



**Be smart.
Be sustainable**

Be Smart. Be Sustainable

VELATIA

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An aerial photograph of a dense forest. The canopy is thick, with a mix of vibrant green and some yellowish-green foliage, suggesting a healthy, mature forest. The perspective is from directly above, looking down on the treetops.

**Be Velatia.
Be sustainable**



Agility, adaptation and determination; the formula for an atypical year.

I am pleased to present **Velatia's** 2020 Sustainability Report. Divided into different economic, social and environmental areas, it will allow you to assess our performance in the last year.

Continuing with our commitment to transparency, and in order to provide more useful information for our stakeholders, we have included specific sections for our most representative businesses: Ormazabal and Ikusi.

I cannot fail to mention the considerable social and economic upheaval that the pandemic has caused; affecting us in different ways and to differing degrees depending on the activity and the country concerned.

The main focus of attention has been and continues to be protecting the health of our employees, mitigating the risk of infection in the work environment, and ensuring the future of the business. To this end it has been necessary to make decisions swiftly and decisively.

In the following pages you will see that financial year 2020 ended with a turnover of 642 million euros, a slight drop in revenue. Worthy of mention is the example set by Ormazabal, which has managed to maintain its turnover levels, increasing its profitability thanks to a highly commendable effort. In addition, Ikusi, in its work as a digital transformer, has managed to boost its order portfolio to 165 million euros, giving it a good starting position to face 2021.

Mention should be made of the decisions taken by some of the companies in the group to facilitate a greater margin of growth and geographical expansion due to their type, sector and development. This is the case of Ikusi's Health subsidiary, sold to its management team through an MBO (Management Buy Out); the merger of the Ikusi Multimedia division

with Triax, which allows it to complete its product offering and increase the number of target markets; and the creation of Idistek, a new brand through which Ikusi's Electronics division will sell its products and services.

But the situation has also required measures to ensure the viability of our project that are both painful and necessary. An example of this is the closure of Ikusi's Solutions business, much affected by its exposure to the hard-hit airport industry.

In spite of everything, the current difficult context should not divert us from our road map. This is the path that, thanks to the guidelines reflected in the 2021-2023 Strategic Plan, leads us towards our goal: sustainable profitability.

We are part of a project that lies at the heart of two of the great social and economic challenges of the future: energy transition and digital transformation. Challenges for which the pandemic has become a unique catalyst and for which we are more than prepared to tackle. To this end, Ormazabal, in addition to strengthening its position in the traditional business devoted primarily to the implementation of smart networks, will focus on providing solutions linked to decarbonisation: electric mobility, where we count on Nexvia, the result of the partnership with Circutor, and energy efficiency, through our subsidiary Stratenergy. Ikusi, for its part, will focus its service offering on the integration of communication networks, cybersecurity, digitalisation and mobility; always with the aim of increasing the supply of recurring services based on the trust of our customers.

As remarkable as it is measurable is our environmental performance, where the decision to consume electricity solely from renewable sources has been instrumental in reducing carbon dioxide emissions by more than 39 % compared with 2019. This is an aspect we will continue to work on in the future.

A future for which we continue to lay foundations through our constant commitment to talent and engagement with society, which this year has been reflected in our joining the Board of Trustees of the Novia Salcedo Foundation, becoming a fully signed-up Family Business for Sustainable Development, and renewing our commitment to the Global Compact on its 75th anniversary.

The goal of our strategic plan is sustainable profitability, a recurrent and responsible profitability that can only be achieved by creating value for our stakeholders and contributing to the development of the environments in which we are present, by building an enduring legacy.

Our plan for the future is going to require the best of all the people who make up our group. For this we can rely on the experience of a diverse, versatile and flexible human team. Homer wrote that "light is the task where many share the toil", and with a view to meeting this challenge we could not wish for more human quality than what we already have within this great family called **Velatia**. Which is why I am convinced we will succeed.

Javier Ormazabal Echevarría
President of Velatia



1. Spotlight on Velatia



1.1. Mission, vision and values

Velatia is a family, industrial and technological group made up of more than 3,100 people from 20 different nationalities with a presence in 19 countries and 5 continents. Its companies have 18 manufacturing centres and a world-class research and technology centre, reflecting its global and multicultural nature.

Mission

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 mission is based on excellence, technology and sustainability.

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.

Values

- **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 cornerstones

Velatia defines itself through its five cornerstones: a family-based group with a strong industrial base and technological trajectory, with capacity for operating in all five continents and comprising renowned companies in their respective sectors.

Family/Industrial/Technological/Global/Renowned

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 and how it is run.
- "Virtuous" proximity between shareholders and management team.
- Its president is also the group's first executive.
- Exemplary governance.

Industrial

Manufacturing its own products has been and remains key to its evolution. Some of them have revolutionised the industries in which the group operates.

- The group designs, manufactures, supplies and integrates 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/markets).

Technology

There is no innovation; there are innovators. 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".

Renowned

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

Electrical business

Ormazabal

Electrical grids

Ormazabal is a company 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 and other infrastructure).

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.

Digital transformation

Ikusi

Telecommunications networks, cybersecurity, digitalisation and mobility

Ikusi is a 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.

Ventures

Wec

Aeronautics

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

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.

Klode Media / Multimedia

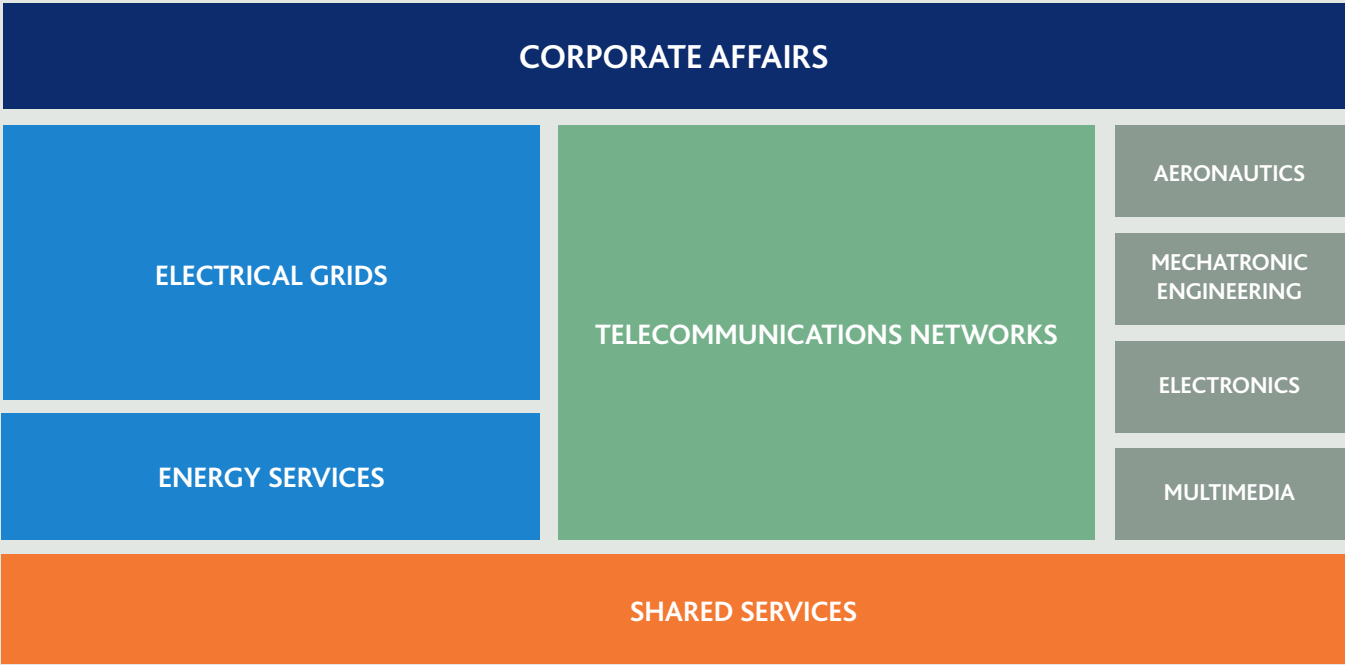
Klode Media

Experts in innovative and high-quality solutions for the reception, processing and distribution of TV and video signals.

Brand architecture



Structure and companies





1.3. Summary of the year

The year in review

2020 will be remembered as the year of the pandemic, but also for being the year in which **Velatia** faced up to extreme difficulties with an extraordinary individual and collective performance.

Undoubtedly, 2020 was a complicated year in every respect. However, the pandemic has not affected all **Velatia** businesses in the same way and to the same degree; instead, each has been affected with varying intensity depending on the industry or sector concerned, as is reflected in the corresponding sections of this report.

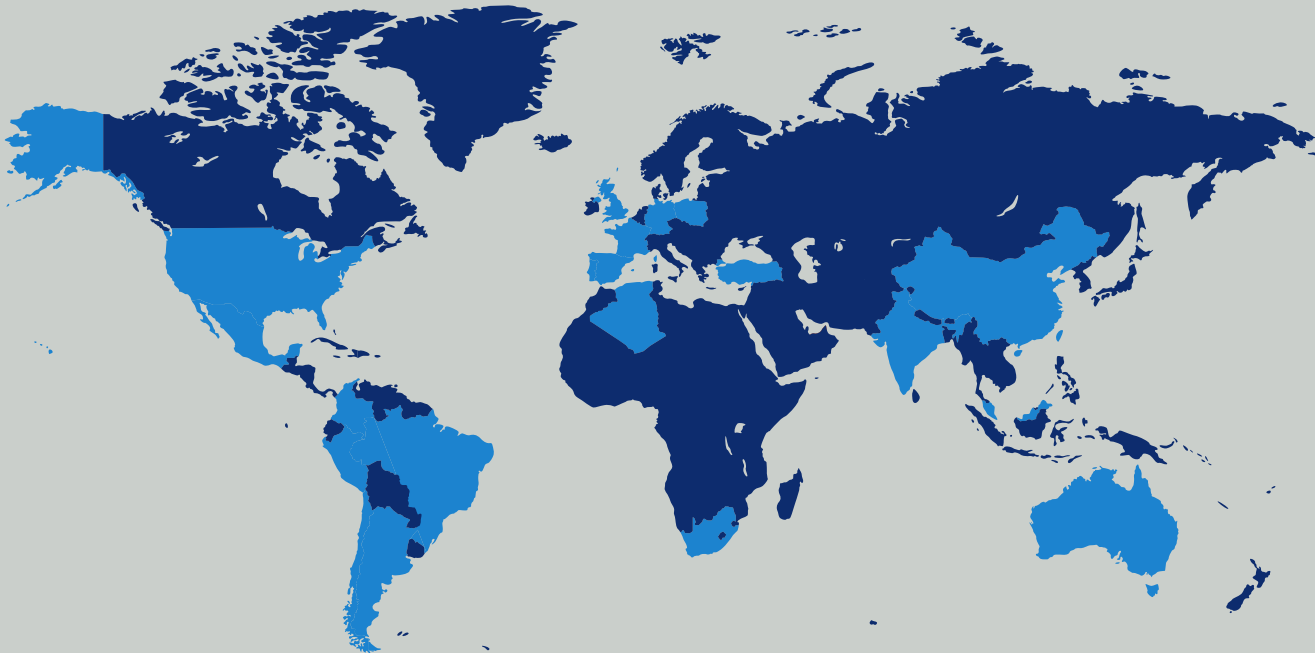
Velatia's consolidated revenue in 2020 was 642 million euros, 2 % below the previous year's figure.

In 2020, the Board of Directors approved the new **Velatia Strategic Plan 2021-2023**, which will serve as a guide to consolidate the work done in the previous period. Its motto is "**Sustainable profitability**": sustainable over time, growing, lasting, solid, reliable, etc., as well as sustainable in manner, generating value responsibly for all the group's stakeholders.

The **new commercial and financial structure**, the promotion of even more efficient **Corporate Services** aligned with business needs, the implementation of the **Sustainability Master Plan**, aimed at meeting the needs of the different stakeholders, as well as the ability of the businesses to adapt to the present and future needs of customers, are the foundations on which an **ambitious and exciting growth plan** is based.

Main figures

Velatia 2020



Experience

>50
years

Manufacturing

18
factories

Centres

1
Research and
Technology
Centre

Offices

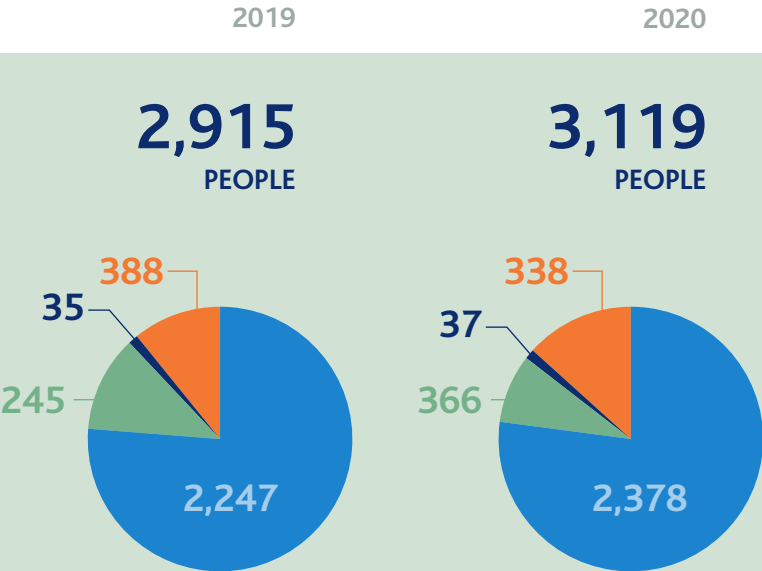
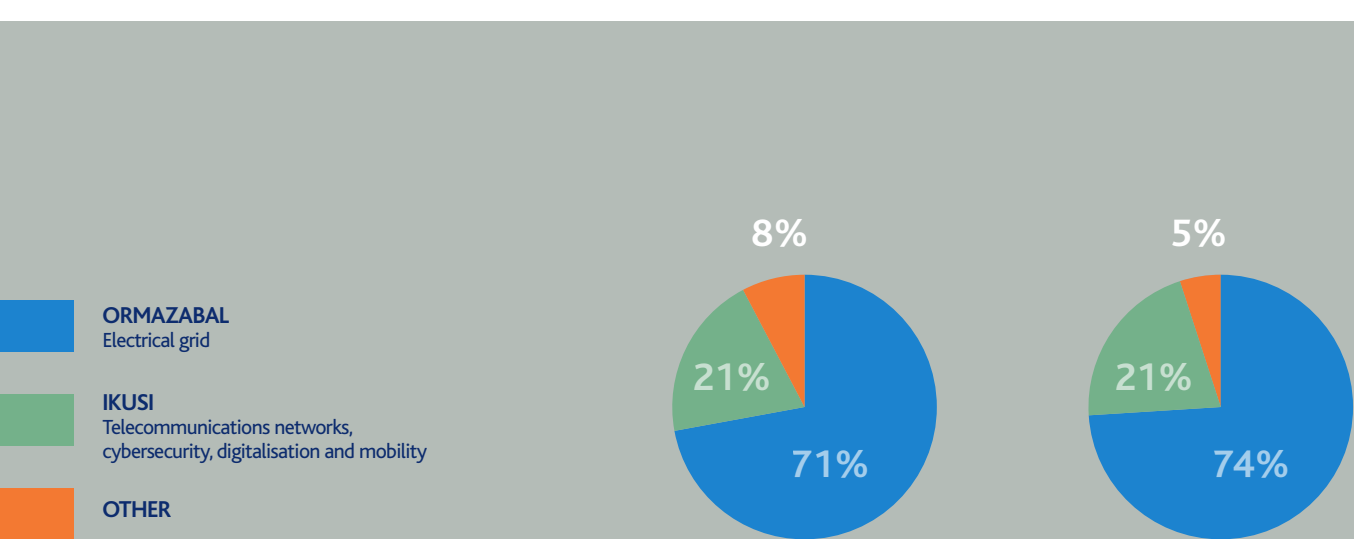
19
countries

Evolution of turnover

	2019	2020
(millions of euros)	659 MILLION	642 MILLION
EBITDA (% of turnover)	4%	3.1%

People data by business

% OF TURNOVER OF EACH BUSINESS



Distribution of staff

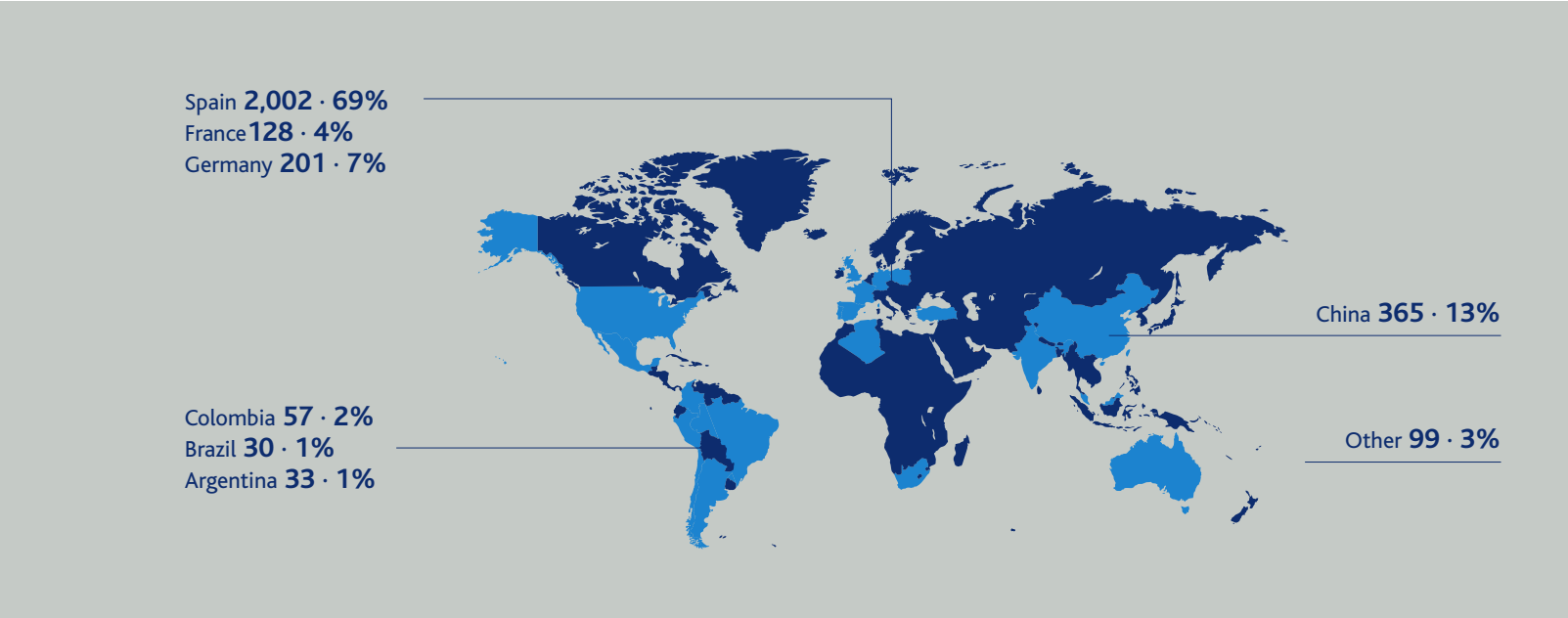
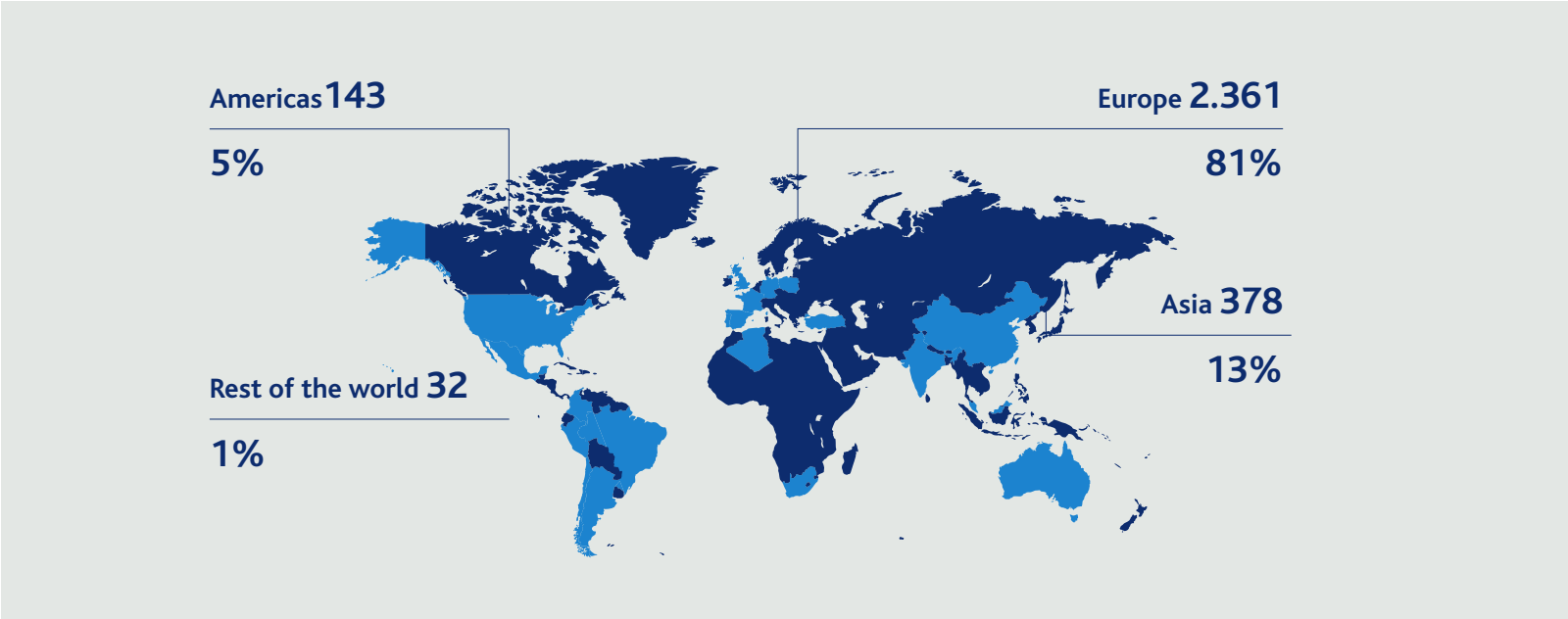
At the end of 2020, Velatia had a staff made up of 3,119 people, 78 % of them located in Europe, mainly in Spain (66 %), and the remaining 22 % spread across the other continents. 79 % are men and 21 % women, with a relatively young profile, 77 % of the total being aged between 26 and 51.

BY CONTINENT

2019 - 2,915 people

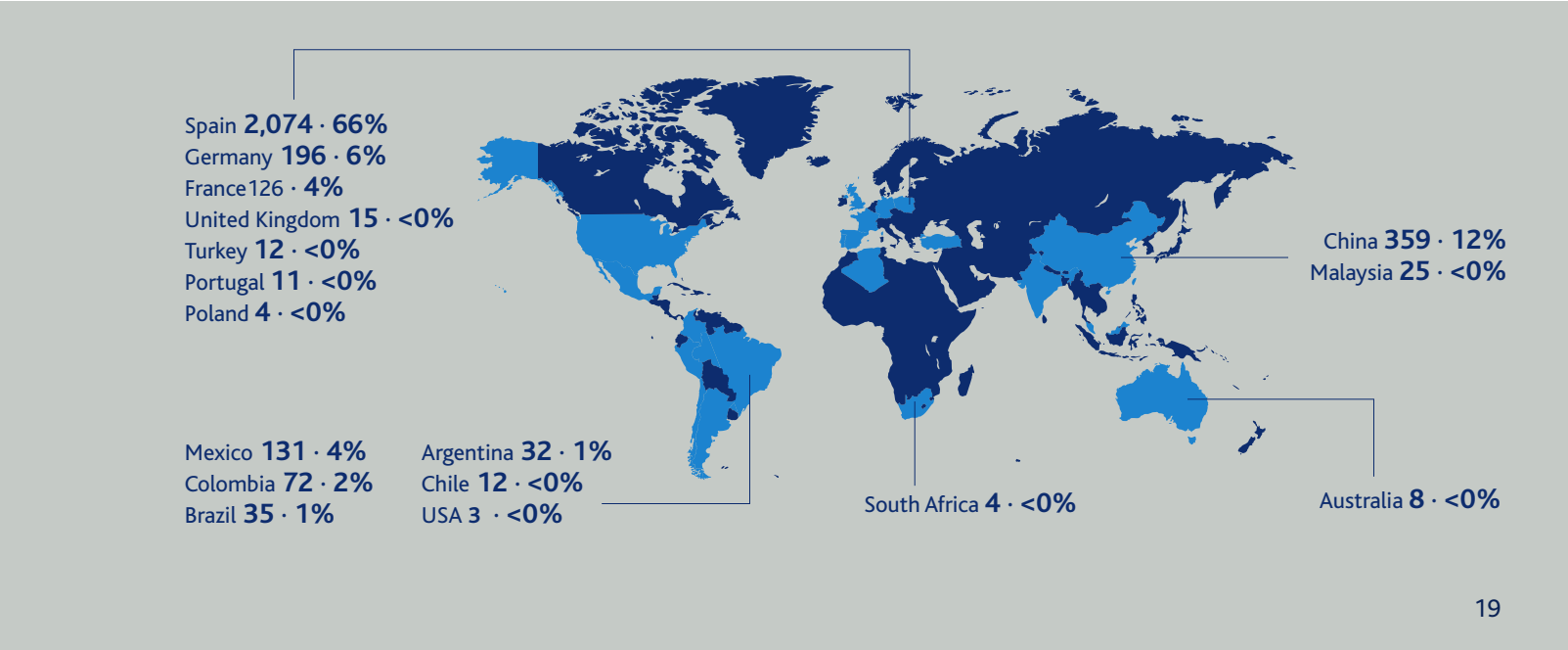
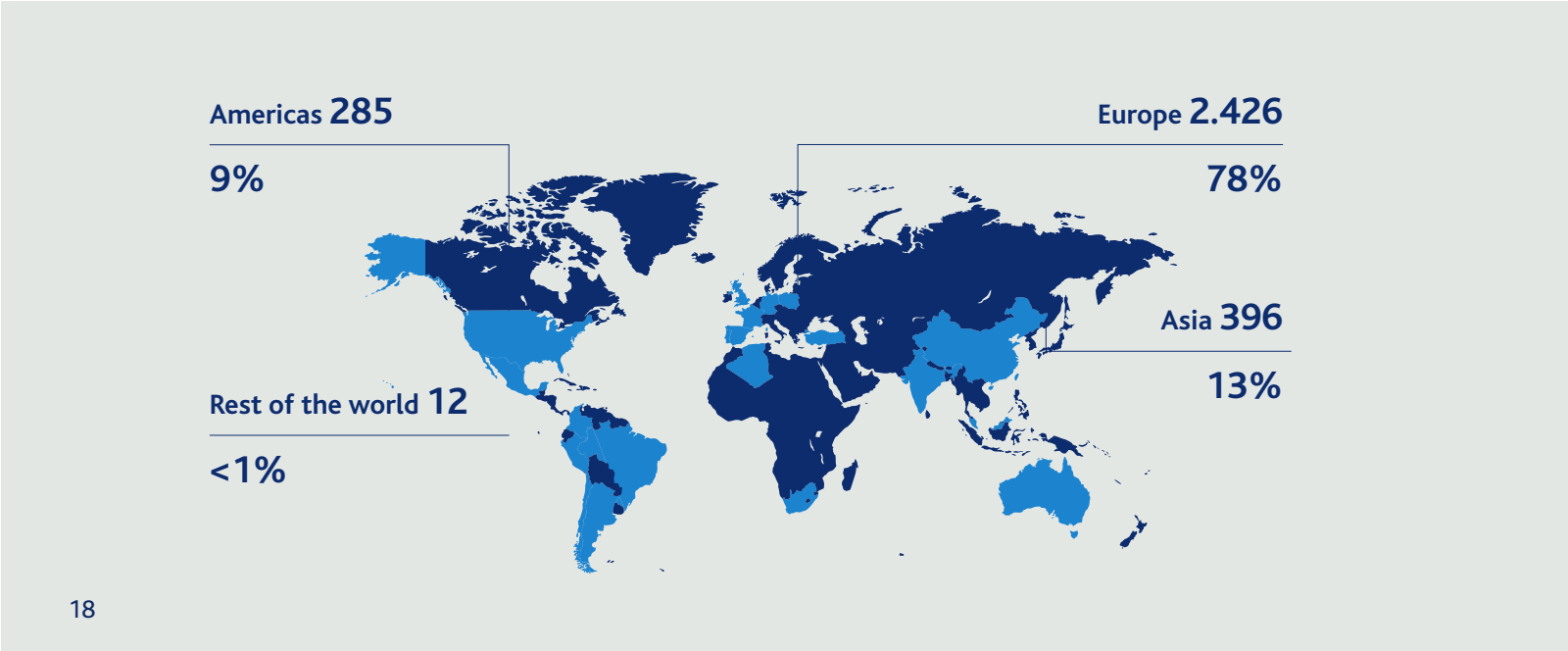
BY COUNTRY

2019 - 2,915 people

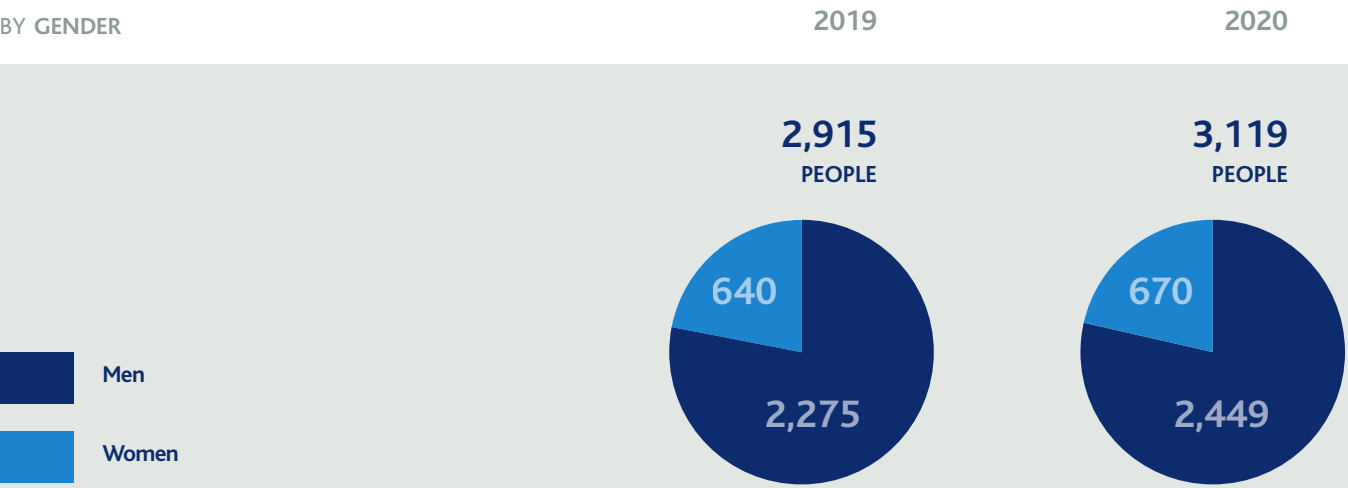


2020 - 3,119 people

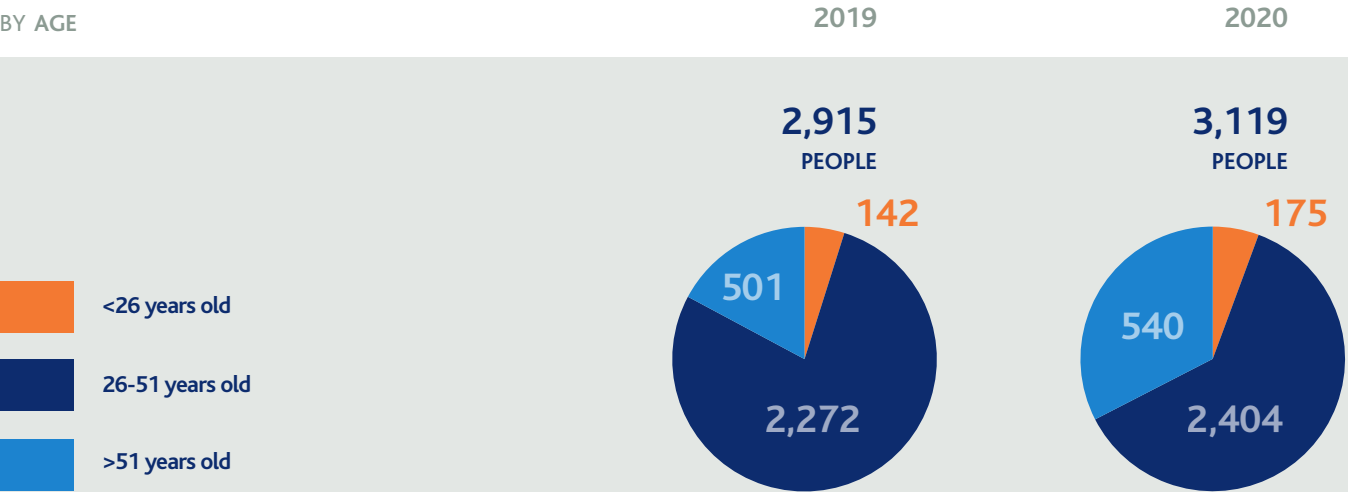
2020 - 3,119 people



BY GENDER



BY AGE



1.4. Governance

The Board of Directors is **Velatia's** highest governing body and, as such, has the broadest powers to guide, supervise and exercise general control over the company, delegating ordinary management to the executive team. Its central activity is specifically related to strategic orientation, organisation, financial and risk control, information policy, legal bases and auditing.

