportunities and diversity are intrinsic aspects of Ormazabal's management

Supporting equal opportunities and preserving diversity are intrinsic aspects of Ormazabal's management, in line with **Principle 6 of the United Nations Global Compact** on the elimination of discrimination in respect of employment and occupation.

Like the rest of the companies in the group, Ormazabal is committed to complying with the guidelines established by Velatia's Code of Ethics regarding equality, diversity, respect for people and non-discrimination on the grounds of race, colour, sex, sexual orientation, language, religion, political or other opinion, national or social origin, economic position, disability or any other condition.

In this regard, and in order to guarantee the protection of people's fundamental rights, the company has developed a **Protocol on Prevention and Action against Harassment at Work**, which aims to establish the necessary measures to respond to any situation of this type that may occur at work: sexual, gender-based, discriminatory and psychological. This protocol was updated in 2021 to include gender-based harassment.

The main body for dealing with complaints or communications related to harassment is the **Committee on Ethics and Corporate Crime Prevention**. This body is responsible for managing and resolving any complaints, claims, suggestions or enquiries about situations of harassment that have not been resolved by informal procedure.

In addition, the prevention protocol identifies the figure of the mediator as the relevant expert who will act as confidential adviser and be responsible for managing proceedings in cases classified as mild, and who will refer to the Committee on Ethics and Corporate Crime Prevention any cases considered to be serious, or any breaches of the agreements reached by informal procedure.



As a result of its firm commitment to gender equality, **Ormazabal** has **Equality Plans** that pursue the following objectives:

- Further **consolidate the Equality Policy** throughout the organisation.
- **Ensure equal opportunities** for everyone in the company.
- Convey a message of **zero tolerance** towards workplace violence, especially sexual harassment and gender-based harassment.

This plan is reviewed and updated, approximately every three years, with the collaboration of independent experts and, based on the conclusions obtained, an action plan is developed and regularly monitored.

The **Ormazabal Equality Plans** designed for the strategic period 2021-2023 includes, among other things, general and specific objectives, an internal analysis and diagnostic of the organisation, as well as proposals for action. During 2021, the process of implementing them in all the company's work centres in Spain was completed.

### Noteworthy events in relation to equality

During 2020, the **Ormazabal** Equality Committee conducted an anonymous survey on the functional mobility of internal vacancies for the direct labour force (MOD) in order to ascertain the reasons why applications for vacant posts are fewer in the case of women.

Throughout the year, **Ormazabal** also organised various activities and events that reinforce the company's commitment to equality:

- Conference on the occasion of International Women's Day, 8 March.

- Workshop given by Emakunde (Basque Institute for Women) and Gizonduz (a Basque Government initiative) on 20 and 27 November, addressing issues such as masculinity and equality, sexist violence and sexual harassment at work.

- An awareness-raising day on the International Day for the Elimination of Violence against Women, held on 25 November.

- Every year, **Ormazabal** Zhuhai organises activities on International Women's Day to support employees who are pregnant or breastfeeding.

## 2.2. Innovation

For **Ormazabal**, innovation is not just another characteristic; it is in its DNA and is the foundation on which it has built its successful progression over more than 50 years of sustained technological growth.

This long history of innovation, combined with an innate entrepreneurial spirit, allows it to offer its customers the most innovative technological solutions in electrical equipment to accompany them in the grid digitalisation process, the incorporation of renewables into the energy equation and electric mobility as necessary steps towards a green future.

Its unconditional commitment to innovation is the result of the combination of three concepts: technological, industrial and commercial innovation. These are the three sides of the same prism through which it projects itself to the world as a benchmark company in the incorporation of added value to its products.

**Technological innovation, industrial innovation, commercial innovation: three sides of the same strategy**







## Technological innovation

Investment in technological innovation is strategic for the company, which is why it allocates 4 % of its annual turnover to R&D&I. It has a team of 111 people of 10 different nationalities working for this purpose in different parts of the world.

In addition, it has a **Research and Technology Centre (Centro de Investigación y Tecnología - CIT)**, attached to the Basque Science, Technology and Innovation Network, that is the only one of its kind in the world, consisting of an accredited and independent 2.5 GW laboratory connected to a fully configurable experimental network. This infrastructure allows technologies, products and applications to be tested in a real and secure environment, without interfering with the electricity grid of customers.

For **Ormazabal**, maintaining a high rate of innovation requires being vertically integrated. Therefore, it develops all the technology its solutions offer, from disruption and shutdown to insulation technology, firmware and communications. **Several of the products it designs and manufactures are digital natives**, i.e. they integrate intelligence from their very conception in order to ensure network automation and their optimisation as assets.

The company currently has more than **260 patents and intellectual property register entries**, a good example of its commitment to the development of state-of-the-art technology.

As a reflection of its support for open innovation, **Ormazabal** sits on the boards of several research centres such as Tecnalía, the largest applied research and technological development organisation in Spain and one of the most prominent in Europe; or the CIC Energigune, founded in 2011 with the aim of generating excellent research into materials and systems for energy storage, maximising the impact on results for the Basque business fabric through collaboration with universities, research centres and companies.

**Annually, the company allocates almost 4 % of turnover to R&D&I**

## Industrial innovation

**Ormazabal** promotes industrial innovation by focusing on maximum global efficiency combined with local adaptation capabilities. To do this, it continually invests in upgrading its global production platform, uses the most cutting-edge industry 4.0 systems and processes in facilities located near the customers and their needs and, in addition, implements the most advanced quality management systems.

In line with the unwavering commitment to innovation in the industrial field, a strategic project entitled "Ormazabal Operations Model" was carried out in 2021.

As a result of this commitment to industrial innovation, **Ormazabal** currently has a resilient global supply chain that allows it to take its products to more than 150 countries.

## Commercial innovation

Encouraging innovation in the relationship with customers, placing them at the centre with the aim of always providing excellent advice and service, is key to **Ormazabal's** management.

To this end, it has a large sales and marketing staff with electricity network expertise who accompany customers throughout the process, from the identification of a specific need to the after-sales service.

The **Strategic Technological Plan for Ormazabal**, synchronised with the **Strategic Plan 2021-2023**, identifies the following areas of action as priorities: digitisation of the network, sustainability and decarbonisation, integration of renewables, electromobility and asset management. In each of these areas, projects have been proposed to enable the company to achieve its strategic vision.

**Ormazabal** works alongside its customers, sharing knowledge and efforts as the best way to tackle more ambitious projects, overcome barriers, open up new markets and address the sustainability challenges facing the planet by promoting renewable energies, bringing intelligence to the grid, making electro-mobility possible, etc. In short, Ormazabal aspires to be a benchmark for the high level of innovation applied to each project, which results in the constant search for competitive and differentiating solutions that meet the needs of its customers.



## Innovation milestones

### Almost a third of sales in 2021 were products developed in recent years

Despite the uncertain environment and the dangers that threaten the economic evolution of companies, **Ormazabal**'s commitment to innovation has not ceased and a large part of its efforts throughout 2021 were devoted to it. Part of this ongoing effort to innovate can be seen in various projects and advanced technological developments in collaboration with cutting-edge research centres, universities, organisations and companies in the sector. As a result, new milestones were added to the company's long history of innovation, some of which we mention below:

#### Sales of new products

**Ormazabal** confirmed its high level of innovation in 2021, as almost a third of sales were of products developed in recent years.

#### First automated low voltage board

In 2021, the company installed the first automated low voltage board in its history.

#### R+D agreement with Iberdrola

**Ormazabal** has continued to execute the contract entered into with Iberdrola in 2019 for a total amount of 4.16 million euros through the tax instrument known as "Article 64 bis". The agreement covers the period 2019-2021 and aims to fund research and development of new products for electrical distribution, including new low-environmental-impact insulation gases, new cells for onshore wind energy applications, sensorization for primary and secondary cells, and new medium-voltage relays, among others. As for the low voltage network, the focus is on digitalisation, control and automation of equipment such as smart transformers and other components and applications useful for network management.

## Projects and technological developments

### Projects started in 2021

#### BrainEn Project

**Description:** Experimental research into innovative technologies for an efficient and sustainable energy community. Project promoted by the Centre for the Development of Industrial Technology (CDTI), within its Missions program.

**Ormazabal's** research focuses on the development of new current isolation and interruption systems, as well as equipment and software for energy management in petrol stations.

**Participants:** Consortium of eight complementary organisations including distribution network operators, equipment manufacturers, system integrators, service providers, as well as universities and research centres with subcontracts.

**Ormazabal** participates in the consortium through the companies Ormazabal Electric and Ormazabal Corporate Technology.

#### TRANSMOD II Project

**Description:** Research and modelling of the behaviour of transformers for photovoltaic applications that are subjected to a current regime with a high harmonic content, as well as research on virtual temperature sensors and the Health Index of transformers.

Project funded by the Basque Government through the Elkartek program

**Participants:** Participants: TECNUN, MGEP, together with Ormazabal Corporate Technology.

#### TRUEVALSEC Project

**Description:** A project that aims to generate new cybersecurity technologies (innovative, verifiable and scalable) that make it possible to build, through collaboration, long-term solutions to meet the business and competitiveness challenges of the electricity sector. It is funded by the Basque Government through the Hazitek Estratégico program.

**Participants:** Consortium made up of eight participants as partners and seven agents from the Basque Science, Technology and Innovation Network.

### Ongoing projects

#### EriGRID 2.0 Project

**Description:** European project to extend research services and research infrastructure tools to validate smart energy networks with the electricity grid as the backbone.

Its proposed validation approach is based on holistic systems and cyber-physics. EriGrid 2.0 will foster system-level support and education for industrial and academic researchers in power and energy systems technology research and development.

**Ormazabal's** participation in this project puts it in a position of technological leadership within the industry.

**Participants:** The EriGRID consortium is composed of complementary organisations that include distribution network operators, equipment manufacturers, research centres and universities, all of which have extensive experience in the field of smart grids and their own electric power system laboratory infrastructures. Together they represent the wide range of experience needed to tackle the extension of essential infrastructures for smart grids, being pioneers in this field at European level.

Ormazabal Corporate Technology participates.

### FLEXIGRID project

**Description:** European project funded within the Horizon 2020 consortium (EU Framework Programme for Research and Innovation) for the development of interoperable solutions for the implementation of holistic network flexibility services.

**Participants:** More than ten Horizon 2020 partner companies and institutions, including the CIRCE Foundation, Viesgo, Ormazabal Protección & Automation and Ormazabal Corporate Technology.

### CINCOSEI project

**Description:** To increase integral cybersecurity in industrial electronic components and systems. The aim of the project is to apply innovation in the technologies and procedures of the companies in the sector that form part of the consortium in order to provide their products with a high and demonstrable level of protection, enabling them to increase their competitiveness and position themselves.

Project co-funded by the Basque Government and the European Union.

**Participants:** Consortium made up of seven entities led by Electrotécnica Artech Smart Grid, S.L. Among the participants are Ormazabal Protection & Automation and Ikusi, as well as seven centres belonging to the Basque Network of Science Technology and Innovation.

### WIND 4.0 project

**Description:** Collaborative development of 4.0 manufacturing technologies in the Basque wind power industry.

Development of switches and associated electronics for wind power applications.

Project funded by the Basque Government within the Hazitek Estratégico program and by the European Union.

**Participants:** Nine participating partners, led by Siemens Gamesa Renewable Energy Innovation and Technology, with four participating centres from the Basque Network of Science, Technology and Innovation, including **Ormazabal** Corporate Technology.

### NUGER project

**Description:** New generation of cells for the digital network. The aim of the project is to develop a medium voltage cell for the secondary distribution grid in a gas with a very low GWP and capable of reporting on the state of health of the insulation.

Project led by **Ormazabal** and funded by the Spanish Ministry of Science and Innovation through the Challenges-Collaboration programme.

**Participants:** Consortium formed by **Ormazabal**, the University of the Basque Country, the University of Mondragón and the Polytechnic University of Madrid.

### SHUNT project

**Description:** Hybrid system for a new switch. The objective is to develop a solution that allows the management of electrical energy both for the integration of renewable energy sources and its distribution to the consumer, where the concept of circular economy is established as a fundamental requirement.

Led by **Ormazabal**, the project is funded by the Basque Government as part of the Hazitek program.

**Participants:** Consortium composed of Ormazabal y Cía. and Ormazabal Protection & Automation, Ormazabal Corporate Technology participating as a centre belonging to the Basque Network of Science Technology and Innovation.

### SCBT project

**Description:** Definition, design, development and validation of a complete smart low voltage switchboard (SCBT) solution that allows full monitoring, control and protection of the increasingly demanding requirements of low voltage networks.

Project funded by the Basque Government as part of the Hazitek Competitive program.

**Participants:** Ormazabal y Cía., Ormazabal Protection & Automation, in collaboration with two centres from the Basque Network of Science, Technology and Innovation, including Ormazabal Corporate Technology.



### CONSIGUE project

**Description:** Development of optimised cells with new smart sensors and efficient universal gases.

Project funded under the Competitive Hazitek programme for the development of new secondary distribution cells, employing more environmentally sustainable insulating systems with integrated sensors, and developing software to determine the cell's Health Index.

**Participants:** Ormazabal y Cía., Ormazabal Protection & Automation, Aislantes Sólidos, Advanced Model Solutions, with Ormazabal Corporate Technology participating as agents of the Basque Science Technology and Innovation Network.





## Product responsibility

**Ormazabal** complies with the laws and regulations applicable to its products in terms of safety and the environment in each and every one of the countries where it operates, as well as with the customers' own specifications.

In the case of Europe, the company constantly monitors possible legislative changes that could have an impact on its products in order to be alert and ready to adapt them to the required specifications and requirements. In addition, twice a year, an internal forum is organised to analyse new regulations and legislation affecting products, with the participation of technical directors, marketing directors and engineering directors.

Finally, information is just one more important phase within the product development process. Therefore, 100 % of the products installed or delivered by **Ormazabal** have the corresponding technical documentation required according to the procedures and regulations in force, including:

- All the information on the results of tests that ensure that the products comply with the standards that apply to them.
- All the technical documentation associated with the products in relation to technical performance and installation and assembly needs.

## 2.3. Environment

Ormazabal promotes and integrates a responsible culture with regard to the environment, working to protect the environment from the perspective of pollution prevention and eco-design.

Its commitments to the environment are reflected in its individual Sustainable Development and Quality, Environment and Occupational Health and Safety policies.

These commitments are based in our firm belief in sustainability as a different way of doing things, aligning our strategic development with the concerns and needs of our stakeholders, thus combining the pursuit of profit with social engagement and respect for the environment.

The search for excellence has led the company to develop an Environmental Management System whose main assignments are the following:

- Promote and integrate a **responsible culture** with regard to the environment.
- Maximise employee **participation and consultation** in the comprehensive management of policies, promoting new ideas and recognising achievements.
- Ensure **compliance** with laws, regulations and standards, as well as with the voluntary commitments undertaken.
- Enhance training, flexibility, innovation and continuous improvement through **excellence**, environmental protection based on pollution prevention and sustainable use of resources, as well as actions to eliminate hazards and **reduce risks** for the health and safety of employees.
- Provide **safe and healthy working conditions** to prevent injuries and deterioration of health.
- Provide a **common framework** for establishing and reviewing the balanced scorecards of our companies, always geared towards the satisfaction of our stakeholders.
- Achieve and maintain recognised **international certifications** of quality management, environment and occupational health and safety systems.
- Maintain fluid **communication** with the different stakeholders.







In order to fulfil these commitments, everyone at **Ormazabal** must understand and assume such policies and strive to minimise the environmental impact resulting from their activities and their use of the equipment, facilities and resources available to them.

These policies aim to ensure the responsible management and improvement of processes related to the environment, as well as the promotion of a culture of reducing the environmental impact generated by products, processes and solutions, with emphasis on the conservation of natural resources, minimisation of waste generation through reuse and recycling, and the optimisation of resources, among others. This concern is further reinforced by the principle of environmental responsibility enshrined in **Velatia's** Code of Ethics, which applies to **Ormazabal**.

### Provisions and insurance

In 2021 and 2020, the liabilities side of the balance sheet contains no provisions for possible contingencies related to environmental improvement and protection, and neither does it include any known liabilities and/or compensations due.

It should be noted that the group's Environmental Liability Policy covers risks arising from environmental aspects. **Ormazabal** Germany also has a policy that includes special conditions and the assessment of potential environmental risks that could have a negative impact on the environment.

## Certifications

In line with the company's commitment to the environment, **Ormazabal's** Primary Distribution and Secondary Distribution divisions have implemented an integrated management system to offer their customers a high-quality service responsibly and efficiently, promoting initiatives that benefit the environment.

During 2021, **Ormazabal** has continued to deploy its Environmental Management System in accordance with the most widely recognised international standards and certifications and with the highest standards of compliance, such as the ISO 14001 certification awarded to the main companies. Specifically, in 2021, those corresponding to Ormazabal

Distribución Primaria, Ormazabal Media Tensión, Ormazabal Beijing Switchgear and Ormazabal Zhuhai Switchgear were renewed. Ormazabal Burgos Switchgear and Ormazabal México also obtained their corresponding certifications.

ISO 14001 certification is the most widely used technical standard worldwide for the implementation and assessment of environmental management systems and it is voluntary. **Ormazabal** thus demonstrates its commitment to meeting the highest standards of excellence in this field.

### ORMAZABAL COMPANIES WITH ISO 14001 CERTIFICATION IN 2021

Country	Society	Expiry
Spain	Ormazabal Cotradis	2022
	Ormazabal Distribución Primaria	2024
	Ormazabal y Cía. (Ormazabal Distribución Secundaria)	2023
	Ormazabal Media Tensión	2024
	Prefabricados Uniblok	2022
	Aislantes Sólidos	2023
	Ormazabal Burgos Switchgear	2024
China	Ormazabal Beijing Switchgear	2023
	Ormazabal Zhuhai Switchgear	2024
	Ormazabal Kunhsan Switchgear	2024
England	Ormazabal Limited UK	2023
Mexico	Ormazabal México	2023



ISO 14064 responds to increased concern among stakeholders about the effects of climate change, and to the search for possible solutions to reduce greenhouse gas (GHG) emissions; its main goal is to give veracity and credibility to GHG emission reports.

For its part, ISO 14067 establishes an internationally recognised reference framework for calculating the carbon footprint of products, demonstrating once again that **Ormazabal** products are environmentally responsible.

In order to ensure the maintenance and implementation of the above mentioned certificates, **Ormazabal** has a team distributed among its main plants that performs the following functions, among others: identifying the legal requirements in the field of environmental management, evaluating the degree of compliance with these requirements, helping to define, deploy and assess environmental objectives, conducting internal audits of the Quality and Environment Management System, as well as providing new personnel with introductory briefing sessions on quality and environmental management at the company.

Along the same lines of responsibility, in 2020, some **Ormazabal** companies obtained **Carbon Footprint certifications**, both by product and by organisation, a fact that reaffirms the company's commitment to sustainability:

- **Ormazabal y Cía.:** ISO 14064 Certification for the carbon footprint of organisations and ISO 14067 Certification for the carbon footprint of products in the CGM cosmos family.
- **Cotradis:** ISO 14067 Certification for the carbon footprint of products in transformers for ENEL.

## Waste management and eco-design

The main costs incurred by **Ormazabal** in relation to the minimisation of waste management are associated with the management and removal of waste and the purchase of specific recycling containers.

In line with the European Green Pact regarding the product design in accordance with sustainability criteria, **Ormazabal** uses its own eco-design model in the development of new products to ensure a more efficient and sustainable future.

This is also the context of the important role played by the company in the creation of the **Basque Ecodesign Center (BEC)**, an initiative that forms part of a framework of collaboration between private sector companies and the Basque Government whose objective is the conceptualisation and execution of innovative eco-design projects (particularly the application of tools of these characteristics in the initial phase of product design). Its ultimate aim is to minimise the carbon footprint of products, both in the electricity distribution network and in the integration of renewable energy.

In June 2021 **Ormazabal** renewed its commitment to participate in the Basque Ecodesign Center for the period 2021-2025. The BEC's mission is to promote the piloting of methodologies for the deployment of the circular economy in the Basque business fabric, with a dual focus: improving competitiveness and preventing environmental impacts.

The Basque Ecodesign Center is part of the Basque Government's Green Deal strategy and involves, as partners, the Department of Economic Development, Sustainability and Environment through the public companies Ihobe and SPRI; together with a group of leading companies such as Iberdrola, EDP, Siemens Gamesa, as well as **Ormazabal**.

## Ormazabal has renewed its commitment to participate in the Basque Ecodesign Center for the period 2021-2025

Promoting this centre contributes to **Ormazabal's** positioning as a pioneering company in this area and is a further demonstration of its commitment to the environment and its efforts to support the creation of organisations that contribute to the development and improvement of the environment at all three levels: economic, social and environmental.

Among the interventions related to the eco-design of **Ormazabal** in 2021, the following should be highlighted:

- Environmental and circular economy auditing.
- Final LCA and EPD report according to the "PEP EcoPassport" program for the 36 kV cgm.3 switchgear family.
- Participation in the REEF (Rules Electricity Environmental Footprint) project led by Iberdrola and EDF and coordination by Ihobe and the consultancy Grunver.



**Basque  
Ecodesign  
Center**

Alianza pública-privada  
en ecodiseño y  
economía circular





## Pollution and climate change

In line with its strategy and goal of combating climate change, and as a necessary step towards reducing CO<sub>2</sub> emissions, **Ormazabal** calculates the carbon footprint of its activities and produces reports on greenhouse gas emissions (GHGs) in which both direct and indirect emissions are quantified.

In addition, other notable initiatives led by various **Ormazabal** centres took place during 2021 and 2020:

- Ormazabal Limited UK has moved to a new, more environmentally friendly building, reducing emissions in comparison with the previous location.
- Uniblok has started a project to reduce its carbon footprint (in collaboration with Fundación Empresa y Clima) by optimising the formulation of the concrete it makes by replacing the cement used with another that generates 18.4 % fewer emissions. This project will continue to be carried out throughout 2022.
- In 2020, the Igorre centre was reviewed in relation to the greenhouse gas (GHG) emissions inventory, with favourable conclusions in the report. The activities subject to verification were Scope 1 emissions, direct emissions and Scope 2, as well as indirect emissions from electricity purchased for own use.
- Finally, in 2021, an emission mitigation plan has been carried out by planting trees, in line with the "Sustainable Forests" initiative. The planting area measures three quarters of a hectare (7,500 square metres) of future native and diverse forest, and the 600 planted specimens will compensate for a total of 200 tonnes of CO<sub>2</sub> within 40 years.

The results of **Ormazabal's** environmental performance in relation to GHG emissions (t CO<sub>2</sub> eq.) in 2021 and 2020 are as follows:

GHG emissions (t CO <sub>2</sub> eq.) <sup>(13)</sup>	2020	2021
Direct (Scope 1)	2,400 t	3,518 t
Indirect (Scope 2)	893 t.	650 t.

Total direct emissions include the fuel consumed in production processes and boilers (fuel, gas), as well as the fuel of company vehicles used for sales and assembly work purposes. Total indirect emissions also include electricity consumption.

In 2021 and 2020, electricity companies, by granting the corresponding certificates of Guarantee of Origin, accredited several **Ormazabal** companies as 100 % renewable, in terms of their consumption of electricity from such sources, which respect the environment and prevent emissions of CO<sub>2</sub> and other pollutant gases. The National Commission on Markets and Competition is the body responsible for certifying the entire process of guarantee of origin, from generation to marketing.

Additionally, it should be noted that in 2021 the renewable energy generation facilities for self-consumption were increased by installing solar panels at Ormazabal's plants in Amorebieta, Loeches and Getafe.

As a result of this commitment to green, 100 % renewable energy, **Ormazabal** managed to **reduce its indirect emissions by 27 % in 2021** and 71 % in 2020, despite the fact that in absolute terms it consumed more energy, mainly due to the increase in activity.

Taking into account the increase in activity, the percentage reduction in emissions compared with 2019 is more than 36 %, which is in line with the intermediate decarbonisation target of 68 % by 2030.