The structure of the Board complies with the recommendations of the Codes of Good Governance and of Spain's Law on Corporations in terms of its size and type, and its regulatory framework is made up of the Articles of Association, the Rules of Procedure of the Board of Directors, the respective regulations of the committees, and the Code of Ethics.

The duties of the President as first executive are defined in the Rules of Procedure of the Board. Five advisory committees operate under the auspices of the Board, of which the audit, appointment and remuneration, and sustainable development committees are chaired by independent directors. These measures, among others, help reduce 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.

Independent directors are responsible for overseeing any transactions that could possibly give rise to a conflict of interest.



Governing bodies

Board of Directors

PRESIDENT

Mr. Javier Ormazabal Echevarria (2) (3) (4)

VICE-PRESIDENT

Mr. Alejandro Ormazabal Echevarria (1) (3) (4) (5) – Proprietary

ORDINARY MEMBERS

Mrs. Ana Ormazabal Echevarria - Proprietary

Mr. Ramón Sotomayor Jauregui (3) (5) - Independent

Mrs. Carmen Ormazabal Echevarria (1) - Proprietary

Mrs. Begoña Ormazabal Echevarria (2) - Proprietary

Mr. Hipólito Suárez Gutiérrez (1) (4) (5) - Independent

Mr. Luis Atienza Serna (1) (2) (4) - Independent

SECRETARY (NON-BOARD MEMBER)

Mr. Javier Bicarregui Garay

Committees of the Board of Directors

Audit and Compliance Committee (1)

Composed of four members (two independent and two proprietary members) and regulated in accordance with rules of procedure approved by the Board of Directors. Mr. Javier Bicarregui Garay acts as secretary non-board member.

Objectives:

- Ensure the transparency, accuracy and timeliness of financial information.
- Evaluate and continually monitor the internal control system.
- Validate the effectiveness of policies, systems and procedures that ensure the identification and proper management of the risks faced by the organisation.
- Ensure strict compliance with the laws, regulations and standards affecting the activities of the group.

Appointments and Remuneration Committee (5)

Composed of two independent and one proprietary members and regulated in accordance with rules of procedure approved by the Board of Directors.

Functions:

- Formulate and review the criteria to be followed for the composition of the committees and the selection of their candidates.
- Propose the composition of the committees.
- Examine and submit to the Board proposals for senior management appointments.
- Propose the director remuneration policies.
- Know and review the senior management remuneration policies.
- Supervise development of the senior management team, assessment of its performance, succession plans, and report on issues that may involve conflicts of interest.

Alex Otaegui Furriel is also a member of this committee as secretary non-board member.

Sustainable Development Committee (2)

Composed of three members and regulated in accordance with rules of procedure approved by the Board of Directors. Ms. Iciar Marquínez Beñarán acts as secretary non-board member.

Functions:

- Regularly review the sustainability policy and propose its approval, amendment and updating to the Board of Directors.
- Oversee and evaluate the processes of interaction with the different stakeholders.
- Provide information, prior to its approval by the Board of Directors, on the annual sustainability report, the status of the non-financial information statement and any other information relevant to stakeholders.
- Oversee the company's performance in relation to sustainability, evaluate and review the action plans and report on these matters to the Board of Directors.
- Monitor the group's contribution to achieving the Sustainable Development Goals (SDGs).

able Development Goals (SDGs).

- Monitor performance, review the company's implementation plans relating to corporate reputation and inform the Board of Directors on this matter.

Ormazabal Committee (4)

A strictly business-oriented advisory body composed of five members, four of whom are Board members. Its main task is to support Ormazabal's business by providing cooperation and advice.

Its main functions are to:

- Analyse the company's results and the work of the executive team..
- Formulate the strategic plan and monitor its implementation.
- Control budget management.
- Propose the most important decisions regarding investments, sale of assets, mergers, etc.
- Assess and propose the authorisation of strategic partnerships.

Mr. Jorge González Somavilla, as permanent member, and Mr. Alex Otaegui Furriel, as secretary non-board member, also form part of this committee.

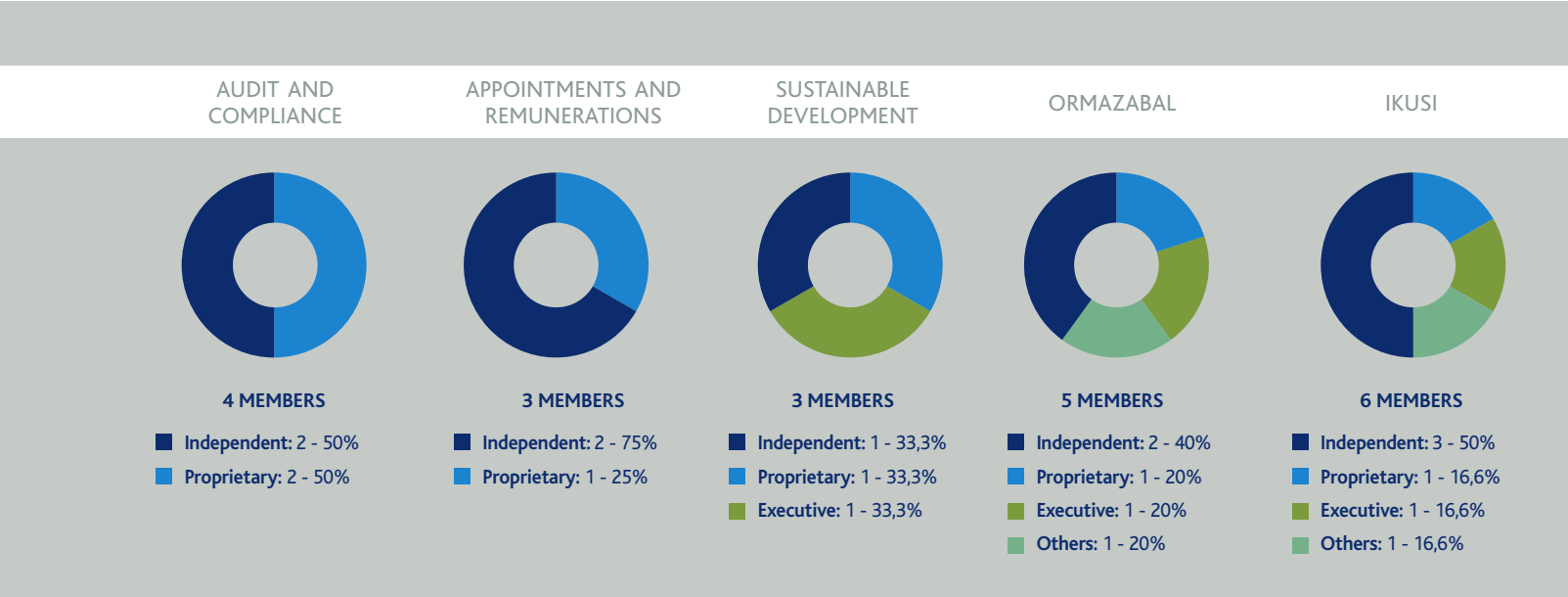
Ikusi Committee (3)

A strictly business-oriented advisory body composed of six members, three of whom are Board members.

Its main functions are to:

- Analyse the company's results and the work of the executive team.
- Formulate the strategic plan and monitor its implementation.
- Control budget management.
- Propose the most important decisions regarding investments, sale of assets, mergers, etc.
- Assess and propose the authorisation of strategic partnerships.

Mr. Francisco Garza Zambrano, Mr. Francisco Garza Egloff and Mr. Iñaki Maiz Elizaran as permanent members, as well as Mr. Alex Otaegui Furriel as secretary non-board member, also form part of this committee.





1.5. Ethics and integrity

Velatia’s Code of Ethics establishes the general guidelines of ethical conduct to be followed by all employees of the group, both in the performance of their duties and in their professional relations with colleagues, managers, subordinates, customers and suppliers; always acting in accordance with the legislation of each country and respecting the ethical principles of their respective cultures.

Nations Global Compact based on the following frameworks for action:

- The Universal Declaration of Human Rights.
- The ILO Declaration on Fundamental Principles and Rights at Work.
- The Rio Declaration on Environment and Development.
- The United Nations Convention against Corruption.

The principles contained in Velatia’s Code of Ethics are developed in the following policies, which constitute a true declaration of commitments and are the driving force behind all activities carried out in a given area, delimiting for each one its field of action:

- Code of Ethics.
- Integrated Quality, Environment and Safety and Occupational Health Policy.
- Social Action Policy.
- Anti—corruption policy.
- Purchasing Policy.
- Training Policy.
- People Development Policy.
- Employment policy.
- Onboarding policy.
- Compensation policy.
- Mobility Policy.
- Communication Policy.
- Security policy.
- Fiscal policy.

Committee on Ethics and Corporate Crime Prevention, which monitors strict compliance with the commitments undertaken by Velatia, 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 everyone in the group.
- 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 communication to everyone involved 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.

Velatia’s Ethics Channel is a tool made available to employees to allow them to communicate, confidentially, anything that may be considered irregular or inappropriate as events or situations that are or may be contrary to the Code of Ethics, corporate policies and procedures, good business practices, or the law.

This channel is managed by an independent company to ensure the strictly confidential treatment of the information collected. This company is in charge of ensuring the availability of the service and its accessibility for all employees, receiving all communications, ensuring the integrity, objectivity and confidentiality of the information provided by the complainant, monitoring the stages of a complaint, as well as serving as intermediary between the company and the complainant to safeguard the identity of the latter.

Anyone, whether or not they form part of Velatia, can access the channel through the Code of Ethics section of the corporate website. In addition to this, the Ethics Committee provides the e-mail ethics@Velatia.com to anyone who requests it for direct communication purposes. Employees may also report a breach or violation of the Code of Ethics by informing the relevant person in charge.

In 2020, six messages were received through the Ethics Channel (as compared with three in 2019), all of which were duly analysed and fully resolved on the basis of established

procedure. The main risks identified relate to workplace harassment. To mitigate these risks, the appropriate controls have been applied to keep risk levels to a minimum.

Finally, the internal e-training platform makes specific training modules in this area available to all Velatia employees: one on the Code of Ethics, which seeks to explain its content by giving guidelines of conduct for the performance of professional activity; and the other, about the Ethics Channel, which explains its communication and operating procedures.

Combating corruption and bribery

At Velatia, we embrace the tenth principle of the United Nations Global Compact on the fight against corruption in all its forms.

In order to remain firm in the transparency, rigour, honesty and reliability of all our actions, the group has undertaken various commitments as set out in our Anti-Corruption Policy:

- Ensure strict compliance with anti-corruption and bribery laws in the countries where we operate.
- Ensure that all employees and directors comply with the measures set out in the Code of Ethics.
- To fulfil the commitments set out in our Social Action Policy, ensuring that our sponsorships and donations are made with entities of great prestige, rigour, honesty and transparency. Velatia does not make donations to political parties, representatives or candidates in any country, nor does it sponsor any kind of event whose purpose is political propaganda.
- To present information and produce accounting records that reflect the organisation’s payments, expenses, transactions and disposal of assets with rigour, transparency and accuracy.
- To extend knowledge of this policy to all our stakeholders by placing it at their disposal and making it public.

Human rights

Since 2002, **Velatia** has been a member of the United Nations Global Compact and, as such, assumes its 10 universally accepted principles based on declarations and conventions applied in four areas: human rights, labour standards, environment and anti-corruption.

Velatia treats human rights as a priority, both within and outside the organisation, local communities in the areas in which it operates, and suppliers. The company examines any situation of vulnerability of rights that may occur in carrying out its activity, putting in place the necessary measures to avoid or mitigate them. These measures are contained in its Code of Ethics and the Protocol on Prevention and Action against Workplace Harassment.

As mentioned in Ethics and Integrity (section 1.5 of the report), all group employees have access to an Ethics Channel, through which they can report any event or situation that might be contrary to the Code of Ethics.

In 2020, coinciding with the celebration of the 75th anniversary of the United Nations, **Velatia** renewed its engagement with the Global Compact, confirming its pledge as a committed group that adds its strength to the more than 12,000 signatories from over 160 countries, figures which make this corporate social responsibility initiative the biggest in the world.

As a result of this commitment, since 2005 **Velatia** has published annual progress reports on each of the 10 principles. These reports are available to all our stakeholders on the websites of the Spanish Global Compact Network and the United Nations Global Compact.

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, signed by UN members in 2015.

Besides renewing its commitment to the Global Compact, **Velatia** signed up to the "Family Business for Sustainable

Development" initiative in 2020. 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.

This initiative, which brings together 180 leading business owners from around the world, is promoted by the United Nations and The Family Business Network.

1.6. Risk management

Velatia is exposed to various risks inherent to the countries, industries and markets in which it operates, and which could be an impediment to achieving its objectives and successfully implementing its business strategy.

The group treats risk management as an integral element of decision-making processes, both within the scope of its corporate governing bodies and in each of its businesses, and for this purpose it has an organisational structure, systems and procedures that enable it to reduce, insofar as possible, the threats it is exposed to.

To manage these risks more effectively, the company has drawn up a risk map by dividing the risks into different categories in order of priority, based on their likelihood of occurrence and their impact. They are categorised as follows:

Strategic risks

Those that affect the objectives identified in the strategic reflection process of the businesses.

Operational risks

Those arising from human errors, inadequate or faulty internal processes and system failures.

Compliance risks

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

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.



The SCIIF model 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.

Management of supply chain risks

In order to control supplier-related risks, **Velatia** has a system of Risk Management in the supply chain that monitors the panel of critical suppliers classified according to different levels of criticality.

To act on the commitments undertaken, the group has a Regulatory Framework for the Procurement Function, which provides the entire organisation with common and compulsory guidelines that regulate the complete procurement cycle, from identifying the need to satisfying it. In this regard, all businesses must have a supplier approval process in which suppliers must give a written undertaking to comply with our Procurement Policy and our Code of Ethics. To this end, the Quality Manual and the **Velatia** Code of Ethics were developed, which all critical suppliers are required to read and sign.



Management of talent-related risks

Aware of the importance of people in achieving strategic challenges, the company has identified a number of major risks related to talent management and has taken appropriate measures. On the one hand, to mitigate occupational health and safety hazards, progress with prevention is being made through new ISO 45001 certifications. In addition, to reduce the difficulty in attracting talent, steps continue to be taken in carrying out the Employer Branding project, which got under way in 2019.

In order to reduce these risks, **Velatia** has defined a set of key indicators that are constantly monitored by management.

Human rights risk management

The Code of Ethics and the Protocol on Prevention and Action against Workplace Harassment contain measures to prevent human rights abuses that may occur.

As mentioned in Ethics and Integrity (section 1.5 of the report), all group employees have access to an Ethics Channel through which they can report any event or situation that might be contrary to the Code of Ethics.

Management of environmental risks

Awareness of the importance of respecting the environment has led **Velatia** to develop policies and implement measures aimed at minimising the risk of any environmental impact we might generate as a result of our activity.

We undertake our commitment to the environment by incorporating eco-efficient criteria into the development of our products (extending good practices to all companies within the group, implementing environmental management systems, etc.), and by promoting an eco-friendly/sustainable/green image (establishing common indicators throughout the organisation, participating in pro-environment initiatives, etc.).

Velatia has a liability policy 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 companies operate, as well as those attributable to their main suppliers.



1.7. Sustainability

At Velatia we strive for sustainability and recognise the importance of developing our business without compromising the ability of future generations to meet their needs, combining the pursuit of profit with social engagement and maximum respect for the environment.

To this end, Velatia incorporates the interests and needs of our stakeholders – shareholders, individuals, partners, customers, suppliers, society in general – into our organisational strategy and our day-to-day management.

The commitments undertaken by the group in the area of sustainability are reflected in the Corporate Social Responsibility Policy. In 2020, the new Sustainability Master Plan for

the period 2021-2023 was presented. This plan is an integral part of the strategic business plans and covers the social and environmental aspects identified as relevant at the strategic and operational level in Velatia.

Before this plan was developed, several aspects were thoroughly analysed in order to determine the most relevant issues in this area: expectations of different stakeholders, best practices of competitors, regulatory trends and issues that remained pending from the previous plan.

These are the needs and expectations identified following this analysis:

Lines		Subject matter	Shareholder	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" "Renown" "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					✓

Lines		Subject matter	Shareholder	People	Suppliers	Funders	Society
Human capital management	Talent management	Diversity and Equal Opportunity	✓				
		People development and training	✓	✓			
	Wellbeing of employees	Work-life balance and flexibility	✓				
		Quality employment		✓			
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	Enduring 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 potential impacts and risks that could arise from the activities of its companies, and on identifying opportunities as well as mitigation measures to deal with these 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.

Firstly, the business environment was analysed in terms of competition, industry best practices, regulations, ESG (Ethical, Social, Governance) trends and the Sustainable Development Goals in order to see what could be applied to the businesses. The following issues were identified:

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 supplies.
- 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.

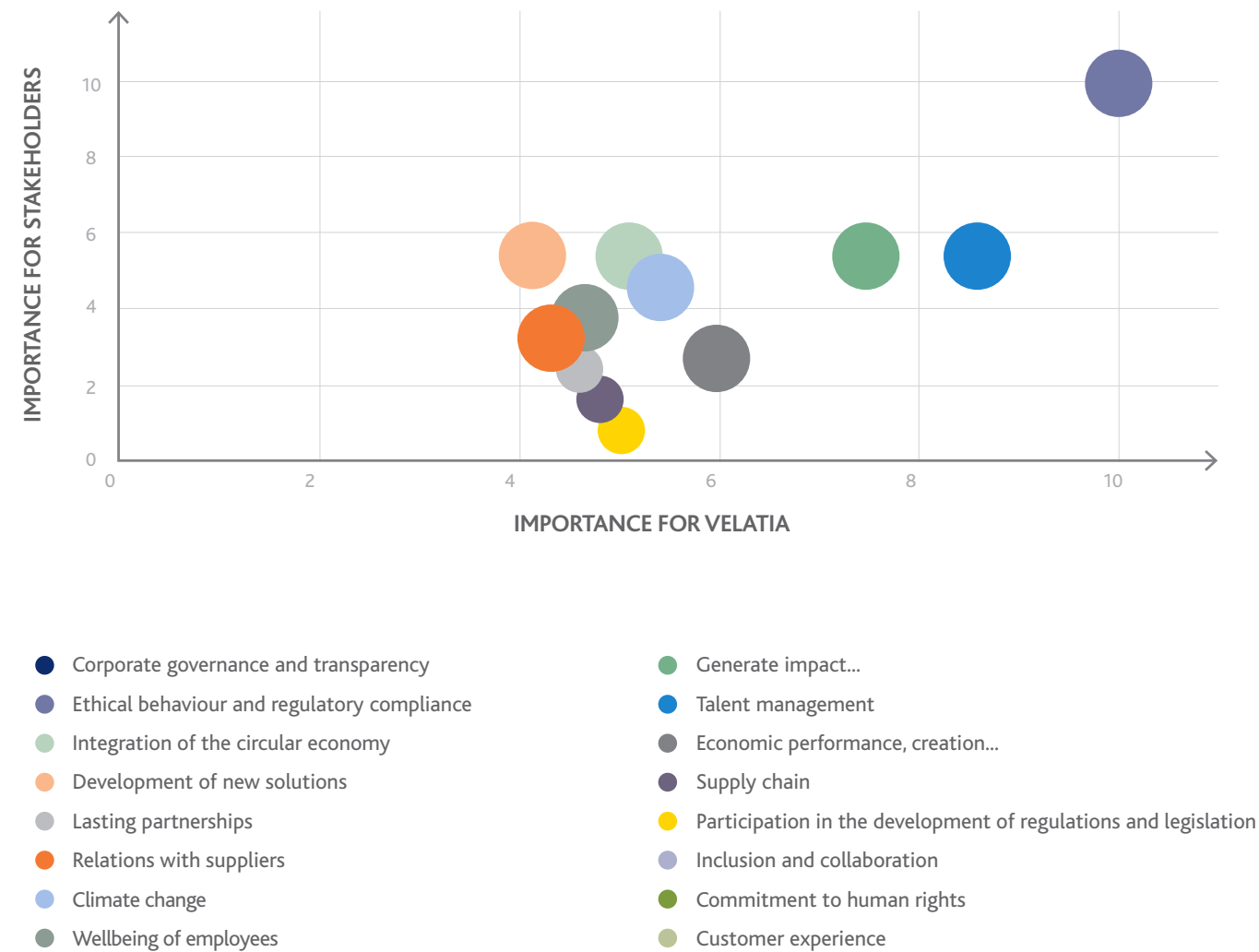
IMPACT ON SOCIETY

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

Prioritisation of relevant topics

To prioritise the results at the external level, the issues were assessed according to the importance and dependence of stakeholders. At the internal level, these issues were assessed by the businesses, this cross-analysis giving rise to the following materiality matrix:

Based on the relevant issues identified, the objectives and commitments to be undertaken by the businesses and corporate departments, included in their strategic plans, were defined, and those responsible for executing these plans and the necessary resources were identified.



Lines of action, ambitions and commitments

The lines of action that have been established and their corresponding developments are:

Ethics and corporate governance

This line of action encompasses all aspects relating to good governance, ethics, integrity and transparency, and is identified by Velatia as one of the most important expectations for its stakeholders and as a hygiene factor. A framework of integrity has been defined, comprising the Code of Ethics and a number of policies that set out certain operating principles. The goal of corporate governance is to generate long-term trust and commitment between the company and its stakeholders.

- Ambition:**
- Behavioural integrity.
 - Excellence in management.
 - Inclusive dialogue and trust with stakeholders.

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 in order to make Velatia a diverse and inclusive group, 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.

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.

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.

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 renowned service provider, driven by the search for new solutions.



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.

In 2020, **Velatia** adopted a sustainability model which reaffirms its determination to consolidate a genuine culture linked to the Sustainable Development Goals promoted by the United Nations, as a cornerstone 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 organisations that make up the group progress towards an excellent management model in search of sustainability.



1.8. Sustainable Development Goals

Velatia's sustainability strategy focuses on the complexity of meeting the challenges defined by the Sustainable Development Goals (SDGs) with innovative responses and positive impacts in areas such as energy transition, digitalisation, cities and transport, among others.

Throughout 2020, decisive steps were taken in this direction in order to meet the major global challenges. In this regard, the Sustainability Master Plan has been aligned with the SDGs, the goals set have continued to be addressed and a plan has been put in place to promote these objectives, which seeks to integrate into the group's culture the commitment, dissemination and action in support of the implementation of the 2030 Agenda.

Velatia has selected five priority SDGs and identified a number of targets for each one. In addition, it has undertaken different actions to help achieve these goals.



Goal: Promote full participation and equal opportunities in all processes and businesses.

Identified targets:

Target 5.5.: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

Target 5.c.: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.



Actions implemented and/or in process:

- Check the status of policies and practices relating to equality and inclusion and establish recommendations and the action plan to be implemented.
- Develop equality plans.
- Implement processes to increase the presence of women in the organisation and thereby ensure a more egalitarian, sustainable and effective future.
- Achieve male-female wage equity in all Velatia organisations.
- Increase gender equality awareness throughout the workforce.



Goal: Ensure access to affordable, reliable, sustainable and modern energy for all.

Expanding infrastructure and improving technology for clean energy in all developing countries is a crucial goal 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.

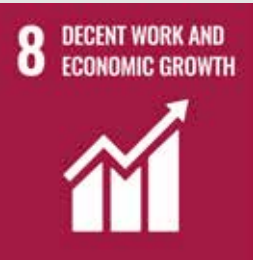
Target 7.2.: Increase substantially the share of renewable energy in the global energy mix.

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

Actions implemented and/or in process:

- Analyse the energy efficiency of Velatia buildings in Spain.
- Promote generation based on electricity production at the point of consumption, or very nearby, favouring the energy transition and the fight against climate change.

- Buy energy produced by renewable means.
- Minimise all waste and facilitate waste recycling.



Goal: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. The SDGs aim to stimulate sustainable economic growth by increasing productivity levels and technological innovation. Promoting policies that stimulate entrepreneurship and job creation is crucial to this end, as are effective measures to eradicate forced labour, slavery and human trafficking. With these challenges in mind, the goal is to achieve full and productive employment and decent work for all men and women by 2030.

Identified targets:

Target 8.1.: Sustain economic growth.

Target 8.2.: Achieve higher levels of productivity through technological upgrading and innovation.

Target 8.3.: Promote local development and SME growth.

Target 8.5.: Achieve full employment and decent work.

Target 8.6.: Contribute to the promotion of youth training and employment.

Target 8.8.: Protect labour rights and promote a safe working environment. Develop resilient infrastructures, promote inclusive and sustainable industrialisation, and foster innovation. Investment in infrastructure and innovation are key drivers of economic growth and development. With more than half of the world's population living in cities, sustainable transport and renewable energy are increasingly important, as is the growth of new industries and information and communications technologies.

Actions implemented and/or in process:

- Develop policies and procedures for the introduction in Velatia of a flexible distribution of working hours for a better work-life balance.
- Take on people with disabilities as a way to promote and enable their full inclusion in society.
- Participate in the "Buy Green" project to reduce both the entry of virgin materials and the production of waste, closing the economic and ecological resource flows or loops.
- To further address occupational health and safety issues in the organisations and obtain certifications that vouch for this commitment.
- Promote sustainability in suppliers.



Goal: 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 research and development.

Target 9.c: Increase access to information and communications technology

Actions taken:

- Monitoring investments in research and development. Both expenditure and investment as well as the percentage of new products.
- Adopting clean industrial processes and technologies for the promotion of sustainable and eco-friendly manufacturing processes at production centres.
- Maintaining and increasing public-private partnerships that boost the development of telecommunications infrastructures.



Goal: Ensure that cities and human settlements are inclusive, safe, resilient and sustainable. It is not possible to achieve sustainable development without radically transforming the way we build and manage urban spaces. More than half of the world's population now lives in urban areas and by 2050 this figure is expected to reach 6.5 billion people, or two-thirds of humanity.

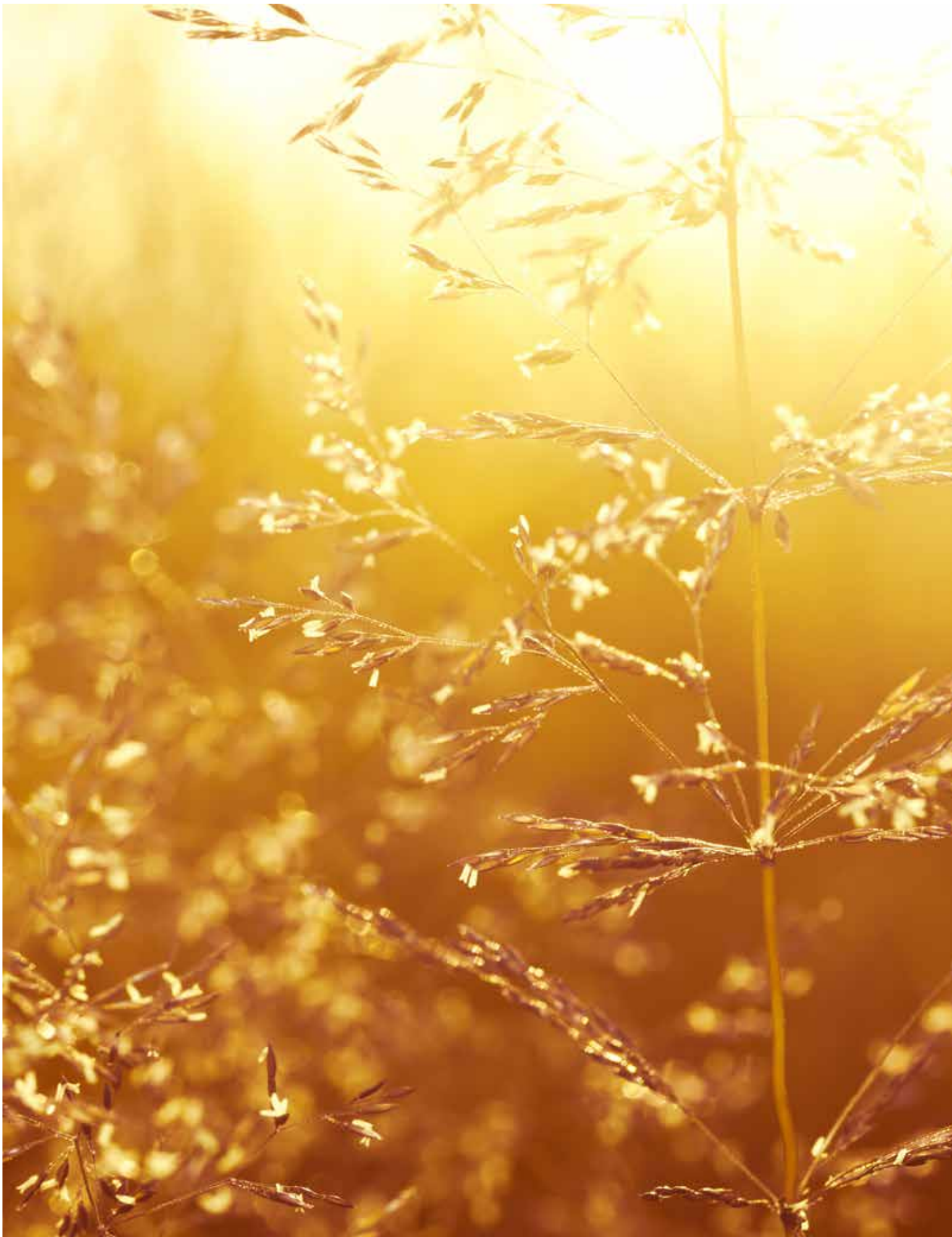
Identified targets:

Target 11.2.: Provide access to safe, affordable, accessible and sustainable transport systems and improve road safety.