Through its projects around the world, the company has continued to drive the total evolution of electricity grids, providing the capacity to take on the new energy mix with a greater presence of renewable energies.

Likewise, **Ormazabal Zhuhai Switchgear**, in line with its active policy in favour of energy conservation and the reduction of emissions in the production process, has established very rigorous consumption indexes that have enabled it to maintain a lower annual consumption than in previous years. In this regard, the measures taken have been aimed at optimising its lighting system with energy-saving lights, reducing the use of commercial vehicles and promoting the use of public transport.

With regard to direct emissions, they have increased mainly due to the rise in natural gas consumption. Although our ambition is to always reduce consumption, the increase in 2021 was due to the increase in activity and some atypical events (storms, breakages, etc.).

## Electrical mobility

Sustainable mobility, essential for the decarbonisation of the economy, is a strategic priority for Ormazabal. Proof of this is the investment it is making in this area. In 2021, 47 % of the vehicles in the company fleet were hybrid and 4 % plug-in hybrid. In addition, the company is committed to renewing the fleet only with hybrid or electric vehicles.

<sup>(13)</sup> The scope of the information reported for direct GHG emissions is associated with natural gas consumption, diesel consumption and petrol consumption. The emission factors and methodology used for the calculation are aligned with those published by MITECO (Ministry of Ecological Transition and Demographic Challenge). The scope of the information reported for GHG emissions is the same as that used for electricity consumption information. The emission factors used to calculate greenhouse gas emissions have been based on the methodology defined for calculating the carbon footprint for emissions trading, verified by an independent expert.

## Circular economy

The circular economy is an essential element for achieving a sustainable economic model. Therefore, integrating this concept -which promotes a radical change in the current model of waste production and raw material consumption- into the culture of the organisation is becoming an increasingly important part of the company's strategic vision.

**Ormazabal** therefore prioritises the implementation of an environmental strategy based on the circular approach with the aim of minimising its ecological footprint and with the firm intention of achieving efficient management of the waste it produces in keeping with the spirit of the European Green Pact and the Circular Economy Action Plan approved by the European Commission in February 2021.

In order to continue taking decisive steps towards this goal, in 2021 **Ormazabal** carried out a detailed diagnosis of its footprint by product and by company. It also continued to make progress with various measures and procedures implemented in some product divisions, which seek to promote the reduction and recycling of waste in order to minimise its impact on the environment. It is worth highlighting some of these measures:

### Transformer Division:

- Installation of a grease trap in the facilities.
- Repair of oil tank electrical conduits.
- Legalisation of oil tanks.
- Adaptation of a feeder oil outlet.
- Establishment of various specific indicators to be reviewed with management on a regular basis.

### Protection and automation division:

- Reduction of wood waste by replacing wooden pallets with plastic ones for reuse with suppliers.

- Elimination of plastic film from all packaging and a new project to replace plastic corner protectors with cardboard ones. Although this new type of corner protector has been approved, the results are not yet reflected in the main figures because the remaining stock of plastic was used up during the year.

### Secondary distribution division:

- Replacement of polystyrene corner protectors with cardboard ones. Implementation will continue in 2022.

### Factory in Seseña (which manufactures concrete enclosures):

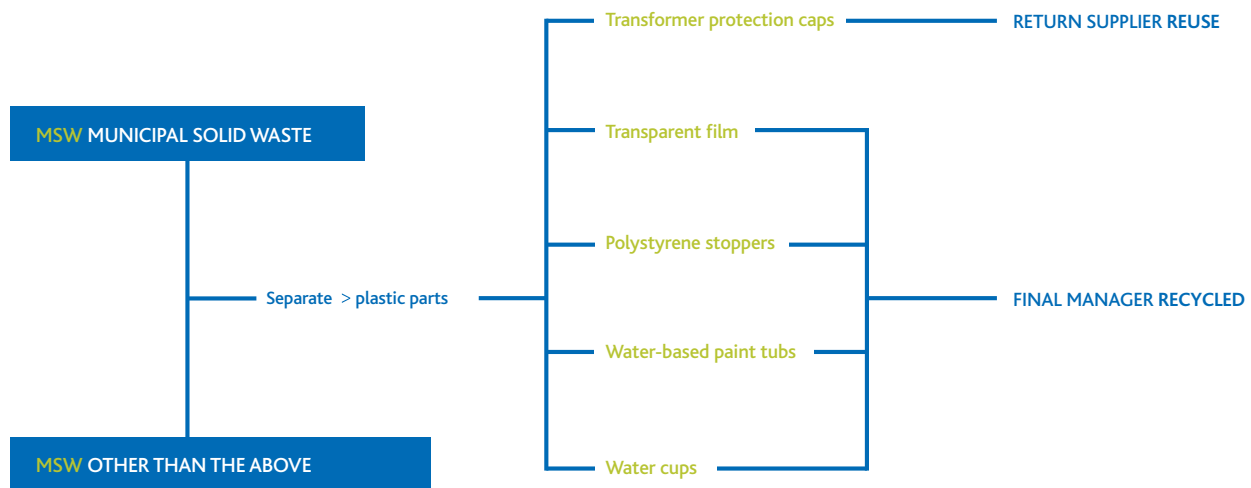
- Reducing the impact of plastic waste through separation.
- Reducing waste by replacing the polyurethane paint used for underground products with a flexible waterproofing mortar based on hydraulic binders and synthetic resins.
- Recycling concrete waste to give it a second life.
- As a result of the concrete formulation optimisation project, the quantity of raw materials is reduced (reduction in the quantity of cement to be used).
- Matabi's release oil refilling system. Minimisation of waste oil and absorbents, ensuring a more spillage-free area.





## REDUCING THE IMPACT OF PLASTIC WASTE

## PLASTIC SEGREGATION



## WE GIVE A SECOND LIFE TO OUR CONCRETE WASTE

## RECYCLING / BY-PRODUCT



Most of Ormazabal's companies delegate waste management to specialised companies that take care of the entire process, from collection, transport, handling and, in wherever possible, returning it to the company for reuse.

## Waste management

Type of waste <sup>(14)</sup>	2020	2021
Hazardous waste	145,824 kg	250,062 kg
Non-hazardous waste	2,817,328 kg	5,080,060 kg

Hazardous waste is that whose intrinsic properties pose risks to health or to the environment. In this respect, as far as the management of hazardous waste is concerned, 31 % of the waste generated in 2021 was recovered, 55 % was disposed of, 11 % underwent a valorisation process and 3 % was sent to controlled landfills. A substantial improvement if we look at the 2020 data, where 2 % was recovered, 66 % disposed of and 32 % underwent a valorisation process.

The rise is mainly a result of the increase in hazardous waste at Ormazabal's plants in Torcy and Loeches. This in turn is due, on the one hand, to an increase in activity and, on the other hand, to more people working on site, thus producing more waste, whereas in 2020 more time was spent teleworking.

Regarding non-hazardous waste -metal scrap, paper and cardboard, plastics and wood- in 2021, 48 % was recovered, 3 % sent to controlled landfills, 46 % underwent a valorisation process and the remaining 3 % was disposed of. In 2020, 54 % was recovered, 4 % was sent to controlled landfills and 42 % underwent a valorisation process.

The reason for the increase in non-hazardous waste lies mainly in the broader scope of waste reported at the **Ormazabal** plant in Seseña, rising from 105,253 kilograms in 2020 to 1,019,595 kilograms in 2021, and at the Torcy plant, from 122,620 kilograms in 2020 to 1,048,075 kilograms. In addition to the data on scrap metal, paper and cardboard, plastics and wood produced in 2020, other waste has been added in 2021, such as concrete waste, which has a large impact on the weight due to its high density, and municipal solid waste. If we make a comparison, based on the same variables, between 2021 and 2020, we can see that non-hazardous waste went up by 16 %, a figure that is in line with the increase in production during the year (14 %). It should also be noted that concrete production increased by 24 %.

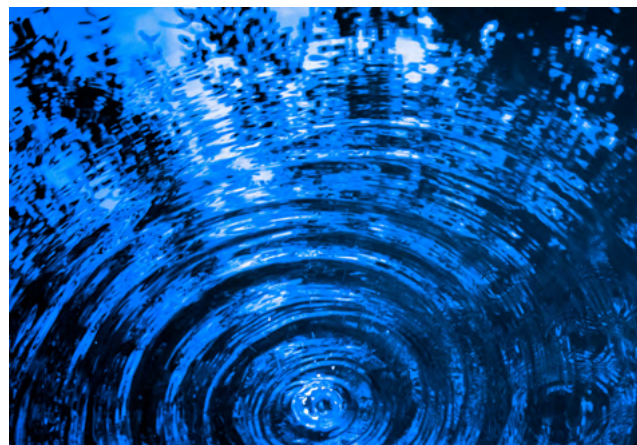
<sup>(14)</sup> Waste management in 2021 includes the company **Ormazabal** Burgos Switchgear (96,000 kg of non-hazardous waste and 316 kg of hazardous waste) in addition to the perimeter of 2021, although it does not have a significant impact on the comparative figures.

## Sustainable use of resources

### Evolution of water consumption

With sustainability as a goal, in 2021 **Ormazabal** continued to work towards responsible production and water consumption across our supply chain. To this end, measures have been implemented to increase the awareness of all people in the company about the responsible use of this vital element.

Consumption	2020	2021
Water consumption (m <sup>3</sup> )	40,341 <sup>(15)</sup>	42,312



Water consumption is mainly concentrated in the **Ormazabal** plant in Getafe, as this resource is essential for the preparation of concrete and its normal production process. In 2021, water consumption was 39 % higher than the previous year and, as a consequence, overall consumption at **Ormazabal** increased. The reasons for this increase at the Getafe plant are associated, on the one hand, with the 21 % growth in the workforce, which led to greater consumption for sanitary use and, on the other hand, with the significant increase in the manufacture of concrete (24 %), where, as mentioned above, water is a basic raw material.

Higher water consumption was also recorded in the company that brings together the commercial offices, due to a greater presence of staff in the offices and the occasional breakdown in the network.

The Getafe plant also recorded significant water consumption in its C3 paint plant (also essential for its production process). In this case, however, consumption levels remained similar to those of the previous year.

<sup>(15)</sup> Water consumption for 2021 includes the company Ormazabal Burgos Switchgear (649 m<sup>3</sup>) in addition to the perimeter of 2020, although it does not have a significant impact on the comparative figures.

## Evolution of energy consumption

All Ormazabal companies are implementing energy efficiency measures and making an effort to reduce electricity consumption. Proof of this is that consumption decreased in 2021, despite an increase in production in general terms.

In relation to gas consumption, it should be noted that there was a 50 % increase in gas consumption in absolute terms compared with 2020. This increase is mainly due to:

- Increased activity.
- Substitution of diesel and petrol by natural gas in some production processes.
- Increase to two shifts with a corresponding increase in equipment use.
- Meteorological factors: during January they were affected by snowstorm Filomena, which produced very low temperatures and affected production processes.
- In 2020 there was a period when the gas inlet meters were disabled because they were in the process of being calibrated.

Consumption	2020	2021
Electricity consumption (kW h) <sup>(16)</sup>	2,825,528	2,116,895
Consumption of electricity from renewable sources (kW h)	8,987,115	10,085,078
Total electricity consumption (kW h)	11,683,082	11,444,291
Gas consumption (Nm <sup>3</sup> )	874,109	1,315,486
Diesel consumption (l)	148,967	245,810
Diesel A and C consumption (l)	34,057	47,997

<sup>(16)</sup> The electricity consumption for 2021 includes the Zhuhai and Beijing companies in addition to the perimeter of 2019.

## Energy efficiency

**Ormazabal**, as a company committed to reducing energy consumption, carried out various initiatives in 2021 aimed at promoting and encouraging energy efficiency, including the following:

- Solar panels were installed at the Seseña factory, as was a new air conditioning system in the cloakrooms.
- Solar panels were installed at the premises in Getafe.
- Power consumption was reduced in transformer factories by installing solar panels, while natural gas replaced diesel both for heating and the paint booth process, thereby eliminating the consumption of diesel oil completely.
- At one of the Boroa plants, all the luminaires in the building were replaced with LED equipment, which has led to a reduction in energy consumption.

Furthermore, in accordance with Royal Decree 56/2016, large companies or groups of companies must undergo an energy audit every four years, covering at least 85 % of the total final energy consumption of all facilities located in the national territory; **Stratenergy**, a company belonging to **Velatia**, has carried out energy audits at 100 % of the company's facilities in Spain. Specifically, at the **Ormazabal** centres in Boroa, Igorre, Zamudio, Zaratamo, Getafe, Loeches and Seseña. The audits highlighted the improvements and savings made over the years.

Finally, true to its commitment to reducing energy consumption, over the last few years **Ormazabal** has implemented measures including the replacement of existing lighting with LED lights, the replacement of compressors, heat recovery, the adaptation of air conditioning systems and the implementation of a system for monitoring the energy demand.

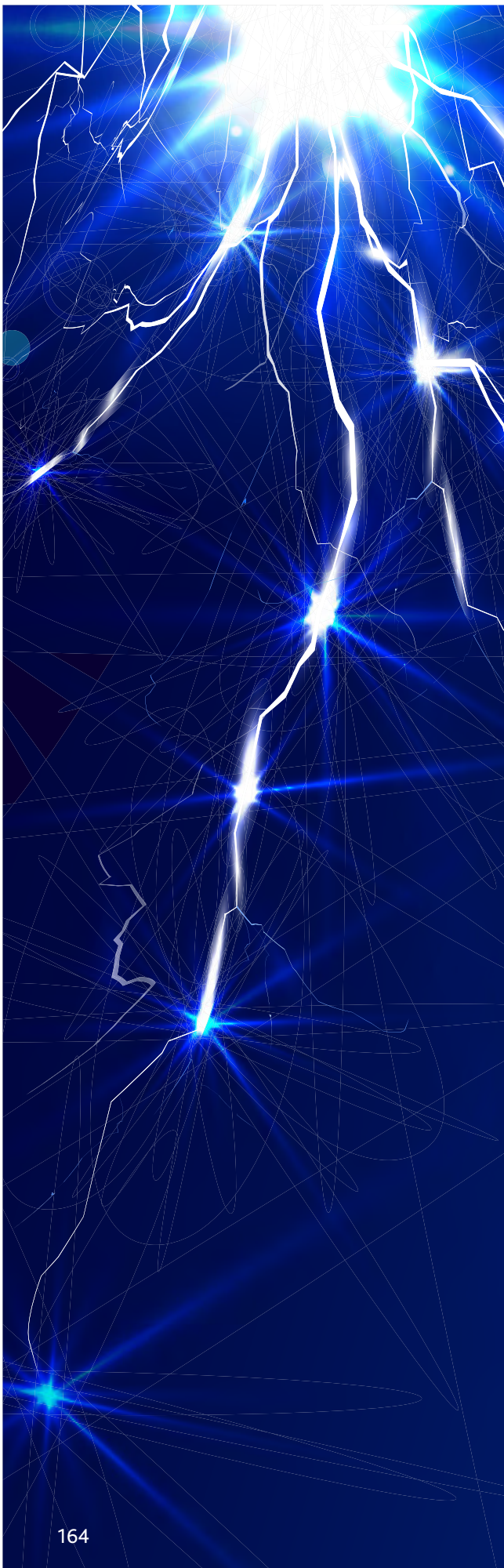
## Evolution of raw material consumption and energy consumption

Seeking optimal use of material resources in all phases of activity, **Ormazabal** promotes the efficient use of raw materials and energy. In addition, through the environmental and energy management systems it has implemented, it can measure, assess and continue to implement new measures that increase its energy efficiency and optimise resource consumption in all its production processes.

The following table shows the consumption of the main raw materials and energies used in **Ormazabal**'s production processes:

Raw materials	2020	2021
Main raw materials [magnetic sheet, enamelled wire (aluminium), chemical consumables (oil) and aluminium strip]	18,799,458 kg	21,931,032 kg





## 2.4. Customers

Ormazabal's commitment to its customers is a strategic cornerstone. The company's entire value chain is geared towards offering a sustainable service to its customers, with sustainable being understood to mean "today and always".

Responding to their needs with customised solutions, establishing long-term relationships based on trust and mutual interest are, therefore, the backbone of the company's business strategy as a result of a firm commitment to a job well done, which is inherent to the brand.

The equipment and products Ormazabal supplies take into account all the safety parameters provided for in the regulations applicable in each case. All of them are accompanied by the corresponding general instructions for use in order to provide an adequate level of protection for anyone using or coming in contact with such equipment. These information materials aim to:

- Eliminate dangers whenever possible.
- Incorporate appropriate protections into the equipment itself in order to eliminate all hazards.
- Communicate the remaining risks in order to facilitate the design of operating procedures that prevent such risks, the training of operating personnel to carry out these procedures, and the use of relevant personal protection measures.
- Maximise the use of recyclable materials and establish procedures for the treatment of products and their components, so that they are appropriately handled at the end of their useful life, respecting the environmental regulations established by the competent bodies.

Ormazabal has a **Claims and Complaints System** adapted to the reality of each sector it addresses. This system is used to periodically monitor the complaints received, identifying the type, status and resolution date of each complaint. Incidents are received through the formal and informal channels made available for this purpose and are managed and processed by specialised staff, who are responsible for analysing the reason for each incident on an individual basis and adopting the appropriate measures to offer a solution in line with the highest quality standards.

Furthermore, in businesses with a high volume of complex operations, **Ormazabal** has a tool for recording incidents that allows it to improve the quality of the service and apply corrective actions.

In line with its undeniable commitment to customer satisfaction, **Ormazabal** uses internal assessment mechanisms such as scorecards (performance and result indicators), surveys, interviews, etc., which give us a deeper understanding of their needs and expectations, as well as allowing us to identify possible areas of improvement to continue working on.

During 2021 Ormazabal continued to conduct satisfaction surveys in the countries where it has a commercial presence and production plants (Spain, France, Germany and China). Among the conclusions obtained it is worth noting the high level of satisfaction with the treatment received from the company's staff, deadline compliance, efficiency, quality of products and services, resolution of incidents and technical assistance.

Likewise, throughout the year, the technological workshops for customers continued, an initiative that is very well received and whose purpose is to anticipate solutions that respond to the future needs of the main companies in the electricity distribution and renewables sector on the path towards energy transformation.

## Ormazabal, maximum recognition for its customer management in 2021

**Ormazabal** uses the Advanced Management Model as a benchmark to evaluate and improve its management system. In 2021, Euskalit, the Basque Foundation for Quality, recognised its management in the Customer category.

For the company it is essential to work with suppliers with mutually beneficial concerns and interests. This is the reason for its commitment to companies located in the geographical areas where it is present, particularly in those where it has a production plant. True to a strategy of responsible production and consumption throughout the supply chain, the company reinforces its commitment to local agents by devoting most of its expenditure to them.

## 2.5. Suppliers

Promoting responsible production and consumption throughout the supply chain is a part of **Ormazabal's** main aspirations, and work along these lines continued in 2021.

The company's commitment to its suppliers is reflected in the Sustainable Development Policy and Purchasing Policy, focusing on the following points:

- Extending **social, environmental** and occupational hazard **prevention** aspects to our suppliers.
- Establish **mutually beneficial** relationships and prolonged stability with our suppliers by rigorously applying the Code of Ethics.
- Respecting the principles of **sustainable development** by encouraging our suppliers to comply with human rights requirements and the laws, regulations and standards of the countries in which the company operates.

To act on the commitments undertaken, **Velatia** has a **Regulatory Framework for the Procurement Function** applicable to **Ormazabal** which provides the entire organisation with common and compulsory guidelines that regulate the complete procurement cycle, from identifying the need to satisfying it. Thus, all businesses must have a supplier approval process in which suppliers must give a written undertaking to comply with the group's **Procurement Policy and Code of Ethics**. To this end, since financial year 2019, critical suppliers have been sent the Quality Manual and the Code of Ethics for their signature. This process has continued to be strengthened in recent years, eliciting the agreement of more and more suppliers.

The supplier approval process primarily involves analysing the availability of environmental certifications and compliance with environmental regulations. **Ormazabal** has an **Annual Supplier Audit Plan** in which both aspects are analysed.

In order to control supplier-related risks, **Ormazabal** has a system of Risk Management in the supply chain that monitors the panel of critical suppliers classified according to different levels of criticality.

### Commitment to local suppliers

Beyond the direct jobs it creates and the wages and taxes it pays, **Ormazabal's** influence is also felt indirectly thanks to the positive economic impact its support has on local businesses through the supply chain.

The company maintains a strong commitment to companies located in the main regions where it operates, a commitment that acquires greater significance in businesses with production plants. We regularly monitor the volume of purchases associated with each geographical area, which allows us to keep the proportion of local suppliers within a significant percentage range.

In its purchasing strategy, **Ormazabal** has a panel of global suppliers of basic raw materials (copper, aluminium, steel, etc.) and STD and/or high-rotation products for customisation with local suppliers located near the points of consumption, a competitive advantage that results in **greater flexibility and proximity to the end customer**.

% expenditure on local suppliers	2020	2021
Spain	77 %	80 %
France	97 %	94 %
Germany	60 %	69 %
China	98 %	96 %
Mexico	99 %	98 %

### Sustainability in the supply chain

Ormazabal's companies seek to contribute real value in their procurement management processes, both for their businesses and for their suppliers, guaranteeing results and favouring adaptation to the local environment, which enhances the creation of wealth and employment in the communities in which they operate. In this vein, we have started informing companies that wish to form part of our supply chain of the need to undertake the commitments promoted by the UN Global Compact.

Aligning the corporate function of procurement with each operational department has allowed us to determine and apply the best assessment criteria in each procurement or purchasing process, and to always be at the forefront in terms of sustainability, environmental assessment and human rights criteria.





## "Buy Green" pilot project

Ormazabal continued to participate in a project in 2020 to promote the "buy green" message in the private sector.



In 2019 the Basque Country launched a pioneering pilot programme at national level with a group of companies, including **Ormazabal**, which have taken on the challenge of introducing the procurement of sustainable products and services in the private sector.

In this context, in 2021 **Ormazabal** developed its own "buy green" criteria, which resulted in an action plan set out along the following lines:

- Define the policy regarding **Ormazabal's** position on conflict resources. This policy should be integrated with the rest of the policies and communicated to stakeholders (being of special interest in the supply chain).

- Establish criteria for taking into consideration the traceability and transparency of the origin of mineral resources.
- Establish environmental standards for the purchase of raw materials for magnetic sheet, aluminium and stainless steel.
- Regulate cross-cutting environmental guidelines for cleaning services, collection and destruction of confidential documentation, company vehicles, as well as energy supply/marketing companies.

The ultimate aim of this plan is to ensure insofar as possible the procurement of products and services with reduced environmental impact.