Target 11.3.: Enhance inclusive and sustainable urbanisation and capacity for participatory planning and management.

Actions taken:

- Encouraging the use of electric vehicles within the organisation.
- Contributing to the management of smart cities by providing digital solution integration services.
- Promoting the reduction of plastic packaging for any type of use within the group.



2. Fulfilling our commitments

2.1. People

Velatia is a group committed to people, the essential raw material for ensuring the future of any company or organisation. This commitment is reflected in the policies it has devised in the areas of Corporate Social Responsibility, People Development, Training, Internal Communication and Employment. The achievements and professional drive of the entire human team constitute the best guarantee for continuing to fulfil the group's strategic objectives.

As a result of the implementation of the above-mentioned policies, **Velatia** has undertaken a number of commitments in relation to people:

- Promote a satisfactory working environment for all employees in which equal opportunities are guaranteed and continuous personal input and professional development are ensured.
- Increase our employees' knowledge and skills progressively.
- Ensure the objectivity of processes with a commitment to non-discrimination on grounds of age, gender, race, ideology, religion, sexual orientation, nationality, disability or any other personal, physical or social condition, promoting cultural differences as a source of mutual enrichment.
- Ensure the deployment of communication to the entire organisation.
- Attracting talent, personal and professional development, training, communication and employee satisfaction occupy a strategic place at **Velatia**:
- Relations and agreements with prestigious universities and schools.
- We support training at the highest level with company classrooms in several universities.
- We take care of communication through conferences, documentation and internal plans.
- Promoting the employment of people with disabilities through collaboration with special employment centres and the Adecco Foundation.

Outstanding Human Capital activity

Strengthening the Diversity and Inclusion Policy

In 2020, the work plan to integrate standardised progress got under way according to schedule, accompanied by equality plans in **Velatia** organisations in Spain. In its first phase, it has been deployed in 17 companies. The intensive and extensive work carried out to date will be completed during the first quarter of 2021, including the diagnostic, analysis and action plan phases in all 17 companies.

At the same time, 2020 saw the continuation of the medium- to long-term actions stemming from the "organisational glass ceiling" identified in the analysis carried out in 2018 and 2019 ("wage gap analysis"). To this end, actions have been taken at **Velatia** level to increase both the number of female employees and the internal promotion of women, and to raise awareness of gender-based diversity issues among men and women.

Management of the Velatia employer brand

The work that started in 2019 was completed in 2020, the team itself forming in a stable way and determining the competency area of this function at the corporate level: roles and responsibilities and dialogue with the businesses and other departments, such as Marketing and Communication. A specific process for its management has also been generated.



Arco and Integration Programs

The COVID 19 pandemic completely altered the plans for the second phase of the ARCO Programme (development of junior profiles), scheduled for 2020 for those who took part in the first edition in 2019. Depending on the evolution of the pandemic and the resulting restrictions on international mobility, the actions planned for 2020 will be rescheduled.

The INTEGRATION Program did manage to go ahead in 2020 for the 91 participants involved, thanks to its 100 % online content, featuring:

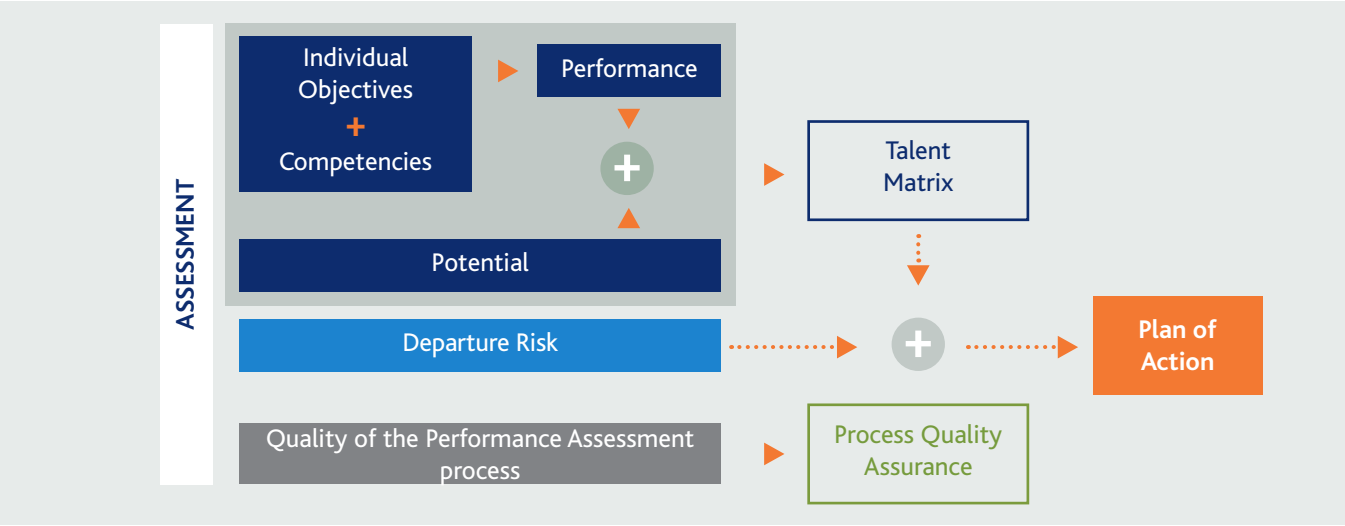
- Language learning platform.
- TRAVEL WITH **Velatia** competition.
- Learning Pills (8) on competencies and behaviours deriving

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

from Velatia values.

Analysis and redefinition of the Assessment and Development Process

The analysis carried out during 2020 by the work team made it possible to outline a performance assessment process as



shown in the diagram below:

Each of the elements reflected in the process has its corresponding definition and deployment, using a specific IT tool for performance assessment management that will act as a satellite of our people management platform (META4). This new process and IT tool will allow both self-assessment and assessment by the manager, peers and collaborators of the person under assessment, guaranteeing the subsequent statistical analysis of the information generated on each person.

Deployment of the Velatia Management Model

The Plan of Action for 2020 was followed as regards the content of the Management Model, the most important actions being:

- **Total reward:** the Spain Benefits Plan remains unchanged.
- **Communication:** the Velatia Steering Committee has carried out regular communication actions, both external and internal, concerning the progress and situation of Velatia’s businesses, in addition to the 2020 Annual Conference, which was held online. Furthermore, communications to

this group have increased, especially regarding the situation caused by the COVID-19 pandemic.

People with high potential

Prior to the deployment of the Leadership Model analysed in 2020, a reference framework will be provided to set out the criteria that define who they are and how they will be managed in the areas of:

- Reward
- Communication
- Development

Definition of the Velatia Leadership Model

The Leadership Model defined in 2020 helps to show the way forward in order to consolidate the transformational leadership profile we have been promoting at Velatia for years, not only at the top of the organisation but at all levels, where we need people who have to manage other people to a greater or lesser extent. Moreover, the Velatia Leadership Model is the cornerstone of the performance assessment process described above.

The definition of Leadership at Velatia is: “Personal ability, regardless of position, to drive and provide vision through credibility and trust, facilitating the achievement of organisational goals in changing contexts”.

There are three Leadership profiles:

- **Leading yourself:** self-leadership, initiative and self-knowledge.
- **Leading others:** responsibility for or influence over others.
- **Creating leaders:** executives (role models for other leaders).

Specific competencies have been established, together with the most appropriate assessment tools for each of these profiles, as well as development pathways and action plans at both competency and Velatia culture level.

Finally, the indicators for monitoring and measuring the evolution of the Velatia Leadership Model and its impact on the organisation have been established.

Definition of Recognition Program(s)

With regard to the Recognition Program, its theoretical framework was created in 2020, covering four areas:

- Recognition policy.
- Actors involved.
- Types of recognition.
- Communication of recognition.

This program has been included as a new tool in the Velatia Total Reward System, to be used as from 2021.

Planning of Total Reward System “landing” tasks

In line with the Compensation Policy, whose main objective is to provide a competitive, homogeneous and equitable remuneration that aligns performance with assigned roles and responsibilities. It pledges to establish an attractive and flexible compensation system that will, on the one hand, attract the best professionals and, on the other, retain employees with high added value through motivating remuneration adapted to the remuneration needs of each country, in order

to be competitive at salary level, always respecting the strategy defined by the group.

Provide equal opportunities for wage development for employees who perform similar functions and perform excellently. During 2020, the following actions have been carried out to implement and monitor the Total Reward System:

- **Corporate Bonus:** The system used to analyse, monitor and assess achievement of pre-established objectives remains unchanged.
- **Analysis and updating of wage structures and market information** in countries with changing markets (China, Mexico).
- **Improvement of fixed-compensation analytical tools** based on a new tool.
- **Publication of the handbook on Remuneration Policy at Velatia**, which brings together the constituent elements of its current remuneration philosophy and practice. The handbook is aimed at managers and human capital professionals for its proper deployment in all Velatia businesses and company departments.

Consolidation of Human Capital information in Dashboards

In 2020, the Total Reward and People Analytics department began using a new tool for the exploitation of business and Human Capital information.

We have worked closely with the businesses to improve the various consultations available at the Total Reward department, to make analysis and decision-making easier for businesses. This work will continue during 2021.

Development of criteria for collective bargaining

Collective bargaining management criteria have been established for the standardisation of the management of Human Capital and of those in charge of the various Velatia organisations. This involved:

- **Collecting from these organisations the criteria they need or would like to have**
- **Suggesting responses and agreeing on them with the Human Capital management team of Velatia and of each**



business.

COVID-19 management

The **Velatia** Human Capital management team has paid special attention to the coordination of the COVID-19 management team.

Although it was not part of **Velatia**’s 2020 Human Capital Management Plan, the unexpected arrival and impact of the COVID-19 pandemic in Europe has put greater demands on **Velatia**’s human capital structure in Europe, which has coordinated both the distribution of Operating Protocols and the corresponding procedures and handbooks, in close collaboration with other operations departments –at group and individual company level- such as Marketing, Communication, Purchasing, Security and IT.

Employment

During 2020 and 2019, **Velatia** has continued to work on attracting and managing talent in order to have sufficient capacity to enable it to tackle the major challenges it faces with guaranteed success. As a result of this effort, in 2020 the workforce increased by more than 6 % with respect to the previous year, totalling 3,119 people at the end of 2020.

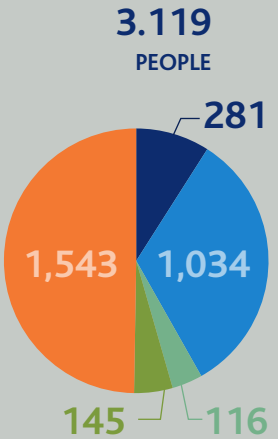
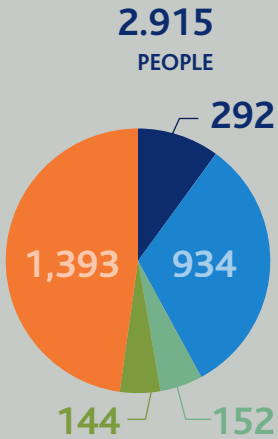
Distribution of staff

BY PROFESSIONAL CATEGORY

2019

2020

- Management
- Technical staff
- Administrative staff
- Sales staff
- Other



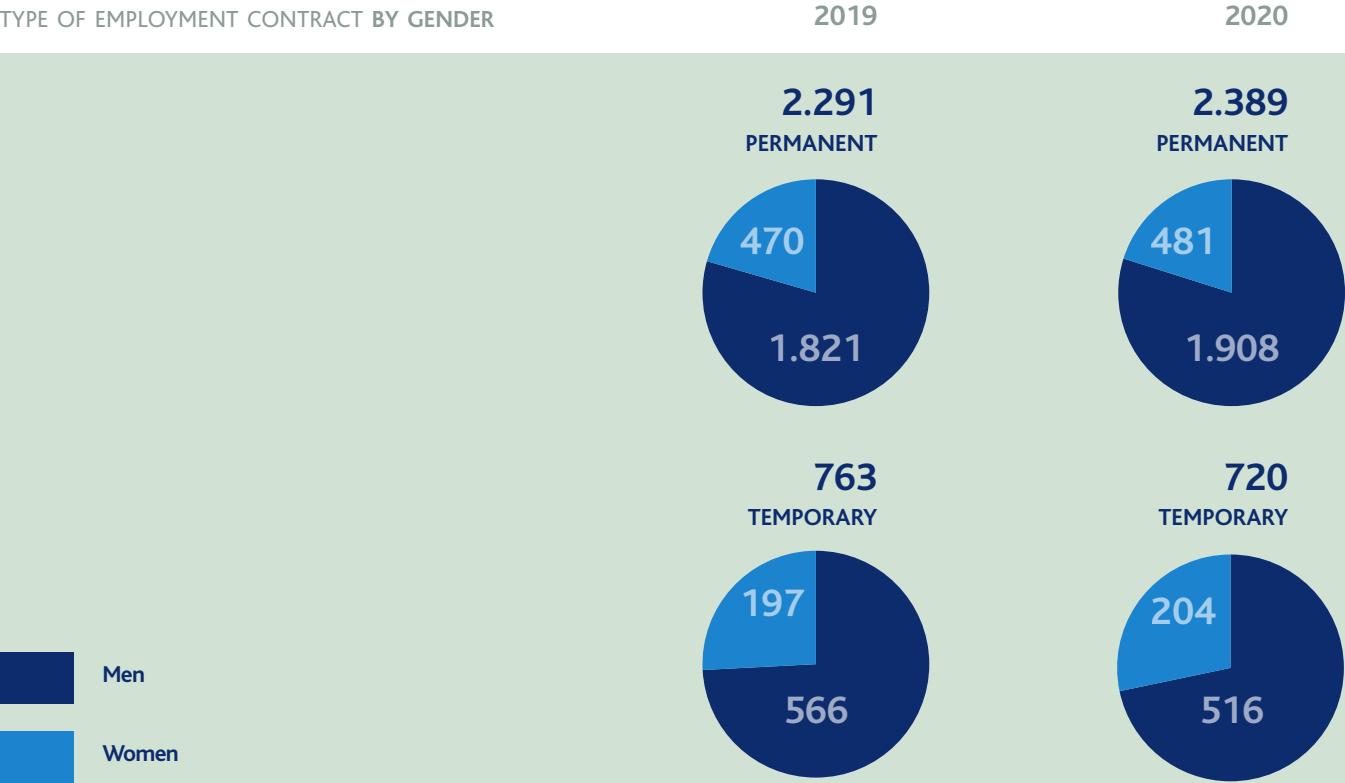
The following data on employment, compensation, health and safety and training includes information from all the companies that make up **Velatia**.

Average annual contracts

The company’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 permanent and temporary contracts ⁽¹⁾.

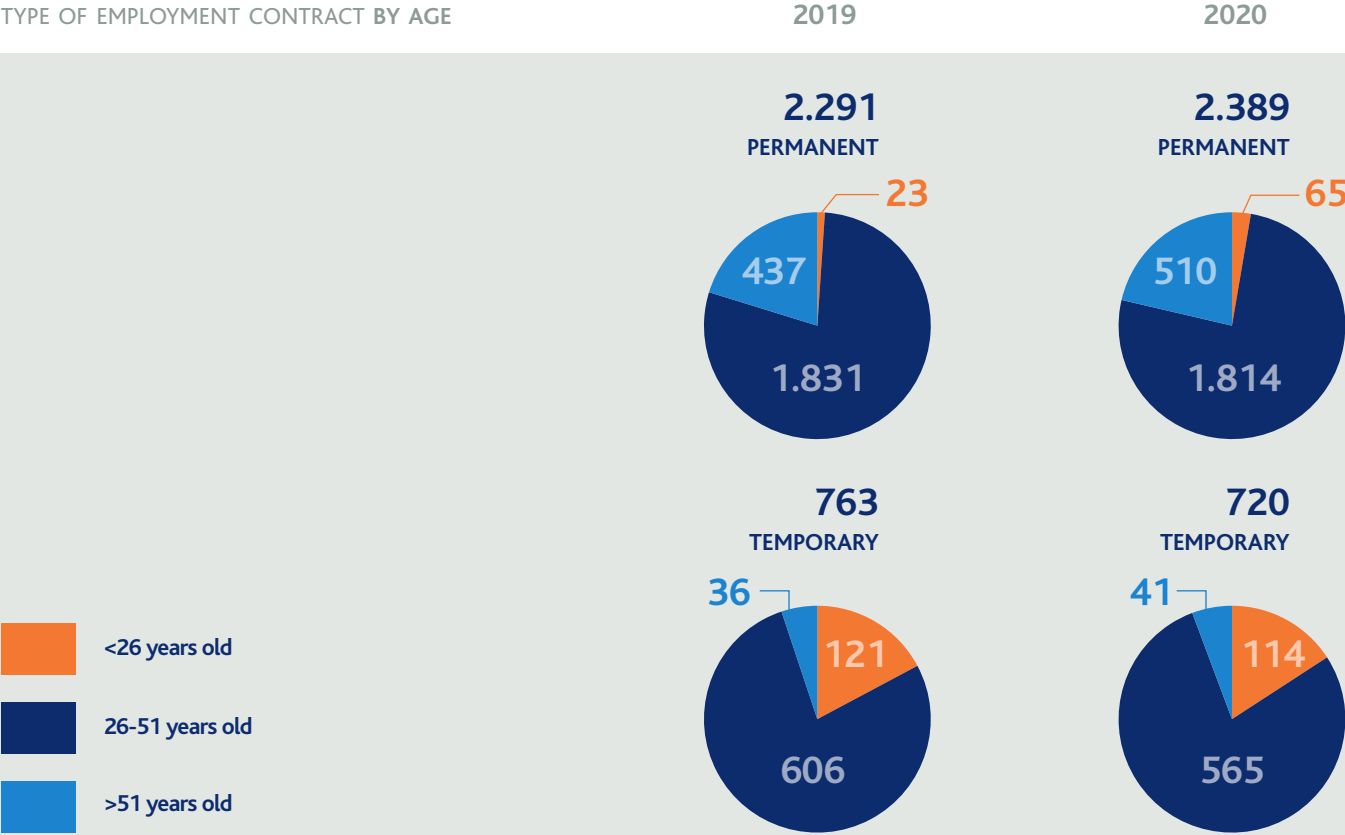
cumulative total of 161 hired trainees (151 up to 2019), of which 107 remained at the end of the year. Spain accounted for 39 % of these recruits, 87 % of whom were men and 13 % women. It should also be mentioned that 24 % of these contracts become permanent.

TYPE OF EMPLOYMENT CONTRACT BY GENDER



⁽¹⁾ The annual average has been calculated using the average number of **Velatia** employees during 2020 and 2019, respectively, taking into account the salary payments calculated in each month.

TYPE OF EMPLOYMENT CONTRACT BY AGE



TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

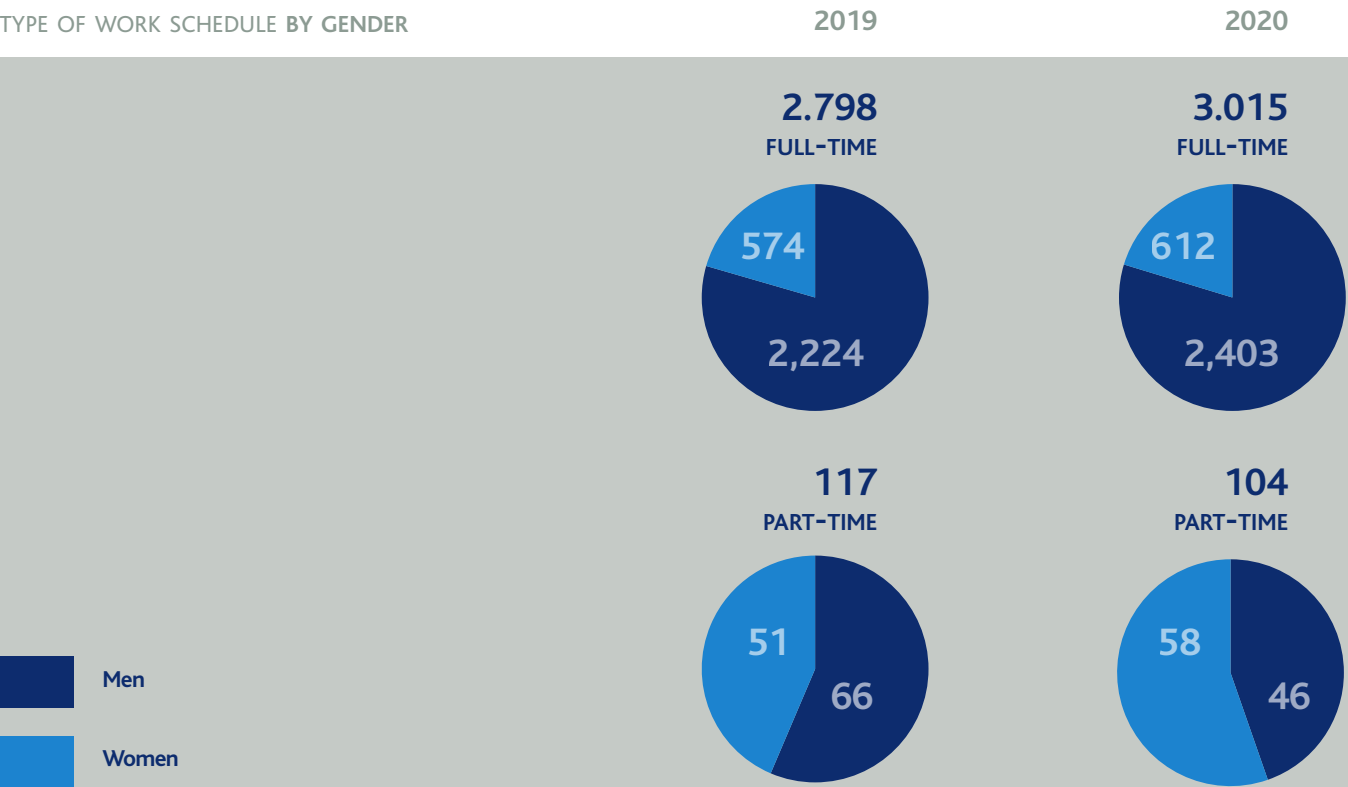
	2019		2020	
	PERMANENT	TEMPORARY	PERMANENT	TEMPORARY
Management	279	34	271	30
Scientific, intellectual and support specialists and professionals	781	139	860	165
Employees of an administrative nature	112	44	81	24
Sales personnel and similar	125	21	127	19
Other qualified personnel	994	525	1,050	483
Total	2,291	763	2,389	720

Employees by type of work schedule

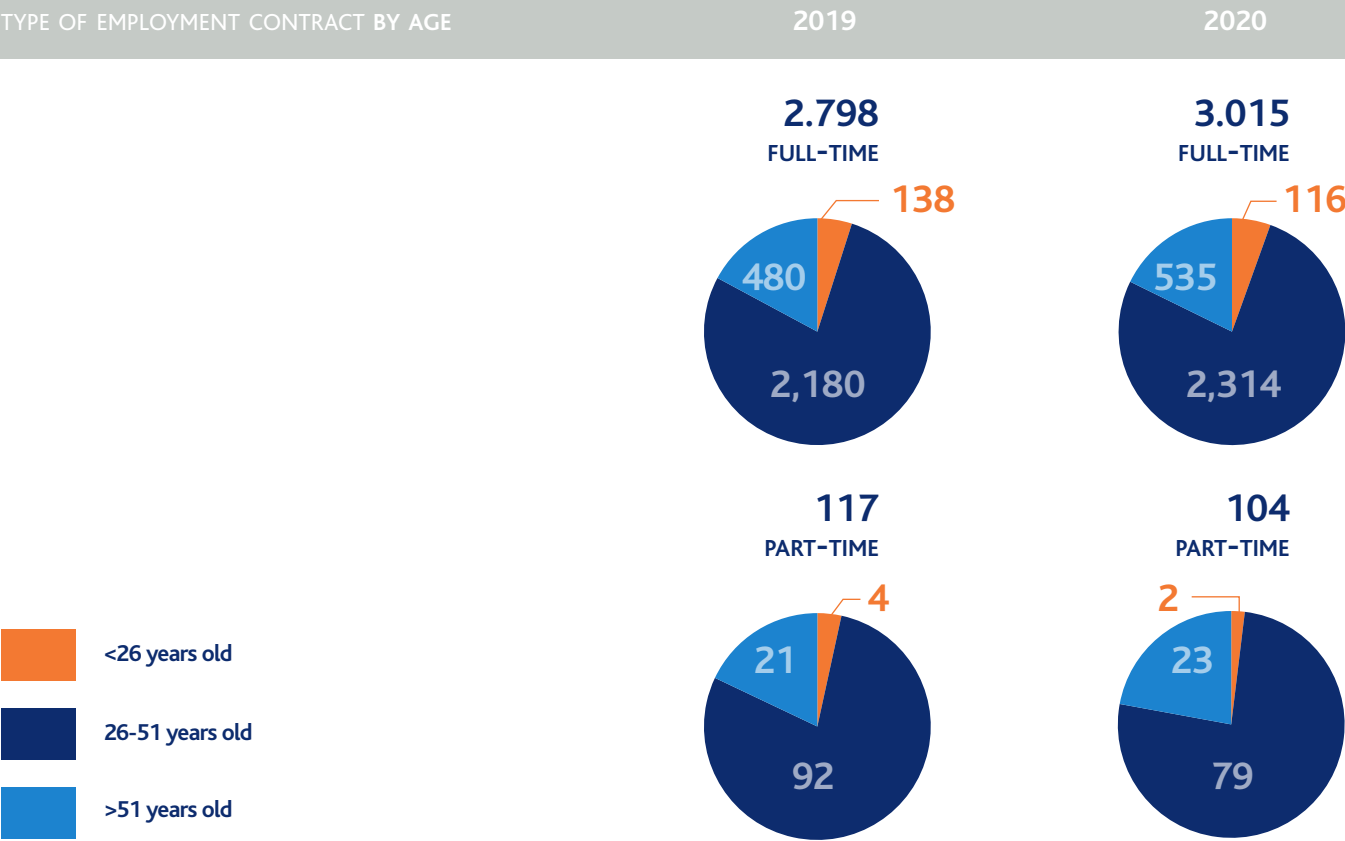
The distribution in terms of number of employees by type of work schedule at the end of financial years 2020 and 2019 is as follows:

Most of the employment contracts entered into in 2020 are full-time. One of the reasons behind this is the measures that **Velatia** take to help its employees improve their work-life balance, making it unnecessary to resort to part-time work schedules.

TYPE OF WORK SCHEDULE BY GENDER



TYPE OF EMPLOYMENT CONTRACT BY AGE



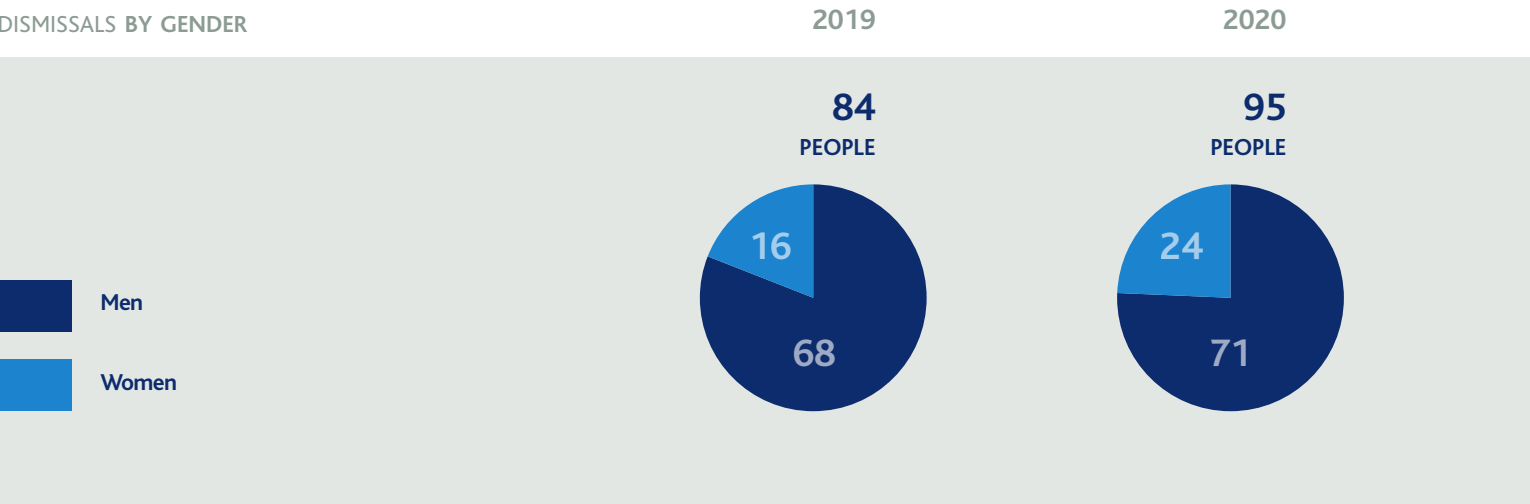
TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

	2019		2020	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Management	282	10	271	10
Scientific, intellectual and support specialists and professionals	898	36	999	35
Employees of an administrative nature	130	22	101	15
Sales personnel and similar	142	2	144	1
Other qualified personnel	1,246	47	1,500	43
Total	2,798	117	3,015	104

Number of dismissals

The dismissals that took place during 2020 and 2019 are broken down by gender, age and professional category as follows:

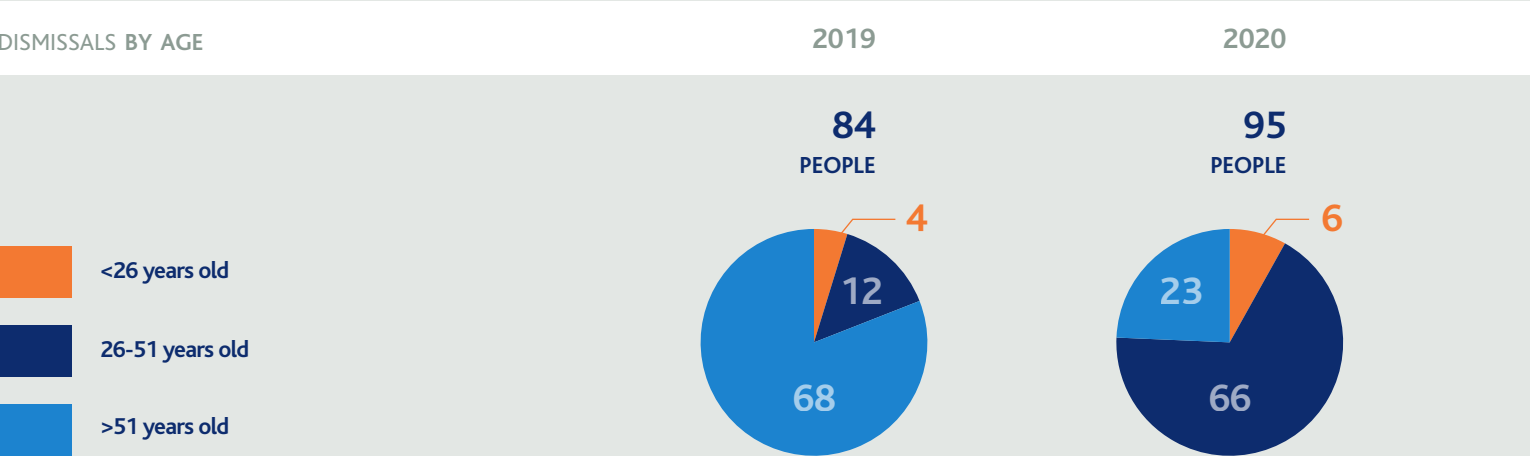
DISMISSALS BY GENDER

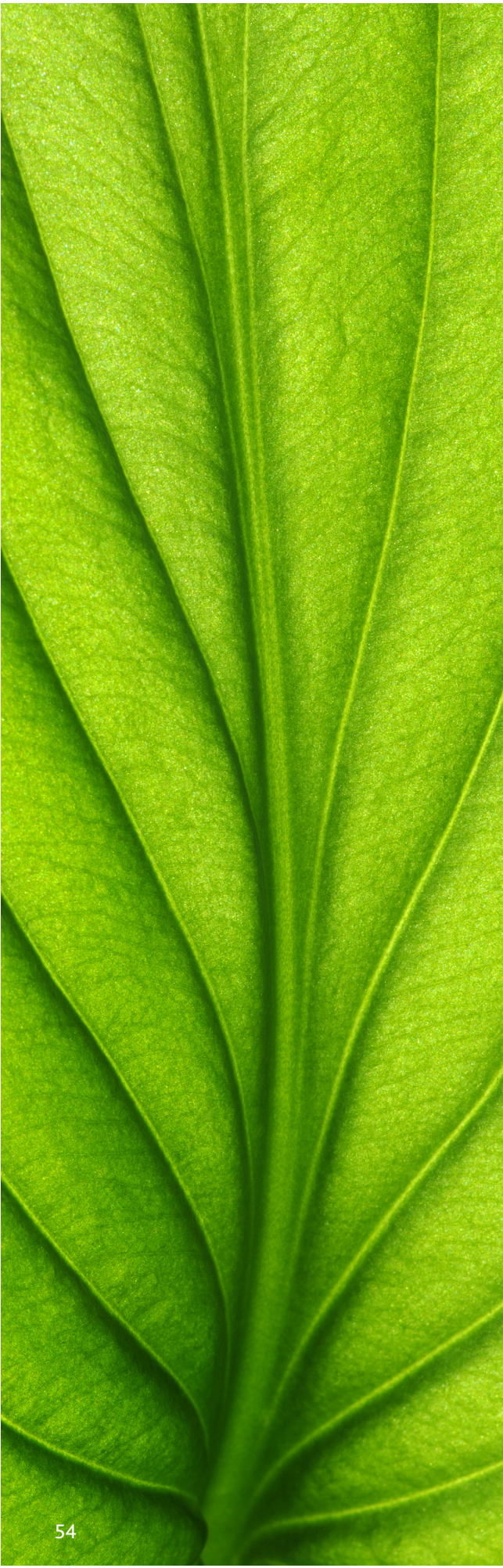


DISMISSALS BY PROFESSIONAL CATEGORY

	2019	2020
Management	8	10
Scientific, intellectual and support specialists and professionals	22	35
Employees of an administrative nature	4	9
Sales personnel and similar	5	7
Other qualified personnel	45	34
Total	84	95

DISMISSALS BY AGE





Rate of employee turnover

In 2020, the overall turnover rate was 24 % (the rate of involuntary turnover being only 3 %), with a total of 748 departures, 95 of which, as can be seen in the tables, were dismissals, while the remaining 653 left due to various causes such as retirement, contract termination or voluntary leave. In 2019, the turnover rate was 17 % (the rate of involuntary turnover being only 3 %), with a total of 507 departures, of which 84 were redundancies.

Accessibility

At **Velatia** we respect universal accessibility by considering criteria that allow both the work environment and our manufactured products to be respectful of human diversity, safe, healthy, functional, comprehensible and aesthetic.

Employees with disabilities

Velatia collaborates with a number of special employment centres (non-profit institutions) that aim to promote and achieve the integration of people with disabilities into society and the labour market, hiring them to carry out various productive activities both in Spain and abroad.

The number of people with disabilities hired in 2020 amounted to a total of 26 jobs. **Velatia** also collaborates with the Adecco Foundation with the same aim of helping people with disabilities find employment. In this way, the group more than meets the legally established requirements regarding the hiring of people with disabilities.

Average remuneration

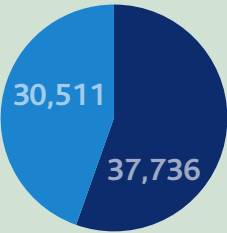
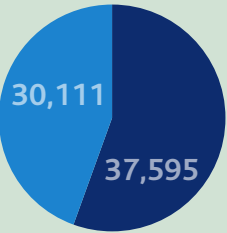
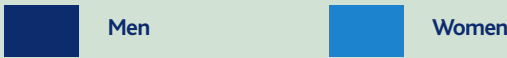
The average remuneration of employees for financial years 2020 and 2019 (except senior management, details of which are set out specifically in the following section), taking into account all existing remuneration items in the organisation (fixed, variable, bonus, benefits, incentives, etc.) and distributed by gender, age and professional category, is as follows (amounts in euros):

AVERAGE REMUNERATION BY GENDER

2019

2020

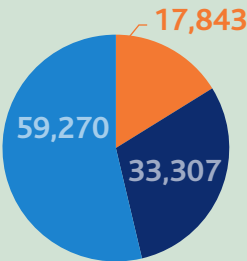
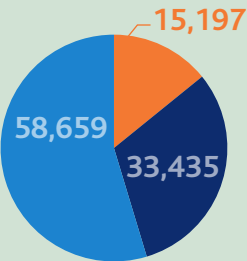
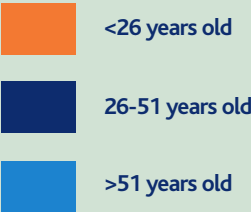
The wage gap is due to the different composition by category in each country. If we analyse the composition by region, the 78 % of the workforce that corresponds to Europe has a wage gap of only 8 %, specifically in Spain, which accounts for 66 % of the total workforce. Thanks to the various actions taken to promote equality, this gap has been reduced to 4 %.



AVERAGE REMUNERATION BY AGE

2019

2020



AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

	2019	2020
Other management team	85,363	82,004
Scientific, intellectual and support specialists and professionals	39,986	37,676
Employees of an administrative nature	26,428	29,666
Sales personnel and similar	50,821	48,971
Other qualified personnel	24,562	26,182

AVERAGE REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The average remuneration of the members of the Board of Directors in 2020 was 141,300 euros for men and 23,000 euros for women (152,430 euros and 28,000 euros in 2019, respectively). The differences in compensation between men and women are due to the type of director concerned.

In relation to senior management, the average remuneration for men is 307,000 euros and 143,000 euros for women (301,000 euros and 135,000 euros in 2019, respectively). These average remunerations include variable remuneration, expenses and any other benefit earned in the financial year, and they have been fixed according to the responsibility of each position within the organisation and taking into account the market average.

Wage gap

The applicable collective bargaining agreements regulate the average remuneration of workers 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 2020:

Geographical area	2019	2020
Europe	7%	8%
East Asia	16%	16%
Americas	6%	20%
Rest of the world	14%	3%

An above-zero percentage indicates the extent to which women receive less than men. The wage gap derived from the previous calculation is due to different factors: the historically low presence of women in some areas of activity (due to the composition of the workforce and the larger population of men than of women in general), the different specialisation of jobs (more men than women in positions of responsibility), and seniority, among others.

An individual wage gap analysis, by company and by wage bracket, and a demographic analysis of the group's employees in each professional category were carried out in 2020, leading to the following conclusions:

- At management levels, the total number of women is very small.
- In the medium term, it can be expected that the positions will continue to be filled mainly by men.
- In the longer term, the distribution between men and women is likely to be somewhat more balanced.

In the Americas, an effort has been made to recruit young women in order to increase female presence within the organisation, which has widened the wage gap during this period, as can be seen in the table above. These new recruitments alter the composition by category in comparison with the previous period. The wage gap in Europe and East Asia is broadly the same as in 2019. Meanwhile, the gap in the "Rest of the world" has narrowed due to the variation in the mix of male and female employees between professional categories. In 2020, the percentage of men in the management category decreased.

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. Our 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.

Velatia employees’ concern for work-life balance makes this an important issue in the management of human capital.

In this regard, the various measures put in place, such as flexitime or improvements in different types of leave, are fundamental for having a workforce made up of satisfied, healthy and committed people.

The company’s main channels of communication with its employees, in addition to the trade unions, are the corporate website, the intranet, notice boards, in-house magazines, suggestion boxes, the annual conference, personal and direct communication by managers and directors, workers’ committees, and health and safety committees.

Health and safety

Velatia’s commitment to health and safety is reflected in the Corporate Social Responsibility and Quality, Environment and Risk Prevention policies; and it can be specified in the following three 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, **Velatia** undertakes the following commitments:

- 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. In addition, to complement their work, **Velatia** 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 our commitment to prevention, 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 completed the transition from OHSAS 18001 certification to ISO 45001 certification. In total, the group has 17 OHSAS 18001 and ISO 45001 certifications.

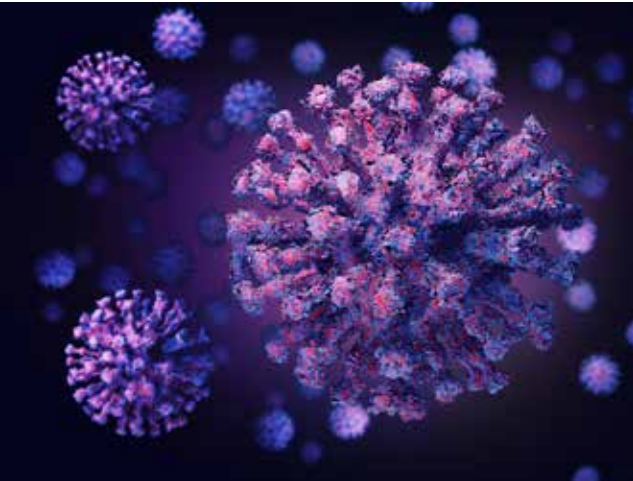
By voluntarily obtaining this certificate, **Velatia** has demonstrated its proactive desire to surpass the legal requirements and achieve standards of excellence in this matter. This implies the improvement of all aspects related to the health and safety of people in the organisation.

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 ⁽²⁾:

	2019	2020
Frequency Index ⁽³⁾	7%	8%
Seriousness Index ⁽⁴⁾	16%	16%

In 2020 there were 74 work accidents requiring leave (18 women) and 99 accidents without leave (8 women). In the previous year, there were 100 accidents with sick leave (18 were women) and 115 accidents without sick leave (8 were women).

⁽²⁾ The number of hours worked by employees is theoretical, considering an estimated work schedule of 145 hours per month for each line of business.
⁽³⁾ Number of accidents per million hours.
⁽⁴⁾ Number of days lost due to accident with sick leave divided by number hours worked (see subindex 8) per thousand.



COVID Management

One of the group’s main priorities, as mentioned above, is to safeguard the health of its employees. For this reason, during the state of alarm, all the safety and preventive measures established by the competent authorities were implemented in our workplaces, teleworking being facilitated in all feasible cases.

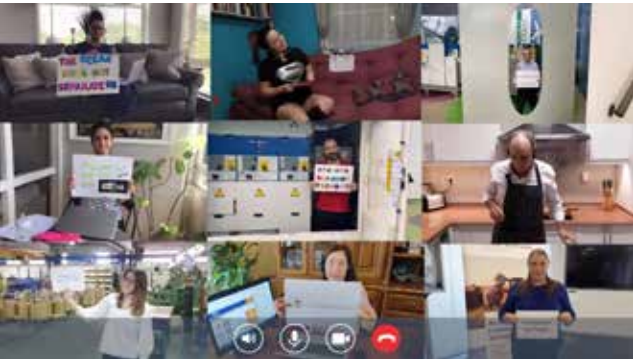
In May 2020, a Return to Work Plan was conceived as a way to bring together and clearly set out all the relevant measures, criteria and operating guidelines for the early stages of the return to work during what became known as the “new normal”. In the following months, this plan was updated to incorporate the appropriate changes to the criteria, adapting to the situation as and when it changed.

Currently, this plan applies to all organisations located in Europe.

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 hours invested in training processes within the scope of Human Capital.

Absenteeism

Velatia monitors absenteeism, which means working hours not being completed 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 182,263 hours during 2020 (132,739 hours in 2019). The increase in hours of absenteeism is related to the health crisis caused by COVID-19.



Training

Employee training is the basis of a company’s growth and success. **Velatia** recognises the strategic value of properly managing this training, devising initiatives, processes and procedures that allow for real and effective development of all the types of employee that make up the group.

In this key area, the aims are 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’s commitments in relation to training, as set out in the approved training policy, are as follows:

- 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 activities adapted to the particular needs of staff worldwide were carried out throughout 2020. A total of 74,321 training hours benefited 1,380 people.

Cross-cutting training courses given during the year focused mainly on three areas: development and leadership, languages (mainly English) and strategic planning.

HOURS INVESTED IN TRAINING

	2019	2020
Management	9,113	11,378
Technical staff	34,902	39,840
Administrative staff	5,291	3,470
Sales staff	2,063	1,567
Other	23,284	19,221
Total training hours	74,653	75,474
Average number of training hours per employee ⁽⁵⁾	24,4	24,88

Of the total number of training hours given in 2020, 58,809 hours correspond to men and 16,665 to women.

In 2020, the total number of hours of training was 1 % up on the previous year, which meant that the average number of hours of training per employee increased by 2 %.

⁽⁵⁾ Total number of training hours in 2020 among the average total staff in said year.

Digital disconnection

Velatia is committed to taking measures to enhance rest time after the working day, recognising the right to digital disconnection as a fundamental element in achieving a better organisation of working time in order to respect private and family life; to improve work-life balance and contribute to a more efficient management of working time; and to optimise the occupational health of all workers.

Equality

Diversity management and support for equal opportunities are intrinsic to **Velatia's** management policy. 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).

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, suggestions or enquiries about situations of harassment that have not been resolved by informal procedure.

In addition, the 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 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 2020, execution of equality plans continued in line with the commitment to gender equality.





2.2. Innovation

For more than 50 years, innovation has been one of **Velatia**’s main hallmarks and the key driving force behind the growth of this family, industrial and technological project.

Our commitment to innovation is reflected in **Corporate Social Responsibility and Quality, Environment and Occupational Health and Safety** policies that define the following 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 is one of the global players developing the technology that will profoundly transform our lives and our world, and is present in some of the most innovation-demanding sectors. We promote 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:

- Desarrolla tecnologías que contribuyen a la evolución total de las redes eléctricas, dotándolas de capacidades para la transición hacia un **nuevo mix energético** con una mayor penetración de las renovables, en la estrategia hacia una economía descarbonizada.
- We develop technologies that contribute to the total evolution 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 into useful information one of the most valuable ingredients for the “smart world”: data; present 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.

- In 2019, **Velatia** began to develop electrical products whose origin is totally digital, and it continues to make progress along the same lines.

The technological strategy of **Velatia**’s different businesses is reflected in their respective technological plans.

Moreover, new global actors have chosen **Velatia** as a technological partner because of the flexibility, proximity and adaptability it offers.

The group’s commitment to open innovation as the best way to strengthen its R+D+i capabilities has led it to collaborate with some of the main national and European research centres, as well as universities, on projects related to some of the major market trends that will have a significant impact on the group in the near future. **Velatia** links the industrial and academic worlds to promote research activities and improve its chances of attracting talent.

Our goal is to find new ways to bring value to our customers and respond to current and future challenges to make a more sustainable, innovative and efficient society possible.

Our own technology and new products

A barometer of a company’s level of innovation is the percentage of sales of its own products. In the case of **Velatia**, this volume accounts for practically the entire business. This is because for the company, innovations are much more than ideas, they become products and solutions that drive business and contribute to the progress of its customers and the industrial sectors in which they operate.

Velatia uses an innovation indicator relating to sales of new products (products developed in recent years). These sales represent a significant proportion of the group’s total turnover.

Innovation management

Since 2015 **Velatia** has been monitoring the main indicators that allow us to verify the deployment of our technological strategy throughout the organisation through the Integrated Technology Innovation Management System (Sistema Integrado de Gestión de la Innovación Tecnológica, SIGIT).

Thanks to this information cross-checked with data on workforce, spending, investment and funding for R+D+i, new products launched onto the market, patents and industrial property, we can analyse trends based on the results obtained and establish actions to effectively and efficiently meet **Velatia**’s technological challenges in the future.

Innovation in figures

2020	
R+D+i expenditure (thousands of euros)	21,300
R+D+i personnel (people)	146
Invoicing in new products (thousands of euros)	127,800
No. of patent applications	4
Average age of industrial property	9.8
No. of patents and industrial property registrations	274



Collaborations

Velatia is part of the following research and technology centres and bodies:

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 the Basque Innovation Agency, 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 businesses and institutions driving technological innovation in the Basque Country, as well as strengthens ties with similar organisations in the field of technological innovation.

2.3. Environment

Velatia promotes and integrates a responsible culture with regard to the environment, working to protect the environment from the perspective of pollution prevention and ecodesign.

Environmental commitments are included in the Corporate Social Responsibility Policy and the Quality, Environment and Occupational Health and Safety Policy.

These commitments are made explicit because we believe in sustainability as a different way of doing things, aligning the 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 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 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 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.

The Integrated Quality, Environment and Occupational Health and Safety Policy was updated in 2019, approved by the president and communicated to all employees.

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. This concern is further reinforced by the principle of environmental responsibility enshrined in the Code of Ethics.

In order to extend this concern not only to group employees but also to critical suppliers, **Velatia** sends the Quality Manual and the Code of Ethics, which must be signed by suppliers.

Provisions and insurance

In 2019 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 ensures that environmental risks are covered, provided that the cause of such harmful actions is accidental, sudden, unforeseeable, unexpected and unintentional.

Certifications

As a sign of commitment to the environment, **Velatia** continues to deploy our 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 within the group.

ISO 14001 certification is the most widely used technical standard worldwide for the implementation and assessment of environmental management systems and is voluntary. The implementation of this certification demonstrates **Velatia**’s commitment to meeting the highest standards of excellence in this area. The group 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, we have a team distributed among the organisation’s 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 **Velatia**.

Pollution and climate change

In line with our strategy and goal of tackling climate change, and as a necessary step towards reducing CO2 emissions, **Velatia** calculates the carbon footprint of its activities. Greenhouse gas (GHG) emissions reports are prepared where direct and indirect emissions are quantified, as detailed in the previous section.

The fuel consumed in the production processes and boilers (fuel oil, gas), as well as the fuel of the company vehicles used for commercial work and assembly, are considered as total direct emissions. 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 (t CO₂ eq.).

GHG emissions (t CO2eq.) ⁽⁶⁾	2019	2020
Direct (Scope 1)	2,714 t	2,485 t
Indirect (Scope 2)	3,085 t	1,152 t

Velatia has continued to promote the total evolution 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. Electrification of transport is one of the most important paths towards decarbonisation, and the one that is developing most rapidly.

In 2020, **Velatia** reduced CO2 emissions by 37 % compared with 2019. One of the most effective actions in this respect was the decision to consume electricity solely from renewable sources in several of the group’s companies. This fact has been certified by Iberdrola and Naturgy through the corresponding Guarantee of Origin certificates.

Furthermore, the reduction of scope 1 emissions is mainly due to the measures implemented in **Velatia** over the last few years. Eliminating the use of hydrocarbons and improving energy efficiency are among the important actions in this regard.

Circular economy

At **Velatia** 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.

With this purpose in mind, in 2020 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.

For waste management purposes, most companies of the group have contracts with management companies specialising in the transportation and handling of waste. These contracts cover the entire process, from collection to handling and, in some cases, return for reuse and the liability of both parties.

⁽⁶⁾ 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	2019	2020
Hazardous waste	203,281 kg	177,785 kg.
Non-hazardous waste	2,406,107 kg.	2,903,781 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, 2 % of the waste generated in 2020 was recovered, 54 % was disposed of, 26 % underwent a valorisation process and 18 % was sent to controlled landfills. In 2019, 4 % of the waste generated was recovered, 79 % was disposed of and 17 % went through a valorisation process.

The increase in hazardous waste is mainly due to the wider range of data-reporting plants. Specifically, all transformer plants were taken into account in 2020, taking non-hazardous waste from 781 thousand kg to 1,219 thousand kg.

Non-hazardous waste produced includes the following materials: metal scrap, paper and cardboard, plastics and wood. 52 % of the non-hazardous waste generated in 2020 was recovered, 7 % was sent to controlled landfills and 41 % underwent a valorisation process. In 2019, 82 % of the non-hazardous waste generated was recovered, 1 % was disposed of, 2 % was taken to controlled landfills and 15 % went through a process of valorisation.

Sustainable use of resources

Evolution of water consumption

With sustainability as a goal, in 2020 **Velatia** continued to work towards responsible production and consumption across our supply chain. To this end, measures have been taken to raise awareness throughout the company about the responsible use of water in all work-related activities.

Consumption	2019	2020
Water consumption (m³)	40,863	43,608 ⁽⁷⁾

Evolution of raw material consumption and energy consumption

At **Velatia** we seek optimisation in the use of material resources in all phases of the activity.

The group encourages the efficient use of raw materials and energy and, in addition, through the environmental and energy management systems we have equipped ourselves with, we make progress in measurement and assessment to continue implementing measures that allow us to increase energy efficiency and optimise the consumption of resources in our production processes.

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

Raw materials	2019	2020
Main raw materials (magnetic sheet, enamelled wire (aluminium), chemical consumables (oil) and aluminium strip)	19,132,601 kg	18,799,458 kg

Energy efficiency

Consumption	2019	2020
Electricity consumption (kWh)	14,972,342	14,102,510
Natural gas consumption (Nm³)	992,970	913,609
Diesel A and C consumption (l)	256,194	148,967

Electricity KWh	2020
Renewable	10,556,416
Non renewable	3,546,094
Total	14,102,510

Finally, with regard to diesel, despite the inclusion of data from other group companies not considered in 2019, consumption of this type of energy fell by 42 % in relation to the previous year. This reduction stems from the lower consumption of C diesel fuel in heating boilers and heat production systems, and from the renewal of the vehicle fleet, which now comprises hybrid and fully electric vehicles.

Overall, there has been a reduction in consumption, mainly due to the measures implemented in terms of energy efficiency, analysed and detailed in the audits carried out in 2020. Further energy efficiency measures have included replacement of LED lighting 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, Stratenergy, a company belonging to **Velatia**, carried out an energy audit at the group's facilities, proposing solutions to improve energy efficiency throughout the organisation.

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



2.4. Customers

With customer satisfaction being an important goal, the equipment and products supplied by the different **Velatia** businesses take into consideration all the safety parameters indicated in the applicable regulations in each case. In this regard, we also have a claims and complaints system adapted to the reality of each of company and business in the group.

In businesses with a high volume of complex operations, we have a tool for recording incidents that allows us to improve the quality of the service and apply corrective actions.

In all our companies we regularly monitor complaints, identifying the type, status and resolution date of each complaint.

As a result of the commitment to quality, it should be noted that a total of 24 **Velatia** companies worldwide were ISO 9001 certified in 2020.

2.5. Suppliers

In 2020, we continued to work towards responsible production and consumption across the supply chain.

Velatia’s commitment to the supply chain, reflected in our Corporate Social Responsibility and Procurement policies, manifests itself in the following areas of action:

- Extend 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.
- 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 the group operates.

Faith in local suppliers

At **Velatia** we understand that our influence on the local economy goes beyond the direct jobs we create and the payment of wages and taxes, given that we also generate positive economic impacts indirectly by supporting local companies through our supply chain.

The group maintains its firm commitment to companies located in the main geographical areas in which we operate, a commitment that acquires greater relevance in those businesses with production plants in different geographical areas.

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.

% expenditure to local suppliers	2019	2020
Spain	78%	84%
France	96%	97%
Germany	64%	60%
China	99%	98%
Mexico	87%	70 %
Colombia	-	47%



Sustainability in the supply chain

Velatia’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 of Velatia’s operational departments 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.

Two main environmental matters are analysed when approving suppliers:

- Availability of environmental certifications.
- Regulatory compliance at environmental level (yes/no).

There is an annual supplier audit plan that analyses both aspects. In the approval process, as previously mentioned, potential suppliers are sent the Code of Ethics and the Purchasing Policy.



In 2020, Velatia participated in a “buy green” pilot project involving numerous Vizcaya-based companies that undertook the challenge of procuring sustainable products and services. In addition to Velatia, organisations such as Iberdrola, CIE Automotive, EDP, Vicinay, Euskaltel, and the Basque business cluster Aclima joined the project.



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.

2.6. Society

Determined to play a prominent role in the sectors in which it is present, **Velatia** belongs to numerous organisations whose activities are related to ours. Some of the most important are listed below.

With regard to institutional relations activities and those related to associationism between companies, everyone in the group takes care to strictly comply with the precepts laid down by the rules of competition law.

Organisations	
AMETIC	Asociación de Empresas de Electrónica, Tecnologías de la Información, Telecomunicaciones y Contenidos Digitales
FMRE	Foro de Marcas Renombradas Españolas
ADEGI	Asociación de Empresarios de Gipuzkoa
APRI	Asociación de Profesionales de las Relaciones Institucionales
AEFAME	Asociación Empresa Familiar de Euskadi
AERCE	Asociación Española de Profesionales de Compras y Contratación
APD	Asociación para el Progreso de la Dirección
DIRCOM	Asociación Profesional de Directivos de Comunicación
	Câmara de Comercio de Brasil
	Círculo de Empresarios Vascos
	Clúster Marítimo Español
CEBEK	Confederación Empresarial de Vizcaya
ORKESTRA	Instituto Vasco de Competitividad. Fundación Deusto-Deustu Fundazioa
EUSKALIT	Fundación Vasca para el Fomento de la Calidad
INNOBASQUE	Agencia Vasca de la Innovación
	Instituto de Auditores Internos
IEF	Instituto de la Empresa Familiar
IZAITE	Asociación de Empresas Vascas para la Sostenibilidad
GLOBAL COMPACT	Red Española del Pacto Mundial

Support for training

Velatia collaborates closely with various training institutions to contribute to the development and growth of the local economic fabric, bringing the company into contact with the educational world. In this sphere, we maintain various agreements, scholarships and internship options.

Shared knowledge

In 2020, **Velatia** devoted more than 750 senior management hours (1,500 in 2019) to representation activities in associations, foundations and institutions, and to participation in major international forums. The decline is due to the decrease in activities caused by the pandemic.

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 businesses participate as speakers in various events o forums, essential as drivers of economic and social development, and they provide the organising bodies value in terms of knowledge, experience and support.

Velatia collaborates with Industry Day in Bizkaia. The aim of this initiative, organised by the Bizkaia Federation of Metal Companies (Federación Vizcaína de Empresas del Metal, FVEM), is to give young people with a vocation for shaping the future an insight into the metal industry, the most important in the province. It is an excellent opportunity to raise awareness of future opportunities in this sector, 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 groups, including **Velatia**.





Ormazabal Zhuhai employees helping to maintain the local environment.

Management of social action

All our sponsorships, donations and collaborations in the field of social action are part of our business strategy and are based on responsibility towards our environment and Velatia’s identity, transmitting our culture in a relationship that considers the economic and the human dimension simultaneously.

Our goal in this regard, as set out in the Social Action Policy, is 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.

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, in accordance with our policy detailing the three areas in which our group focuses its activities:

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 in which they are carried out, or to the integration and progress of the most disadvantaged social groups.

Cultural area

Programmes or collaborations aimed at promoting and developing the visual, performing and musical arts that facilitate the public’s access to them.

Environmental area

Projects or activities aimed at preserving our environment.

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 job that will allow them to pursue their plans and ambitions in life, from both a personal and a career development perspective.

This project has generated 287 employment contracts for young people in 2020.



Save the children.
Project: “Emerging Words”

This project, carried out in Mexico, aims to restore the social fabric and improve the quality of life of communities lacking sufficient institutional support to improve reading, writing and math skills in preschool children.

“Emerging Words” aims to achieve child development based on culture and parental involvement.



Unicef (Spanish Committee and UNICEF Brazil).
Project: COVID Emergency in Brazil

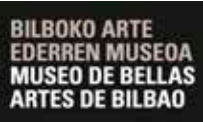
The aim of this project is to implement humanitarian measures in vulnerable areas of Brazil in order to, on the one hand, contain the transmission of the coronavirus and guarantee the continuity of essential services and, on the other, mitigate the impact of the pandemic on the most vulnerable children and adolescents.

This project aims to ensure the prevention, early detection and control of the pandemic in Brazil, in addition to reducing its impact on the lives of children and adolescents in the short, medium and long term.

In 2020, action was taken in 150 municipalities and 55 urban neighbourhoods.



Cultural action



Bilbao Museum of Fine Arts

The aim is to assemble, preserve, study and disseminate the museum’s collection of ancient, modern and contemporary art, seek its enrichment, maintain its services and promote quality activities.

Velatia seeks to contribute significantly to the development of the museum and its activities, participating actively in the education of society and the projection of the cultural values of the Basque Country.

GUGGENHEIM BILBAO

Museo Guggenheim Bilbao

The aim is to support the museum’s activity and this cultural project which has had such a considerable economic impact on Bilbao and the Basque Country, actively contributing to its development and the promotion of its activities.



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.