## 2.6. Society

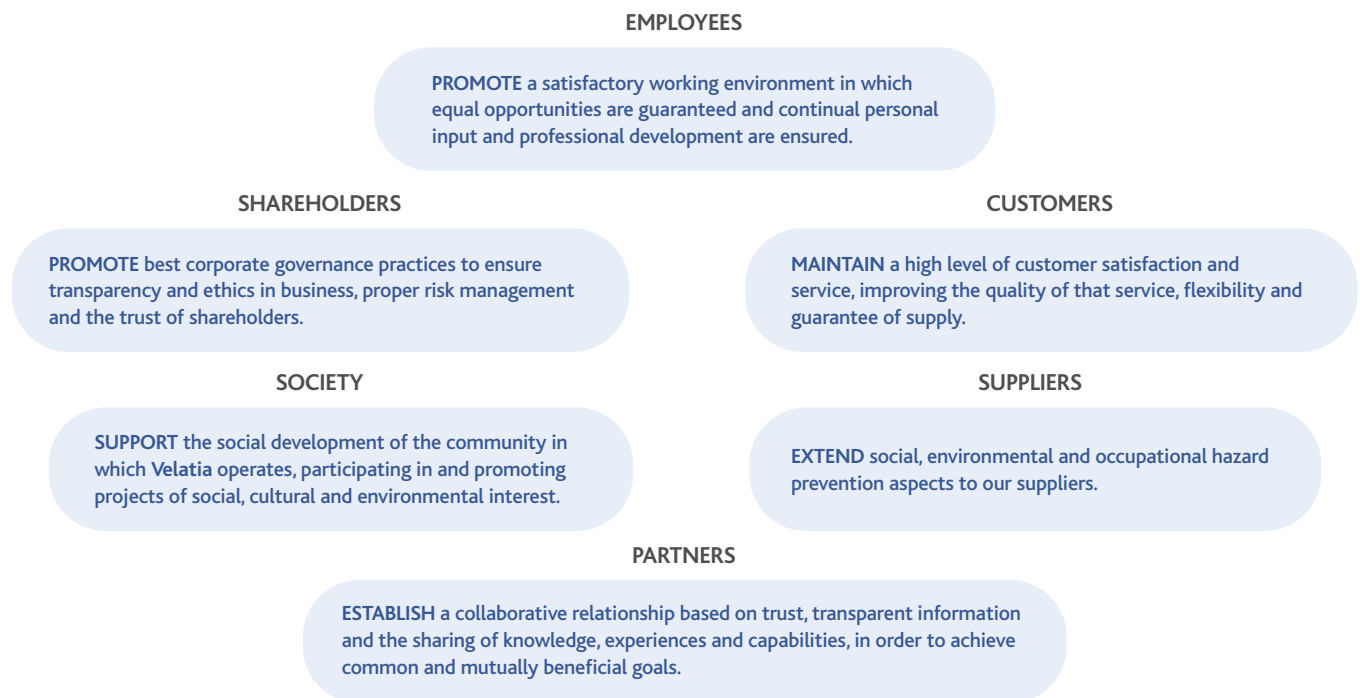
**Ormazabal** combines economic development and the interests of the communities with which it coexists and of its stakeholders, in a sustainable manner in the long term, in accordance with the principles of Corporate Social Responsibility.

Its firm commitment to the environment is evident in its ongoing investment in social projects related to education, employment, integration of people with disabilities, and culture. Initiatives that protect children through education, that seek to offer a future to young people through training and the promotion of programs that enhance their employability, including that of people with disabilities; proposals that promote access to culture for the whole of society, etc.

**Ormazabal's** line of action in the social sphere is defined in the Corporate Social Responsibility and Social Action policies.

**Social commitment:**  
**Support the social development of the community in which Velatia operates, participating in and promoting projects of social, cultural and environmental interest**

### WE CONTRIBUTE TO SOCIETY'S DEVELOPMENT THROUGH...



**Ormazabal** puts special emphasis on ensuring **clear and direct communication with its stakeholders**, so that it serves as feedback to find out their needs and expectations. It also makes sure that everyone in the organisation follows the

guidelines contained in the Code of Ethics when performing their professional activity.



## Relationship with local communities

**Ormazabal** contributes to the interests of the surrounding community generating a positive social impact by creating jobs, developing the local economy, collaborating with educational institutions, paying taxes and distributing the value generated.

In its aim to be part of the change, it actively participates in the development of public policies of regulatory bodies related to electricity distribution networks and is involved with -and in some cases leads- business associations linked to the sector in all areas of action, both national and European.

## Proactive advocacy for regulation that is conducive to the fundamental principle of sustainability of the electricity system

At all times the company maintains a proactive position in defence of regulation leading to the fundamental principle of the sustainability of the electrical system, through the development, commissioning and maintenance of a reliable, durable, efficient and eco-friendly power grid model.

This position regarding the regulatory aspect leads us to adopt solid and consistent precepts in relation to the criteria and concepts applied to the design, manufacture and commissioning of the products, equipment and services that we offer to the market.

With regard to institutional relations activities and those related to associationism between companies, everyone at **Ormazabal** takes care to strictly comply with the precepts laid down by the rules of competition law.

As a result of its determination to be a benchmark player in the sectors in which it operates, **Ormazabal** participates proactively in numerous forums and associations. This allows the company to demonstrate its commitment to sustainability, interact with the main agents of change, generating shared value between the company and its environment, sharing good practices and strengthening relations with its stakeholders. These are some of the most important forums and associations:

Country	Associations	
Spain	AFBEL	AFBEL Asociación Española de Fabricantes de Bienes de Equipos Eléctricos de Alta y Media Tensión
	Clúster de la energía del CAPV	Clúster de la energía de la CAPV
	Confebask	Confederación Empresarial Vasca
	Euskalit	Fundación Vasca para el Fomento de la Calidad
	Basque Ecodesign Center	Basque Ecodesign Center
	AEE	Asociación Empresarial Eólica
	GT compartición datos aeros	Club Español de la Energía
	UNE	Asociación Española de Normalización
	ENERCLUB	Club Español de la Energía
	CONSORCIO DE ENERGÍAS RENOVABLES	Consortio de Energías Renovables
France	GIMELEC	Groupement des entreprises de la filière lectronumérique française
	MATPOST	
Germany	ZVEI	Zentralverband Elektrotechnik- und Elektronikindustrie
Europe	T&D Europe	European Association of the Electricity Transmission and Distribution
	CIREC/CIGRE	International Conference on Electricity Distribution
	WindEurope	The Voice of the Wind Energy Industry
	EURELECTRIC	Federación de la Industria Eléctrica Europea
China	江苏省电器工业协会	Jiangsu Electrical Equipment Industrial Association (JEEIA)
	江苏省可再生能源行业协会	Jiangsu Province Renewable Energy Industry Association (JSREA)
	全国输配电技术协作网会员	Electric Power Technology Collaboration (EPTC)
	中关村储能产业技术联盟	China Energy Storage Alliance (CNESA)
	中国电动汽车充电基础设施促进联盟	China Electric Vehicle Charging Infrastructure Promotion Alliance (EVCIPA)
	中国光伏行业协会	China Photovoltaic Industry Association (CPIA)

## Solidarity actions

**Ormazabal**, as a company close to its environment and social concerns in various aspects such as solidarity, education, protection of natural resources, etc., promotes or participates in various activities that seek to do their bit in achieving the objectives desired by all. We mention three that took place in 2021:

### Collaboration with training centres

In line with its vocation to contribute to the training of future professionals in industry, **Ormazabal** has donated robotics equipment to two training centres in Bizkaia: the Urri-txe centre in Amorebieta and the Bidebieta centre in Basauri.

In addition to donating this equipment, which will enable students in the final years of vocational training to assemble a robotic cell, **Ormazabal** has provided them with the necessary expert support.

There are plans for new lines of collaboration with other centres so that robotised cell developments such as these can be used to train the staff of **Ormazabal**'s own companies.

### Tree planting in Urdaibai

Volunteers from **Ormazabal** took part in the **planting of 600 trees** in the stunning setting of Urdaibai in Bizkaia to protect our forests and natural environment and, at the same time, help reduce our carbon footprint.

This initiative, carried out in collaboration with the Lurgaia Foundation, will offset the emission of 200 tons of CO<sub>2</sub> over the next 40 years.

### Solidarity campaign

For the third consecutive year, the **Ormazabal** plant in Seseña organised the Christmas campaign "Take care of yourself, take care of them", which consisted of collecting toys and food for the most disadvantaged families.

## Forging links between education and business

**Ormazabal** makes a special effort to **forge links between education and business**, collaborating with several training institutions to boost the development and growth of the local economic fabric through various agreements, scholarships and internship options.

Since 2001 Ormazabal has been collaborating with the **Bilbao School of Engineering** with our own company classroom. This initiative, which will be 20 years old in the 21-22 academic year, pursues the following objectives:

- Recruitment of students with potential. In 2021, 5 students from the classroom have joined the **Ormazabal** companies.
- Carry out projects in areas of interest to the company.
- Help generate a brand among students as a prestigious point of reference in the technological field. Over the years we have carried out various communication actions such as participation in the company classroom presentations and in the School newsletter, offering news about the progress made and the projects developed in the **Ormazabal Classroom**.

The **Ormazabal Classroom** of the **University of Mondragón**, launched in 2007, specialises in power electronics, protection and automation, as well as medium-voltage network communications. It aims to develop projects with undergraduates in the penultimate or final year of their degree in disciplines of interest to the company. The teachers are in charge of directing the students' work and the tutors appointed by the company for each project supervise their work.

Since 2006, **Ormazabal** has also had a company classroom at the Higher Technical School of Industrial Engineering and Design of the **Technical University of Madrid (UPM)**. Its dual purpose is to teach and investigate, and it helps future engineering professionals learn about transformation centres, practical simulation of the different defects that can occur in this type of facility, as well as the protective devices and systems associated with transformation centres.

Finally, Ormazabal Corporate Technology, the company's R&D&I-focused entity, is on the Board of Trustees of the **Euskampus Foundation** of the **University of the Basque Country**, an interinstitutional instrument that aims to become a driver of Basque R&D&I with a clear vocation of social responsibility and integration within the region. To achieve this aim, its mission is to design, coordinate and execute actions that strengthen and accelerate the modernisation and internationalisation of the Basque public university.









**Be smart.  
Be Ikusi**









**Be Ikusi.  
Be sustainable**







Making the complex  
simple

# 1. About Ikusi



**Ikusi** is a company specialising in Information and Communication Technologies (ICT) with 50 years of experience that has enabled it to acquire in-depth knowledge of its customers' businesses in sectors such as telecommunications and IT, oil and gas, airports, railways, ports, banking and insurance, retail, etc. A vital asset for understanding the needs of companies in this new scenario of change and accompanying them in their digital transformation processes.

In its firm commitment to sustainability, **Ikusi** combines business development with meeting the needs of its stakeholders, supporting the surrounding community and minimising the environmental impact on its surroundings.

All this is evident in the materialisation of its commitments in accordance with **Velatia's** sustainability strategy.

## 1.1. Purpose, mission, vision, values and pillars

**Ikusi** understands the purpose, mission and vision as its *raison d'être*, what it exists for, and they constitute the basis of its strategic plan. This is how they are defined:

### Purpose

To generate value for the customer through technology, making the complex simple.

### Mission

To provide customers with innovative technology solutions and services tailored to their needs with a personal touch.

**Ikusi** fulfils the mission expressed by the group through a threefold commitment:

- **Excellence** in governance and management.
- **Technology** as a source of differentiation.
- **Sustainability** (responsible profitability) based on meeting the needs and expectations of stakeholders, ensuring a recurring dividend and resilience to cope with adversity and continue to project a future.

### Vision

Redesigning the future by building a more sustainable, secure, connected and collaborative world.

### Values

**Ikusi**, as part of **Velatia**, shares these five values strongly rooted in the group's culture:

- **Flexibility**: willingness to understand different options and adapt to different situations.
- **Leadership**: showing a will to succeed in day-to-day activity that can serve as an example and motivation for others.
- **Innovation**: dynamic attitude to create and anticipate new and successful processes, products and/or services.
- **Pragmatism**: efficient results orientation.
- **Support**: willingness to offer and request help in order to develop people and achieve goals.

### Pillars

Family, Industrial, Technological, Global, Benchmark.

**Ikusi** shares **Velatia's** pillars that represent the long-term vision of the vocation for creating value without speculating, excellence in management, investment in R+D+I, and leadership with values. These pillars form a solid base that remains unalterable over time and which, in the case of **Ikusi**, can be specified as follows:

#### Technological

Integration of various reliable and innovative solutions and high value-added services with an emphasis on quality and service, always seeking to create value for its customers, acting as a technological partner. **Ikusi's** aim is to remain in and develop the markets in which it operates with a clear desire for continuity.

#### Global

Company that competes with global solutions in the markets where it is present (Spain, Mexico and Colombia), and where its competitors include both local firms and large multinationals. Its purpose is to remain very close to its customers by accompanying them with solutions adapted to the particular needs of each one, and by acting in the markets they require. Thus, the location of its premises aims to ensure that it becomes strongly rooted in the markets it serves.

#### Referente

The aim of the **Ikusi** brand is to become a benchmark in technology wherever it is present, not only as a market leader in some of the geographical areas, but also for other important reasons:

- Approach based on opportunity generation, high standards and meritocracy (a "**good place to work**").
- **Culture of respect and care** for people as hallmark.
- Leadership with **values**.
- **Excellence** in governance and management.
- Commitment to sustainability understood as **responsible profitability**.
- Commitment to local markets: **establishing local roots**.

## 1.2. Ikusi business

**Ikusi** applies technology to connect, process and manage information securely and is able to link critical business processes and exploit the information generated (operational solutions). In this way, it offers services and solutions aimed at communication networks, cybersecurity, digitalisation of industrial processes and operation of transport infrastructures.

The company's added value stems from developing solutions around the acquisition and analysis of data that allow its customers to boost their competitiveness by optimising their processes.

### Lines of business

#### Digitalisation

##### Communication networks

**Ikusi** designs, implements and manages telecommunications technology and infrastructure, providing knowledge and experience in areas with specific requirements.

The company has accumulated extensive experience in smart network implementation, datacenters, network monitoring and automation, finding out the business needs of multiple industries, and making the most of its own distinctive "know-how". All this is possible thanks to a highly skilled, professional and service-oriented team.

**Ikusi** offers its customers innovative alternatives for technological architectures in order to provide them with the tools needed to lead the market through integrated business solutions supported by recognised expertise, technical knowledge and best industry practices.

##### Mobility systems

For the past fifty years, **Ikusi** has specialised in connecting machines and people, recording and processing data securely, using technology to operate, transform and increase the efficiency of the processes that support the activity of its customers.

It has more than 30 years of experience automating processes in the fields of rail, road, airport and port transport: from connecting machines and people securely (automating information, security and the access of people and vehicles) to the digitalisation of critical processes such as charging users, assigning flight boarding gates or operating security systems in tunnels.

Its long history has seen it complete milestone projects around the world such as Abu Dhabi airport, the trains of the Turkish national railway company (TCDD) or Irish Railways in Ireland, the Parque Arauco shopping malls in Chile and Walmart in Mexico, the Mexican Tax Administration Service, BBVA in Colombia, the Volkswagen plant in the Mexican city of Querétaro, and the industrial plants of Cosentino, Arcelor Mittal or Campofrío in Spain.

All this is consequence of Ikusi's DNA, which, although it has maintained its essence over time, has evolved in terms of how to apply technology and the impact it is able to generate today in each sector of activity, using the transformative power of cutting-edge technologies such as AI, blockchain, 5G, etc.

### Cybersecurity

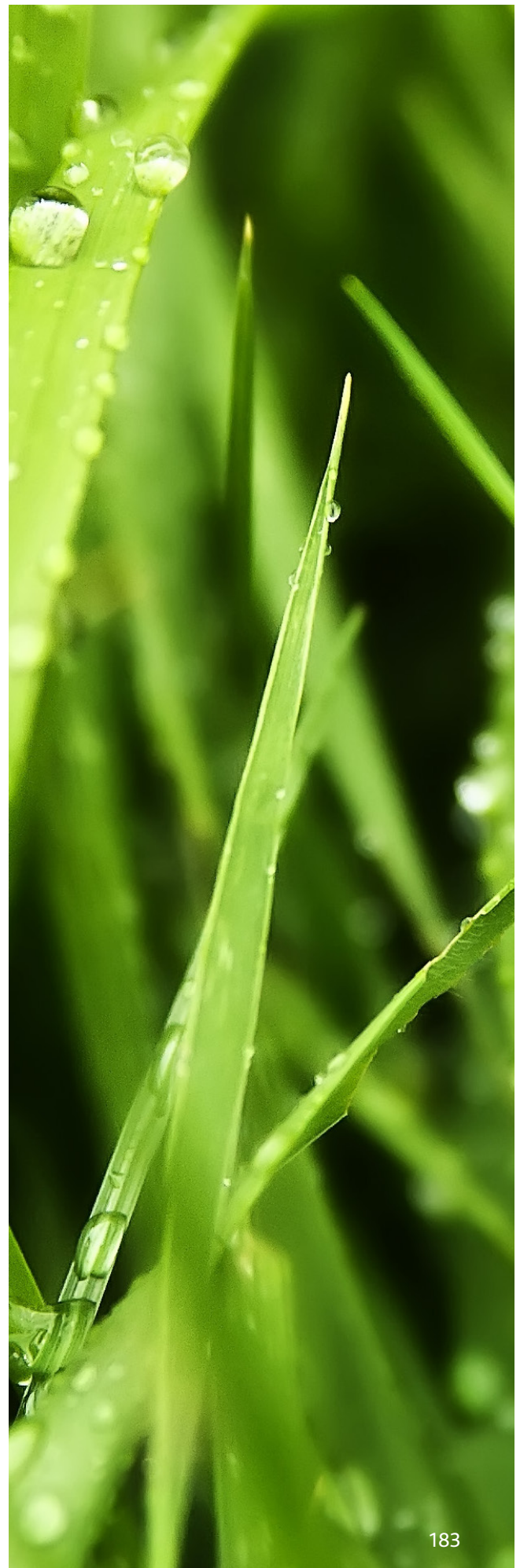
Cybersecurity has to anticipate and adapt to the speed at which increasingly sophisticated and advanced threats to the network evolve. Prevention should therefore be a priority, and this requires good presales architecture or engineering, as well as enhanced monitoring, detection and early response while applying multi-layer defences.

To meet these challenges, **Ikusi** has a set of solutions to cover the main vectors of potential attacks: email, data-center, campus, cloud, users (internal or remote).

The company's proposal in this area ensures that the different interactions between users and applications are secure and reliable, taking into account the different scenarios in which users operate, from the office to remote connections and access to (public and private) clouds.

**Ikusi** integrates hardware and software solutions, in addition to consulting and auditing services, in order to understand the reality of each customer and the challenges it faces and, in so doing, be able to propose the most suitable cybersecurity project with a number of benefits:

- **Protect information** in its different layers, from end-user access points to network and IT infrastructure in its physical, virtual and cloud modes.
- **Reduce the risks** of exposure of the organisation's critical data.
- **Have global visibility** to proactively prevent cyberattacks from the outset with advanced cyber-security intelligence mechanisms.
- **Integrate security features** in traditional and advanced IT environments.







- **Have a secure control of media** and access to sensitive information within and outside the organisation.
- **Maintain a simple and efficient integral security architecture.**
- **Be able to centralise** various sources of information for better decision making in information security management.

Ikusi's security services are based on a set of services managed in accordance with certified processes, customer care and incident response –in line with best market practices–, with levels of coverage and a 24/7 operation provided by a **Centre for Cloud Operations, Cybersecurity and Business Experience**, Ikusi's ONCE.

### 1.3. Ikusi in figures

In 2021, **Ikusi** celebrated fifty years of constant evolution, making its ability to adapt its chief hallmark. To this end, it has a team of more than 900 highly skilled professionals and customers in more than 30 countries, with special focus on Mexico, Spain and Colombia.

**1971**  
foundation

**+ 50**  
years of  
consolidated  
experience

**900**  
staff

global  
presence in  
**7**  
countries

## 1.4. Summary of the year

### The year in review

#### Ikusi celebrates its first 50 years by fulfilling objectives

Ikusi celebrated its first 50 years in 2021 by achieving both quantitative and qualitative objectives, despite the headwinds from the continuous fluctuations in the market as a result of the context of uncertainty.

Looking back over the year, the first quarter was marked by the pandemic and the start of the vaccination process in Europe and the United States. This was a time of optimism in which the market experienced a certain level of recovery, driven by the strong pull of the United States towards Mexico and the consequent improvement in consumption data. However, two factors began to cast a shadow over the outlook from the second and third quarters onwards: one of them, the semiconductor crisis, which greatly increased manufacturers' delivery times, and the other, the logistics crisis, which put the profitability of transport in check and brought the sector to a standstill. These circumstances were compounded by a significant increase in raw material prices.

In such an "unfriendly" environment, Ikusi closed a good year with a **10 % increase** in turnover with respect to 2020, exceeding **150 million euros in turnover**. This good performance is also reflected in a portfolio of contracts in the pipeline worth **160 million euros**, which will support the growth forecast for 2022.

The positive balance sheet also highlights the improvement in the **positioning of services** (particularly pay-per-use, cloud and cybersecurity services), one of the growth levers envisaged in Ikusi's Strategic Plan for the 2021-2023 period. Thus, in 2021 **a third of its turnover came from recurring income**. On the horizon, among the company's organic growth forecasts is that of further boosting services with the development of the Commercial vertical (medium-sized companies) in the Mexican and Colombian markets, as well as in the north and northeast of Spain.

#### 10 % growth in sales and more than 160 million euros in new business in 2022

Faced with such enormous challenges as those of 2021, the company responded by being **closer than ever** to its customers and taking action on three fronts: anticipating (bringing forward orders from its manufacturers in order to avoid delays in estimated project roll-out dates), "re-engineering" (replacing products with longer lead times and finding alternative manufacturers) and expanding strategic partnerships. In short, clearly demonstrating its **ability to adapt to change**.

In relation to people, it should be pointed out that, as a result of the application of the labour law reform approved by the Mexican government, in the second quarter of the year Ikusi proceeded to incorporate into its workforce the personnel who, until then, had been working under a mixed collaboration model. This, added to the new contracts signed, means that, at the end of the year, the staff numbered more than **900 people**, which represents an increase of **more than 150 %**.

As in the previous year, Ikusi continued to manage the effects of the pandemic on the organisation, with **teleworking ratios of over 90 %** globally, with greater emphasis on Latin America (Mexico and Colombia, mainly), countries where the vaccination process has been slower; and safety levels were maintained for those people who were physically present at their workstations.

In 2021, the company completed half a century of evolution to become an integration and engineering company specialising in ICT and digitalisation and automation services for the transformation of its customers' business processes and models. Some of the most important projects undertaken this year are the result of this, such as the acquisition of a new global communications operator, several strategic implementations for a well-known supermarket chain operating in Mexico; the contract for the new Felipe Angeles International Airport in Mexico that allows Ikusi to advance as a key integrator in critical infrastructures; the award of a 2.9 million euro contract from the Mexican Stock Exchange to protect its cybersecurity; and the signing of the security agreement with the Bank of Spain, among others.

## Improved positioning of services. A growth lever for Ikusi

Every crisis is an opportunity, and in 2022 Ikusi will continue to follow its roadmap, which has clearly responded well in these uncertain times, as well as to promote the three pillars on which its value proposition pivots: **digitisation, cybersecurity and servitisation.**

*"We are celebrating 50 years of standing by people, promoting the development of cutting-edge technology that helps businesses in all areas to grow and evolve"*

### Main figures

	2020	2021
<b>EVOLUTION OF TURNOVER</b> (millions of euros)	<b>136 M</b>	<b>150 M</b>
<b>EBITDA</b> (% of turnover)	<b>3 %</b>	<b>10 %</b>
<b>CONTRACTS</b> (millones de euros)	<b>&gt; 150 M</b>	<b>&gt; 160 M</b>



## Ikusi Milestones

### Mexican Stock Exchange / Mexico

Award of a €2.9 million contract for the renewal of the Mexican Stock Exchange's perimeter cybersecurity and business continuity systems. Specifically, the project will deal with the data centres responsible for managing all the transactions carried out. The total volume of transactions undertaken by this financial institution each year is equivalent to 17.84 % of Mexico's GDP, which gives an idea of its size and the importance of protecting its security to the maximum.



### New contract with global communications operator / Mexico

A new global communications operator specialising in voice, video, data and internet services (for companies, individuals and public entities) has opted for Ikusi's proposal to support its cybersecurity platform. Ikusi thus adds another important name to its list of customers in this sector.

It is also the first time that the company has developed a project of this kind with its partner Palo Alto.



### Monterrey Institute of Technology / Mexico

The Monterrey Institute of Technology has renewed its trust in Ikusi with the signing of a new contract to provide telephony and collaboration services to any staff who may require them (academic staff and students). With a national scope, it includes a collaboration service for smartphones, PCs or endpoints, remotely and securely with the Expressway solution. This new project confirms Ikusi as one of this academic institution's strategic suppliers in the technological field.