Velatia wants to contribute actively to the education of society and help spread 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.

Contribution to society

At Velatia, we are committed to fully complying with the relevant laws and requirements for preparing internal and external reports.

The economic contribution to society as a result of the activity carried out was as follows:

(A) ECONOMIC VALUE GENERATED

Income	2019	2020
Sales figure	657,801	641,878
Other operating income	5,750	5,876
Financial revenue	1,176	979
Equity method profit	-1,969	-1,581
TOTAL	662,758	647,152

(B) DISTRIBUTED ECONOMIC VALUE

	2019	2020
Consumption and work carried out	-388,748	-383,340
Other operating costs	-110,079	-99,048
Staff costs	-146,040	-160,362
Financial expenses	-4,740	-6,244
Corporate taxes	-3,671	-8,106
TOTAL	-653,278	-657,100

RETAINED ECONOMIC VALUE (A - B)

	2019	2020
	-9,948	-11,148

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, (amounts in thousands of euros):

PRE-TAX EARNINGS

Geographical area/country	2019	2020
Spain	8,241	-14,692
Germany	-8,560	-9,524
Western Europe	-1,274	-1,760
North America and Central America	2,524	965
South America	2,608	3,986
Asia & Oceania	-15	-486
Africa	-206	-43
TOTAL	3,318	-21,554

Fiscal responsibility

Velatia has a fiscal policy, approved by the Board of Directors on 28 July 2016, which sets out the basic operating principles to be followed in tax matters. Being an important contribution to society, its action is guided by ethical principles, good governance and transparency.

Velatia’s fiscal strategy is basically to ensure compliance with applicable tax regulations and to ensure proper coordination of fiscal policy, all within the framework of pursuing corporate interests and supporting the long-term business strategy, while avoiding fiscal risks and inefficiencies in business decision making.

This policy also reflects the commitment to good tax practices applicable to the group as a whole.

Profit taxes paid

As indicated in the Cash Flow Statement of Velatia’s Consolidated Annual Accounts, 274,000 euros in profit taxes were paid in financial year 2020 (131,000 euros in 2019).

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 14.2) for the year ended 31 December 2020.

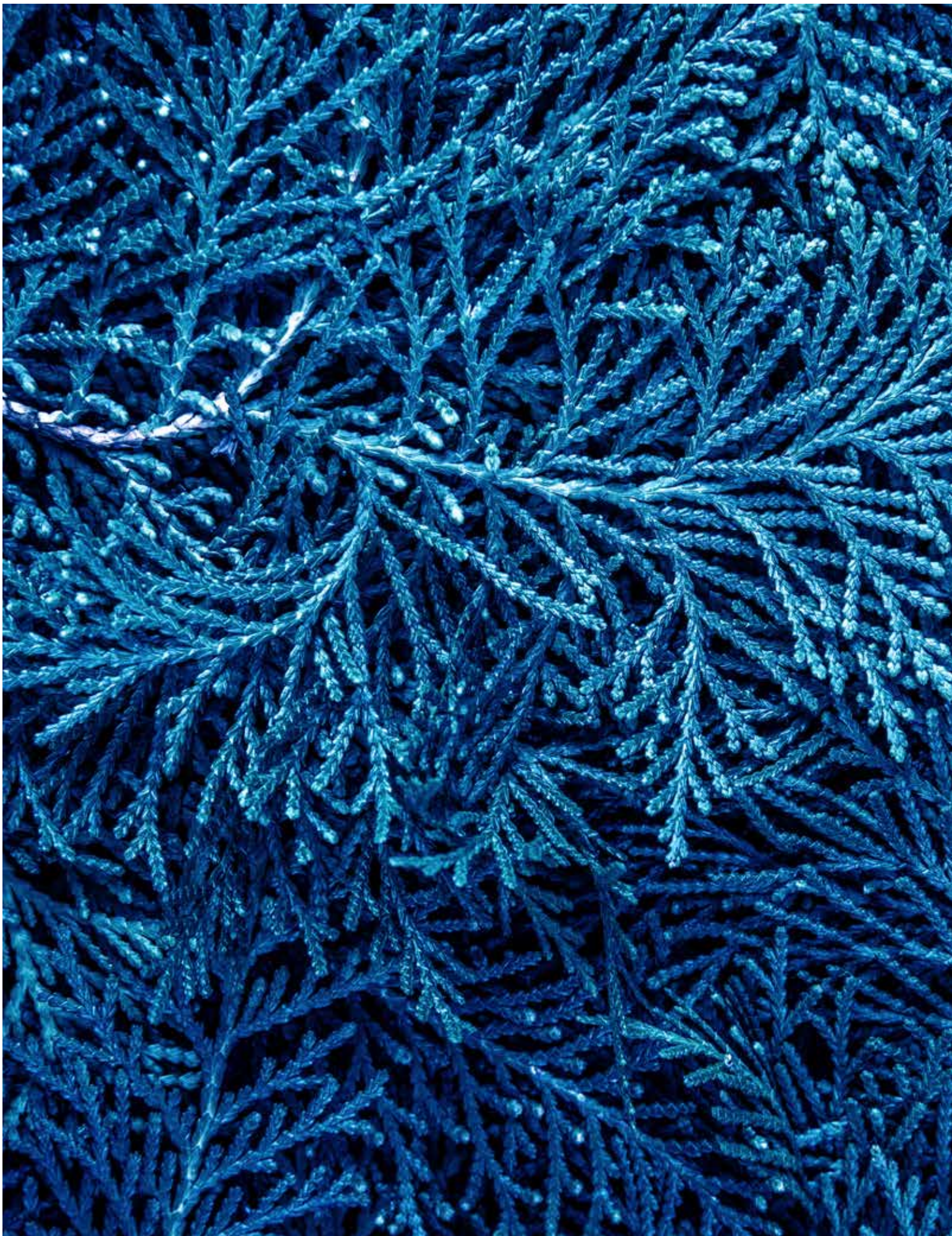




Be smart.
Be Ormazabal



Be Ormazabal.
Be sustainable



1. Spotlight on Ormazabal



1.1. Mission, vision and values

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.

Purpose

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

Values

Ormazabal, like all Velatia companies, shares values strongly rooted in its 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.

Claim

Ormazabal’s corporate claim reinforces its Corporate Social Responsibility strategy and the brand’s value proposition:

Technology for your sustainable grid

1.2. Companies and businesses

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

Its solutions are geared towards an efficient distribution of electrical energy. These solutions allow, within the electricity grid, the handling, protection and transformation of electricity, the integration of renewable energy generation, and the connection of facilities with critical energy needs such as transport, industry, buildings and other infrastructure.

Since the outset, it has been characterised by a strong vocation for innovation and a spirit of internationalisation that have allowed it to position its technology worldwide and consolidate itself as one of the leading companies in the market.

Ormazabal operates in the vanguard of the industry alongside other prominent global players, promoting the development of the electricity sector to enable the energy transition to a decarbonised world.

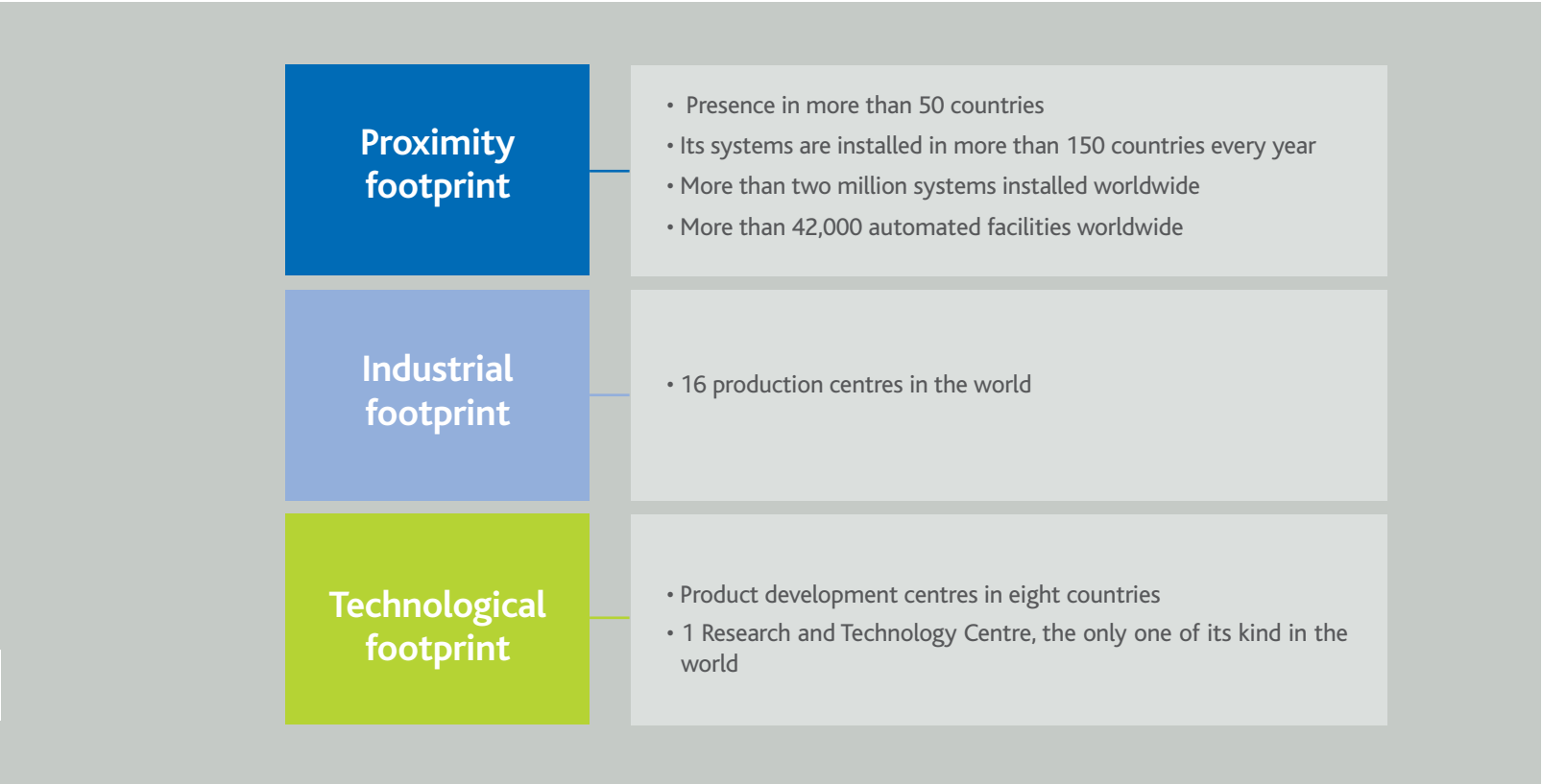


1.3. Ormazabal in figures

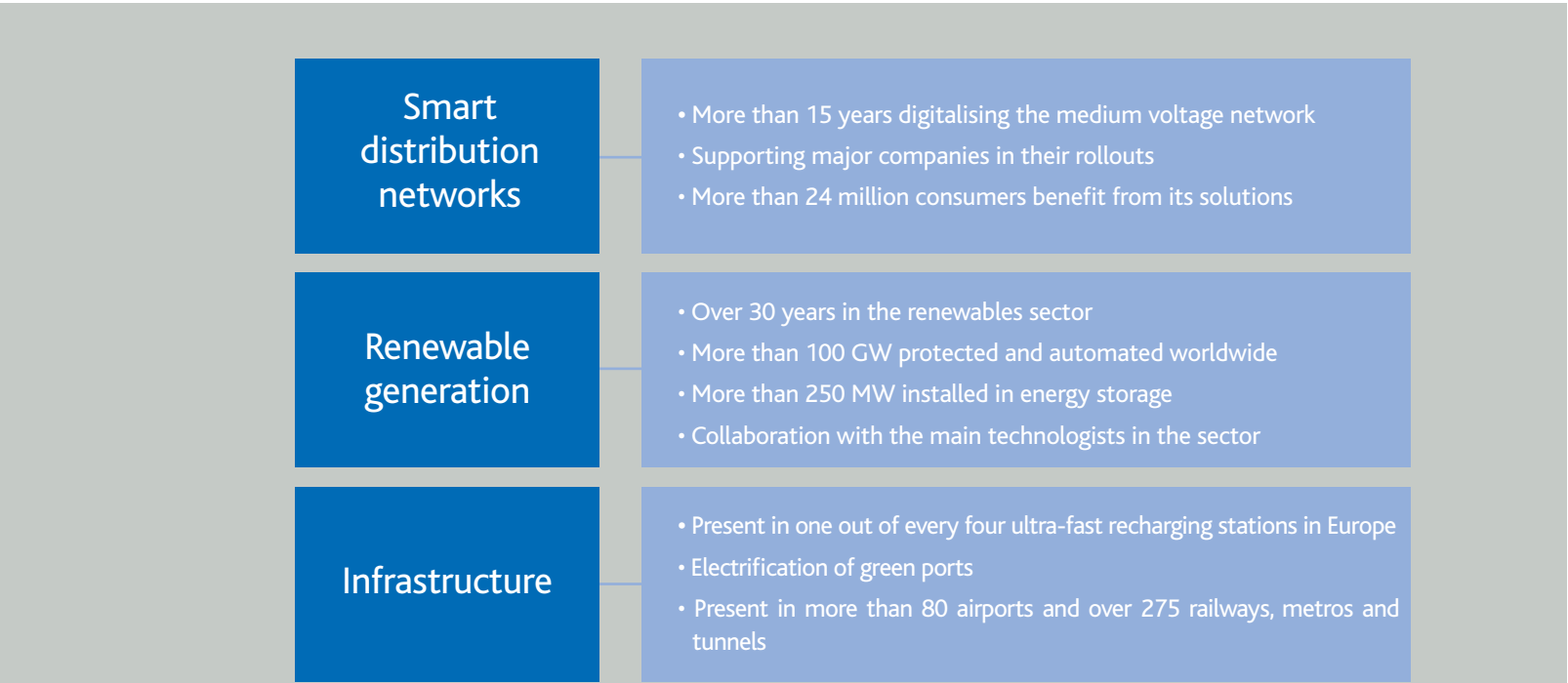
As a global company, **Ormazabal** has a strong international presence: it has 16 production centres around the world and operates in more than 50 countries through subsidiaries and distributors. All this, together with a team of around 2,400 highly skilled professionals, allows **Ormazabal** to be close to its customers, adapting to the characteristics of local markets to meet their specific needs as efficiently as possible.



ORMAZABAL



EXPERIENCE





1.4. Summary of the year

The year in review

Ormazabal had an excellent 2020 and continued to grow in one of the worst possible economic scenarios, achieving a turnover of 472 million euros.

By the end of the year and the strategic period 2018-2020, the company had fulfilled all the goals it had set itself and had laid the foundations for addressing the new Strategic Plan 2021-2023, presented and approved during the year.

2020 was a very negative year from a health and economic point of view, a real endurance test for people and businesses. However, **Ormazabal** has shown that a strategy based on specialisation, adapting to the customer's needs, and speed of response are the bases of an extraordinary resilience. This has been proved by the company's good results, although it should be acknowledged that the essential nature of the energy sector means that it has been less hard hit than others.

In segment terms, electricity companies have benefited significantly from being used by the economic system as a driver of recovery. Renewable energies, despite moments of uncertainty during the toughest phase of the first pandemic wave, have continued their unstoppable march, ultimately becoming the preferred sector for private investment. For its part, the E3U segment is the one that has suffered the most.

Ormazabal's industrial capacity was affected at the beginning of the health crisis, at which point the company was already accumulating a strong portfolio of orders, having to extend delivery deadlines. The loss of capacity in March subjected it to a tough test, but thanks to the business being recognised as an essential activity and the excellent work done to rapidly adapt to new and extraordinary health and hygiene conditions in the production centres, it was able not only to make up for lost time but also to increase the output of its business units, exceeding the capacity available before the pandemic. This evolution has meant an improvement in delivery times, a factor that is becoming a selling opportunity in current market conditions, making the rate of procurement even higher than in 2019.

At the strategic level, the projects identified as key to the company's future continued to unfold successfully in 2020, including the following: **Ormazabal** Operations Model, Digital Native Products Roadmap, and Internet of Grid.

Evolution of turnover

2020

(millions of euros)

472
MILLION

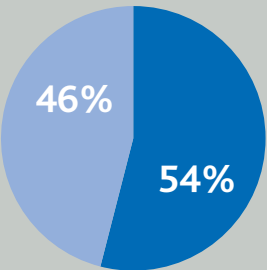
EBITDA
(% of turnover)

7.4%

EBT
(% of turnover)

3.8%

STAFF 2020



Direct labour force
Indirect labour force

SALES DISTRIBUTION 2020



Public distribution
Electricity end-users
Renewables

Ormazabal projects in 2020

Ormazabal delivers reliable solutions anywhere in the world thanks to a proven ability to anticipate the needs of the industry and its commitment to and engagement with its customers, partners, employees and society at large. Here are some of the most important projects carried out by the company's various teams during the year.



Offshore wind turbine in Fujian (China)

Ormazabal contributed its technology in protecting the first 10 MW offshore wind turbine connected to the Chinese electricity grid (Fujian Province), which became the largest in Asia in terms of unit capacity and the second largest in the world. This project strengthens the company's position in China as a key supplier for medium-voltage solutions.



Secure power supply for a large datacenter in Falkenstein (Germany)

Hetzner Online, a German web hosting provider and data operator, entrusted **Ormazabal** with the task of expanding its datacenter infrastructure located in Falkenstein (state of Saxony) with 88,000 new servers.



Electric mobility for safe and reliable bus charging in Bogotá (Colombia)

The project, led by EnelX, involved designing and constructing the recharging yards that serve the 379 electric buses of the Bogotá Mass Transport System (SITP). A total of 177 charging points, as well as all associated electrical infrastructure to ensure the correct operation of the fleet. Through Industrias Ectricol, its partner in Colombia, **Ormazabal** supplied the equipment for the connection to the grid belonging to Enel-Codensa, the electricity distributor.

Electric power supply for large private yachts in Barcelona

Ormazabal helps reduce pollution in Barcelona's MB92 shipyards with a complete, tailor-made supply solution, which prevents pollution when the sailing vessels are moored. This is the second system that **Ormazabal** has supplied to these Barcelona shipyards, through which some of the largest private yachts in the world pass (Azzam, Dilbar, Topaz, among others).



New relay for Enedis France

In 2020, **Ormazabal** completed the pilot phase of a new relay in collaboration with Enedis France (company responsible for managing the distribution network), which will raise its profile in the French private market. Thanks to the official approval of the product, **Ormazabal** will be able to offer its comprehensive solution for medium voltage connecting stations in this segment in France.



Energy storage for renewables in the UK

Ormazabal has participated in the Lower Road project in the English county of Essex, consisting of a 10 MW battery connected to the distribution network. It is one of the largest renewable storage battery projects in the UK and is owned by the Gore Street Energy Storage Fund, the first energy storage fund to be quoted on the London Stock Exchange.





First mobile and self-supporting substations for Iberdrola in Spain

Ormazabal accepted the challenge laid down by Iberdrola to design a substation for renewables that would allow them to be transported by road without special requirements and that would partly replace the head substation. The turnkey solution with **Ormazabal's** design, engineering and customisation consisted of an innovative metal casing with an autonomous lifting system that provides a significant differentiated value. Two substations were installed in 2020, one in Valladolid and the other in Bilbao.



New clean energy source in Mexico

Collaboration with EDP on its wind project in Puerto Progreso (Mérida region) was undertaken in two phases: the first involving the supply of a 36 mb.m conversion centre for wind farm turbines, and the second the delivery of switchgears for medium-voltage substations. The solution provided meant a shorter installation time and a better guarantee of proper functioning.

Provision of integrated centre systems for Iberdrola Renewables

In 2020, **Ormazabal** signed a three-year contract (to be executed between 2020 and 2023) with Iberdrola's Renewables business to supply more than 200 integrated centre systems per year for this electricity company's renewable generation substations and its expansion plans in this business. **Ormazabal** thereby strengthens its position as a technological partner and specialist in clean energy solutions. Planta fotovoltaica flotante conectada a la red eléctrica para Acciona en España



Floating photovoltaic plant connected to the power grid for Acciona in Spain

Ormazabal has collaborated with Acciona in constructing the first floating photovoltaic plant connected to the 1,125 MW power grid, located in the Sierra Brava reservoir (Cáceres province) and which occupies an area of 12,000 square meters. The solution consists of a digital elevator transformer whose data output will not only indicate the plant's operating tendency, but also help develop predictive maintenance models to predict failures before they occur and reduce operating costs.



Electric vehicle charging station in Essex (United Kingdom)

Through DNO Consulting, a company specialising in high-voltage engineering, **Ormazabal** provided the grid connection for the first e-vehicle charging station of a global energy company. The facility is located in the English county of Essex and is the first of a network of more than 100 points located along Britain's main roads. The stations will also offer a full range of services.



New photovoltaic systems in France for Gamesa Electric

Ormazabal has supplied Gamesa Electric with equipment for several substations of 24 MW photovoltaic power plants capable of responding to any problems in the network. The customised solution allows for its standardisation with a significant cost reduction compared with other solutions available on the market. It also favours the combination of renewable energy in the French network, contributing to its alignment with the goals of the European Green Deal.





Other news

Face-to-face and online events

Despite the fact that the pandemic has led to the cancellation of almost all face-to-face international events, **Ormazabal** was able to attend two of the main wind and photovoltaic industry fairs held in China, where the situation began to improve sooner than in the rest of the world: SNEC PV Power Expo (Shanghai, 8-10 August) and China Wind Power (Beijing, 16-18 October).

The company also took part in several virtual events such as the AMETIC Think Tank (30 June-1 July) on infrastructure for e-mobility, and launched the first webinars aimed at customers worldwide, such as "Medium voltage network connection: ekor.rpa series 200"(25 June), or the one devoted to protection and automation for photovoltaic projects (23 June).

Successful participation in the first virtual Ormazabal Product & Market Forum

More than 300 colleagues from all technical areas of the company met on 14-16 September 2020 at the first domestic product and market forum. In addition to the regions, the forum was also open to other areas of the organisation.

Awards and recognitions

Renewables Grid Initiative gave the Erigrd project (consortium in which **Ormazabal** has been participating for several years) "Good Practice of the Year Award 2020" in the category of "Technological Innovation & System Integration", in recognition of its "holistic approach to evaluating complex systems of smart grids".

The award was presented by the EU energy commissioner.

1.5. Governance

The highest governing body of **Velatia** is 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 **Ormazabal** Committee, composed of five members, was set up within the **Velatia** Board of Directors. It is an advisory body strictly limited to the business field, its main purpose being to support **Ormazabal's** business by providing collaboration and advice.

Ormazabal Committee

PRESIDENT

Mr. Javier Ormazabal Echevarria

MEMBERS

- Mr. Alejandro Ormazabal Echevarria
- Mr. Hipólito Suárez Gutiérrez
- Mr. Luis Atienza Serna
- Mr. Jorge González Somavilla

SECRETARY (non-board member)

Mr. Alex Otaegui Furriel

Functions:

Notwithstanding any other tasks the **Velatia** Board of Directors may assign to it, the **Ormazabal** Committee has the following tasks:

- Analyse the company's results and the work of the management team.
- Propose the strategic plan and monitor its execution.
- Control budget management.
- Propose the most important decisions on investments, sale of assets, mergers, etc., to the **Velatia** Board of Directors.
- Assess and propose to the Board the authorisation of strategic partnerships.

- Put in place mechanisms for obtaining the most accurate information on all areas of the company.
- Propose the remuneration policy to the **Velatia** Appointments and Remuneration Committee.
- Any other objective that helps the company achieve its purposes.
- Prepare such information, presentations, etc. as the Board of Directors may require at any given time.

1.6. Risk management

As part of its process of strategic reflection, **Ormazabal** has identified, assessed and prioritised the risks or threats that could jeopardise the fulfilment of its objectives and plans for the future.

Risks have been divided into four categories: strategic, operational, compliance and information; and the corresponding measures have been put in place to mitigate the potential impact of these risks.

The risks prioritised for closer monitoring and management are as follows:

2020 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

1.7. Sustainability

Identifying relevant issues

Throughout 2020, **Ormazabal** maintained an ongoing dialogue with its stakeholders through different communication channels in order to identify issues considered to be relevant in the area of sustainability.

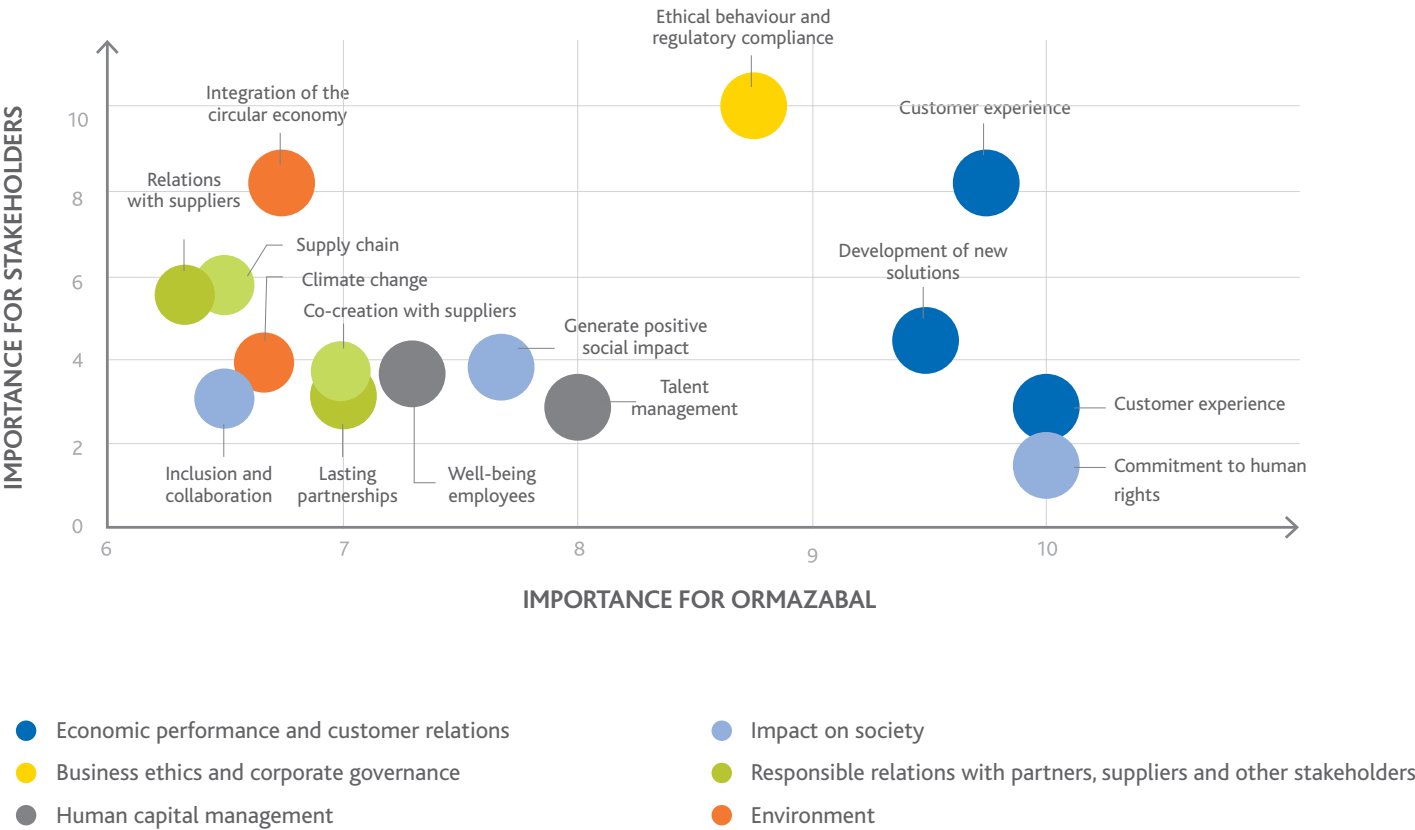
For the process of selecting and delimiting these stakeholders, a key task for an organisation, **Ormazabal** has considered the following perspectives:

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

Ormazabal prioritises its stakeholders 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.

The **Ormazabal** Strategic Plan includes the social and environmental aspects identified as relevant at the strategic and operational level. To determine the key issues relating to sustainability, **Ormazabal** analysed the expectations of its stakeholders, the best practices of its competitors, regulatory trends and projects that remained pending from the previous plan. All this has been used to obtain the following materiality matrix:





Lines of action, ambitions and commitments

These are the six lines of action selected by Ormazabal, with their corresponding developments:

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, one of the most important expectations for its stakeholders and an essential foundation for building trust and long-term commitment between the company and these stakeholders.

Ambition:

- Integridad en el comportamiento.
- Excellence in management.
- Inclusive dialogue and trust with stakeholders.

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 in order 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.



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.

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.

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 renowned service provider of services, driven by the search for new solutions.

Responsible partnerships and 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’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 contribution on SDG 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all.



Goal: Expanding infrastructure and improving technology for clean energy in all developing countries is 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.

Actions undertaken:

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.

- Working to ensure that its facilities are aligned with the environment. Over the past year, it has carried out various actions in this respect, such as analysing the energy efficiency of its premises in Spain.
- Ensuring that 100 % of the energy acquired in Spain is of renewable origin and is certified as such.
- Minimising all waste by facilitating recycling and incorporating eco-design into its products.

In 2020, the company aligned its new Strategic Plan 2021-2023 with the Sustainable Development Goals, a fact that highlights its commitment to the future of the company, the environment and society.



2.

Fulfilling our
commitments



2.1. People

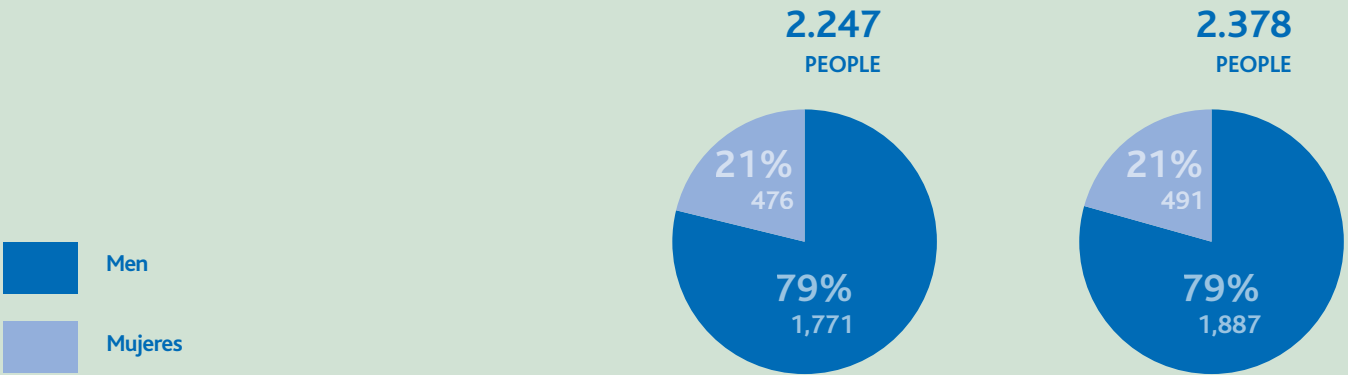
At the end of 2020, **Ormazabal**'s staff consisted of 2,378 people, the vast majority in European countries (81 %), predominantly Spain (66 %), and the rest (19 %) on the other continents. 79 % of the staff are men and 21 % women, and 76 % of the total are aged between 26 and 51, a young profile with extensive experience.

Employment

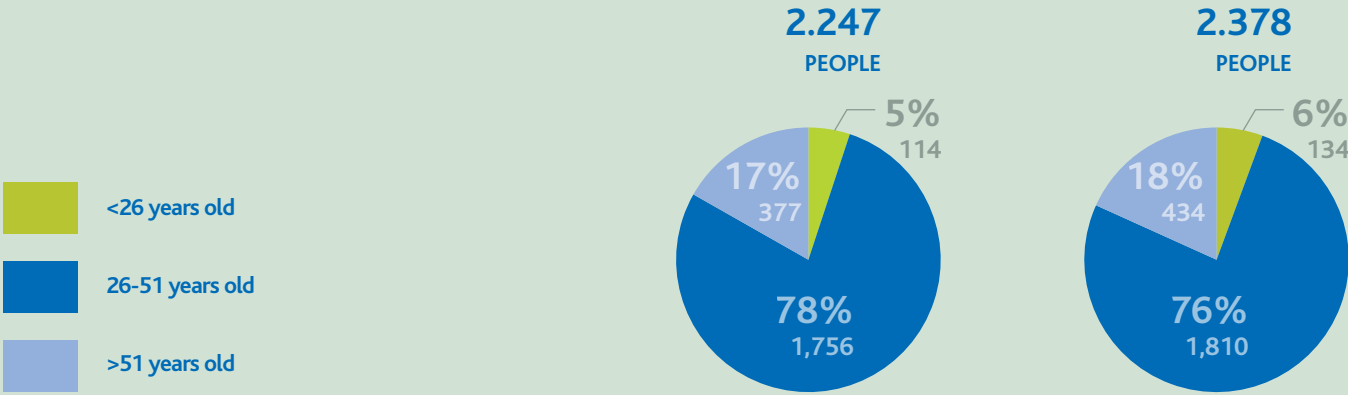
Ormazabal worked in two key areas during 2020 and 2019 to successfully tackle the major challenges it faces: attracting and managing talent. As a result of this commitment, the company increased its workforce by more than 6 % in relation to the previous year.

Distribution of staff

BY GENDER 2019 2020

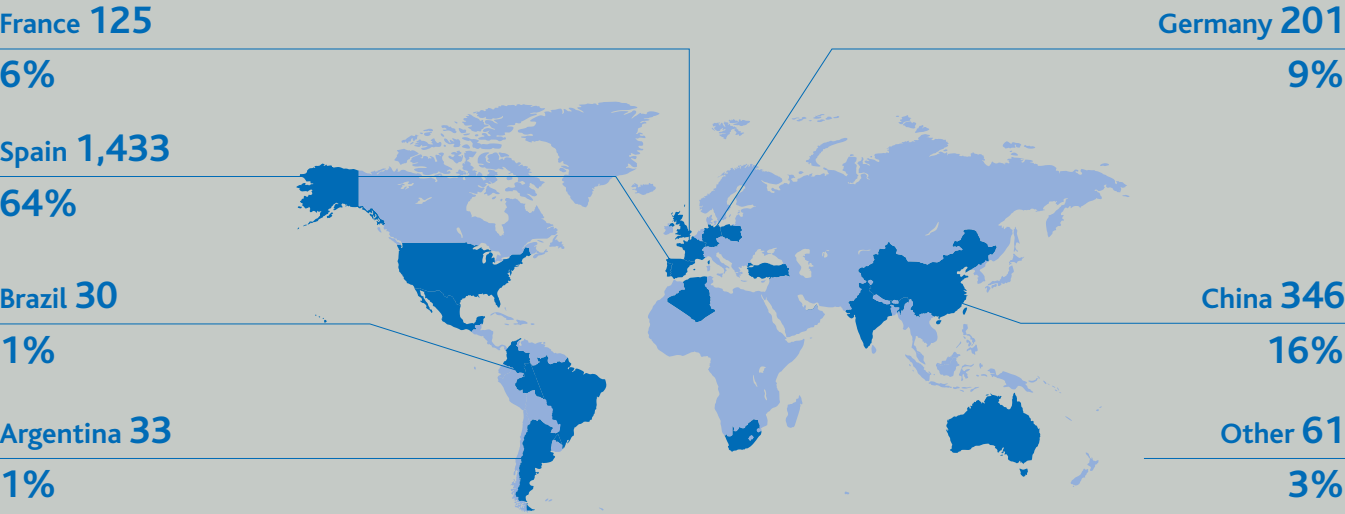


BY AGE 2019 2020

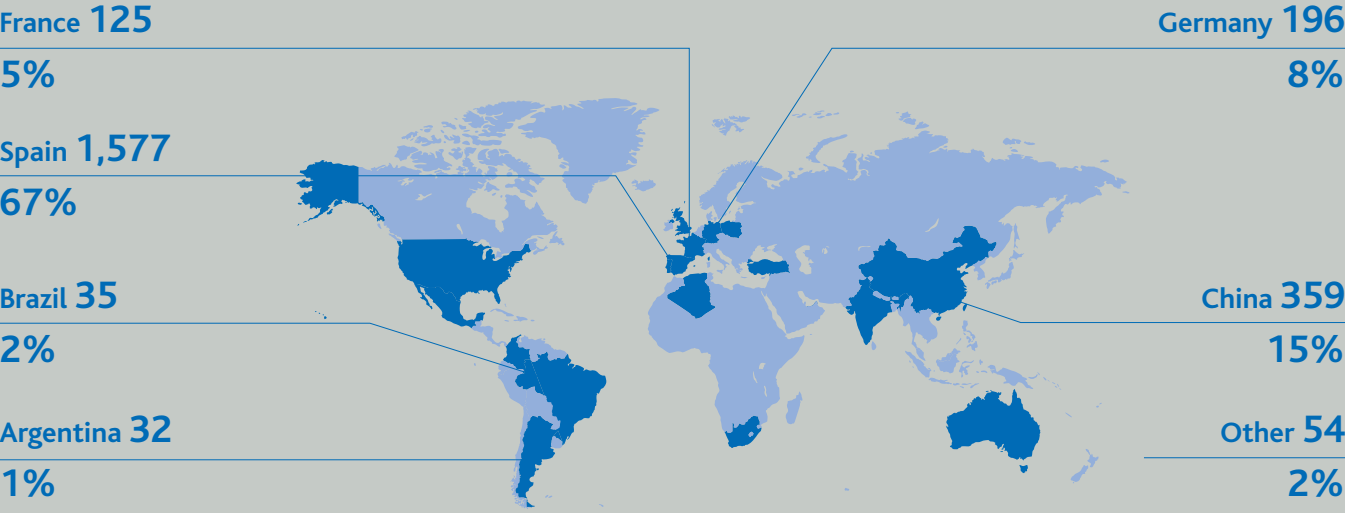


BY COUNTRY

2019 - 2.247 people



2020 - 2.378 people

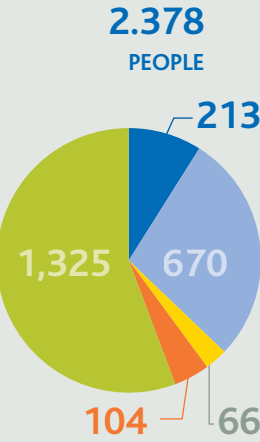
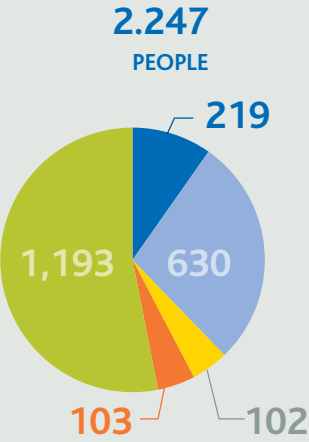


BY PROFESSIONAL CATEGORY

2019

2020

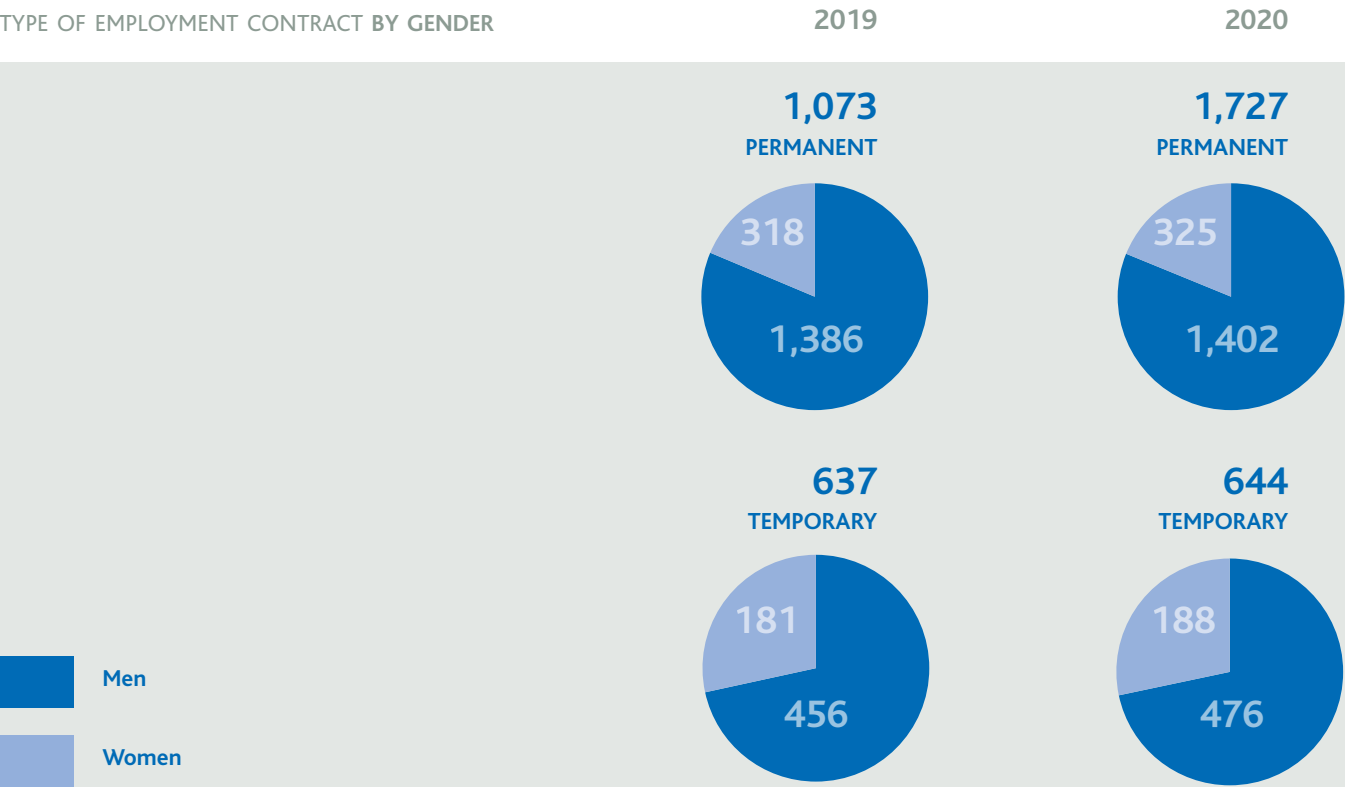
- Management
- Technical staff
- Administrative staff
- Sales staff
- Other



Average annual contracts

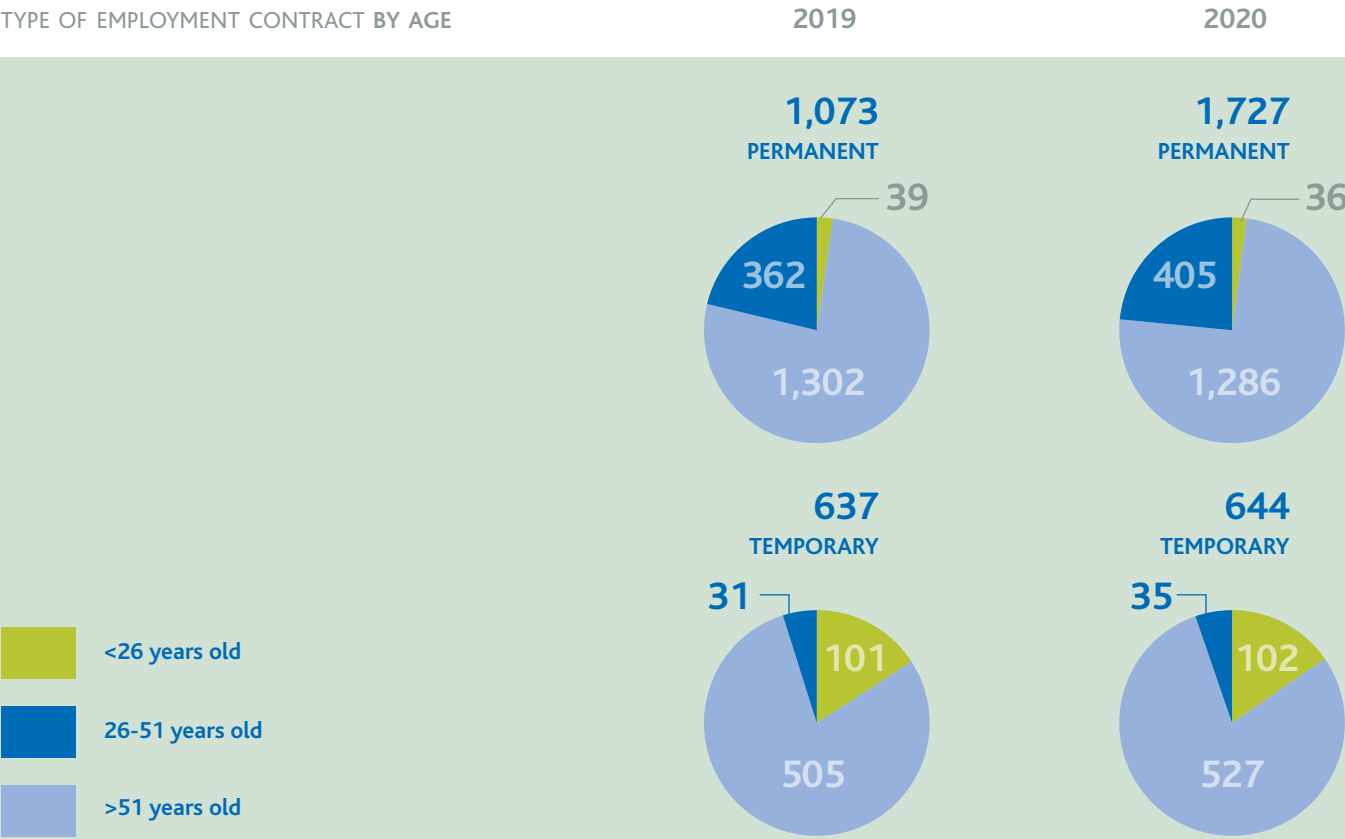
The experience and knowledge of the people who form part of Ormazabal are key to strengthening its competitive position. This approach is consistent with the most common type of contract at the company, as can be seen from the following breakdowns of information with the annual average number of permanent and temporary contracts ⁽⁸⁾:

TYPE OF EMPLOYMENT CONTRACT BY GENDER



⁽⁸⁾ The annual average figure has been calculated using the average staff of Ormazabal during 2020 and 2019, taking into account the salary payments calculated in each month.

TYPE OF EMPLOYMENT CONTRACT BY AGE



TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

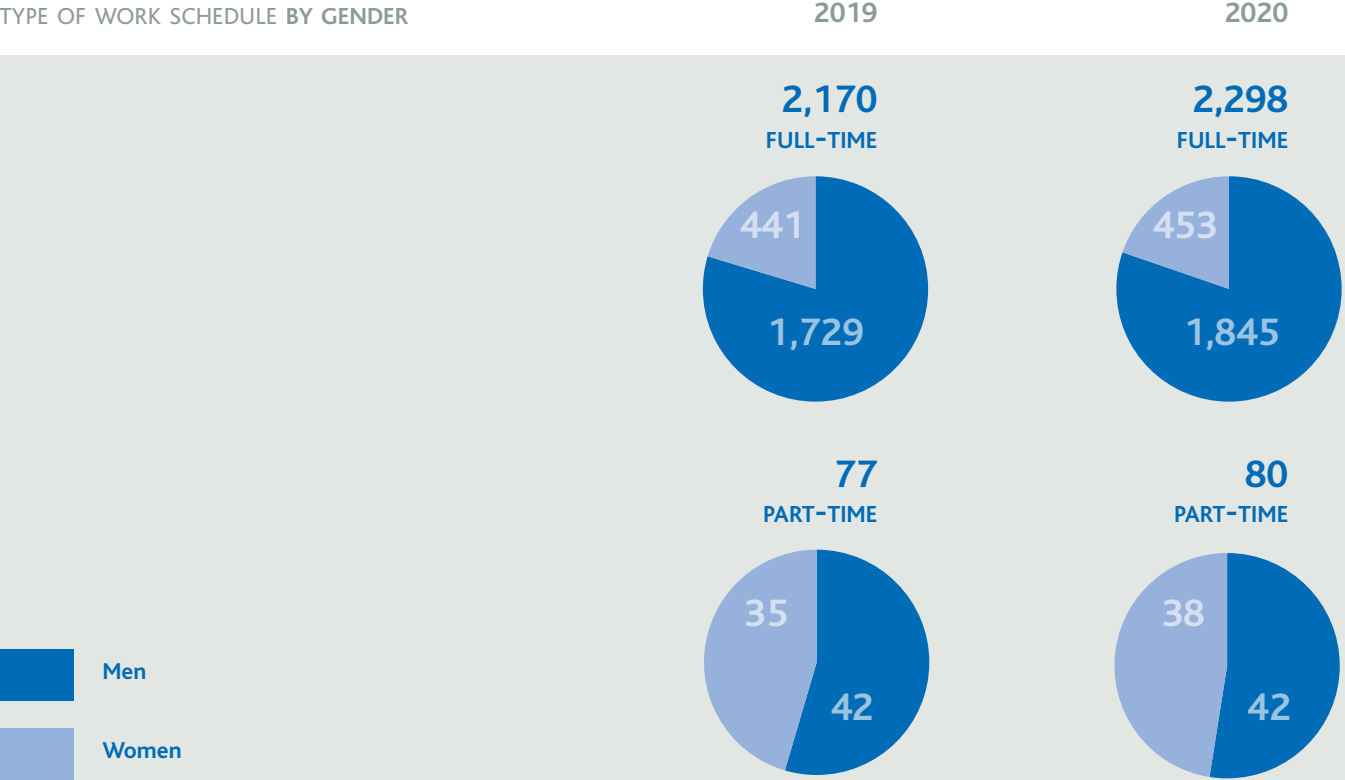
	2019		2020	
	PERMANENT	TEMPORARY	PERMANENT	TEMPORARY
Management	202	29	204	29
Scientific, intellectual and support specialists and professionals	523	114	555	145
Employees of an administrative nature	70	20	55	19
Sales personnel and similar	83	40	80	19
Other qualified personnel	825	434	838	452
Total	1,703	637	1,727	664

Employees by type of work schedule

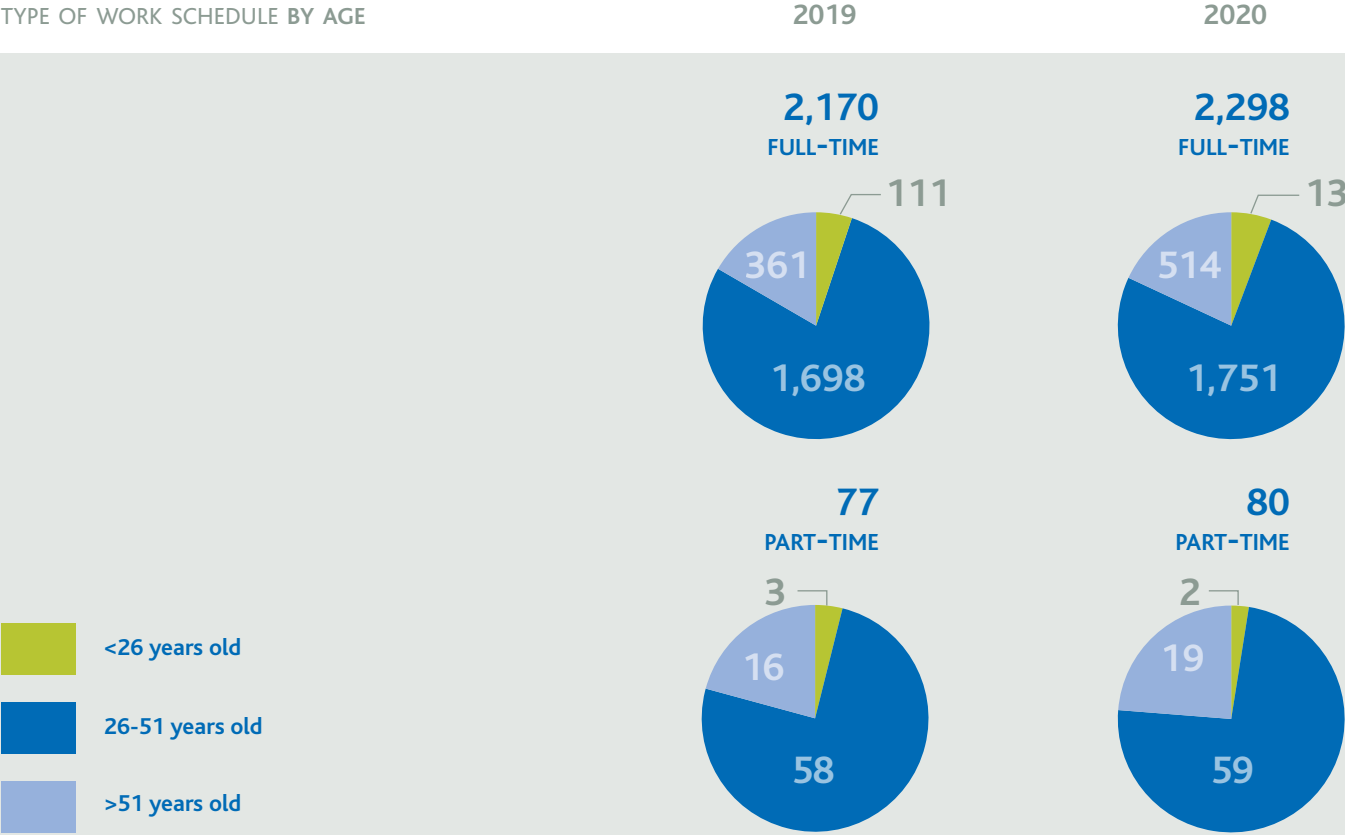
The evolution of Ormazabal’s staff distribution in terms of number of employees by type of work schedule is as follows:

As the tables show, most of the people hired in 2020 work full-time. The fact that Ormazabal has measures in place to promote work-life balance makes it unnecessary to resort to part-time work schedules.

TYPE OF WORK SCHEDULE BY GENDER



TYPE OF WORK SCHEDULE BY AGE



TYPE OF WORK SCHEDULE BY PROFESSIONAL CATEGORY

	2019		2020	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Management	213	6	207	6
Scientific, intellectual and support specialists and professionals	612	18	645	25
Employees of an administrative nature	90	12	57	9
Sales personnel and similar	102	1	103	1
Other qualified personnel	1,153	40	1,286	39
Total	2,170	77	2,298	80

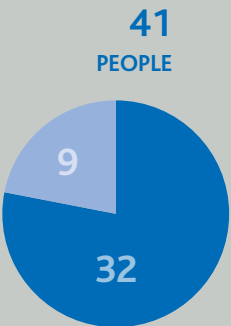
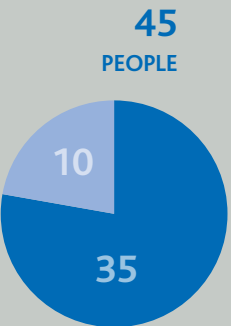
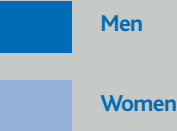
Number of dismissals

In 2020 and 2019, the number of dismissals, distributed by gender, age and professional category, was as follows:

DISMISSALS BY GENDER

2019

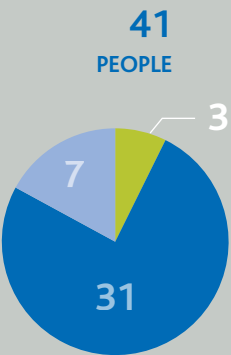
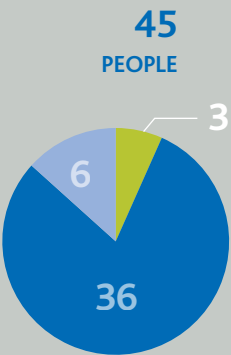
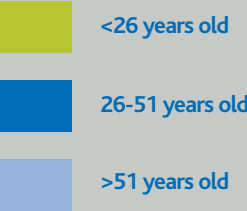
2020



DISMISSALS BY AGE

2019

2020



DISMISSALS BY PROFESSIONAL CATEGORY

	2019	2020
Management	3	1
Scientific, intellectual and support specialists and professionals	9	8
Employees of an administrative nature	3	2
Sales personnel and similar	29	4
Other qualified personnel	1	26
Total	45	41



Rate of employee turnover

The overall turnover rate during 2020 was 17 % (the involuntary turnover rate being only 2 %), with a total of 403 departures, 41 of which were dismissals, while the remaining 362 left due to various causes such as retirement, contract termination or voluntary leave. In 2019, the turnover rate was 20 % (the rate of involuntary turnover being only 2 %), with a total of 468 departures, of which 45 were dismissals.

Employees with disabilities

Ormazabal has been collaborating with Lantegi Batuak since 1986, as well as with other special employment centres (non-profit institutions) which aim to promote and achieve the integration of people with disabilities into society and the labour market, hiring them to carry out various productive activities both in Spain and abroad. On average, more than 200 people with disabilities were employed during 2020. In 2020, these entities billed Ormazabal for more than 20 million euros, over 5 % up on the previous year (19 million euros in 2019).

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

Compensation

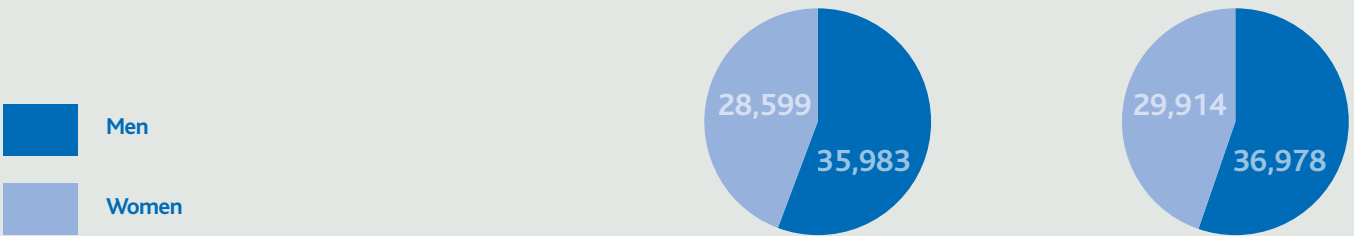
Average remuneration

The average remuneration of employees for financial years 2020 and 2019 (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

2019

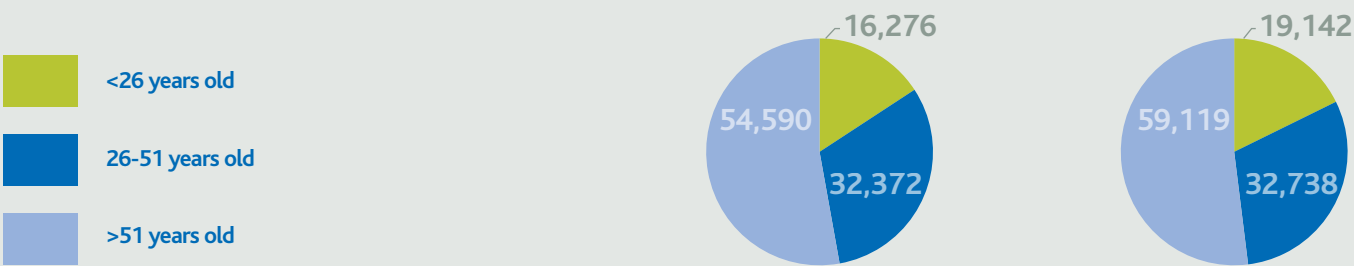
2020



AVERAGE REMUNERATION BY AGE

2019

2020



AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

	2019	2020
Management	79,682	78,817
Scientific, intellectual and support specialists and professionals	39,955	38,996
Employees of an administrative nature	26,320	31,671
Sales personnel and similar	49,779	49,868
Other qualified personnel	17,550	25,934

Wage gap

The applicable collective bargaining agreements regulate the average remuneration of workers throughout **Ormazabal**, establishing criteria of equity between similar jobs. The remuneration of the employees subject to the agreement and that of those employees to whom these 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 with respect to the actual average fixed remuneration of men (except senior management) by geographical area, the year 2020 shows the following figures:

Geographical area	2019	2020
Europe	7%	8%
East Asia	16%	14%
Americas	-14%	-9%
Rest of the world ⁽⁹⁾	7%	1%

Table according to which a figure above zero represents the percentage that women receive less than men. The study of the wage gap conducted in 2018 by an independent external consultant concluded that there is no wage gap as such in the company, although there is a "glass ceiling".

The wage gap results shown in the table 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), or seniority.

An individual wage gap analysis, by wage brackets/employee categories, and a demographic analysis of **Ormazabal**'s employees were carried out in 2020, the main conclusions of which are as follows:

- The number of women at management levels is very low.
- It is felt that in the longer term the distribution of men and women might be more balanced.

The wage gap in Europe and East Asia remains at the same level as the previous period.

Meanwhile, the gap in the "Rest of the world" has narrowed due to the variation in the mix of male and female employees between professional categories. In 2020, the number of women in the management category increased proportionally.

Organisation of work

Each company in **Ormazabal** 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).

With regard to work-life balance, a forum for reflection was held in 2018 to assess **Ormazabal**'s situation in this area, taking into account the employee satisfaction survey, external indicators (both of industrial and electrical sectors), and internal indicators. As a result, a number of measures were identified that are being analysed and implemented progressively throughout 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, in-house magazines, suggestion boxes, the annual conference, personal and direct communication by managers and directors, workers' committees, and health and safety committees.



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

Health and safety

Health and safety are priorities for **Ormazabal**. Its commitment to health and safety is reflected in the Corporate Social Responsibility and Quality, Environment and Risk Prevention policies; and it can be specified in the following three 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:

- 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 the labour integrity of workers in compliance with the respective sectoral regulations, which may be applied with other measures.
- Safeguard business R+D with specific protection measures that ensure physical information assets, programmes and data.
- 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 **Ormazabal**. In addition, to complement their work, **Ormazabal** 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 of **Ormazabal**’s companies have OHSAS 18001 certification, 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. In order to further this commitment, some of the companies have completed the process of transition from OHSAS 18001 certification to ISO 45001.