### Technology partnership with a major supermarket chain / Mexico

In 2021, Ikusi secured several strategic projects with a popular supermarket chain operating in Mexico. These include evolving its infrastructure towards software-defined networks (SDWAN) and implementing an access control system to connect to its twelve Logistics Distribution Centres (CEDIS).

This gives a new boost to Ikusi's technological partnership with this company, which it accompanies in connectivity and security projects for its centres in Mexico and South America.



### Remote maintenance of the Medgaz pipeline / Spain

Work continued on the project for the implementation of a remote maintenance system for this submarine natural gas pipeline between Algeria and Spain, which is more than 700 kilometres long. The proposal for Medgaz significantly improves processes and operating times with the consequent savings on costs that are common in this type of infrastructure, which requires constant maintenance and supervision, as well as continual technical validation.



### Technological renovation and modernisation for Leroy Merlin / Spain

Ikusi is providing Leroy Merlin España with a solid and powerful technological infrastructure on which to deploy new services of high added value for its business.

This process of renovation and modernisation includes the migration of two data centres that the leading home improvement retailer has in Spain.





#### IoT project for Talgo / Spain

Development of an IoT (*Internet of Things*) project for the remote maintenance of Talgo trains whose end customer is the Danish railway operator DSB. Control can be carried out from two platforms on the ground and the solution includes massive data ingestion. Thanks to this project, Ikusi extends its access capacity to the Talgo fleet and, with it, the possibility of offering new services related to advanced maintenance models to other trains, opening up new lines of business.



#### Passenger information system for Irish Rail / Spain

In an international tender, Irish Rail chose Ikusi's proposal to renew the passenger information system of 17 trains (68 cars) supplied by the Japanese manufacturer Tokyu Car. The project will enable the railway company to upgrade a significant part of its fleet in the Dublin metropolitan area, providing the cars with new capabilities (fully automated customisation of messages, notices, advertising, etc.), as well as preparing it for future improvements.

Ikusi has also renewed its maintenance contract with Irish Rail, the company it has been serving since 2007.



#### Instituto de Empresa / Spain

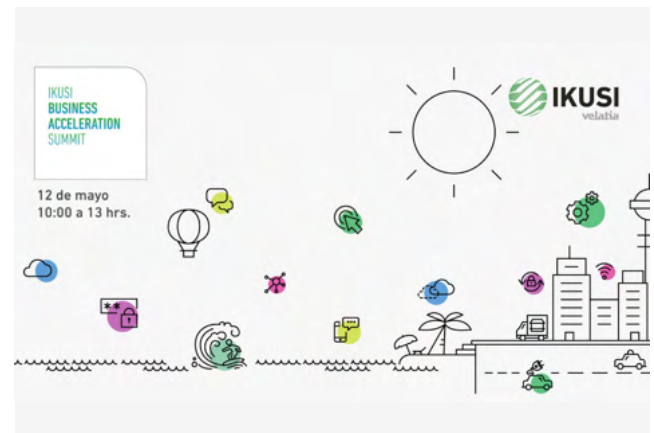
Following the deployment of the wi-fi network in indoor spaces, in 2021 Ikusi extended it to the outdoor spaces of the Instituto de Empresa's premises in Madrid and Segovia, which will allow students to follow classes either from the classrooms themselves or from the outdoor spaces at each site. This measure is an example of how communications infrastructures can strengthen new models of teaching and learning.

## Participation in industry activities

### Ikusi Business Acceleration Summit

As a sign of Ikusi's unconditional support for innovation, the company once again organised a new edition of the **Ikusi Business Acceleration Summit**, this time under the slogan "*Ride the innovation wave*". This event, which is held to coincide World Telecommunications Day (17 May), is spread across two days, one for Spain and the other for Latin America.

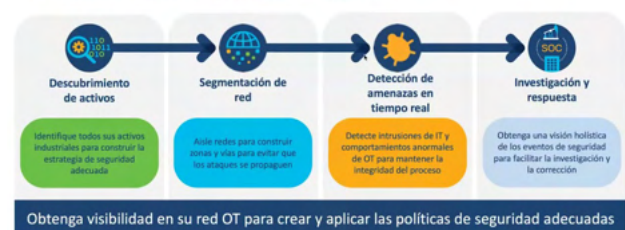
The program designed for the occasion revolved around highly topical issues such as the optimisation of resources and investment models available to companies, so that organisations can accelerate their digital transformation; data security, at a time when work and business are conducted from multiple locations and devices; current and future work scenarios; and the talent required for new business models.



### Webinar: "Connected Industry"

The digital transformation wave is already here. There are many examples of industries that are experiencing the benefits and potential of IoT (Internet of Things) applications. In order to share this information, Ikusi invited professionals from different industries to a webinar where success stories and concrete solutions for securely connecting industry were revealed.

#### Paso 2: Foundation Security Funcionalidad para proteger las redes industriales



### Partnership between Ikusi and Wizzie Analytics

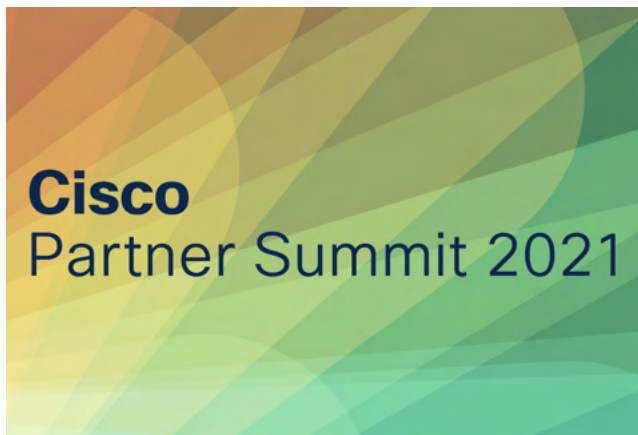
Ikusi has signed a strategic partnership agreement with Wizzie Analytics, an expert in *big data*, to boost data analysis and create smart spaces.

The collaboration between the two companies will result in specific applications such as the detection of areas of high occupancy density or behavioural patterns. These are services that provide significant benefits for the customer: better decision making, lower operating costs, greater efficiency and effectiveness.

In short, the agreement between Ikusi and Wizzie Analytics will create synergies -solutions, experience and innovation capacity- that will serve the digital transformation of businesses.







## Awards and recognitions

### Cisco Partner Summit 2021: the awards keep on coming

Once again, Cisco recognised **Ikusi's** innovation, leadership and best practices, this time with awards in seven different categories. Among them, the **Global IoT Industry Award** stands out for the performance achieved as a technological partner of the industry in the digital transformation process.

By geographical area, in Latin America it won the Customer Experience award; in Mexico (where it is the company with the most technology certifications) the Enterprise Networking, Collaboration, Customer Experience, Managed Services and Multinational Enterprise awards; in Colombia, the Data Center (for the second year running), Commercial, Enterprise and Customer Experience awards; and finally, in the region comprising southern Europe, the Middle East and Africa, the Transformation and Innovation awards.

At its Global Digital Partner Summit, Cisco rewards the best-performing partners in the company's specific technology markets around the world. These awards are a demonstration of **Ikusi's** ongoing commitment to its customers, aligning its objectives to adapt to the environment and add value to brands.



### Genetec recognitions

The Canadian company Genetec, a manufacturer of electronic security solutions, recognised **Ikusi's** activity in two categories: Integrator with the most sales, and Iconic Project. Both awards were presented during the **Genetec Elevate 2021 Business Partner Summit**, held in November.

## 1.5. Governance

As part of Velatia, Ikusi is governed by the group's highest governing body, the Board of Directors, whose regulatory framework is laid down in the Articles of Association, the Rules of Procedure of the Shareholders' Meeting, the Rules of Procedure of the Board of Directors, the various Rules of Procedure of the Board Committees, and the Code of Ethics.

### Governing bodies

In 2020, the **Ikusi Committee** was set up within the Board of Directors. Composed of six members, it has a fundamentally advisory role strictly within the scope of the business. As such, it acts as a means of support, providing collaboration and advice. Its activity involves evaluating the enquiries made by the Board of Directors and the general managers and providing them with proposals based on analysis and its extensive experience.

Notwithstanding any other tasks that the Board of Directors of Velatia may assign to it, the duties of this committee include: analysing the company's results and the work of the management team; proposing the strategic plan and monitoring its execution; monitoring budget management; proposing to the Board the most important decisions on investments, asset sales, mergers, etc.; assessing and proposing the authorisation of strategic partnerships; implementing mechanisms to obtain the most accurate information on all areas of the company; proposing the remuneration policy to the Appointments and Remuneration Committee; any other objective that helps **Ikusi** achieve its purposes; and, lastly, preparing information, presentations, etc. as and when requested by the Board.

### Ikusi Advisory Council

#### CHAIRMAN

Mr. Javier Ormazabal Echevarria

#### MEMBERS

Mr. Alejandro Ormazabal Echevarria

Mr. Francisco Garza Zambrano

Mr. Francisco Garza Egloff

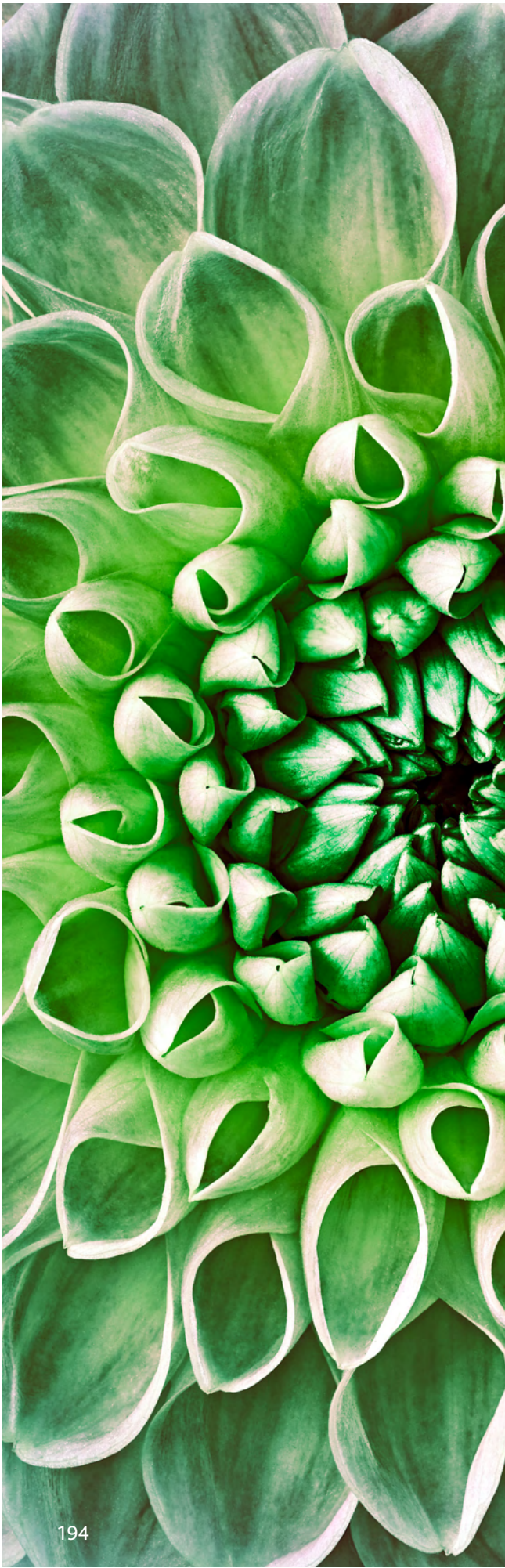
Mr. Ramón Sotomayor Jauregui

Mr. Iñaki Maiz Elizaran

#### SECRETARY (non-member)

Mr. Alex Otaegui Furriel





## 1.6. Risk management

As part of its strategic reflection process, Ikusi has carried out an in-depth analysis of the different factors that could jeopardise the fulfilment of its objectives and future plans, on the basis of which the following risks have been identified, assessed and prioritised:

RISKS
Exchange rate
Working capital
Change management
Cash flow planning
Flexibility of the organisation
Logical and physical security
Supply chain
Health crises
Capital management
Dependence of strategic partners
Retaining talent
Reliability of financial information
Contract performance

To facilitate their management, Ikusi divides risks into four categories and determines the corresponding measures to mitigate their possible impact on the business:

- Strategic risks.
- Operational risks.
- Compliance risks.
- Management risks.

## 1.7. Sustainability

### Identifying stakeholders

Aware that identifying and cataloguing stakeholders is a fundamental task for an organisation, **Ikusi** monitors their evolution to ensure that relevant stakeholders are being considered. This identification process takes into account the following perspectives::

- **Proximity:** groups that interact closely with the company, including internal stakeholders.
- **Influence:** those who influence (or could influence) the performance of the company's activity.
- **Liability:** those with legal obligations.
- **Dependence:** groups that depend on the activity of the company.

These stakeholders are prioritised according to two variables:

- **Influence:** whether they can have an impact on the company or whether a stakeholder is strategic for decision-making purposes.
- **Dependence:** whether they are directly or indirectly dependent on the company's activity, on its products and services or on its functions.

Communication is generally one-way with less important stakeholders, gradually becoming more two-way as their importance increases.

## Identifying relevant issues

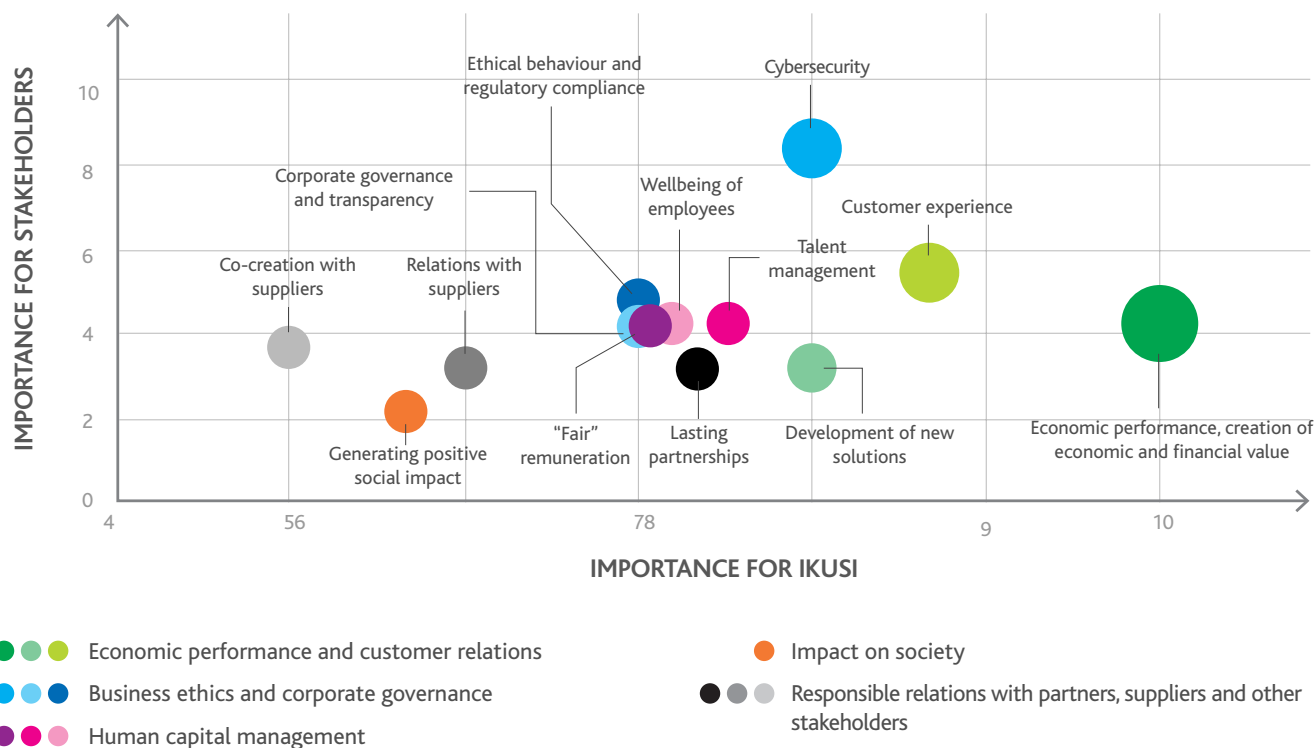
The **Ikusi Strategic Plan** includes the social and environmental aspects identified as relevant at a strategic and operational level, in accordance with the guidelines set out in the **Velatia Sustainability Master Plan**.

During 2020, **Ikusi** maintained an ongoing dialogue with its stakeholders through the usual communication channels and procedures in order to identify important issues in relation to sustainability.

The materiality study, as a basis for determining the company's strategic priorities in this area, has been carried out on the basis of a twofold analysis:

- External analysis grouping together competitor *benchmarking* trends, regulations, and stakeholder needs and expectations.
- Internal analysis of the most relevant issues for the business.

The following **materiality matrix** is obtained from the cross analysis between the "Importance for **Ikusi's** business strategy" variable and the "Importance for stakeholders in each of the issues considered relevant" variable:



## Lines of action, ambitions and commitments

Based on the map drawn by this matrix, **Ikusi** determined what objectives it wants to achieve, what commitments it will make and what lines of action it will establish to achieve them. There are six basic lines of action with their corresponding developments:

### 1. Ethics and corporate governance

**Ikusi** puts commitment to good governance, ethics, integrity and transparency among the most important expectations for its stakeholders and as a hygienic factor. It thus defines a framework of integrity, made up of the Code of Ethics and a number of policies that establish principles of action whose aim is to generate trust and long-term commitment between the company and its stakeholders.

This line of action covers the following aspects:

#### Ethical behaviour and regulatory compliance:

- Promote integrity and adhere to the highest standards of ethics and compliance, initiatives to fight corruption and fraud, and honesty in all dealings with stakeholders.
- Compliance with external regulations, regulators and certifications and reference standards.
- Excellence in management.

#### Corporate governance and transparency:

- Transparency and veracity of appropriate and accessible information for stakeholders.
- Dialogue with stakeholders to manage risks and identify relevant business trends.
- Reputation management.
- Composition and functioning of the governing bodies.

#### Cybersecurity:

- Responsible use of technology.
- Raising people's awareness.





- Tools to ensure system security and data confidentiality.

**Ambition:**

- Integrity of behaviour.
- Excellence in management.

## 2. Human capital management

Putting faith in people, promoting their development and diversity. Ensuring equal opportunities in order to be a diverse and inclusive company.

This line of action covers the following aspects:

**Talent management:**

- People development and training.
- Non-discrimination in the work sphere and, in particular, in managerial positions.
- Selection based on meritocracy.
- Equal pay and promotion prospects.

**"Fair" remuneration::**

- Remuneration commensurate with work performed and social benefits.

**Staff wellbeing:**

- Staff safety.
- Psychosocial health.
- Crisis management and resilience.
- Travel safety.
- Labour conditions and rights.
- Work-life balance, flexibility, etc.

**Ambition:**

- To have people who are **aware of** and committed to sustainability.
- To ensure equal opportunities in order to make **Ikusi a diverse and inclusive company** with a culture that allows work-life balance and **flexibility**.
- To achieve a **fair pay system** that also takes into account social and environmental achievements.





- To be a benchmark in level of **employee satisfaction**.
- To ensure **zero accidents** with causes attributable to the company.

### 3. Impact on society

Balancing the development of the business with the interests of the community where the group operates, generating a positive social impact by creating jobs, developing the local economy, collaborating with educational institutions, paying taxes and distributing the value generated.

This line of action covers the following aspects:

#### Generate positive social impact:

- Promote opportunities to contribute to local economic development (local employment, local suppliers, local taxes, etc.).
- Sustainable development of society through its own portfolio of products and activities.
- Create wealth and employment in a way that generates a positive impact on the community.
- Company committed to the environment.

#### Ambition:

- To be perceived as **creators of wealth and employment** at local level, supporting young people through training and, also, the most disadvantaged in society, in line with business interests.
- Respect for **human rights** in all activities.

### 4. Economic performance and customer relations

Encourage innovation in products and services to improve and boost growth, both of the group and of the community it forms part of.

This line of action covers the following aspects:

#### Development of new solutions:

- New solutions and products that are competitive and differentiated.

- Present innovative solutions by taking advantage of the digital environment opportunity.
- Promotion of smart cities.
- Digitalisation.

#### Experience and customer relationship:

- Offer a good experience: customer satisfaction, quality of service, security and service orientation.

#### Economic performance, creation of economic and financial value:

- Plans to guarantee results in uncertain environments.
- Direct economic value generated and distributed.
- Fiscal policy and strategy.
- Viable, forward-looking project.

#### Ambition:

- To promote **technological innovation** as a lever for transformation towards more sustainable business models.
- To be a **benchmark** in the integration of new solutions.

### 5. Partnerships and responsible relations with partners and suppliers

Fostering responsible partnerships to build networks of shared value.

This line of action covers the following aspects:

#### Lasting partnerships:

- Lasting and trustworthy relationships with third parties.

#### Relations with suppliers:

- Compliance with terms and conditions, fair treatment, equal opportunities, transparency and feedback for improvement.

#### Ambition:

- To promote **sustainability** among partners and suppliers.
- To be and to have **trusted** partners.

## 1.8. Sustainable Development Goals

Ikusi's sustainability strategy focuses on the complexity of the challenges defined by the Sustainable Development Goals (SDGs), with innovative responses and positive impacts in areas such as digitalisation, cities and transport that will help improve the quality of life of people and care for the planet.

Among the SDGs prioritised by **Velatia**, **Ikusi** focuses its efforts on SDGs 9 and 11.



SDG 9 sets a challenge to develop resilient infrastructures, promote inclusive and sustainable industrialisation, and foster innovation.

### Identified targets:

**Target 9.1:** Develop quality, reliable, sustainable and resilient infrastructure.

**Target 9.2:** Promote inclusive and sustainable industrialization.

**Target 9.4:** Adoption of clean industrial processes and technologies.

**Target 9.5:** Enhance the technological capabilities of industrial sectors promoting R+D+i.

**Target 9.6:** Increase access to information and communications technology.

### Contribution to SDG 9:

Ikusi encourages the creation of public-private partnerships to promote digitalisation in order to transform the processes that support society's activity and make them more efficient.



It is not possible to achieve responsible development for the planet without radically transforming the way we build and manage urban spaces. More than half of the world's population lives in urban areas and by 2050 this figure is expected to reach 6.5 billion people, or two-thirds of humanity. Thus, the purpose of SDG 11 is to ensure that cities and human settlements are inclusive, safe, resilient and sustainable.

### Identified targets:

**Target 11.2:** Provide access to safe, affordable, accessible and sustainable transport systems and improve road safety.

**Meta 11.3.:** Enhance inclusive and sustainable urbanisation and capacity for participatory planning and management.

### Contribution to SDG 11:

Ikusi contributes to the management of mobility through software integration in the smart management of cities and mobility infrastructures.



**Ikusi**, in collaboration with Cisco, has carried out a project to transform **Ormazabal's** connectivity and security infrastructure so that the work of its professionals, in the different formats, can be carried out under the appropriate conditions of efficiency, security and user experience.

The solutions deployed provide the end-user with flexibility, allowing them to be operational regardless of where they are, what device they are accessing and where the data or application resides, and providing them with an office-like experience.

In addition, the project deployed by **Ikusi** and Cisco has incorporated advanced solutions that guarantee the security of the IT equipment and the safety of the teams responsible for the operational processes at the **Ormazabal** factories in Madrid, Bizkaia and Burgos. This has enabled **Ormazabal's** people to collaborate smoothly and processes to become increasingly efficient, without endangering the company's information and business continuity.