Having this certificate, which is totally voluntary, entails improving all aspects relating to the health and safety of everyone in the organisation, and it also highlights how committed and proactive the company is in this matter.

Moreover, it should be noted that **Ormazabal** Zhuhai organises regular free medical consultations and offers all its employees annual medical check-ups.

Country	Company	Expiry
China	Ormazabal Kunhsan Switchgear	2021
	Ormazabal Beijing Switchgear	2024
	Ormazabal Zhuhai Switchgear	2021
Mexico	Ormazabal México	2020
Spain	Ormazabal Cotradis	2022
	Ormazabal Media Tension	2021
	Ormazabal y Cía (Ormazabal Distribución Secundaria)	2023
	Prefabricados Uniblok	2021
France	Ormapost	2023
England	EPDL Ormazabal Limited	2023

Accidents

Related to its commitment to health and safety, one of **Ormazabal**’s fundamental goals is to minimise the number of accidents by closely monitoring the evolution of the most representative indicators ⁽¹⁰⁾ available:

	2019	2020
Frequency Index ⁽¹¹⁾	21.84	18.76
Seriousness Index ⁽¹²⁾	0.41	0.45

With regard to the number of accidents at work, in 2020 there were 73 accidents requiring leave (of which 8 involved

women) and 92 accidents without leave (of which 18 were for women). In 2019, there were 100 accidents with sick leave (18 women) and 115 without sick leave (8 women).

Absenteeism

Ormazabal monitors absenteeism, which means working hours not being completed 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 155,627 hours during 2020 (132,739 hours in 2019).

⁽¹⁰⁾ The number of hours worked by employees is theoretical, considering an estimated work schedule of 145 hours per month for each line of business.
⁽¹¹⁾ Number of accidents per million hours.
⁽¹²⁾ Number of days lost due to accident with sick leave divided by number hours worked (see subindex 8) per thousand.

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. It aspires 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 group’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, **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 **Ormazabal**’s strategy.
- Promote maximum pooling of the existing knowledge, providing the necessary resources and enabling their efficient use.

In this context, **Ormazabal** has carried out training activities tailored to the needs of its staff worldwide, the total number of training hours in 2020 amounting to 21,966, from which 1,355 employees have benefited.

The main training courses can be divided into four major areas: **Ormazabal** Learning Centre training on **Ormazabal** products; development and leadership training; language learning (mainly English); and training in strategic planning.

HOURS INVESTED IN TRAINING

	2019	2020
Management	5,832	7,969
Technical staff	18,049	26,325
Administrative staff	1,959	1,667
Sales staff	1,221	961
Other	18,218	16,295
Total training hours	45,279	53,217
Average number of training hours per employee ⁽¹³⁾	19.35	22.26

Of the total number of training hours given in 2020, 42,358 hours correspond to men and 10,859 hours to women, representing an average of 22.45 hours of training per man and 22.11 per woman.

The pandemic has reduced the number of training hours, the total number having fallen by 49 % in relation to the previous year. This means that the average number of training hours dropped by 47 %.

⁽¹³⁾ Total number of training hours in 2020 among the average total staff in said year.

Equality

Diversity management and support for equal opportunities are intrinsic to **Ormazabal**’s management policy. In this regard, the company underlines its firm commitment to Principle 6 of the United Nations Global Compact, concerning the elimination of discrimination in respect of employment and occupation.

Velatia’s 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, national or social origin, economic status, disability or status. This Code of Ethics must be complied with by all the companies that form part of it, **Ormazabal** being one of them.

In keeping with the commitment made to guarantee protection of fundamental human rights, the company 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.

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, suggestions or enquiries about situations of harassment that have not been resolved by informal procedure.

In addition, the 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 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.

As a result of our firm commitment to gender equality, **Ormazabal y Cía. S.L.** has an Equality Plan that pursues 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. This review has given rise to an action plan that is regularly monitored.

The **Ormazabal** Equality Plan designed for the strategic period 2020-2022 includes, among other things, general and specific objectives, an internal analysis and diagnostic of the organisation, as well as proposals for action.

Progress as regards equality plans continued to be made in 2020 with the aim of ensuring that all centres in Spain will have a plan in 2021.

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.

Architecture of positions

The architecture of positions in the company was analysed in 2020. Once the complete cross-cutting map of positions had been reviewed, the assignation criteria for each position were established in conjunction with **Ormazabal's** Human Capital team.

2.2. Innovation

Innovation has been in **Ormazabal's** DNA since it was founded more than 50 years ago. This is a three-pronged commitment: technological, industrial and commercial; one that has allowed it to position itself as a globally recognised innovative company.

Technological innovation

The commitment to technological innovation in the case of **Ormazabal** is strategic and continuously strengthened through economic and human resources. Annually, it allocates 4 % of its turnover exclusively to R+D+i and has a team comprising 250 technologists of 10 different nationalities who perform their professional activities worldwide.

In addition, it has a Research and Technology Centre (CIT) 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 shut-down 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 around 300 patents and intellectual property register entries, a good example of its commitment to the development of state-of-the-art technology.

Ormazabal forms part of research centres such as CIC EnergiGUNE, which was created in 2011 to generate excellent research in materials and systems for energy storage, maximising the impact of outcomes on the Basque business fabric through collaboration with universities, research centres and businesses.





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.

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

At the commercial level, **Ormazabal** promotes innovation in its relations with customers by putting them front and centre and constantly striving to offer them the best possible service and advice.

To do this, it has a team of professionals with electricity grid expertise who accompany customers throughout the process, from identifying each one's specific needs to providing the after-sale 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 together with its customers, sharing knowledge and combining efforts as the best way to tackle more ambitious projects, overcome barriers, open new markets and make the planet a more sustainable and competitive place by boosting renewable energies, rolling out more and increasingly smart networks. In short, it aspires to be a benchmark thanks to 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

Despite the difficult circumstances and constraints imposed by the pandemic, 2020 saw several eagerly awaited milestones in innovation:

Sales of new products

Ormazabal confirmed its high level of innovation in 2020, as almost a third of sales were of products developed in recent years.

First automated low voltage board

In 2020, the company installed the first automated low voltage board in its history.

Approved EriGRID 2.0 project

In 2020, the European Commission approved the second phase of the EriGRID project, which **Ormazabal** is involved in, and which will extend research services and research infrastructure tools to validate smart energy grids with the electricity network as the main axis.

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

Creation of Ormazabal Analytics

Within **Ormazabal** Corporate Technology, and with the intention of exploring the many business opportunities that arise in connection with network data exploitation, **Ormazabal** Analytics was created in 2020.

This new area incorporates multidisciplinary knowledge (mathematics, physics, information technologies, communi-

cations, etc.) and will seek to establish, through a network of collaborators, a basis on which to develop the business niches that emerge.

R+D agreement with Iberdrola

In 2020, **Ormazabal** 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 switchgears for onshore wind energy applications, sensorization for primary and secondary switchgears, and new medium-voltage relays, among others. As for the low voltage network, the focus will be on digitalisation, control and automation of equipment such as smart transformers and other components and applications useful for network management.

European Investment Bank financing

The European Investment Bank (EIB) financing agreement signed in 2018 was extended to 2020, the total amount rising to 32.5 million euros.

These funds are used for investing in new digital technologies that will serve to promote projects in the field of automation and digitisation of electrical networks, as well as the development of patents and products that will grant **Ormazabal** access to new markets and customers.

This EIB financing represents backing for **Ormazabal's** innovation policy.



Major projects and technological developments

GADEM II and GADEM III

Goal: Obtain new dielectric gases for medium-voltage equipment.

Description: Project funded by the Basque Government through the Elkartek programme for research into alternative dielectric gases to SF6 and materials compatible with these gases.

Collaborating partners: EHUUPV.

TRANSMOD

Goal: To model the thermal behaviour of transformers for photovoltaic applications.

Description: Project funded by the Basque Government through the Elkartek programme for research and modelling of the behaviour of photovoltaic transformers under a regime of currents with a high harmonic content.

Collaborating partners: TECNUN

ALGORITMO

Goal: Develop an agnostic algorithm capable of dynamically identifying which low-voltage line low-voltage customers are connected to.

Description: Project funded by the Basque Government through the Elkartek programme for the development of a localisation algorithm for the optimised management of smart networks through operational monitoring technologies.

Collaborating partners: University of Mondragón and the Basque Center for Applied Mathematics.

FLEXIGRID

Goal: Implementation of flexibility in the network.

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.

Collaborating partners: More than 10 Horizon 2020 partners, including the CIRCE Foundation and Viesgo.

CINCOSEI

Goal: To increase integral cybersecurity in industrial electronic components and systems.

Description: The project will develop cybersecurity measures aimed at electronic components that meet their specific requirements (real time, functional security, robustness, scarcity of resources) without undermining functionality or usability.

Collaborating partners: 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, including **Ormazabal** Corporate Technology.

WIND 4.0

Goal: Switchgear and associated electronics development for wind applications.

Description: Project funded under the Strategic Hazitek programme for the collaborative development of 4.0 manufacturing technologies in the Basque wind industry.

Collaborating partners: 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.

NEOSUB

Goal: The eco-designed electric substation: efficiency and sustainability.

Description: Project funded under the Strategic Hazitek programme for the development of new primary distribution switchgears and transformers for rural substations, employing more environmentally sustainable insulating systems.

Collaborating partners: Consortium made up of 11 entities led by BOSLAN. Participants include **Ormazabal** Distribución Primaria and **Ormazabal** Ólvega Transformadores, as well as six centres belonging to the Basque Network of Science, Technology and Innovation, including **Ormazabal** Corporate Technology.

NUGER

Goal: To develop switchgears for the digital distribution network.

Description: A four-year project funded by the Spanish Ministry of Science and Innovation through the Challenges-Collaboration programme. The main aim of the project is to develop a medium voltage switchgear 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.

Collaborating partners: consortium comprising **Ormazabal** and three universities.

SHUNT

Goal: To develop new current disruption systems.

Description: Project funded under the Hazitek program. The main aim of the project is to research and develop a new nominal current disruption system for application in medium voltage switchgears for the secondary distribution grid.

Collaborating partners: 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

Goal: Development of a smart CBT for low-voltage network management.

Description: Project funded under the Competitive Hazitek programme for the development of new low-voltage switchgear with low-voltage network monitoring, protection and switching.

Collaborating partners: Ormazabal y Cía., Ormazabal Protection & Automation and two participating centres from the Basque Network of Science, Technology and Innovation, including Ormazabal Corporate Technology.

CONSIGUE

Goal: Development of optimised switchgears with new smart sensors and eco-efficient universal gases.

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

Collaborating partners: 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.

NMS-OPEN

Goal: Development of an environment in which to experience cases of use that will occur in the context of energy transition.

Description: Blockchain technology-based platform that allows closure of secure operations between two agents without the need for an intermediary. That is, it allows energy to be bought and sold directly without an organised market.

Collaborating partners: ZIV, Giroa, Bikote Solar and Tecnalia.

Product responsibility

Ormazabal complies with the standards and legislation applicable to its products in aspects related to safety and the environment in the region where they are installed, as well as with the specific specifications of our customers. They also comply with relevant national regulations where they exist. In the case of Europe, we continually monitor the different legislative aspects that may affect our products so that they conform to the required specifications and meet all regulatory requirements.

Ormazabal also promotes a biannual internal forum in which technical, marketing and engineering directors analyse the latest changes in laws, regulations and standards that affect our products.

Regarding the available information on the products and services, as required by current procedures and regulations, you will find:

- 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.

100 % of Ormazabal’s installed/delivered products have the required documentation. Information is just one more important phase within the product development process.



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 the Corporate Social Responsibility Policy and the Quality, Environment and Occupational Health and Safety Policy.

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.

During 2019, **Velatia's** Integrated Quality, Environment and Occupational Health and Safety Policy, applicable to **Ormazabal**, was updated, approved by the group president and communicated to all employees.

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. 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 2019 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 in 2020, the group's Civil Liability Policy covered 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

As a result of 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.

Along these lines, we continue to deploy our 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 2020, those corresponding to **Ormazabal** y Cía., Aislantes Sólidos and EPDL **Ormazabal** Limited have been renewed.

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 environmental matters.

Ormazabal Mexico is undergoing a review process to continue its certification according to the UNE-EN ISO 14001:2015 standards.

It is also worth highlighting the new carbon footprint certifications by product and organisation. This fact underlines the company’s commitment to the environment and to corporate responsibility:

- **Ormazabal** y Cía. has obtained 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 has obtained ISO 14067 Certification for the carbon footprint of products in transformers for ENEL.

ducting 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.

On another note, 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.

It should also be noted that **Ormazabal** uses its own eco-design model in developing new products in order to achieve a more efficient and sustainable future.

In this respect, another example of its commitment to the environment is the role played in setting up the Basque Ecodesign Center, as part of its effort to support organisations and associations that contribute to the development and improvement of the Basque economy in the economic, social and environmental fields, and which also helps position **Ormazabal** as a pioneering company in environmental matters.

This initiative is set within a framework of collaboration between private sector companies and the Basque Government, whose objective is the conceptualisation and implementation of innovative eco-design projects, particularly the application of such tools in the product conceptualisation phase to minimise the carbon footprint, both in the electricity distribution network and in the integration of renewable energy.

In this regard, throughout 2019 and 2020 we carried out an analysis of the impact of some product references that have been verified externally. The Environmental Product Declarations have been made according to the PEP ecopassport® programme and have been audited and subsequently published. These types of environmental declarations compile the information and results of the product life cycle analysis, carried out according to specific rules, and serve as an instrument for transparency and environmental information and comparison between products.

As a result of our participation in the Basque Ecodesign

ORMAZABAL COMPANIES WITH ISO 14001 CERTIFICATION IN 2020

Country	Company	Expiry
Spain	Ormazabal Cotradis	2022
	Ormazabal Distribución Primaria	2021
	Ormazabal y Cía (Ormazabal Distribución Secundaria)	2023
	Ormazabal Media Tensión	2021
	Prefabricados Uniblok	2022
	Aislantes Sólidos	2023
China	Ormazabal Beijing Switchgear	2021
	Ormazabal Zhuhai Switchgear	2021
	Ormazabal Kunhsan Switchgear	2021
Poland	Ormazabal Polska	2021
England	EPDL Ormazabal Limited	2023



Center, **Ormazabal** has its own tool for calculating the carbon footprint of any distribution transformer.

Pollution and climate change

In line with its strategy and goal of combating climate change, and as a necessary step towards reducing CO2 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.

Other notable initiatives led by various **Ormazabal** centres took place during 2020:

- The Igorre centre was reviewed in relation to the greenhouse gas (GHG) emissions inventory. The verification activities focused on Scope 1 direct emissions and Scope 2 indirect emissions from electricity purchased for its own use, concluding favourably with the emission data in the report on greenhouse gas emissions.
- At the Seseña factory, the carbon footprint was calculated in 2019, in collaboration with the Enterprise and Climate Foundation (Fundación Empresa y Clima).
- Furthermore, an emission mitigation plan has been carried out by planting trees (sustainable forests). The planting area measures three quarters of a hectare (7500 square metres) of future native and diverse forest, and the 516 planted specimens will compensate for a total of 137.11 tonnes of CO2 within 40 years.

GHG emissions (t. CO2eq.) ⁽¹⁴⁾	2019	2020
Direct (Scope 1)	2,714 t	2,400 t
Indirect (Scope 2)	3,085 t	893 t

The following table shows the results of **Ormazabal**'s environmental performance in relation to GHG emissions (t CO2 eq.).

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 2020, Iberdrola and Naturgy, 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 CO2 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.

As a result of this commitment to green energy, **Ormazabal** has managed to reduce its indirect emissions by 71 %, even though in absolute terms it has consumed more energy, given that this energy is 100 % renewable.

Ormazabal has continued to promote the total evolution of electricity networks, providing them with the capacity to assume a new energy mix with a greater presence of renewable energies.

Finally, **Ormazabal** Zhuhai Switchgear has continued to work actively to conserve energy and reduce emissions in the production process.

The company has established very rigorous consumption rates that allow it to maintain an annual consumption lower than previous years. In this regard, it has begun by optimising

its lighting system with energy-saving lights, reducing the use of commercial vehicles and encouraging the use of public transport.

Electrical mobility

Sustainable mobility, which aims to decarbonise the economy, is a strategic axis for **Ormazabal**, as clearly evidenced by its investment in this field. In 2020, 53 % of the vehicles in the company fleet were hybrid and 3 % plug-in hybrid. In addition, the company is committed to renewing the fleet only with hybrid or electric vehicles.

⁽¹⁴⁾ 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.

Circular economy

Supporting the shift towards a resource-efficient economy and reducing raw material consumption are essential for generating intelligent, sustainable and inclusive growth.

At **Ormazabal** 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 effective management of the waste that we generate.

Among the activities carried out in connection with this European initiative, it is worth mentioning the implementation of different recycling and reuse procedures that promote the disposal and reduction of waste, providing the necessary tools for generating the least possible impact on the environment. Here we highlight a few of the measures taken by some of the product divisions in this regard:

- In the transformer division, different projects have been undertaken to reduce greases and oils: installation of grease traps, repair of oil tank electrical conduits, oil tank legalisation projects, adaptation of a feeder oil outlet.
- In the protection and automation division, a number of plans have been put in place to reduce packaging and waste, in particular: an ongoing project to reduce wood waste by replacing wooden pallets with plastic ones for their reuse with suppliers; an ongoing project to eliminate plastic film from all packaging; and a new project that got under way in 2020 consisting of replacing plastic corner protectors with cardboard ones. Although this new type of corner protector has been approved, the fact that the remaining stock of plastic items was consumed during the year means that the results have yet to be reflected in the main figures.
- At the Seseña factory, which manufactures concrete enclosures, two main projects have been carried out: one for the separation of plastics (plastic recycling) and the other for the reduction of waste by replacing the polyurethane paint used for underground products with a flexible waterproofing mortar based on hydraulic binders and synthetic resins.

- Finally, in the secondary distribution division, expanded polystyrene corner protectors have been replaced with cardboard ones.

For waste management purposes, most of **Ormazabal's** companies have contracts with management companies specialising in the transportation and handling of waste. These contracts cover the entire process, from collection to handling and, in some cases, return for reuse and the liability of both parties.

Waste management

Type of waste	2019	2020
Hazardous waste	150,174 kg	145,824 kg
Non-hazardous waste	2,324,403 kg	2,817,328 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, 2 % of the waste generated was recovered in 2020, 66 % was disposed of and the remaining 32 % underwent a valorisation process. In 2019, 2 % was recovered, 90 % disposed of and 8 % went through a valorisation process.

The increase in hazardous waste is mainly due to the wider range of data-reporting plants. Specifically, all transformer plants were taken into account in 2020, taking non-hazardous waste from 781 thousand kg to 1,219 thousand kg.

Non-hazardous waste includes the following materials: metal scrap, paper and cardboard, plastics and wood. 54% of the non-hazardous waste generated in 2020 has been recovered, 4% sent to controlled landfills and the other 42% has followed a recovery process. In 2019, 61 % was recovered, 1 % was eliminated, 2 % was sent to supervised landfills, and the remaining 15 % underwent a recovery process.

Sustainable use of resources

Evolution of water consumption

With sustainability as a goal, in 2020 **Ormazabal** continued to work towards responsible production and 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	2019	2020
Water consumption (m³)	33,961	40,341 ⁽¹⁵⁾

Excluding those companies whose consumption was reported in 2020 but not in 2019, water consumption in 2020 would amount to 34,498 m³. This increased consumption was mainly due to a water leak at the manufacturing centre in France, which almost doubled its water consumption, as well as the inclusion of new centres among those reporting consumption data.

This consumption is concentrated mainly in Uniblok, given that it uses water as a raw material for making concrete. This company maintains similar levels to those recorded in financial years 2018 and 2019. Cotradis also has high water consumption in its C3 paint plant, which is essential for its production process.

⁽¹⁵⁾ Water consumption in 2020 included the companies UK, OBS and OZS, in addition to the perimeter of financial year 2019.



Evolution of energy consumption

Consumption	2019	2020
Electricity consumption (kWh) ¹⁶	10,904,967	2,825,528
Consumption of electricity from renewable sources (kWh)	-	8,987,115
Total electricity consumption (kWh)	10,904,967	11,683,082
Natural gas consumption (Nm³)	894,335	874,109
Diesel A and C consumption (l)	256,194	148,967

This table does not include companies that do not have electricity consumption data for 2019.

If we exclude these, this consumption amounts to 11,260,057 kW h in 2020, 3 % up on the previous year. This increase is due largely to higher electricity consumption at **Ormazabal**'s Research and Technology Centre, as well as to the wider range of data-reporting transformer plants, although all **Ormazabal** companies have made an effort to reduce this percentage.

Finally, with regard to diesel, despite the inclusion of data from other **Ormazabal**'s companies not considered in 2019, consumption of this type of energy fell significantly in relation to the previous year. If we take into account only the companies that reported their data in 2019, the volume consumed in 2020 was 147,385 litres, 42 % less. This reduction stems from the lower consumption of C diesel fuel in heating boilers and heat production systems, and from the renewal of the vehicle fleet, which now comprises hybrid and fully electric vehicles.

Energy efficiency

Ormazabal carried out various initiatives in 2020 to promote and boost energy efficiency, as part of its commitment to reducing energy consumption. Here are just a few examples:

- 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.

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 installations located in the national territory; Stratenergy, a company belonging to **Velatia**, conducted an energy audit at the following **Ormazabal** centres in 2020: **Ormazabal** Boroa, **Ormazabal** Corporate Technology, **Ormazabal** Igorre, **Ormazabal** Zamudio, **Ormazabal** Zarátamo, **Ormazabal** Getafe, **Ormazabal** Cotradis, **Ormazabal** Cotradis II, **Ormazabal** Seseña (SAU 18), **Ormazabal** Seseña (SAU 25). The audits highlighted the improvements and savings made.

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 being a goal, **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 consumption of the main raw materials and energies used in **Ormazabal**'s production processes in 2020 is presented below:

Raw materials	2019	2020
Main raw materials [magnetic sheet, enamelled wire (aluminium), chemical consumables (oil) and aluminium strip]	19,132,601 kg	18,799,458 kg

⁽¹⁶⁾ The electricity consumption for 2020 includes the Zhuhai and Beijing companies in addition to the perimeter of 2019.

2.4. Customers and consumers

“Customer satisfaction as a goal and measures for consumer health and safety”

The equipment and products **Ormazabal** supplies take into account all the safety parameters provided for in the regulations applicable in each case. Moreover, in order to provide an adequate level of protection for people and goods that use or come into in contact with them, we have developed general instructions for use for each product type, with the following objectives:

- Eliminate dangers whenever possible.
- Incorporate appropriate protections into the equipment itself, where this is neither technically nor economically feasible, 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.
- Use 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 puts customer satisfaction at the heart of its strategy, and it has become one of its most distinguishing features. This aspect appears in the materiality analysis as a relevant issue, reflecting its vital importance for the company.

To fulfil this commitment, the company develops management mechanisms aligned with business strategies, such as Customer Scorecards (performance indicators and results), surveys, focus groups, interviews, etc., that help it identify opportunities to improve both its own performance and the satisfaction of its customers.

It also has a complaints and claims system adapted to the reality of each sector it addresses. Incidents are received through the formal and informal channels made available to the consumer, then managed and processed by specialised staff who analyse the cause of each incident in an individu-

alised manner and take the appropriate measures to provide the customer with a solution in accordance with the company's quality standards.

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 all our companies we regularly monitor complaints, identifying the type, status and resolution date of each complaint.

Throughout 2020 we continued to find out more about the needs and expectations of our customers through satisfaction surveys whose ultimate goal is to generate and maintain strong long-term relationships. These surveys serve to measure specific aspects that help us obtain information about the quality of our response and the areas of improvement we need to keep working on. Some of the aspects most highly valued by customers are the treatment they receive from our staff, fulfilment of deadlines, efficiency, the quality of our products and services, resolution of incidents, and technical assistance.

In recent years, **Ormazabal** has conducted satisfaction surveys in Spain, France, Germany, China and Poland, where it has not only commercial presence but also production centres.

En 2020 we held technological workshops together with customers to anticipate solutions that respond to the future needs of the main players in the electricity distribution and renewables sector.

2.5. Suppliers

Promoting responsible production and consumption throughout the supply chain is a part of **Ormazabal's** sustainability aspirations, and work along these lines continued in 2020.

The company's commitment to its suppliers is reflected in the Corporate Social Responsibility Policy and Purchasing Policy, and involves:

- Extending social, environmental and occupational hazard prevention aspects to our suppliers.
- Establishing 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, in 2019 we started sending the company's Quality Manual and Code of Ethics to our critical suppliers, requesting their signature. That process continued in 2020.

The supplier approval process primarily involves analysing the availability of environmental certifications and compliance with environmental regulations (yes/no). **Ormazabal** has an annual supplier audit plan in which both aspects are analysed. However, in 2020 it was not possible to carry out this plan as scheduled, due to the pandemic.

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.

Faith in 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 regions where it operates, a commitment that acquires greater significance in businesses with production plants in different geographical areas.

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, the company 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 to local suppliers	2019	2020
Spain	84%	77%
France	96%	97%
Germany	64%	60%
China	99%	98%
Mexico	100%	99 %

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 2020 **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.

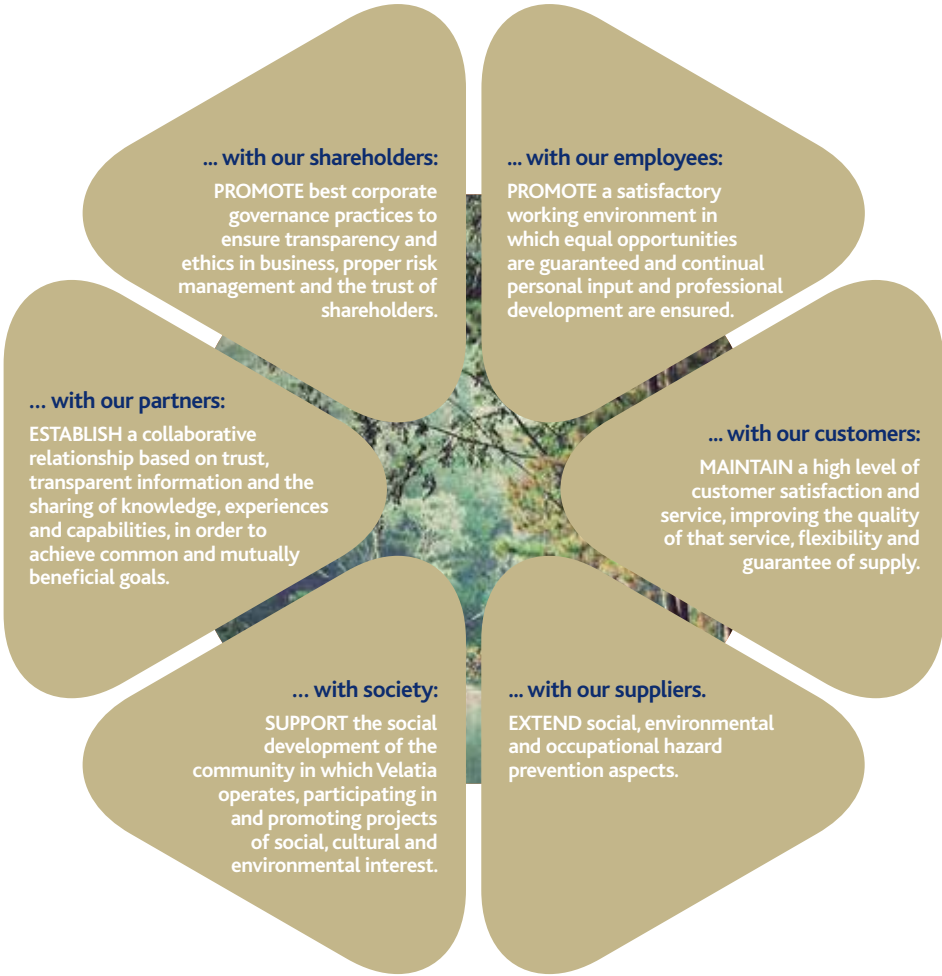
2.6. Society

Ormazabal contributes to the development of society through initiatives that promote access to education in childhood, culture, and projects focused on employability through the training of young people, among others.

The company 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. The Corporate Social Responsibility and Social Action policies set out the following lines of action in this area:

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.

Ormazabal has collaborated with Iberdrola in managing the importation and donation of high-tech respirators in order to lessen the dramatic impact of the pandemic.





Relationship with local communities

Ormazabal is actively involved in developing the public policies of regulatory bodies related to electricity distribution networks; engaging proactively and, in many cases, leading business associations connected to the industry in all areas of activity, at both national and European level.

At all times the company maintains a 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.

In this regard, determined to play a prominent role in the sectors in which it is present, Ormazabal belongs to numerous organisations whose activities are related to ours. Some of the most important are listed below.

Country	Organisations	
Spain	AFBEL	AFBEL Asociación Española de Fabricantes de Bienes de Equipos Eléctricos de Alta y Media Tensión
	Cluster de la energía del CAPV (Jorge Gonzalez)	
	Confebask	
	Euskalit	Fundación Vasca para el Fomento de la Calidad
		Basque Ecodesign Center
	AEE	Asociación Empresarial Eólica
France	GT compartición datos aeros	
	GIMELEC	Groupement des Entreprises de la Filière lectronumérique française
Germany	MATPOST	
	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	
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 Allliance (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)

Forging links between education and business

Ormazabal makes a special effort to forge links with world of education, 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 that pursues the following objectives:

- Recruitment of students with potential. In 2020, 3 students from the classroom have joined the **Ormazabal** companies (6 in 2019).
- Carry out projects in areas of interest to the company.
- To increase the prestige of the brand among students as a reference in the technological area. 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.

In 2020, a total of 114 young people were recruited in **Ormazabal** through internship, training and apprenticeship contracts or other forms of access such as scholarships. A significant percentage of them subsequently joined the organisation on permanent contracts.

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. Instructors are responsible for directing the work done by the students and the tutors appointed by the company for each project supervise the work done in the classroom.

Since 2006, **Ormazabal** has also had a company classroom at the Higher Technical School of Industrial Engineering and Design of the Polytechnic University of Madrid. 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.

Ormazabal Corporate Technology 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 this public University.



A close-up photograph of two dandelion seed heads against a blurred green background. One seed head is in sharp focus in the foreground, while the other is slightly out of focus in the background.

**Be smart.
Be Ikusi**

The background is a black canvas filled with a dense, intricate network of thin, bright green lines. These lines connect numerous small, glowing green dots, creating a complex web that resembles a molecular structure or a data network. The lines and dots are distributed across the entire frame, with some areas appearing more concentrated than others.