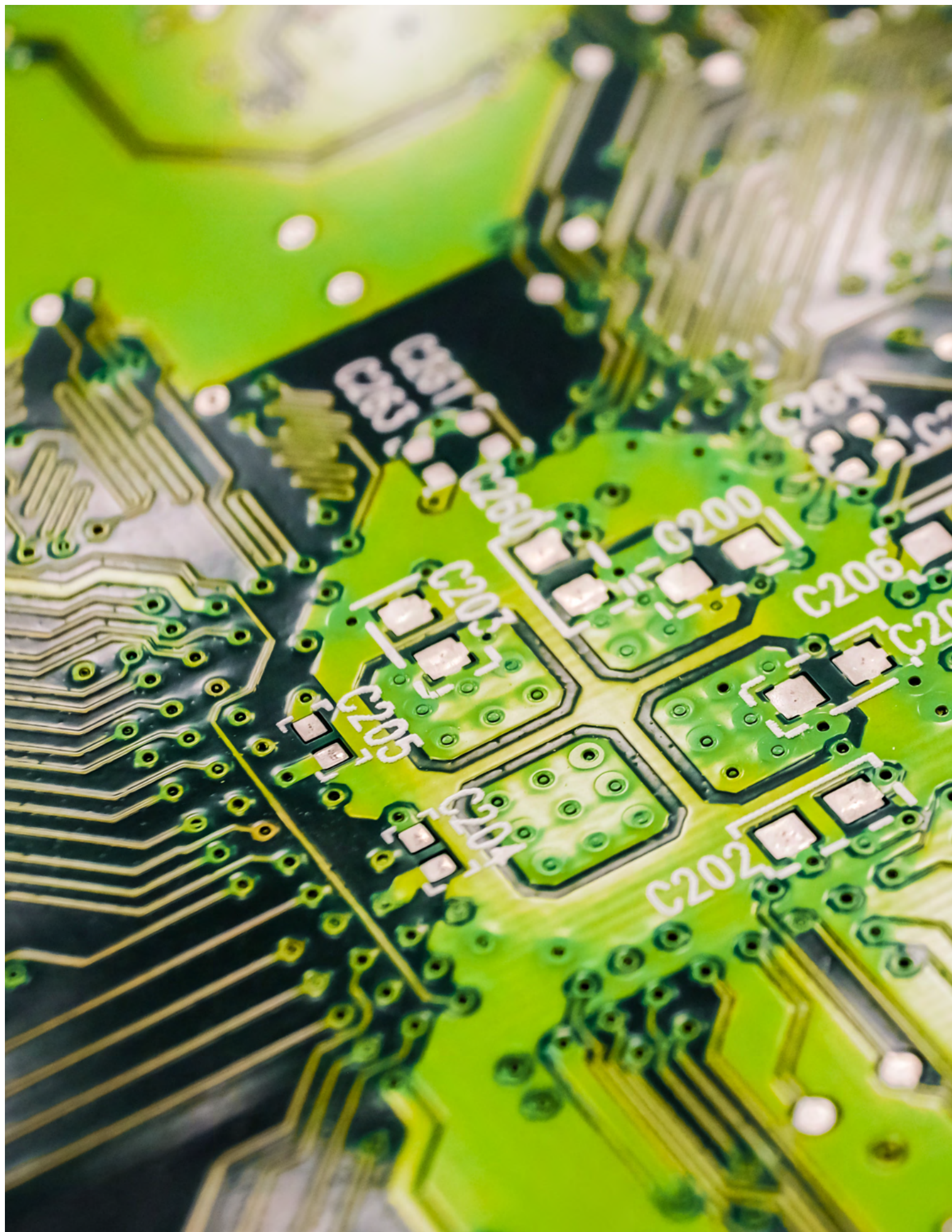
In this project, technology has made it possible to optimise **Ormazabal's** time and resources, boosting savings on travel and processes, together with a third benefit: contributing to the achievement of the Sustainable Development Goals to which **Ormazabal** is fully committed.



**Ikusi**, hand in hand with Rockwell Automation, has implemented an innovative tool in industrial digitalisation in the production lines that Biele Group offers its customers. This software monitors production, providing timely information on the status of the production lines and thereby optimising production processes. Thus, thanks to advanced maintenance, the programming of stoppages will be improved, as the company will know in advance when or at which strategic points in the plant they will be necessary, among other applications.

This will allow Biele Group to make all these advantages available to its customers, as it will be able to offer them the services provided thanks to this tool as a differential part of its proposal for the lines it markets; that is, it will be able to sell its production lines accompanied by advanced services with the software that **Ikusi** has implemented and put into operation.





2.

Ikusi

commitments



## 2.1. People

### For the 900-plus people at Ikusi, making the difficult easy is a priority

For the 900-plus people at Ikusi, making the difficult easy is a priority. This was the total staff figure at the end of 2021, with 85 % being located in the Americas and 15 % in Spain. Men make up 78 % of the total and women the remaining 22 %, the majority of the combined workforce being between 26 and 51 years of age (87 %). They are experts in transforming their customers' processes to make them more efficient, bringing together the best of the ICT and OT (operational technology) worlds.

The company includes in its Strategic Plan for the period 2021-2023 the **Human Capital Master Plan** with which it seeks to address one of the most significant challenges for the company in its recent history: people management. Increasingly, this is a determining factor for success in achieving the ambitious goals it has set itself.

### People management is increasingly becoming a determining factor

Today we are witnessing a **revolution from the point of view of talent and digitalisation** that is causing an accelerated transformation in the company-worker pairing and the way they interact, which is forcing Ikusi to focus its attention on a new way of managing people and organisations in the face of ongoing rapid changes so as not to lose competitiveness.

All of this is taking place in a context of an ageing population that is radically affecting the availability of talent in the market, together with a **change in values and priorities** -increasingly accentuated when it comes to choosing a company- where not only salary or professional development aspects take precedence. Added to this is the **social, ecological and economic approach to business projects**, which makes attracting and retaining talent even more complex. This reality is especially evident in **technological environments** and in the field of engineering, where Ikusi carries out its activities.

The new scenario also opens up a world of opportunities. **New work dynamics propelled by digitalisation** will broaden the horizon of talent profiles that bring value and knowledge to organisations. This will involve cultural changes and different ways of doing things that should be planned in advance in order to be taken advantage of.

In recent years, this structural situation has been subjected to the effects of the global health crisis caused by the COVID, which has radically accelerated digital models of work, collaboration and communication, forcing Ikusi to quickly adapt its tools and operating dynamics. The involvement and commitment of the entire workforce, together with a vocation for customer service, has been and continues to be a determining factor in this process.

All of these circumstances add to an already volatile, uncertain and complex context in which speed and sound decision making become a crucial factor.

### COVID has radically accelerated digital models of work, collaboration and communication

## Distribution of staff

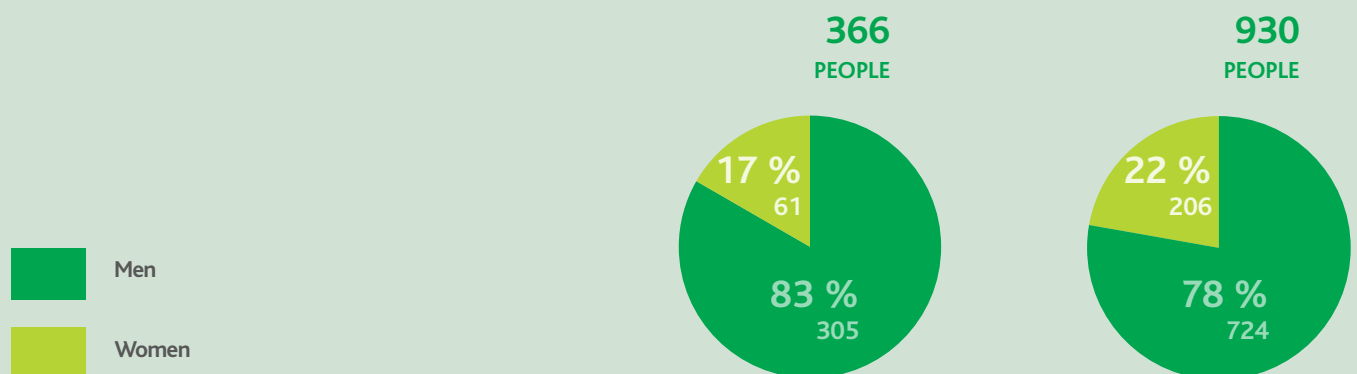
At the end of 2021, the **Ikusi** team totalled 930 people. This significant increase with respect to the previous year (366 people) is due to the fact that the personnel corresponding to the Mexican companies Begirale, Alaritec and Iksafe joined the **Ikusi** Redes y Proyectos business. A total of 504 people who until then had formed part of the subcontracted personnel, representing an increase of more than 150 % in the workforce figure.

## Distribution of staff

BY GENDER

2020

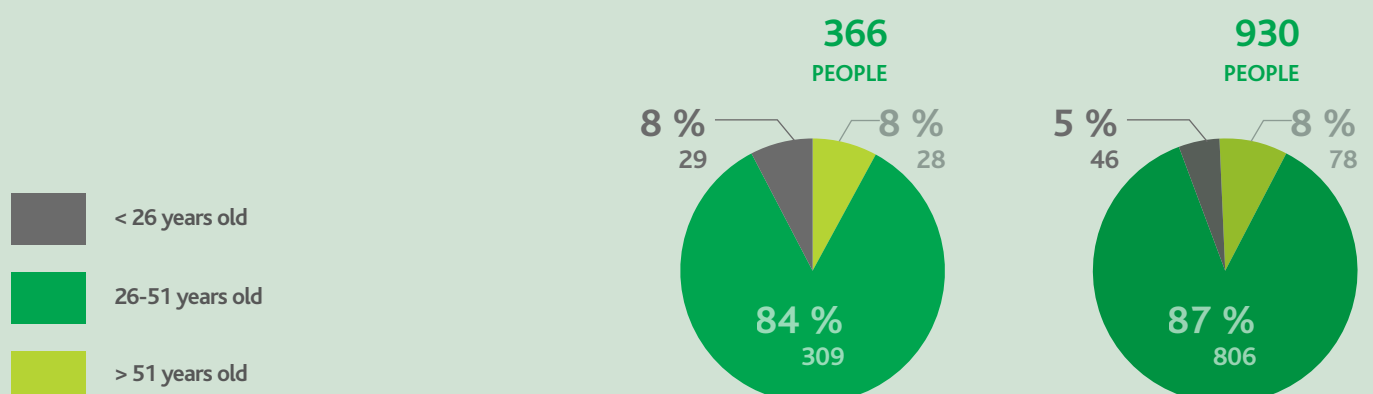
2021



BY AGE

2020

2021

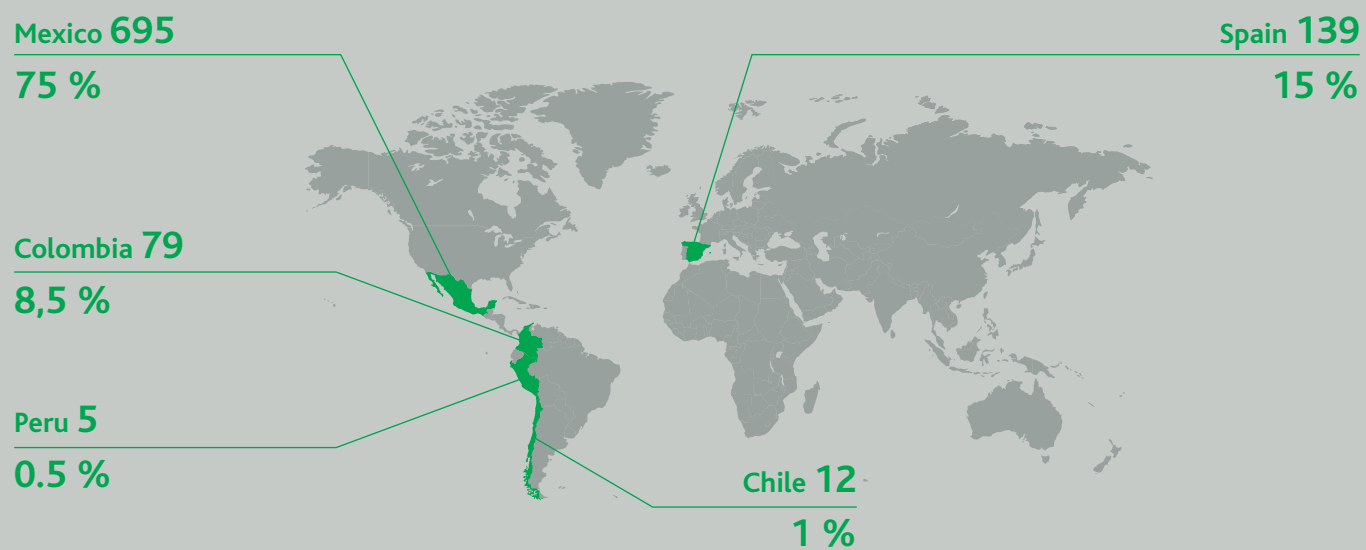


## BY COUNTRY

2020 - 366 people



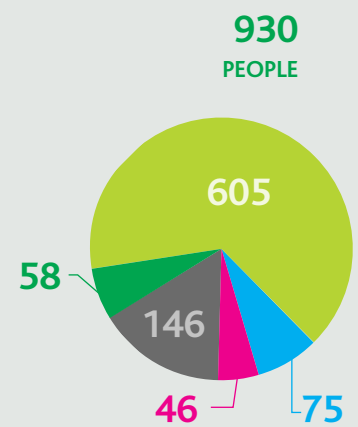
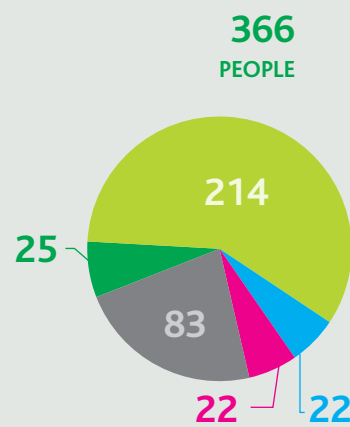
2021 - 930 people



BY PROFESSIONAL CATEGORY

2020

2021



## Average annual contracts

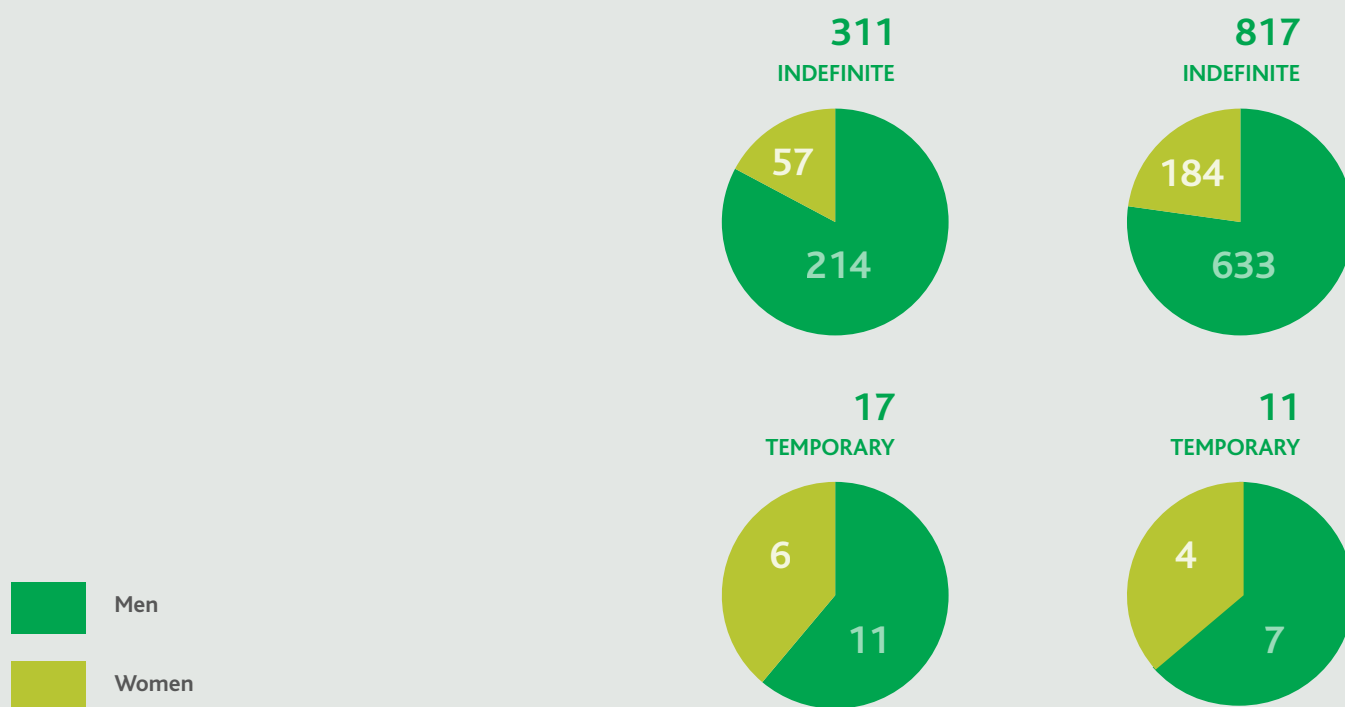
### The most common type of contract is still the indefinite one

The **experience and knowledge** of the people who form part of Ikusi constitute one of the factors that have facilitated its competitive position, this approach being consistent with the most common type of contract offered to its employees, as can be seen in the following breakdowns of information showing the annual average number of indefinite and temporary contracts <sup>(17)</sup>:

TYPE OF EMPLOYMENT CONTRACT BY GENDER

2020

2021



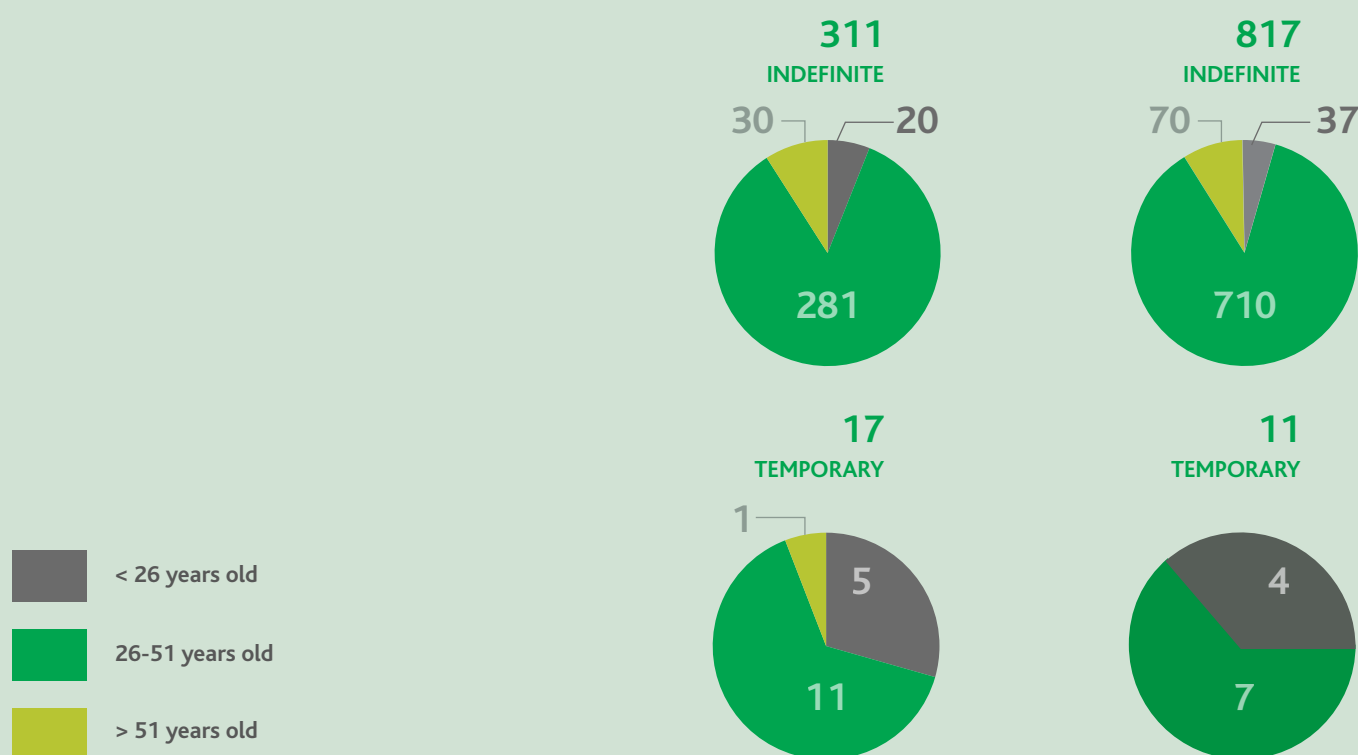
<sup>(17)</sup> The annual average figure has been calculated using the average staff of Ikusi during 2021 and 2020, respectively, taking into account the salary payments calculated in each month.



## TYPE OF EMPLOYMENT CONTRACT BY AGE

2020

2021



## TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

	2020		2021	
	INDEFINITE	TEMPORARY	INDEFINITE	TEMPORARY
Management	26	-	40	-
Scientific, intellectual and support specialists and professionals	177	10	526	4
Employees of an administrative nature	4	3	84	1
Sales personnel and similar	29	-	39	2
Other qualified personnel	96	4	128	4
<b>Total</b>	<b>331</b>	<b>17</b>	<b>817</b>	<b>11</b>

Employment by type of work schedule

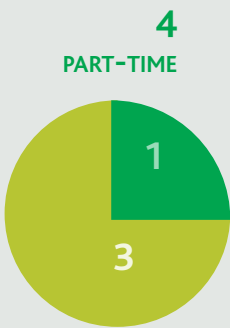
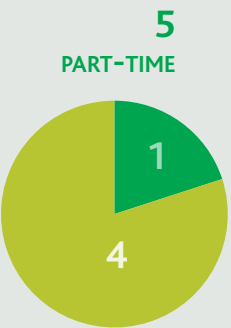
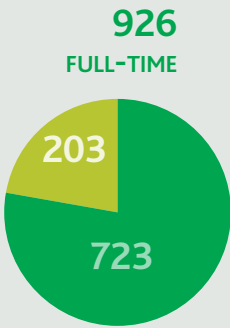
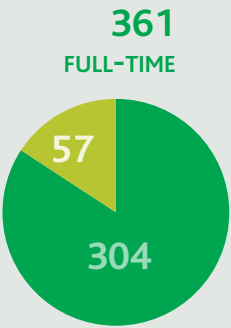
The evolution of the distribution of the Ikusi workforce in terms of employment by type of work schedule, taking into account the variables of gender, age and professional category, is as follows:

As shown in the tables, most of the contracts made in 2021 and 2020 are **full-time** contracts. The measures to favour the work-life balance that Ikusi makes available to its staff make it unnecessary, in many circumstances, to take part-time work.

TYPE OF WORK SCHEDULE BY GENDER

2020

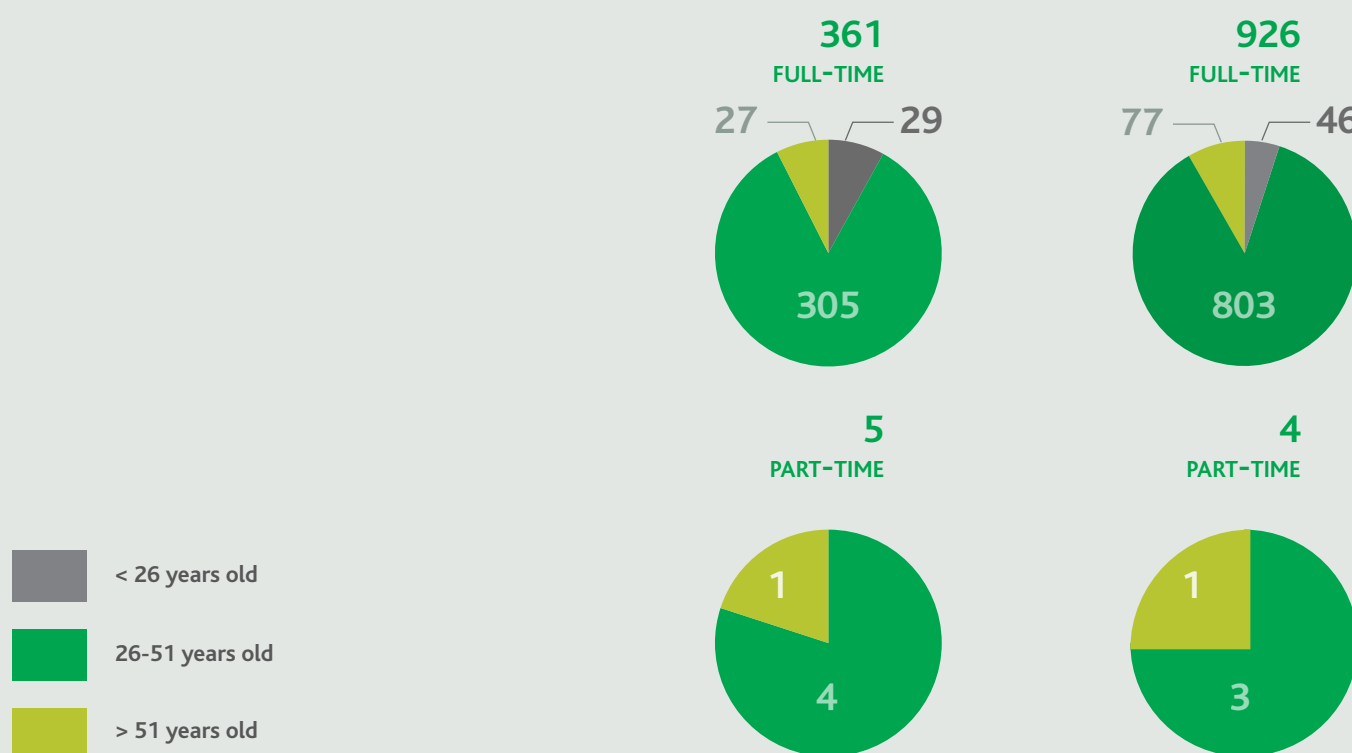
2021



## TYPE OF WORK SCHEDULE BY AGE

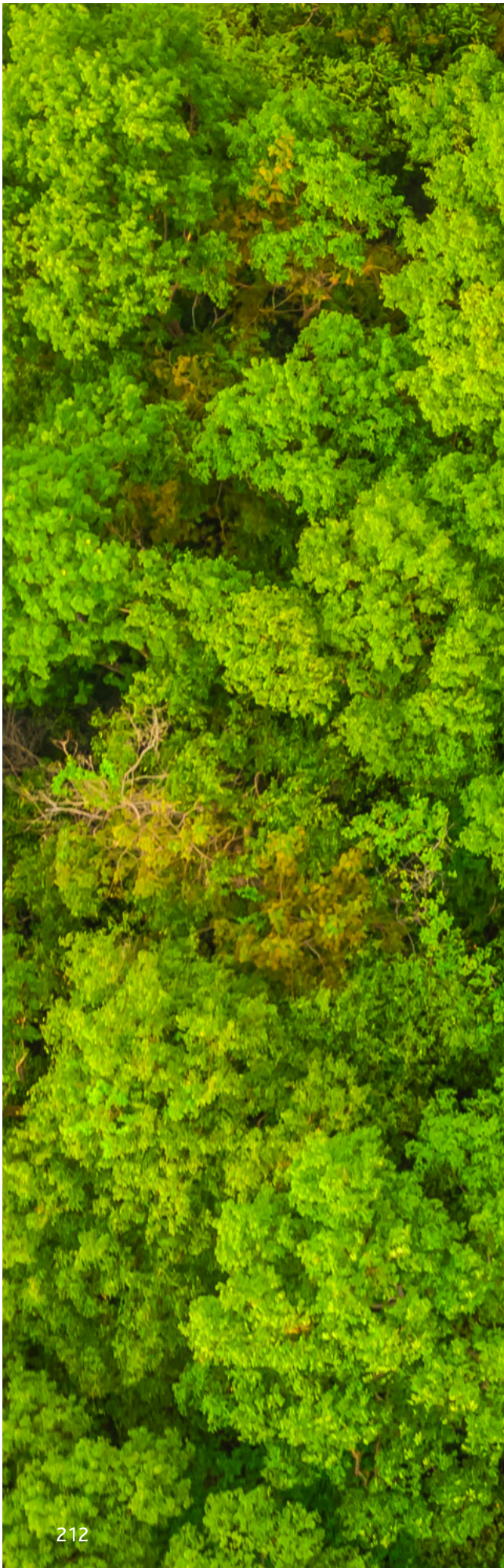
2020

2021



## TYPE OF WORK SCHEDULE BY PROFESSIONAL CATEGORY

	2020		2021	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Management	25	-	58	-
Scientific, intellectual and support specialists and professionals	212	2	604	1
Employees of an administrative nature	19	3	72	3
Sales personnel and similar	22	-	46	-
Other qualified personnel	83	-	146	-
<b>Total</b>	<b>361</b>	<b>5</b>	<b>926</b>	<b>4</b>



### Rate of employee turnover and dismissals

The overall turnover rate during 2021 was 25 % with a total of 210 departures (116 in 2020), of which 79 % (81 % in 2020) correspond to various causes such as retirement, termination of contract or voluntary departures. The involuntary turnover rate was 5 %, compared with 9 % in 2020.

### Employment and disabilities

Ikusi has an agreement with the Adecco Foundation through whereby, as part of the foundation's integration programs, the incorporation of this group into the labour market is promoted.

At present, there is no one on the staff with a degree of disability of more than 33 %.

### Average remuneration

The average remuneration in 2021 fell at a general level, both for men and women, due to the new incorporations of the Mexican companies within the Ikusi business, as mentioned above, and, as a consequence, to the variation in the mix in the number of people within the different professional categories.

The average remuneration of employees for financial years 2021 and 2020 (except senior management), taking into account all existing remuneration items in the organisation (fixed, variable, bonus, benefits, incentives, etc.) and distributed by gender, age and professional category, is as follows:

## AVERAGE REMUNERATION BY AGE

2020

2021



## AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

	2020	2021
Management	106,439	88,083
Scientific, intellectual and support specialists and professionals	29,634	23,598
Employees of an administrative nature	46,145	15,881
Sales personnel and similar	23,072	51,210
Other qualified personnel	29,007	22,502



Wage gap

The wage management criteria defined for **Ikusi** regulate the average remuneration of the **Ikusi** workforce, establishing criteria of equity between similar jobs irrespective of gender. In this regard, both the remuneration of employees subject to the agreement and that of those to whom the agreements do not apply are established in a fair manner, avoiding gender-based discrimination.

If we calculate the wage gap taking into account the actual average fixed remuneration of women compared with that of men (except senior management), by geographical area, we obtain the following percentages in 2021:

Geographical area	2020	2021
Europe	20 %	2 %
Americas	24 %	28 %

The results show that the wage gap has grown wider in the Americas, while in Europe it has significantly narrowed. The wider gap in the Americas, as shown in the table, is due, as indicated above, to the inclusion of subcontracted personnel in the workforces of Mexican companies, causing a change in the mix in terms of the number of people per category. On the other hand, the reason for the narrower gap in Europe is related to the greater presence of women in intermediate positions.

It should be recalled that a study carried out by an external and independent consultant on the pay gap at group level in 2018 concluded that there is no gap as such in the company, but there is a gap in positions, the so-called "glass ceiling".

The wage gap is due to several factors, including the historically low female presence in some areas of activity (due to the composition of the workforce and the larger population of men than women in general), the different specialisation of jobs (more men than women in positions of responsibility), and seniority.

Organisation of work

To be renowned for creating quality jobs is one of **Ikusi**'s greatest aspirations.

**Ikusi**, like every company in **Velatia**, determines the aspects relating to work schedule, rest periods and all other applicable working conditions. The Code of Ethics, in the section on Labour Rights, states that the work schedule will conform to the local legislation of each country, ensuring compliance with the conventions and recommendations of the International Labour Organisation (ILO).

As far as industrial relations are concerned, freedom of association and trade union representation are enshrined in the regulations, collective agreements and other agreements entered into with the workers' representatives.

The company's main channels of communication with its employees are the corporate website, the intranet, notice boards at production plants, in-house magazines, suggestion boxes, annual conferences, personal and direct communication by managers and directors, workers' committees, and health and safety committees. In 2021, the **My Velatia** app was added to the list of internal communication options.

## Health and safety

**Ikusi's** commitment to health and safety is set out in the group's Sustainable Development and Quality, Environment, Safety, Health and Welfare policies and, on the basis of these, it assumes the following commitments as its own::

- Promote **training** and actions to eliminate hazards and reduce risks to employees' health and safety.
- Provide **safe and healthy** working conditions to prevent injuries and deterioration of health.
- Protect and improve the **physical spaces and contents** of workplaces with respect to a wide range of risks, from breaking and entering to fire.
- To guarantee insofar as possible the **labour integrity** of workers in compliance with the respective sectoral regulations, which may be applied with other measures.
- Achieve and maintain **international certifications** of quality, the environment, and occupational health and safety management systems.

The Health and Safety Committees are responsible for monitoring compliance with applicable local regulations in different companies within the group. Furthermore, to complement their work, **Ikusi** has specialised personnel performing functions focused on continually improving our practices and procedures, and continuing to meet the strictest international standards applicable to risk prevention systems.

As a result of their commitment to prevention, several **Ikusi** companies are **certified according to OHSAS 18001**, the most important technical specification for the implementation and management of occupational risk prevention systems until the entry into force of the new ISO 45001 in March 2018.

### IKUSI COMPANIES WITH ISO 18001 CERTIFICATION

Business	Country	Society	Expiry
Ikusi Redes	Spain	Ikusi S.L.	2022
		Ikusi SIS S.A.	2023
	Mexico	Ikusi México	2023
		Micronet de México	2023
	Colombia	Ikusi Redes Colombia	2021

## IKUSI COMPANIES WITH ISO 45001 CERTIFICATION

Business	Country	Society	Type of certification	Expiry
Ikusi	Spain	Ikusi S.L.	ISO 45001	2022
		Ikusi SIS S.A.	ISO 45001	2023
	Mexico	Ikusi México	ISO 45001	2023
		Micronet de México	ISO 45001	2023
	Colombia	Ikusi Redes Colombia	OHSAS 18001 - ISO 45001	2024

In addition, in order to enhance our commitment to safety, the following company in the group has completed the transition from OHSAS 18001 certification to ISO 45001 certifications.

Having this certificate entails improvement in all aspects related to the health and safety of the people in the organisation and, as it is a voluntary process, it shows the degree of involvement and proactivity of the company in this matter, which is so important for business management.

## Accidents

Safety and health are priorities for Ikusi and, therefore, one of the company's strategic goals is to minimise the number of accidents by closely monitoring the evolution of the most representative indicators <sup>(18)</sup>:

During 2021 there was only 1 accident without leave.

	2020	2021
Frequency Index <sup>(19)</sup>	2	0
Seriousness Index <sup>(20)</sup>	0.1	0



## Absenteeism

**Ikusi** also monitors absenteeism, this being understood as non-compliance with the work schedule due to sick leave, work accident, maternity, union hours, leave allowed under collective agreement, leave of absence and unpaid leave.

Absenteeism in 2021 fell to 5,386 hours, 1,083 hours less than in 2020.

<sup>(18)</sup> The number of hours worked by employees is theoretical, considering an estimated work schedule of 145 hours per month for each line of business.

<sup>(19)</sup> Number of accidents per million hours.

<sup>(20)</sup> Number of days lost due to accident with leave divided by hours worked (see sub-index 8) per thousand.

## Training

Aware that the training of the entire workforce is the basis of the company's growth and success, Ikusi recognises the strategic value of managing training properly and devising initiatives, processes and procedures that allow for real and effective development of the various categories of employee that make up the company. Its aim is to **disseminate and share the knowledge that currently exists within the company**, as well as to help employees acquire, gradually and increasingly, knowledge and skills aligned with the organisation's strategy, so that through continual learning they can:

- **Perform** their jobs with greater **efficiency and effectiveness**.
- Better **adapt to the cultural and technological changes** that allow the company to be more competitive.

As stated in the policy adopted and published in this regard, Ikusi's training commitments are summarised in the following points:

- Increase our employees' **knowledge and skills** progressively.
- **Align the training** given with the competencies, values and requirements set out in the strategy of the company.
- Promote maximum **pooling** of the existing knowledge, providing the necessary resources and enabling their efficient use.

**In 2021, 22,776 hours were devoted to training actions, representing an increase of more than 50 %**

### HOURS INVESTED IN TRAINING

	2020	2021
Management	1,620	1,069
Technical staff	7,432	14,836
Administrative staff	-	5,290
Sales staff	424	485
Other	468	1,094
<b>Total training hours</b>	<b>12,246</b>	<b>-</b>
<b>Average number of training hours per employee <sup>(21)</sup></b>	<b>35.18</b>	<b>-</b>

In this context, in 2021, **22,776 hours were devoted to training actions adapted** to the needs of each job (12,246 in 2020), of which 12,739 correspond to men and 10,037 to women. In total, 334 people participated (165 in 2020), with an average of 27.51 hours per person.

It is worth highlighting the **significant increase in training hours** in 2021 - 85 % up on the previous year. However, the average number of hours per person dropped by 21 % as the average workforce increased by a greater proportion.

The main subjects taught were development and leadership and languages, mainly English.

<sup>(21)</sup> Total number of training hours in 2021 among the average total staff in said year.



## Equality

### Ikusi has had an Equality Plan since 2020

Equal opportunities and diversity are intrinsic to Ikusi's management. Proof of this is that since 2020 it has had an **Equality Plan** in Spain, thus confirming its alignment with Principle 6 of the United Nations Global Compact, which supports the elimination of discriminatory practices in employment and occupation.

Like the rest of the companies in the group, Ikusi is committed to complying with the guidelines laid down by the **Velatia** Code of Ethics with regard to equality, diversity, respect for people and non-discrimination on the grounds of race, colour, sex, sexual orientation, language, religion, political or other opinion, national or social origin, economic position, disability or any other condition.

In this regard, and in order to guarantee the protection of people's fundamental rights, the company has developed a **Protocol on Prevention and Action against Harassment at Work**, which aims to establish the necessary measures to respond to any situation of this type that may occur at work (sexual, discriminatory or psychological).

The main body for dealing with complaints or communications related to harassment is the **Committee on Ethics and Corporate Crime Prevention**. This body is responsible for managing and resolving any complaints, claims, suggestions or enquiries about situations of harassment that have not been resolved by informal procedure.





## 2.2. Innovation

### Innovation is consubstantial to Ikusi

**Ikusi**, as a company specialising in Information and Communications Technologies, develops solutions using the most advanced technologies (5G, artificial intelligence, augmented reality, blockchain, etc.) which connect processes that help to create more sustainable transport and more reliable and resilient infrastructures.

Below we highlight some of the projects and technological developments that **Ikusi** was working on in 2021.

### Projects and technological developments

#### SUCESO

**Description:** Generation of a collaborative and shared database aimed at mitigating the effects of the major threats in the network.

Application of artificial intelligence technologies to identify hitherto unknown anomalous behaviours and allow non-expert personnel to interpret them using visual analytics techniques.

**Participants:** **Ikusi** participates in the project together with Vicomtech.

#### MOST

**Description:** The Internet of Things (IoT) is the key to the next industrial digital revolution. The objective of MOST is to generate knowledge through research on new edge technologies, to substantially improve the efficiency of data transmission and visualisation of monitored signals in industrial processes, among others.

It will focus on combining IoT data communications technologies with the versatile deployment of MEC solutions, as well as smart caching solutions to significantly improve latency.

This project is part of the Hazitek Program and runs from 2021-2023.

**Participants:** Action co-funded by the Basque Government and the EU through the European Regional Development Fund 2014-2020 (ERDF).

### IOT TRAIN

**Description:** Digitalisation and intelligence for railway maintenance.

The objective of **IOT TRAIN** is to infer knowledge through applied industrial research in order to achieve an intelligent system that supports rolling stock maintenance.

**Ikusi**, as an on-board ICT solutions developer, is going to incorporate artificial intelligence technologies on the basis of its IoT monitoring technology to generate added value through predictive and prescriptive techniques.

This project is part of the Hazitek Program and runs from 2021-2023.

**Participants:** Project led by Ikusi in which it participates together with companies such as LKS Next and Software Quality System.

Action co-funded by the Basque Government and the EU through the European Regional Development Fund 2014-2020 (ERDF).

### AVAIL

**Description:** Self-provisioning of cloud virtualised graphic resources for a smart industry.

AVAIL's objective is to carry out research at industrial level to provide technologies originating from advanced 5G infrastructures for new instance generation products in the cloud, focusing on smart industry, digital transformation, automation and industrial robotisation. The focus is on the efficient use of virtualised infrastructures and process automation.

This project is part of the Hazitek Program and runs from 2021-2023.

**Participants:** Action co-funded by the Basque Government and the EU through the European Regional Development Fund 2014-2020 (ERDF).

### EDGE4FoF

**Description:** Research on hybrid balanced *edge y cloud* architectures for the factory of the future.

The main objective of EDGE4FoF is to research and propose a new hybrid architecture in edge/cloud computing, deploying scenarios of impact on the consortium's competitiveness that can be approached from different investment and exploitation target points, and that will lead to the development of innovative advanced products/services capable of automatically balancing the load to offer solutions to the factory of the future, positioning the participating companies as leaders in the new paradigm.

This project is part of the Hazitek Program and runs from 2021-2023.

**Participants:** Project led by Etxetar in which Ikusi participates together with companies such as Fagor Automation, Gaiandu, Aingura IIoT, Titanium and AFM (Spanish Association of Manufacturers of Machine Tools, Accessories, Components and Tools).

Action co-funded by the Basque Government and the EU through the European Regional Development Fund 2014-2020 (ERDF).

### NMS-OPEN

**Description:** New service models oriented towards the energy prosumer.

The main objective of the project is the design, development and validation of a system based on blockchain technology for the automated, unalterable and public certification of the fulfilment of innovative energy service contracts by the parties involved. These contracts execute the financial settlement of energy services between a service provider and its customer - a prosumer. The financial settlement is based on the

reading of measurement data from various sensors on the customer's premises and the processing of this data according to the financially relevant clauses of the service contract.

This project is part of the Hazitek Program and runs from 2021-2023.

**Participants:** Project led by Ikusi, with the participation of companies such as Bikote Solar Proyectos e Instalaciones Energéticas, Giroa, Ziv Aplicaciones y Tecnología.

Action co-funded by the Basque Government and the EU through the European Regional Development Fund 2014-2020 (ERDF).

#### CYBERBASQUE 4.0

**Description:** Cybersecurity platform for the secure and reliable operation of Factory 4.0.

The objective of CYBERBASQUE 4.0 is to provide a unified view of security in Factory 4.0 and to enable the development of advanced threat protection models for advanced manufacturing systems.

Protection of Factory 4.0 as a smart production system and as a production system connected to other smart platforms (*smart cities, smart grid, smart logistics, smart manufacturing*).

**Participants:** Action co-funded by the Basque Government and the EU through the European Regional Development Fund 2014-2020 (ERDF).



## 2.3. Environment

### Environmentally responsible culture embedded in the organisation

**Ikusi** works actively to protect the environment by integrating a culture of environmental responsibility into the organisation.

The company's commitments in this respect are set out in the Sustainable Development and Quality, Environment and Safety, Health and Welfare policies. Along these lines, **Ikusi's** strategy developed in 2021 includes as a fundamental premise guaranteeing compliance with the regulations and guidelines in force in these fields.

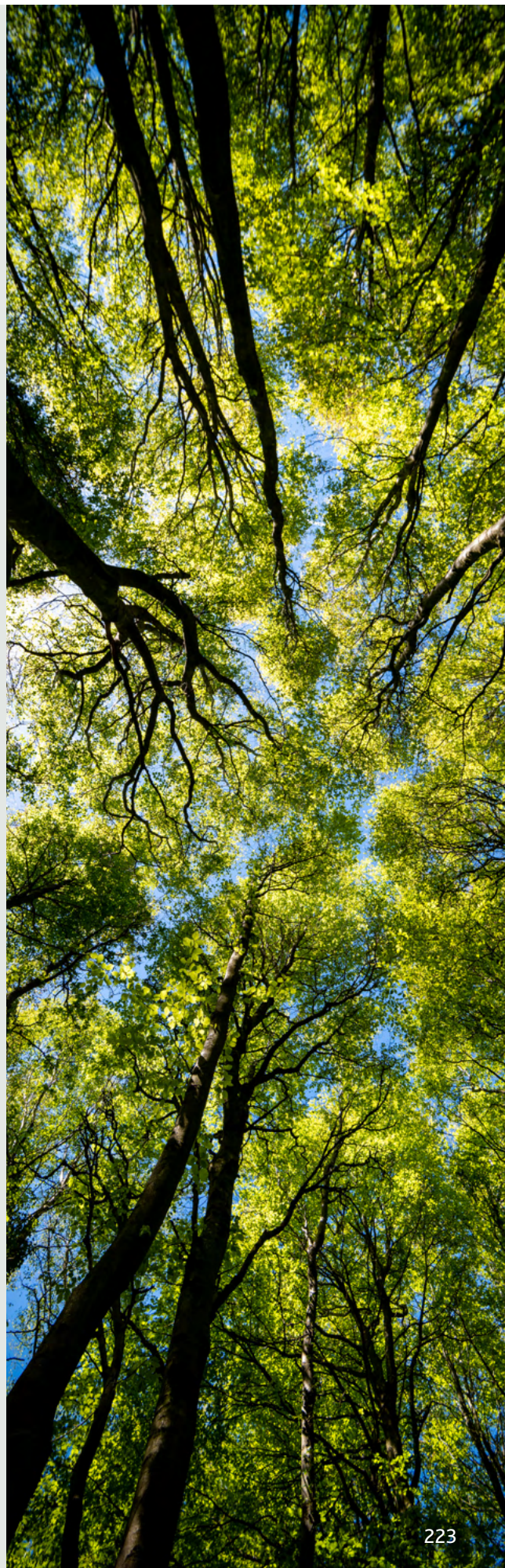
These commitments are specified in the following focal points:

- Provide **reliable products on time** that meet all applicable contractual, legal and technical requirements as well as project safety requirements.
- **Responsible management** and improvement of processes in the fields of quality, health and safety, and the environment.
- To promote the culture of **prevention** and encourage preventive training at all levels of responsibility.
- **Reduce** the environmental impact of our products, processes, solutions, with an emphasis on minimising waste generation and optimising consumption.
- Establish and review goals and targets aimed at **preventing pollution**.

These commitments are based in our firm belief in sustainability as a different way of doing things, aligning the strategic development of the company with the concerns and needs of our stakeholders, thus combining the pursuit of profit with social engagement and respect for the environment.

The search for excellence has led **Ikusi** to develop an **Integrated Management System** that includes as a premise ensuring compliance in matters of quality, the environment and occupational health and safety, both in terms of solutions, products and services and in relation to its management systems and processes.

These policies aim to ensure the responsible management and improvement of processes related to the environment,







as well as the promotion of a culture of reducing the environmental impact generated by products, processes and solutions, with particular emphasis on the conservation of natural resources, minimisation of waste generation through reuse and recycling, and the optimisation of resources, among others.

### Provisions and insurance

In 2021 and 2020, the liabilities side of the balance sheet contains no provisions for possible contingencies related to environmental improvement and protection, and neither does it include any known liabilities and/or compensations due.

It should be noted that the group's Civil Liability Policy covers environmental risks, provided that the cause of such harmful actions is accidental, sudden, unforeseeable, unexpected and unintentional.

## Certifications

**Ikusi** continues to deploy its **Environmental Management System** in accordance with the most widely recognised international standards and certifications and with the highest standards of compliance, such as the **ISO 14001**.

This certification is the most widely used technical standard in the world for the implementation and assessment of environmental management systems, and the fact that obtaining it is entirely voluntary demonstrates **Ikusi's** commitment to complying with the highest standards of excellence in this aspect.

In order to ensure the maintenance and implementation of the above mentioned certificates, **Ikusi** has a team distributed among its main plants that performs the following functions, among others: identifying the legal requirements in the field

of environmental management, evaluating the degree of compliance with these requirements, helping to define, deploy and assess environmental objectives, conducting internal audits of the Quality and Environment Management System, and participating in the process of welcoming new personnel with introductory briefing sessions on quality and environmental management at the company.

The main costs incurred in relation to minimising the impact on the environment, as well as protecting and improving it, are associated with the management and removal of waste and the purchase of specific recycling containers.

### IKUSI COMPANIES WITH ISO 14001 CERTIFICATION IN 2021

Business	Country	Society	Expiry
Ikusi Proyectos	Spain	Ikusi S.L.	2022
		Ikusi SIS S.A.	2023
Ikusi Redes	Mexico	Ikusi México	2023
		Micronet de México	2023

## Pollution and climate change

In line with its strategy and goal of combating climate change, and as a necessary step towards reducing CO<sub>2</sub> emissions, **Ikusi** calculates the carbon footprint of its activities and produces reports on greenhouse gas emissions (GHGs) in which both direct and indirect emissions are quantified.

In the following table we show the results of the company's environmental performance in relation to GHG emissions (t CO<sub>2</sub> eq.):

GHG emissions (t CO <sub>2</sub> eq.) <sup>(22)</sup>	2020	2021
Direct (alcance 1)	16	44
Indirect (alcance 2)	259	359

### Iberdrola accredits Ikusi España as a 100 % renewable company in terms of green energy consumption

The electricity company Iberdrola has accredited **Ikusi** Spain as a 100 % renewable company in terms of consumption of electricity coming only from these sources, which respects the environment and prevents emissions of CO<sub>2</sub> and other pollutant gases. The National Commission on Markets and Competition is the body responsible for overseeing the entire process of guarantee of origin, from generation to marketing.

Likewise, in its commitment to sustainable mobility and to contributing to the decarbonisation of the economy, 50 % of **Ikusi's** fleet at the end of 2021 was hybrid (25 % in 2020), and the company aims to make the fleet 100 % hybrid in the coming years.

## Circular economy

At **Ikusi** we are committed to implementing an environmental strategy based on the circular economy, with the aim of minimising possible negative impacts arising from our activity and with the firm purpose of achieving an effective management of the waste that we generate.

Activities carried out in this direction include the **implementation of various equipment recycling and reuse procedures** that promote waste disposal and reduction, providing the necessary tools for generating the least possible impact on the environment.

In this regard, among the measures being implemented in this regard is the collaboration with the CEOE Foundation for the reuse of equipment, thus helping to narrow the digital divide and reduce the carbon footprint.

### Collaboration with the CEOE Foundation for the reuse of equipment

In addition, 2020 saw the launch of a project aimed at reducing the consumption of paper and toner. To this end, awareness-raising actions have been proposed and one of the printers has been set aside exclusively for offers so as to be able to take action against unnecessary uses. As a result, the amount of printing has been reduced, although, due to the pandemic and the decrease in activity, the results obtained cannot be considered representative.

Finally, most of the **Ikusi** companies have contracts with management companies specialising in the transportation and handling of waste that cover the entire process: from collection to handling and, in some cases, return for reuse and the liability of both parties.

<sup>(22)</sup> The scope of the information reported for GHG emissions is the same as that used for energy consumption information. The emission factors used to calculate greenhouse gas emissions have been based on the methodology defined for calculating the carbon footprint for emissions trading, verified by an independent expert.

## Waste generation

Type of waste	2020	2021
Hazardous waste	0 kg	6,015 kg
Non-hazardous waste	7,523 kg	2,303 kg

Hazardous waste is that whose intrinsic properties pose risks to health or to the environment. Non-hazardous waste produced includes the following materials: metal scrap, paper and cardboard, plastics and wood.

Non-hazardous waste is associated mainly with **Ikusi Mexico**. The reason for the significant decrease compared with 2020 is because in that year the office was remodelled to reduce space, which resulted in exceptional waste in addition to recurring waste.

As for hazardous waste, most of it is associated with **Ikusi España**. The mechanics of normal business operation mean that the amount of this type of waste fluctuates. For example, when equipment is replaced at the customer's facilities, it is usually the customer who is responsible for managing waste removal. Sometimes, however, the customer asks the company to take care of the removal, causing the aforementioned variations. In 2021, hazardous waste generation was due to the cleaning of material and equipment at **Ikusi's** headquarters.

## Sustainable use of resources

### Evolution of energy consumption

Consumption	2020	2021
Electricity consumption (kW h)	847,355	1,085,949
Diesel consumption (l)	330	330
Natural gas consumption (Nm <sup>3</sup> )	7,383	20,475

The significant increase of 22 % in electricity consumption has its origin in the **Ikusi** companies in Mexico. In the case of natural gas, the 63 % increase is due to **Ikusi Spain**.

### Energy efficiency

In line with its commitment to reducing energy consumption, **Ikusi** has undertaken a number of initiatives aimed at promoting and encouraging energy efficiency, such as providing a 100 % renewable electricity supply at the company's facilities in Spain and carrying out awareness-raising campaigns among the workforce on the responsible use of paper and waste management.

## 2.4. Customers

**Ikusi's** vocation is to establish long-standing relationships with its customers based on service excellence and proximity.

The equipment and services that the company supplies take into account all the safety parameters provided for in the regulations applicable in each case.

As a result of its unequivocal commitment to quality, it should be highlighted that, by the end of 2021, various **Ikusi** companies worldwide were ISO 9001 certified.

### Claims and complaints system

Identified as an important aspect in the materiality analysis, **Ikusi** attaches priority to **customer satisfaction** and accompanies the customer each step of the way, from start to finish.

The line of action defined by the company in this respect involves developing management mechanisms aligned with business strategies, such as Customer Scorecards (performance indicators and results), surveys, focus groups, interviews, etc., that help us identify opportunities to improve both our own performance and the satisfaction of our customers.

**Ikusi**, as part of the group, has a **Claims and Complaints System** adapted to the reality of each company and business. In this system, incidents are reported through any of the formal and informal channels made available to the consumer and are managed and processed by specialised staff. This team is in charge of analysing the cause of each incident in an individualised manner and take the appropriate measures to provide the customer with a solution in accordance with our quality standards.

### IKUSI COMPANIES WITH ISO 9001 CERTIFICATION

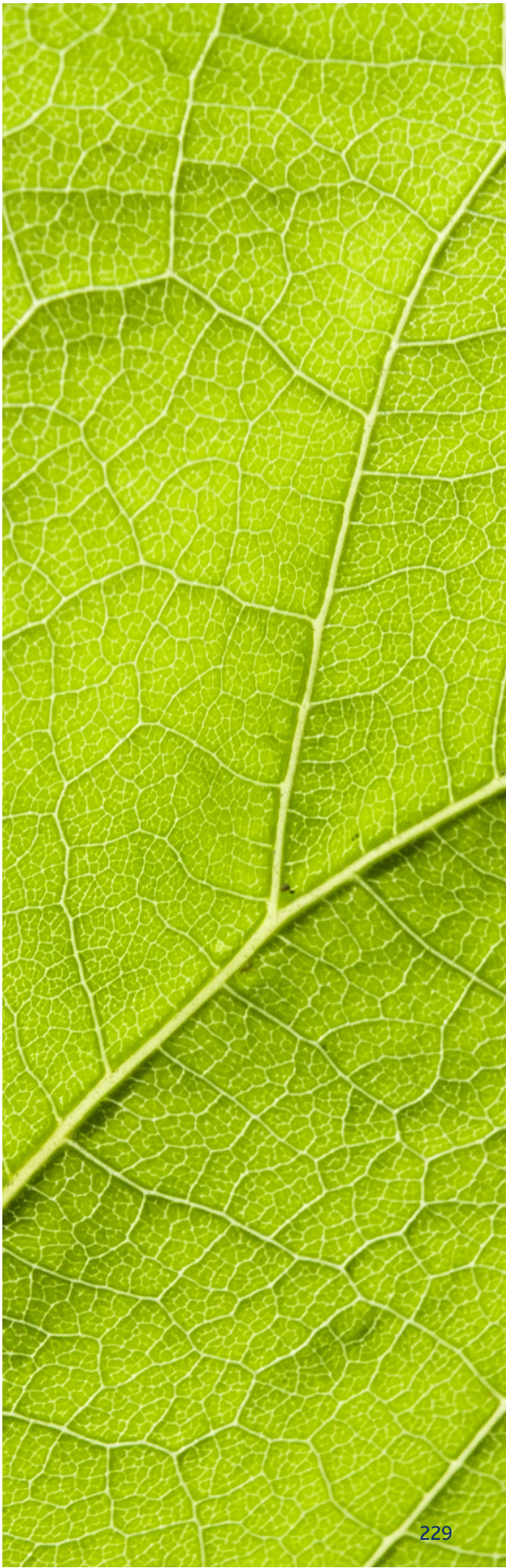
Business	Country	Society	Type of certification
Ikusi Redes	Colombia	Ikusi Redes Colombia	ISO 9001
	Mexico	Ikusi México	ISO 9001
		Micronet de México	ISO 9001
Ikusi Proyectos	Spain	Ikusi S.L.	ISO 9001
		Ikusi SIS S.A.	ISO 9001



In businesses where it is necessary due to the high volume or complexity of their operations, a tool for recording incidents is available to improve the quality of the service and take corrective actions to optimise its management. In all our companies we regularly monitor complaints, identifying the type, status and resolution date of each complaint.

Furthermore, in order to generate and forge quality relationships, **Ikusi** has continued to find out more about the needs and expectations of its customers through satisfaction surveys. These surveys measure specific aspects that help identify both the quality of the response to customer needs, as well as possible areas of improvement to continue working on. Among the conclusions obtained are the most highly rated aspects: treatment received from the company's staff, deadline compliance, efficiency, quality of products and services, resolution of incidents and technical assistance.

Type of certification	No. of companies
ISO 20000-1	2
ISO 22301	2
ISO 27001	3
ISO 27018	2
ISO 37001	2
FIRST	2



## 2.5. Suppliers

In 2021, Ikusi continued to work towards responsible production and consumption across the supply chain.

The firm commitment to suppliers, set out in the group’s Sustainable Development and Purchasing policies, is reflected in the following actions:

- Extending **social, environmental and occupational hazard prevention aspects** to our suppliers.
- Establish **mutually beneficial** relationships and prolonged stability by rigorously applying the Code of Ethics.
- Respect the principles of **sustainable development** by encouraging our suppliers to comply with human rights requirements and the laws, regulations and standards of the countries in which Ikusi operates.

To act on the commitments undertaken, **Velatia** has a **Regulatory Framework for the Procurement Function** applicable to Ikusi which provides the entire organisation with common and compulsory guidelines that regulate the complete procurement cycle, from identifying the need to satisfying it. Thus, all businesses must have a supplier approval process in which suppliers must give a written undertaking to comply with the group’s Procurement Policy and Code of Ethics.

### Commitment to local suppliers

**Ikusi’s** commitment to local companies through the supply chain translates into positive economic impacts on the surrounding community. Impacts that have repercussions not only in terms of direct employment, wages and taxes, but also indirectly.

**Ikusi** regularly monitors the volume of purchases associated with each geographical area, which allows it to keep the proportion of local suppliers within a significant percentage range. The figures in the table reflect its strong commitment to companies located in the main countries where it has a presence.

% expenditure on local suppliers	2020	2021
Spain	86 %	91 %
Mexico	69 %	93 %
Colombia	47 %	95 %

### Sustainability in the supply chain

**Ikusi’s** companies seek to contribute real value in their procurement management processes, both for their businesses and for their suppliers, guaranteeing results and favouring adaptation to the local environment, which enhances the creation of wealth and employment in the local communities. In this vein, we have started informing companies that wish to form part of our supply chain of the need to undertake the commitments promoted by the UN Global Compact.

Aligning the corporate function of procurement with each operational department has allowed us to determine and apply the best assessment criteria in each procurement or purchasing process, and to always be at the forefront in terms of **sustainability, environmental assessment and human rights criteria**.

## 2.6. Society

Ikusi promotes the principles of corporate social responsibility in its activities, reconciling the pursuit of its mission with the interests of the community around it and of its stakeholders, with long-term sustainability in mind. Velatia's Sustainable Development and Social Action policies define its **lines of action** in the social sphere.

Ikusi places special emphasis on ensuring **clear and direct communication with its stakeholders**, so that it serves as feedback to find out their needs and expectations. It also makes sure that everyone in the organisation follows the guidelines contained in the Code of Ethics when performing their professional activity.

**Social commitment: Support the social development of the community in which Ikusi operates, participating in and promoting projects of social, cultural and environmental interest**



## Relationship with local communities

Ikusi is proactively involved in the development of the public policies of regulatory bodies related to information and communication technologies (ICT) and electronics.

In this regard, the company consistently advocates for regulations conducive to the fundamental principle of sustainability, which is reflected, among other things, in the adoption of the criteria and concepts applied to the design, manufacture and commissioning of the products, equipment and services it offers on the market.

With regard to institutional relations activities and those related to associationism between companies, everyone at Ikusi, like the rest of the companies in the group, takes care to strictly comply with the precepts laid down by the rules of competition law.

Determined to play a prominent role in the sectors in which it is present, Ikusi belongs to numerous organisations whose activities are related to ours. Some of the most important are listed below:

Associations	
ADEGI	Asociación de Empresas de Gipuzkoa
AMETIC	Asociación Multisectorial de Empresas de Tecnologías de la Información, Comunicaciones y Electrónica
GAIA	Asociación de Industrias de las Tecnologías Electrónicas y de la Información
ASLAN	Asociación de Proveedores de Red y Telecomunicaciones
CAINTRA	Cámara de la Industria de Transformación de Nuevo León
AMIITEL	Asociación Madrileña de Integradores de Telecomunicaciones
ALAS	Asociación Latinoamericana de Seguridad
ITS	Foro de Nuevas Tecnologías en el Transporte
MAFEX	Asociación de la Industria Ferroviaria Española
COPARMEX	Independent, non-political, voluntary employers' organisation bringing together employers of all sizes and sectors
WISP MX	Asociación Nacional de Proveedores de Internet Inalámbrico, A.C
SELECT NET	Community for the digital transformation of organisations in Mexico.



## Forging links between education and business

**Ikusi** maintains close collaboration with renowned training institutions through collaboration agreements, scholarships and internships, to promote the development and growth of the local economic fabric, forging links between education and business.

### **Ikusi and IMH create the first training centre specialising in industrial digitalisation**

Located in Elgoibar, it will train 200 students and professionals a year and also serve as a test laboratory.



### **Tecnun (University of Navarra)**

Since 2016, **Ikusi** and the School of Engineering -Tecnun- of the University of Navarra have maintained a collaboration agreement that pursues the following objectives:

- Training students in advanced technologies through seminars.
- Taking on graduation project and master's thesis students to enhance their practical training and skills acquisition.
- Collaboration in the field of research and development.
- Increase students' perception of the prestige of the **Ikusi** brand and as a benchmark in the field of technology. In order to support this aspect, communication actions are carried out on the company classroom presentation days and in the school's newsletter.



### **Monterrey Institute of Technology and Higher Education (ITESM)**

**Ikusi** has signed a collaboration agreement with this prestigious training centre in the Mexican city of Monterrey with the aim of improving the competitiveness of its students and thereby help strengthen the skills of current generations to forge leaders capable of tackling the challenges and opportunities of the 21st century. The aim of the agreement is to foster the development of their skills in a real environment, through a close and systematic relationship with both the teaching staff and **Ikusi** professionals.

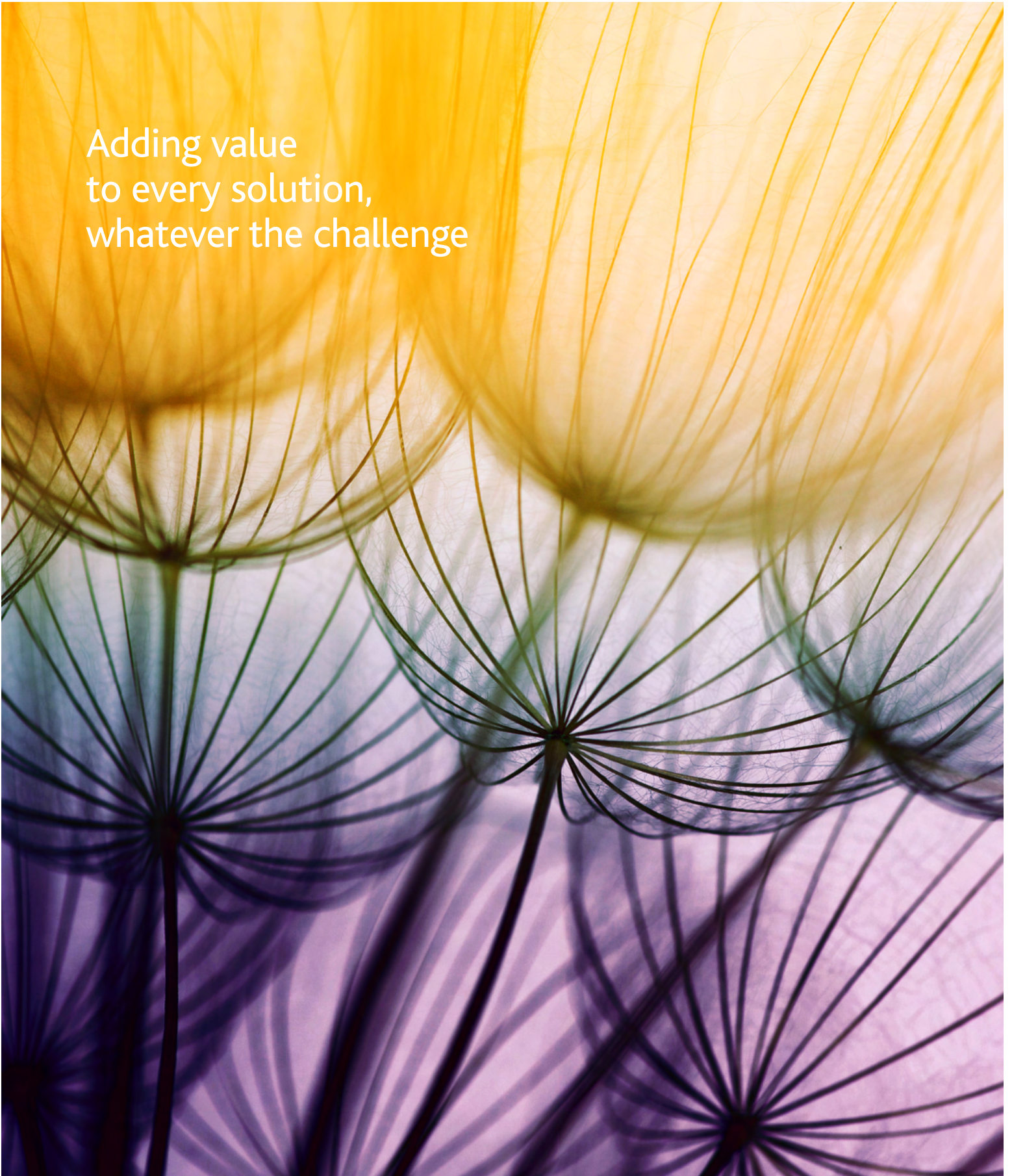






## Other businesses

Adding value  
to every solution,  
whatever the challenge











**Be smart.  
Be sustainable**

The concept of “Other Businesses” groups together the **Velatia** companies that operate in complementary and cutting-edge sectors such as electromechanical engineering, aeronautics, energy services, the electronic components industry, e-mobility infrastructures and interruptible power systems. All of them provide advanced technological solutions that generate value for their customers.



## 1. Companies and businesses

### Smarmec

#### Electromechanical technology and integration

**Smarmec** designs and industrialises mechanical, electronic and IT engineering solutions in the field of smart machines, with its own prototype manufacturing and small production run capabilities. It provides added value in technologically advanced differentiated processes, in additive manufacturing and in connecting technologies.

### Wec

#### Aeronautics

**Wec** designs and manufactures advanced parts and components used mostly in the engines and turbines of the world's leading aircraft manufacturers.

### Stratenergy

#### Specialists in energy services

**Stratenergy** is **Velatia**'s energy services company. It has the capacity to implement efficient energy demand management projects, as well as energy-saving measures at its customers' premises, helping them to undertake investments to which they cannot devote their own resources, and monitoring their consumption to offer them continual improvements.

### Idistek

#### Manufacture of electronic components

**Idistek** specialises in design engineering, industrialisation, manufacturing and testing of complex electronic cards and assemblies for customers who require high quality standards in products and services.

### Supsonik

#### Uninterruptible power systems

**Supsonik** provides quality and reliable electrical energy during a power cut through uninterruptible power systems. Its products are present in the electrical, industrial, naval, aeronautical and railway sectors, among others.



## 2. Summary of the year

### People

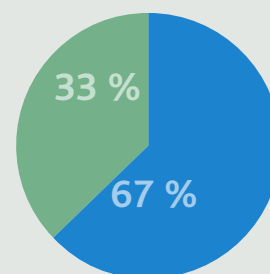
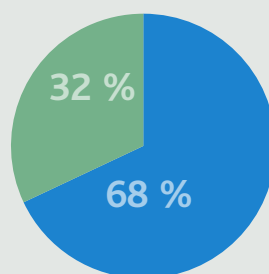
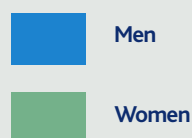
At the end of 2021, the companies included in Other Businesses had a combined total staff of 338 people, the vast majority (91 %) located in Spain and with indefinite contracts (95 %). As for the breakdown by gender, 67 % are men and 33 % women.

### Distribution of staff

BY GENDER

2020

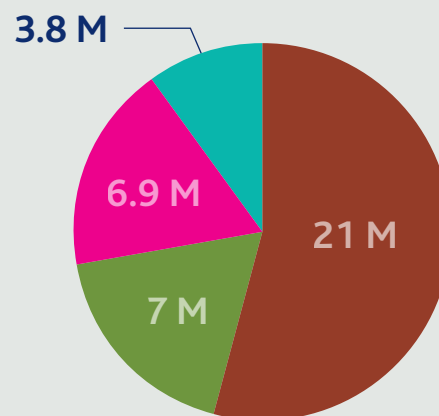
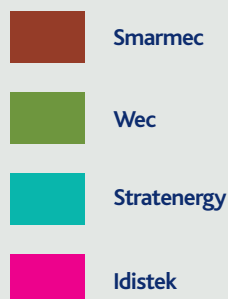
2021



### Results of Other Businesses in 2021<sup>(23)</sup>

TURNOVER (MILLIONS OF EUROS)

2021



<sup>(23)</sup> Supsonik is not included as this company was incorporated at the end of 2021 and its turnover figure is a part of the actual annual turnover.



## The year in review



After a 2020 that was largely dominated for the worse by the pandemic, 2021 was a year of recovery for **Smarmec** with a positive performance in all customers and markets, although from the middle of the year onwards the company's results were undermined by the exponential rise in raw material and transport prices. This context led to a cooling of the market in the last quarter of the year and poses a major threat in the short term.

The global economic recovery has helped to secure new projects from regular customers and led to the appearance of new references in the factories in China and Zamudio, while in the case of Malaysia, the company is growing steadily thanks to the increase in turnover of Hewlett Packard, a strategic customer for the company.

## Outstanding projects

### INDRA / Advanced air traffic control centres

Indra counts on **Smarmec** for one of its advanced air traffic control centres. Over the next two years, this global consulting and technology company will renovate its five centres of this type in Spain.



2021 was another difficult year for the global aerospace market. After the total halt in activity in the previous year, demand revived slowly and unevenly.

Having a balanced portfolio of programs and clients has allowed **Wec** to take advantage of the reopening of the sector, albeit still far from the positive expectations with which it started 2020.

Managing low demand, the resulting overcapacity and the optimisation of inventory have taken their toll on the company's results, which, however, are improving in ratios such as the recovery of an adequate level of inventory for the activity and the management of available cash, as had been proposed.

Among the highlights of the year, **Wec** has made a successful effort to secure and develop *Business Aviation* programmes with its customer ITP-RR. These programs are more stable and have better short-term prospects than those of a commercial nature, guaranteeing the company a renewed volume of business over the coming years. This new activity, coupled with the significant rate of orders for the A320Neo engine through the customer Liebherr Aerospace, enables **Wec** to meet the challenges set for 2022 on a firm footing.

## Outstanding projects

### ITP / New partnerships

**Wec** develops for ITP-RR several references for the Rolls Royce PEARL 15, PEARL 700 and Honeywell HTF engines. These engines power business jets such as Gulfstream G280, Cessna Citation, or Bombardier 5500 and 650.

The contract for these references will allow them to be produced until at least 2026.





In 2021, **Stratenergy** consolidated its position with the customers nurtured during the previous year, improving recurrence and opening up new opportunities among them that have given rise to new commercial references.

The impact of the international situation, hit by the scarcity of chips and the sharp rise in energy costs, has resulted, on the one hand, in greater demand for **Stratenergy's** solutions and, on the other hand, in longer project execution times.

### Featured projects

#### **Aceros Inoxidables Olarra / Energy Efficiency**

**Stratenergy** has signed a contract with **Aceros Inoxidables Olarra** to improve energy efficiency at the company's plant in Bizkaia.



The shortage of raw materials that has shaken the world economy, and especially the electronic components market, has had a direct and fundamental impact on Idistek's business. The most visible impact has been the rising prices of certain critical and irreplaceable components in the manufacture of its products, leading to a significant increase in the costs of many of them.

Despite all the difficulties, the company has never stopped supplying its customers, suffering only minor delays in some deliveries. This overall situation has led to an increase in sales with some customers (due to a stockpiling effect) and a drop in sales with others compared with the forecasts of the general plan for 2021.

Both circumstances (higher demand and cost overruns) have meant that the forecast turnover could exceed the target set for the year by around 10 %, with the increase in cost overruns being much more significant than the increase in demand, as the latter has been offset by decreasing orders from some customers.

Finally, the consolidation of a customer in the defence sector allows Idistek to enter a new scenario that could become strategic.

## Outstanding projects

### SAPA/ Entry into the defence sector

**Idistek** signs a contract with the Basque company SAPA for the delivery of the first electronic systems for military vehicles.

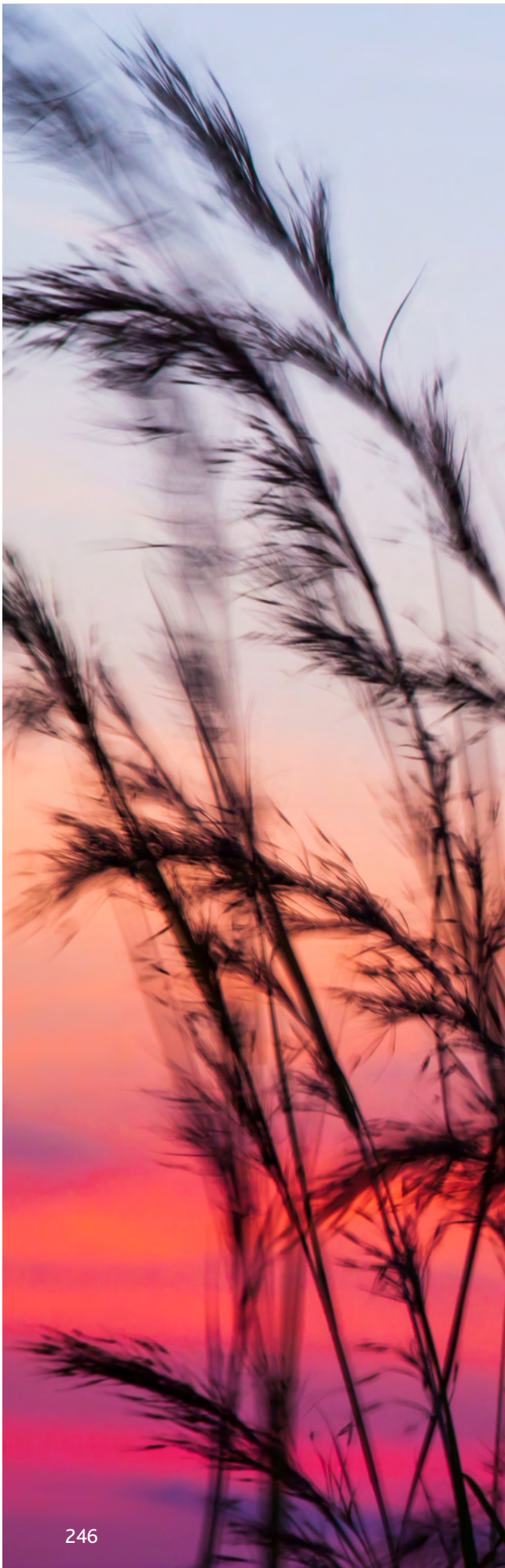






# About this report





## 1. Scope and coverage

Since the publication of our first Sustainability Report in 2012, **Velatia** has worked hard to provide reliable, comprehensive and quality information on our progress in this field. This report aims to do just that.

To develop its contents, we have followed the principles and guidelines set out in the GRI Sustainability Reporting Standards (2016), and in accordance with the "core option". **Velatia** demonstrates its willingness to improve this report both in content and in degree of compliance, prior to its verification by external entities.

In determining these contents, the following points have been analysed in relation to sustainability:

- Important matters identified in the materiality analysis and that served to define the ten lines of action of the Sustainability Master Plan 2021-2023. This plan is, in turn, the guiding thread of this report for two reasons:
  - It covers the most important aspects identified.
  - It allows us, through its balanced scorecard, to assess the status and degree of progress of the action plans associated with the lines of action and to include these advances in this report.
- All the information required by Law 11/2018 on Non-financial Information and Diversity.
- GRI indicators and the information available for 2021.

With all these elements, we have delimited the optimal set of specific basic contents to report.

## Principles underpinning the report

### Inclusion of stakeholders

**Velatia** aligns the management of relevant issues with the expectations of its stakeholders. To this end, it has dialogue mechanisms suited to its relationship with each one. In line with this commitment, a materiality review process was carried out in 2020, incorporating perspectives on relevant issues.

### Sustainability context

The purpose of this report is to translate the running of **Velatia** and its businesses into each of the three dimensions of sustainability: economic, social and environmental.

### Relevance

**Velatia** has carried out an analysis of issues of interest to find out what matters to the business and to its stakeholders.

### Comprehensiveness

In the process of preparing this report, priority has been given to information considered material, including all the significant events that took place in 2021, without omitting information relevant to stakeholders. In the event of significant changes in coverage, these have been appropriately indicated throughout the report.

Responding to the principle of *precision and clarity*, this report contains tables, graphs and diagrams to facilitate understanding, so that stakeholders can assess the group's performance.

### Balance

Both positive and negative aspects are included in order to present an unbiased picture and allow stakeholders to make a reasonable assessment of the company's performance.

### Comparability

Insofar as possible, the information included has been organised in such a way as to enable stakeholders to interpret the changes with respect to previous years.

### Reliability

The reliability of the data collected in this Non-Financial Information Statement 2021 has been checked by Deloitte, the firm that has carried out its verification.

## List of material topics

### Period: 2021

**Value:** In order to identify the relevant issues in relation to sustainability that could have a significant impact on **Velatia's** activities and operations, we carried out an analysis (taking into account the most important businesses and countries where **Velatia** has a significant presence) of the relevant sustainability-related issues, initiatives, new developments, risks and opportunities of **Velatia's** main competitors and clients worldwide. To this end, we have taken as reference significant actors in the electricity and telecommunications sectors.

## Reporting period

The report covers data corresponding to 2021 and its comparison with 2020.

## Contact point for questions about the report

For any additional information about the contents of this report, anyone who wishes to do so may contact the Sustainability Department by email: [sustainability@velatia.com](mailto:sustainability@velatia.com).

## 2. GRI indicators

The requirements according to Law 11/2018 of December 28 and their connection with the Global Standards Initiative (GRI) reported by Velatia:

Contents of Law 11/2018 NFIS			
Contents	Standard used (GRI)	Page	Observations
0. General information			
Materiality	102-44 Key topics and concerns raised	35-42	
	102-47 List of material topics		
Description of the group's business model	102-1 Name of the organisation	6-22 31-34	The entities included in the consolidated financial statements (GRI 102-45) are included in the Annexes to the Consolidated Report at the end of 2020 and therefore no explicit mention is included in this document
	102-2 Activities, brands, products and services		
	102-4 Location of operations		
	102-7 Scale of the organisation		
	102-14 Statement from senior decision-maker		
	102-15 Key impacts, risks and opportunities		
Policies implemented by the group, including due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification and control, as well as measures that have been taken	102-45 Entities included in the consolidated financial statements	11-12 24,26-30 35-49 52-74, 77-84 88-95	
	102-16 Values, principles, standards and norms of behaviour		
	102-35 Remuneration policies		
	103-1 Explanation of the material topic and its Boundary		
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		



Main risks related to these issues in connection with the group's activities, including, where relevant and proportionate, its commercial relationships, products or services that may have a negative impact on those areas, and how the group manages those risks, explaining the procedures used to detect and assess them in accordance with national, European or international reference frameworks for each matter. Information should be included on the impacts that have been identified, providing a breakdown of these impacts, in particular on the main short, medium and long-term risks	102-11 Precautionary Principle or approach	31-34
	102-15 Key impacts, risks and opportunities	35-42
	102-29 Identifying and managing economic, environmental and social impacts	52-73 77-84

## 1. Information on environmental matters

Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	102-15 Key impacts, risks and opportunities	35-42
	102-29 Identifying and managing economic, environmental and social impacts	77-81
Environmental assessment or certification procedures	102-11 Precautionary Principle or approach 103-3 Evaluation of the management approach	77-78
Resources dedicated to the prevention of environmental risks	102-29 Identifying and managing economic, environmental and social impacts	77-81
Application of the precautionary principle	102-11 Precautionary Principle or approach	77-78
Provisions and guarantees for environmental risks	307-1 Non-compliance with environmental laws and regulations	78
Measures to prevent, reduce or remedy carbon emissions that seriously affect the environment, taking into account any form of activity-specific air pollution, including noise and light pollution	103-2 Management approach (regarding GRI 302 and GRI 305)	79-81

Measures for prevention, recycling, reuse, other forms of waste recovery and disposal	103-2 Management approach (regarding GRI 306) 306-2 Waste by type and treatment method	79-80	
Actions to combat food waste			As derived from section 1.7 Materiality Analysis, this aspect has not been considered material in the Group
Water consumption and water supply according to local restrictions	303-5a Water consumption	80	
Consumption of raw materials and measures taken to use them more efficiently	103-2 Management approach (regarding GRI 301)  301-1 Materials used by weight of volume	81	Consumption of raw materials is associated with Tecnichapa, Cotradis and Aislantes Sólidos, as they are the main initial producers in Velatia's Group production process.
Energy: Consumption; measures taken to improve energy efficiency, use of renewable energies	102-2 Management approach (regarding GRI 302 Energy) 302-1 Energy consumption within the organisation 302-4 Reduction of energy consumption	81	
Greenhouse Gas (GHG) emissions and measures taken to adapt to the consequences of climate change	103-2 Management approach (regarding GRI 305) 305-1 Direct (Scope 1) GHG emissions 305-2 Direct (Scope 2) GHG emissions	79	
Reduction targets set voluntarily in the medium and long term to reduce GHG emissions and means implemented to that end	103-2 Management approach (regarding GRI 305)	77-81	

Measures taken to preserve or restore biodiversity.

Impacts caused by activities or operations in protected areas

As derived from section 1.7 Materiality Analysis, this aspect has not been considered material in the Group

## 2. Information on social issues

Total number and distribution of employees by gender, age, country and professional category	102-7 Scale of the organisation	19-22	
	102-8 Information on employees and other workers	58-60	
Total number and distribution of employment contract types	102-8 Information on employees and other workers	61-62	
Annual average of indefinite, temporary and part-time contracts by gender, age and professional category	102-8 Information on employees and other workers	59-62	
Number of dismissals by gender, age and professional category		63-64	
Average remunerations and their evolution disaggregated by gender, age and professional category or equal value		66-67	
Wage gap		68	
Remuneration of equal work or average remuneration in the company		52-57	
The average remuneration of executives and directors, including variable remuneration, allowances, compensations, payment to long-term saving schemes and any other remuneration disaggregated by gender		-	For reasons of confidentiality this information is not provided
Implementation of "right to disconnect" measures		72	

Employees with disabilities		65	In 2021, information on disabled persons from Spain, Germany, France, Colombia, Mexico and China has been included. Therefore, the information covers 95 % of the consolidated total staff at year-end
Organisation of working time	103-2 Management approach (work organisation)	69-70	
Number of hours of absenteeism	403-9a Work-related injuries	70	In 2021, information on the number of hours of absenteeism has been included only for those companies which use a clocking-in system (Spain, Germany, France, Colombia and China). Therefore, the information covers 76 % of the consolidated total staff at year-end
Measures aimed at facilitating enjoyment of work-life balance and encouraging both parents to assume joint responsibility in this matter	103-2 Management approach	69-70, 73	
Occupational health and safety conditions	403-1 Workers representation in formal joint management-worker health and safety committees	69-70	
Work accidents and occupational diseases (frequency and seriousness) disaggregated by gender	403-9a Work-related injuries	69-70	No information on occupational diseases is provided
Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them	102-43 Organisation's approach to stakeholder engagement (trade unions and collective bargaining)	69-73	

Percentage of employees covered by collective agreement, by country	102-41: Collective bargaining agreements	The percentage of employees covered by collective agreements (or company agreements) in 2021 was 65 % (79 % in 2020).
Review of collective agreements, particularly in the field of occupational health and safety		69-73
Policies implemented in the field of training	103-2 Management Approach (regarding GRI 404-Training and Education) 404-2 Programs for upgrading employee skills and transition assistance programs	71
Total number of hours of training by professional category	404-1 Average hours of training per year per employee	71
Universal accessibility for people with disabilities	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	65
Measures taken to promote equal treatment and opportunities for men and women	103-2: Management approach (regarding GRI 405 Diversity and Equal Opportunity)	73
Equality plans	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	73
Measures taken to promote employment	103-2 Management approach (regarding GRI 401 Anti-corruption)	85-95
Protocols against sexual harassment and gender-based harassment	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	73
Integration and universal accessibility for people with disabilities	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	65

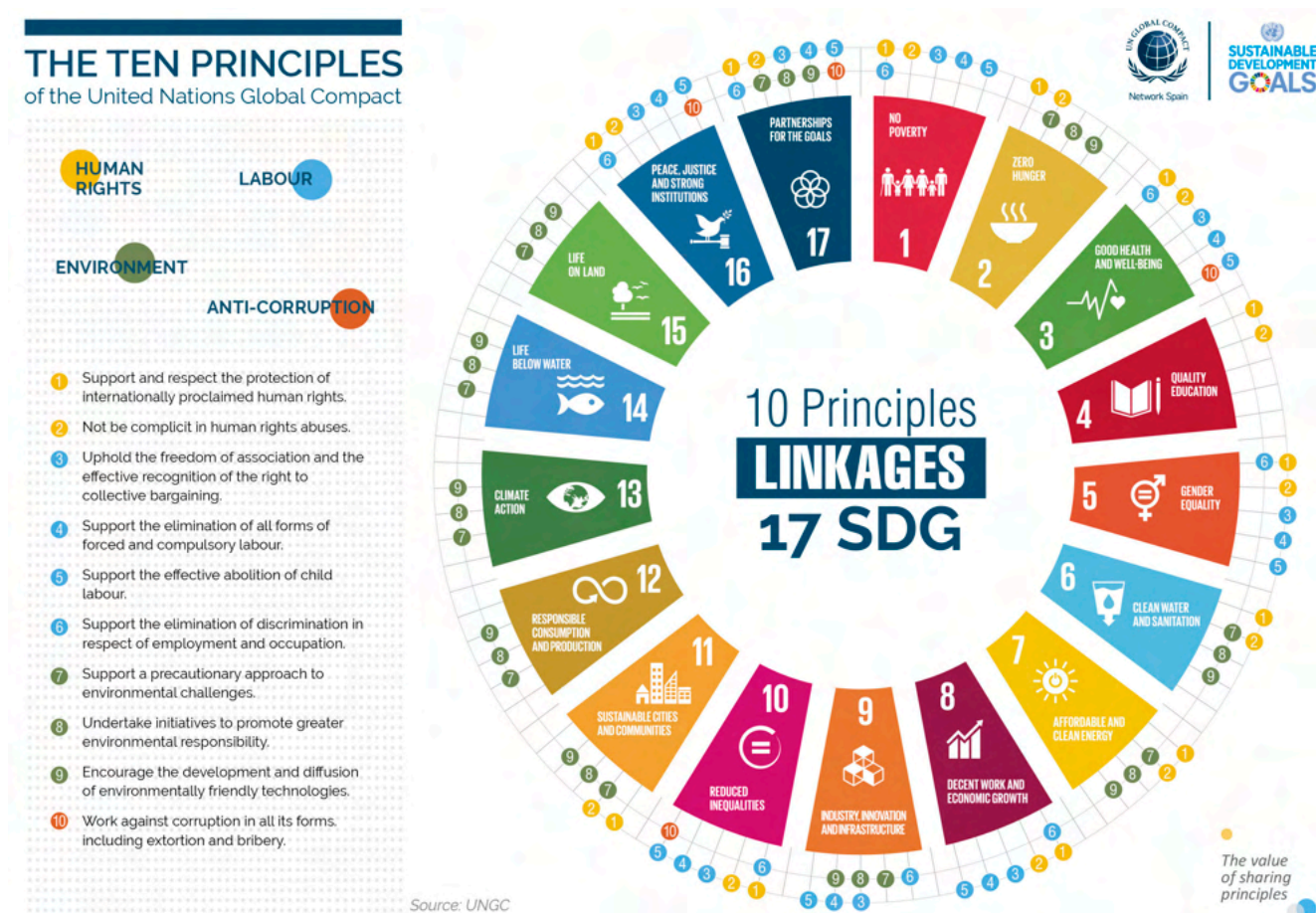


Policy against all forms of discrimination and, where appropriate, policy for diversity management	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)  406-1 Incidents of discrimination and corrective actions taken	73
<b>3. Information on respect for human rights</b>		
Implementation of due diligence procedures in matters concerning human rights	103-2 Management approach (regarding GRI 412 Human Rights Assessment)	26-30
Prevention of the risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses committed	103-2 Management approach (regarding GRI 412 Human Rights Assessment)	26-30, 34
Official complaints concerning human rights violations	102-17 Mechanisms for advice and concerns about ethics  103-2 Management approach (regarding GRI 412 Human Rights Assessment)	28
Promotion and implementation of the provisions of the core ILO conventions relating to respect for freedom of association and the right to collective bargaining, elimination of discrimination in respect of employment and occupation, elimination of forced or compulsory labour and effective abolition of child labour	103-2 Management approach (non-discrimination, freedom of association and collective bargaining, child labour, forced or compulsory labour, and human rights)	26-30
<b>4. Information relating to the fight against corruption and money-laundering</b>		
Measures taken to prevent corruption, bribery and the fight against money-laundering	103-2 Management approach (regarding GRI 205 Anti-corruption)	26-30

Contributions to foundations and non-profit entities	103-2 Management approach (regarding GRI 205 Anti-corruption)	87-92
<b>5. Information on the company</b>		
Impact of the company's activity on local employment and development and on local populations and the regional	204-1 Proportion of spending on local suppliers	83-95
Relations with local community actors and modes of dialogue with them	102-40 List of stakeholders	
	102-42 Identifying and selecting stakeholders	36-37
	102-43 Approach to stakeholder engagement (community)	
	413-1 Operations with local community engagement, impact assessments, and development programs	85-95
Partnership or sponsorship actions	102-13 Membership of associations	86
Inclusion of social, gender equality and environmental matters in the procurement policy and, in relations with suppliers and subcontractors, consideration of their social and environmental responsibility	103-2 Management approach (regarding GRI 308 and GRI 414)	83-84
Supplier and subcontractor supervision and audit systems, and results thereof		83-84
Measures for consumer health and safety	103-2 Management approach (regarding GRI 416 Customer Health and Safety)	82
Complaint systems, complaints received and resolution thereof	103-2 Management approach (regarding GRI 416 Customer Health and Safety)	82

	201-1 Direct economic value generated and distributed	
Profits earned by country	207-1 Approach to tax	93-95
	207-4b.vi Country-by-country reporting	
Profit taxes paid	201-1 Direct economic value generated and distributed	93-95
	207-1 Approach to tax	
Public grants received	201-4 Financial assistance received from public administrations	95

### 3. Correlation of Global Compact principles



## 4. Independent external assurance report on the Non-Financial Information Statement



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### INFORME DE VERIFICACIÓN INDEPENDIENTE

A los Socios de Velatia, S.L.:

De acuerdo al artículo 49 del Código de Comercio hemos realizado la verificación, con el alcance de seguridad limitada, de la información no financiera identificada en la tabla GRI y en el Estado de Información No Financiera Consolidado adjunto (en adelante EINF) correspondiente al ejercicio anual finalizado el 31 de diciembre de 2021, de Velatia, S.L. y sociedades dependientes (en adelante el Grupo).

El contenido del Informe de Gestión incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera y por los Estándares Global Reporting Initiative para la elaboración de informes de sostenibilidad en su versión esencial (en adelante estándares GRI), que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación de la información identificada en la tabla "Indicadores GRI" incluida en el apartado 2 del bloque "Sobre el informe" del Estado de Información no Financiera Consolidado adjunto.

#### Responsabilidad de los Administradores

La formulación del EINF del Grupo, así como el contenido del mismo, es responsabilidad de los Administradores de Velatia. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los estándares GRI en su versión esencial, así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en la tabla "Indicadores GRI" incluida en el apartado 2 del bloque "Sobre el Informe" del Estado de Información no Financiera Consolidado adjunto.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores de Velatia son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

#### Nuestra independencia y control de calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código de Ética para Profesionales de la Contabilidad emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.  
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.



Nuestra firma aplica la Norma Internacional de Control de Calidad 1 (NICC 1) y mantiene, en consecuencia, un sistema global de control de calidad que incluye políticas y procedimientos documentados relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

### Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado.

Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 Revisada en vigor, “Encargos de Aseguramiento distintos de la Auditoría o de la Revisión de Información Financiera Histórica” (NIEA 3000 Revisada) emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC) y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de seguridad limitada los procedimientos llevados a cabo varían en su naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad que se obtiene es sustancialmente menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades de Velatía que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal del Grupo para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2021 en función del análisis de materialidad realizado por el Grupo y descrito en el apartado “1.7. La sostenibilidad”, considerando contenidos requeridos en la normativa mercantil en vigor.
- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2021.



- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2021.
- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2021 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los Administradores y la Dirección.

#### Fundamento de la conclusión con salvedades

Como resultado de los procedimientos realizados y de las evidencias obtenidas, el Grupo no incorpora información de la remuneración media del Consejo de Administración ni de la Alta Dirección, ni la desagregación por sexo, tal y como se exige en la Ley 11/2018, de 28 de diciembre, por la que se modifica el Código de Comercio, al considerar que dicha información es confidencial.

#### Conclusión con salvedades

Basándonos en los procedimientos realizados y en las evidencias que hemos obtenido, excepto por los efectos de la cuestión descrita en el párrafo “Fundamento de la conclusión con salvedades”, no se ha puesto de manifiesto aspecto adicional alguno que nos haga creer que el EINF del Grupo correspondiente al ejercicio anual finalizado el 31 de diciembre de 2021 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI en su versión esencial así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en la tabla “Indicadores GRI” incluida en el apartado 2 del bloque “Sobre el informe” del Estado de Información no Financiera Consolidado adjunto.

#### Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

DELOITTE, S.L.

  
Beatriz Galán

25 de mayo de 2022



**velatia**