**Be Ikusi.
Be sustainable**



1. Spotlight on Ikusi



1.1. Vision, mission, values and purpose

Ikusi understands vision and mission as its ultimate goal, its raison d’être and what it exists for. Thus, the vision, mission and purpose it has defined, and which underpin its strategic plan, are as follows:

Vision

Redesigning the future by building a more sustainable, secure, connected and collaborative world.

Mission

To provide customers with innovative technology solutions and services tailored to their needs with a personal touch.

As a business that forms an integral part of **Velatia**, **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.

Purpose

To generate value for the customer through technology, making the complex simple.

Pillars

“Soul” vs pillars and “ecosystem” of the business.

The pillars of **Velatia** (family, industrial, technological, global and leader) 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 foundation that remains unchanged with the passage of time.

As part of **Velatia**, **Ikusi** shares its pillars:

Technology

Ikusi integrates 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. Its aim is to remain in and develop the markets in which it operates with a clear vocation of continuity.

Global

Ikusi 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 stay very close to its customers, helping them with solutions tailored to their needs, the needs of each one. In accompanying these customers, it operates in whichever markets they require.

The location of its premises aims to ensure that it becomes strongly rooted in the markets it serves.

Leader

Ikusi is one of the leading technology brands wherever it is present, not only because it is the market leader in some geographical areas, but also for other reasons:

- It is a “good place to work”, with an approach based on generating opportunities, high standards and meritocracy.
- Culture of respect and taking care of people as one of its main hallmarks.

- Leadership with values.
- Excellence in governance and management.
- Commitment to sustainability understood as responsible profitability.
- Commitment to local markets: establishing local roots.

Values

Like all other **Velatia** companies, **Ikusi** shares values that are deeply rooted in its 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.

1.2. Companies and businesses

Ikusi is a 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 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. To this end, it has a team of more than 350 highly skilled professionals and customers in more than 30 countries, with special focus on Mexico, Spain, Colombia and Chile.

As an integral part of **Velatia**, **Ikusi** is firmly committed to sustainability, combining business development with meeting the needs of its stakeholders, supporting the community in which it operates and minimising its impact on the environment.

All this is evident in the certifications obtained and the commitments it strives to fulfil in accordance with **Velatia's** sustainability strategy.

Lines of business

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.

Cybersecurity

Cybersecurity has to anticipate and adapt to the speed at which increasingly sophisticated threats to the network evolve. Prevention should therefore be a priority, and this requires good architecture or pre-sale 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, datacenter, 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 environments 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:

- Protection of information in its different layers, from end-user access points to network and IT infrastructure in its physical, virtual and cloud modes.
- Reduce the exposure risks of the organisation's critical data.
- Global visibility to proactively prevent cyberattacks from the outset with advanced cyber-threat intelligence mechanisms.
- Integration of security features in traditional and advanced IT environments.
- Secure control of media and access to sensitive information within and outside the organisation.
- Maintenance of a simple and efficient integral security architecture.
- Centralisation of various sources of information for better decision making in information security management.

Ikusi's security services are based on a coordinated 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.

Digitalisation

Since the 1970s, **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, to name just a few examples.

All this is part 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, AR, etc.

Operational Technologies (OT) in transportation

Services and solutions for the operation of onboard transport infrastructure (especially in the rail sector).

Since 1998, when Ikusi supplied its first onboard information system for the Hong Kong metro, the company has become a benchmark for technologies applicable to the rail sector, both on board and on the ground, in numerous areas: communications, security, control centres or ticketing.

Beyond solutions, Ikusi has specialised in turnkey integration and engineering projects covering everything from design to installation, project management, maintenance and specialised services.

This experience has allowed it to consolidate a great deal of knowledge about key business processes, optimisation opportunities and evolving needs in the rail sector. Thanks to this knowledge, it is now a major actor with a leading role to play in tackling the great challenge of digital transformation.

Thanks to new technologies, which are revolutionising the business model, we are witnessing the gradual transformation of the value chain in the railway industry, optimising and creating new services that are directly perceived as an improvement by manufacturers, operators, managers, as well as by the passengers themselves.

New technological tools give us information in real time about the behaviour of all the systems on board a train – even of the entire fleet in operation-, capturing thousands of data, analysing them to perform a descriptive analysis which can then be used to generate alarms for immediate action, in addition to proposing predictive analyses. In this way, knowledge about the state and operation of the different systems allows for optimised diagnostics, in addition to anticipating possible failures, thereby increasing rolling stock unit availability while minimising maintenance costs.

1.3. Ikusi in figures

Foundation

1975
year

Experience

50
years

People

+ 800
employees and
subcontractors

Global presence

4
countries



1.4. Summary of the year

The year in review

The number of contracts secured by Ikusi in 2020 rose sharply, amounting to 165 million euros more than the targets set in the strategic plan, thus ensuring a good starting position for financial year 2021.

As far as results are concerned, the balance sheet for this extremely difficult year shows a turnover of around 135 million euros, 18 % below the target set due to the effects of the pandemic, not forgetting the effect of activity in LatAm (Mexico and Colombia) being switched to euros. The effect on results is even greater as a result of structural adjustments and partial closure of certain regions. EBITDA stands at 4 million euros.

The first quarter of 2020 began with a good level of achievement of the targets set. This positive trend was drastically interrupted by the Covid-19 crisis, which has impacted its markets and businesses in different ways.

The communications business has done very well in terms of operators (service providers), government agencies (utilities and the Treasury) and the business sphere, with good performances in the first six months, although the activity slowed down in the second half of the year. All this in the three markets in which Ikusi operates (Spain, Mexico and Colombia).

It was, however, a tough year for mobility infrastructure such as ports, roads, railways and airports, whose shutdown severely affected the company's activity, as it did the rest of the sector. Thus, for example, airport activity in Spain, and specifically in AENA, plummeted by 95 % between March and May. Although activity recovered slightly in the latter months of the year, it was still light years away from returning to normal. As a result of this situation, the company adopted various measures such as optimising its structure in order to be better prepared for the challenges that await and to successfully meet the goals and targets of its Strategic Plan 2021-2023.

The ability to adapt and react to adverse situations is a measure of a company's strength. In 2020, Ikusi faced real challenges in responding to the communication needs of its customers, collaborating with several large companies that needed to go from 0 to 100 in teleworking. In order to

enable customers to continue their activity, Ikusi offered the Cisco Webex platform free of charge for 90 days, with the aim of facilitating teleworking in a secure environment.

Solutions that measure up to difficult times.

Evolution of turnover

2020	
(millions of euros)	136 MILLION
EBITDA (% of turnover)	3%
CONTRATACIÓN (millions of euros)	>135 MILLION



2020 Projects

Digital security project for Mexico’s Tax Administration Service (SAT)

The new contract for SAT marked a milestone in institutional security in 2020. It integrates different technologies and will allow full and confidential access to the agency’s IT assets. Its scope encompasses the implementation, protection and management of its communications networks, IT protection for the desktops of more than 35,000 users and critical applications, as well as consulting for assessments regarding electronic billing. It also includes a continuous 24x7x365 security operations service, provided by a team of Ikusi experts comprising more than 100 professionals.

Project to change the architecture of Izzi’s core network

Ikusi responded to the challenge of equipping the network of this telecommunications operator in the city of Monterrey (Mexico) with sufficient capacity to cope with increasing Internet use as a result of Covid and the rise in the number of new subscribers.

Changing the architecture of the core network allows Izzi to overcome the congestion of Internet outlets and serve, with good user experience, the new subscribers and the thousands of users working or studying at home.



Project for the modernisation of border crossing points between Mexico and the United States

This project will improve the operation and security of toll booth areas, benefiting more than one million people and 300,000 vehicles that travel daily through transit stations located in the state of Chihuahua.

In particular, a new toll and electronic toll system, Intelligent Transportation Systems (ITS), and the interconnection of the systems with the border bridge operations control centre by means of optical fibre (65 km) have been implemented.

Facial recognition project in branches and buildings of the Banco Nacional de México

Ikusi’s first project with this strategic customer, which is part of a technological partnership contract in the field of physical security, with a minimum term of five years.

The project involves supplying, installing and maintaining the facial recognition solution in branches and buildings of the Banco Nacional de México (Citibanamex). In the initial phase, the system has been implemented in 80 locations throughout the country.



Remote maintenance project with IoT technology for Talgo

This project will allow Talgo to know the state of its trains and anticipate possible failures, increasing the availability of its units and minimising maintenance costs.

Ikusi has implemented a massive data intake IoT program, capturing 30,000 variables per second on trains travelling at 300 km/h, and has applied data analytics, with descriptive and predictive analysis.

Digitalisation project for industrial SMEs

In collaboration with Biele Group, Ikusi has digitalised an automated manufacturing line installed by this Guipuzcoa-based company in its wood division.

The implementation of this software will allow Biele Group to monitor its production lines and perform predictive maintenance and control, with the consequent continuous improvement in productivity. It will also be able to offer its customers the benefits of this innovative tool as a differentiating advantage. Ikusi and Biele Group have shared the investment costs.





Maintenance project for the logistics centre at the port of Barcelona

Contract for corrective maintenance of the system that oversees truck access to the Logistics Activities Area (ZAL), located in the area controlled by the Port Authority of Barcelona.

This is not the first time this port infrastructure has relied on Ikusi, given that, in addition to other maintenance services, it has carried out an integration project for complete heavy vehicle access control and all associated operations. A further contribution to the development of increasingly intelligent ports.



Project for remote maintenance of the Medgaz pipeline

Through collaborative software and a device consisting of glasses and front-facing camera for workers on the ground, it allows experts to remotely perform guidance, support and supervision tasks.

Like other infrastructure of this nature, this underwater natural gas pipeline between Algeria and Spain, over 700 km long, requires constant maintenance, supervision and technical validation by experts who cannot always be on the ground. The trial carried out for Medgaz facilitates communication between the operators and the experts in charge of the maintenance in real time.

This solution, applicable to multiple environments, significantly improves output, processes and operating times, with the resulting cost reductions.

Security platform project for the Chedraui Group

Ikusi is accompanying this retail trade group in the process of optimising its security and operational efficiency resources, automating and supervising all processes from a control centre.

The security platform implemented will allow the integration of the current and future security systems of the different business units of the Grupo Comercial Chedraui, which has more than 300 branches in Mexico and operates in around 125 supermarkets in the United States.



Project for the digitalisation of the Machine Tool sector

The project is part of SPRI's Hazitek business R+D support program, consisting of the implementation of a complete IIoT (Industrial Internet of Things) architecture for the capture, pre-processing, monitoring and analysis of signals and key operating parameters of a set of machine tools equipped with different numerical control systems.



First 5G pilot project in the Basque Country

In 2020, Ikusi tested the bandwidth, latency and computing capabilities inherent in 5G technology to further real-time knowledge of the behaviour of all the operating systems of a single train or of an entire fleet.

The aim of this pilot project is to promote innovation and industrial transformation in leading Basque companies and technology centres.





Other news

Participation in industry activities

Although hampered by mobility restrictions, Ikusi maintained throughout the year an intense schedule of activities, either face-to-face or online, in Spain as well as in Mexico and Colombia. Among them, meetings such as Basque Railway: “The challenges of commissioning high-speed networks” (22 January, Spain); Go Mobility: For connected and sustainable mobility (11 and 12 March, Spain); webinars for discovering the best ICT solutions and services with Ikusi-Aryse; the “I’m already a digital enterprise, now what?” conference (19, 21, 26, 28 May, Mexico); Tech & Education Talks (15, 22 and 29 July, Mexico); or the Multidomain Virtual Summit LatAm (November 10 and 17, Colombia) with the participation of senior executives such as Ikusi CEO Iñaki Maiz and the most important organisations in the industry operating in Latin America.

Awards and recognitions

Cisco declares Ikusi “Best IoT Channel in Latin America and the World”.

This recognition gives Ikusi great visibility and highlights its performance as a technological partner of the industry in its digital transformation process.

During the Cisco Partner Global Summit, held online in 2020, Cisco named Ikusi “Best IoT Channel in Latin America and the World” for the first time. This is a milestone because it is not usual for a company based outside the United States to win this award.

Ikusi also won the “Best Partner in Latin America” award and Gustavo Rivapalacios was named “Account Manager of the Year”.

The “Ikusi IoT/Industry Partner of the Year” should be highlighted above all. Cisco reconfirmed Ikusi as one of its main partners at the Cisco Partner Summit 2020, which on this occasion was held online.

Recognition went up a level in 2020, as Ikusi received a global award for the first time, an accolade reserved for Cisco’s

main partners: IoT/Industry Partner of the Year. Cisco thus highlighted the performance that Ikusi has achieved as a technological partner of the industry in its digital transformation process, greatly boosting the company’s visibility.

Ikusi has become an important player in end-to-end connectivity, providing services ranging from sensor systems and communications to the data exploitation platform, and allowing companies to meet the challenges involved in maximising data capture and exploitation, for the purpose of improving process efficiency, developing new businesses, etc. A qualitative leap that Cisco was keen to endorse.

This important accolade takes its place alongside a further seven awards for Mexico, two for Colombia and one for Southern Europe, as listed below:

2020 Awards:

Mexico:

- Customer Experience Partner of the Year.
- Mexico Partner of the Year.
- Technology Excellence Partner of the Year.
- Enterprise Networking & Cloud, Public Sector Partner of the Year.
- Transformation/Innovation Partner of the Year.
- Cisco Capital Partner of the Year.
- IoT/Industry Partner of the Year

Colombia:

- Customer Experience Partner of the Year.
- Technology Excellence Partner of the Year: Data Center.

Southern Europe:

- Marketing Partner of the Year.

In addition, Ikusi is “F5 Networks Mexico Partner of the Year of Mexico”. F5 Networks recognised us as Mexico’s Partner of the Year at the F5 Partner LatAm Kick-off 2020. Likewise, they are promoting us as Platinum level partner, whereby we will have access to greater discounts in the projects we are carrying out with the F5 team for the year 2021.



1.5. Governance

The highest governing body of **Velatia** is 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 six-member **Ikusi** Committee was set up within the **Velatia** Board of Directors. It is an advisory body strictly limited to the business field, its main purpose being to support **Ikusi**’s business by providing its collaboration and advice.

Its activity primarily 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.

Ikusi Committee

PRESIDENT

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-board member)

Mr. Alex Otaegui Furriel

Functions:

Notwithstanding any other tasks the **Velatia** Board of Directors may assign to it, the Committee has the following functions:

- Analyse the company’s results and the work of the management team.
- Propose the strategic plan and monitor its execution.

- Control budget management.
- Propose the most important decisions on investments, sale of assets, mergers, etc., to the **Velatia** Board of Directors of.
- Assess and propose to the Board the authorisation of strategic partnerships.
- Put in place mechanisms to obtain the most accurate information on all areas of the company.
- Propose the remuneration policy to the **Velatia** Appointments and Remuneration Committee.
- Any other objective that helps **Ikusi** achieve its purposes.
- Prepare such information, presentations etc. as the Board of Directors may request at any given time.

1.6. Risk management

As part of its process of strategic reflection, **Ikusi** has identified, assessed and prioritised the risks or threats that could jeopardise the fulfilment of its objectives and plans for the future.

To facilitate their management, risks have been divided into four categories: strategic, operational, compliance and information; and the corresponding measures have been put in place to mitigate the potential impact of these risks.

The main risks identified by **Ikusi** are:

2020 Risk
Exchange rate
Working capital
Change management
Cash flow planning
Flexibility of the organisation
Logical and physical security
Health crises
Capital management
Dependence of strategic partners
Retaining talent
Reliability of financial information
Contract performance



1.7. Sustainability

Identifying relevant issues

In 2020, Ikusi maintained an ongoing dialogue with its stakeholders through different communication channels in order to identify issues considered to be relevant in the area of sustainability.

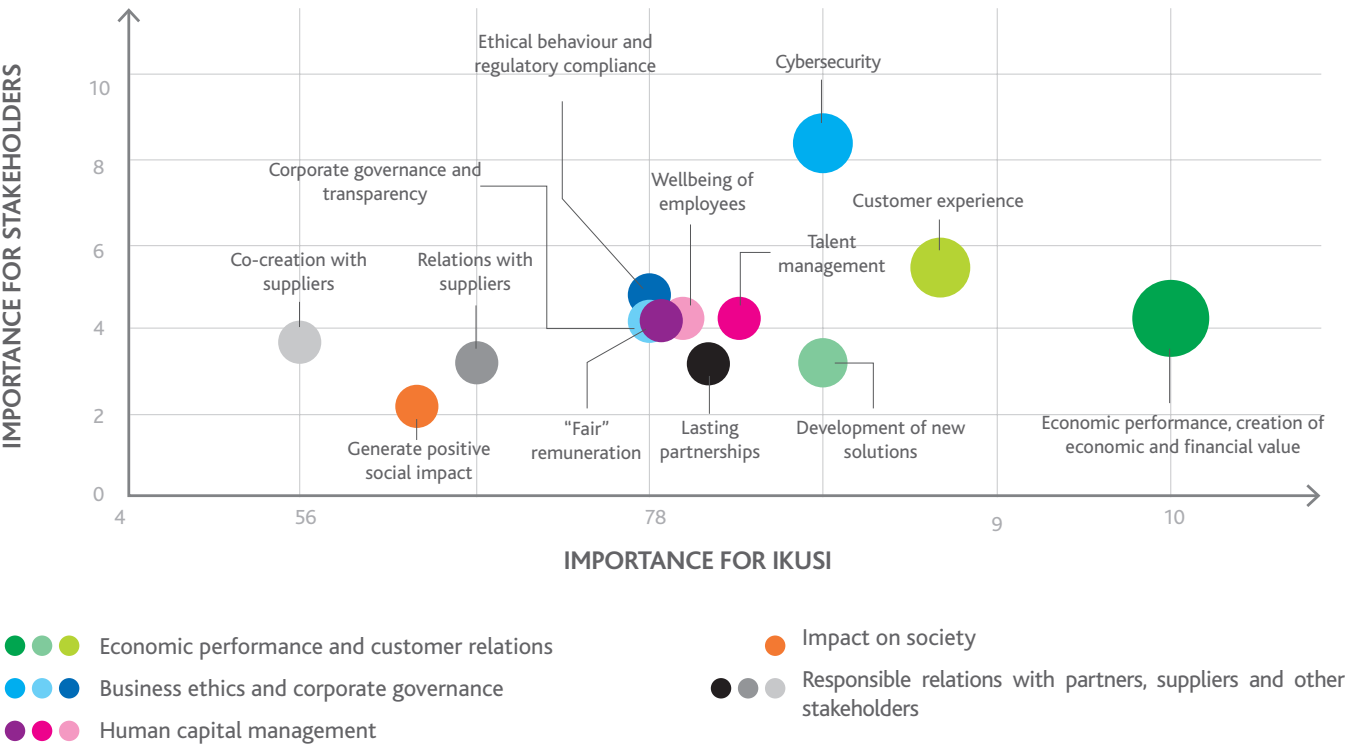
The elements that help identify an organisation’s stakeholders include the following:

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

Communication is generally one-way with less important stakeholders, gradually becoming more two-way as their importance increases.

Ikusi prioritises its stakeholders according to their influence (whether they can have an impact on the organisation or whether a stakeholder is strategic for decision-making purposes) and their dependence (whether they are directly or indirectly dependent on the organisation’s activity, on its products and services or on its functions).

The Ikusi Strategic Plan includes the social and environmental aspects identified as relevant at the strategic and operational level. To determine the key issues relating to sustainability, Ikusi carried out an external analysis encompassing competitor benchmarking, trends, regulations, and the needs and expectations of its stakeholders. It also conducted an internal analysis of the most relevant issues for the business. The following materiality matrix has been obtained by cross-cutting the priority issues for stakeholders with the prioritisation of internal analysis:



On the basis of the relevant issues, the objectives and commitments to be pursued have been defined, establishing lines of action for each of them.

Lines of action, ambitions and commitments

These are the six lines of action established by Ikusi with their corresponding developments:

Ethics and corporate governance

The commitment to good governance, ethics, integrity and transparency point to that goal, identified by Ikusi as one of the most important expectations for its stakeholders and as a hygiene factor. A framework of integrity has been defined, comprising the Code of Ethics and a set of policies that establish certain operating principles.

The goal of corporate governance is to generate long-term trust and commitment between the company and its stakeholders.

It 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:

- Behavioural integrity.
- Excellence in management.

Human capital management

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

It 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.

Wellbeing of employees:

- Employee and subcontractor 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 the level of employee satisfaction.
- To ensure zero accidents with causes attributable to the company.

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.

It 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.

Economic performance and customer relations

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

It covers the following aspects:

Development of new solutions:

- Development of 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.

Responsible partnerships and relations with partners and suppliers

Fostering responsible partnerships to build networks of shared value.

It 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 the well-being of the planet.

Among the SDGs prioritised by **Velatia, Ikusi** focuses its efforts on SDGs 9 and 11.



Goal: 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 research and development.

Target 9.c: Increase access to information and communications technology.

Actions undertaken:

Creation of public-private partnerships to promote digitalisation, in order to transform and increase the efficiency of the processes that support society’s activity.



Goal: Ensure that cities and human settlements are inclusive, safe, resilient and sustainable. It is not possible to achieve sustainable development without radically transforming the way we build and manage urban spaces. More than half of the world’s population now lives in urban areas and by 2050 this figure is expected to reach 6.5 billion people, or two-thirds of humanity.

Identified targets:

Target 11.2.: Provide access to safe, affordable, accessible and sustainable transport systems and improve road safety.

Target 11.3.: Enhance inclusive and sustainable urbanisation and capacity for participatory planning and management.

Actions undertaken:

Ikusi contributes to the management of smart cities through software integration and mobility infrastructure.



2.

Fulfilling our
commitments

2.1. People

Experts in making the difficult easy. For **Ikusi**, its employees are a priority. At the end of 2020, the team comprised 366 people distributed between Spain (42 %) and the Americas (58 %). 83 % are men and 17 % are women, the vast majority (84 %) between the ages of 26 to 51.

In 2020, **Ikusi** set out its Human Capital Master Plan, which outlines the strategic approach for the period 2021-2023 from the perspective of Human Capital.

A bit of context

We are witnessing a revolution from the point of view of talent and digitalisation that is conditioned by several factors.

Digitalisation is giving rise to a rapid transformation in the ways in which companies and employees interact. This is forcing **Ikusi** to focus its attention on new ways of managing people and organisations in the face of radical changes so as not to lose competitiveness.

Therefore, in addition to facing the challenges posed by a rapidly changing environment, the company sets out, in its strategic plan, one of the most significant challenges in its recent history: people management, which has become a determining factor for successfully achieving the proposed objectives.

All this is happening in a context of an ageing population that seriously affects the availability of talent in the market. Added to this is the change in values and priorities, increasingly so when choosing a company to work for, where other aspects predominate, not just wages or professional development.

In addition to these factors of choice there is the social, ecological and economic approach of business projects, making it increasingly complex to attract and retain talent. 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 differ-

ent ways of doing things that should be planned in advance in order to be taken advantage of.

And all this is taking place in a volatile, uncertain, complex and ambiguous (VUCA) environment in which making the right decisions at the right time becomes a vital factor.

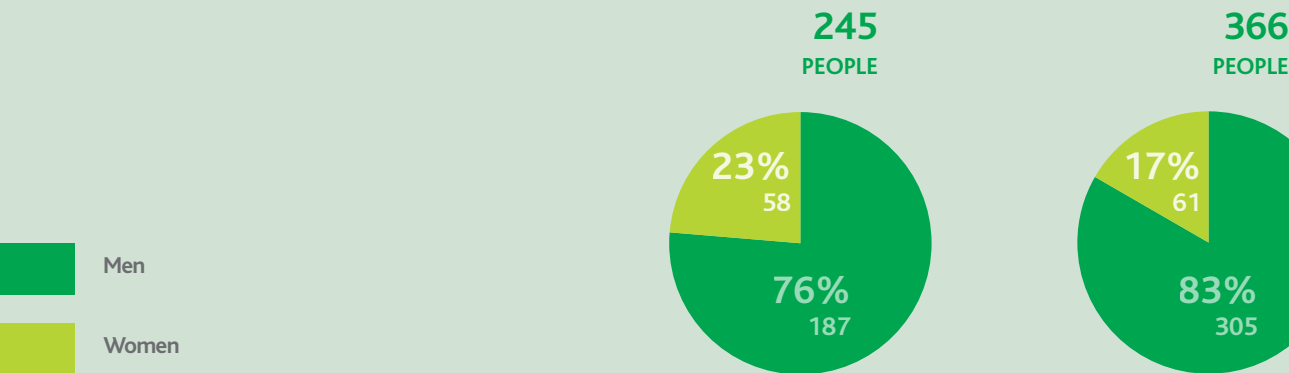
Employment

During 2020 and 2019, with the aim of having enough talent to properly address the challenges it faces, **Ikusi** worked mainly in two areas: attracting and managing talent.

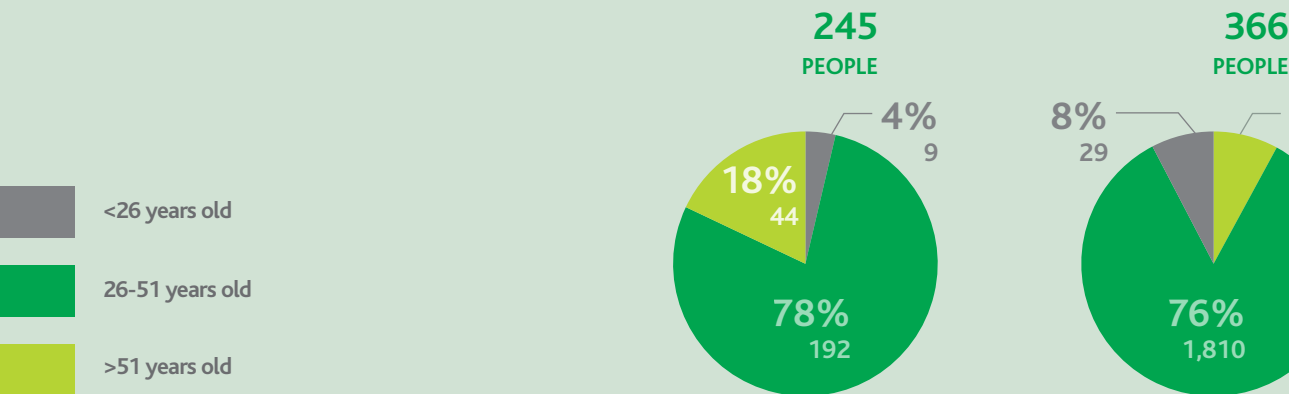
As a result of this commitment, the workforce increased by more than 49 % with respect to the previous year, totalling 366 people at the end of the year.

Distribution of staff

BY GENDER 2019 2020

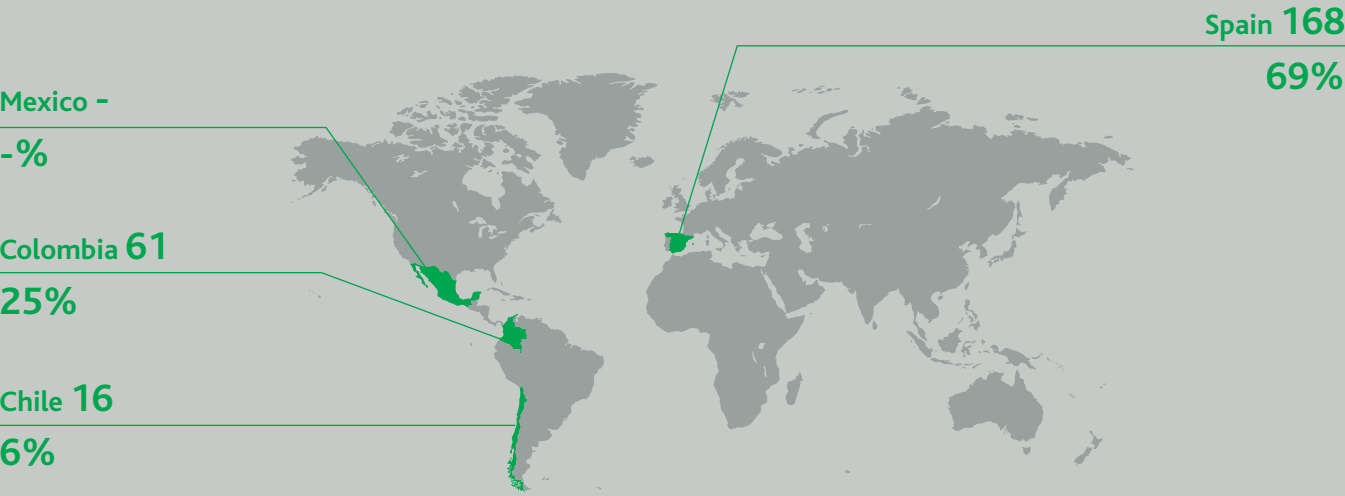


BY AGE 2019 2020

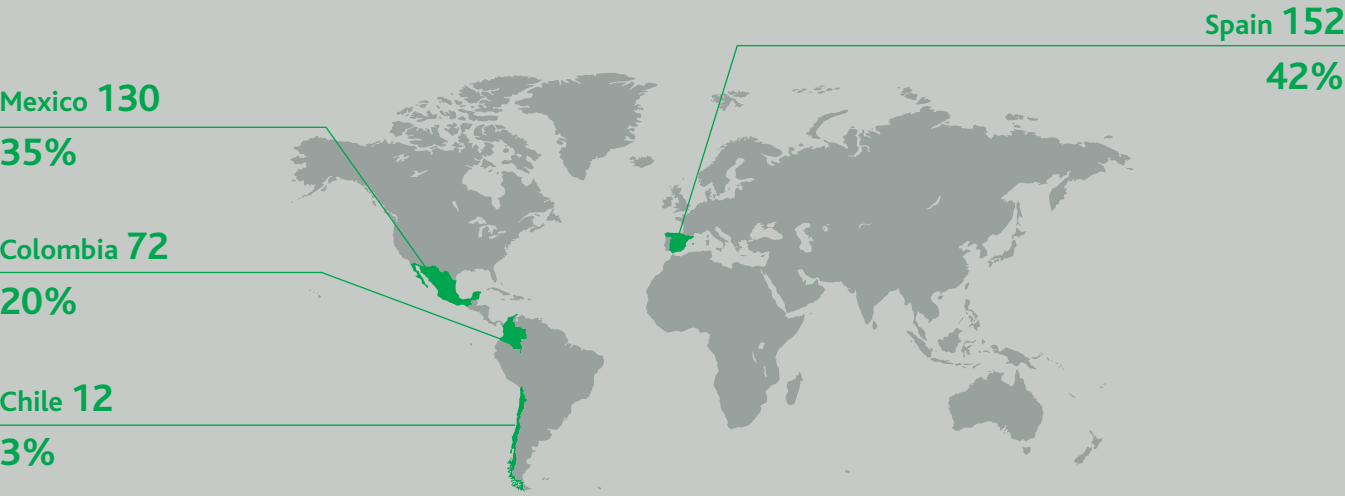


BY COUNTRY

2019 - 245 people



2020 - 366 people



In 2020, the Mexican company Iksafe, with a staff of 128 people who were subcontracted by Ikusi, was incorporated into Ikusi's Networks and Projects business.

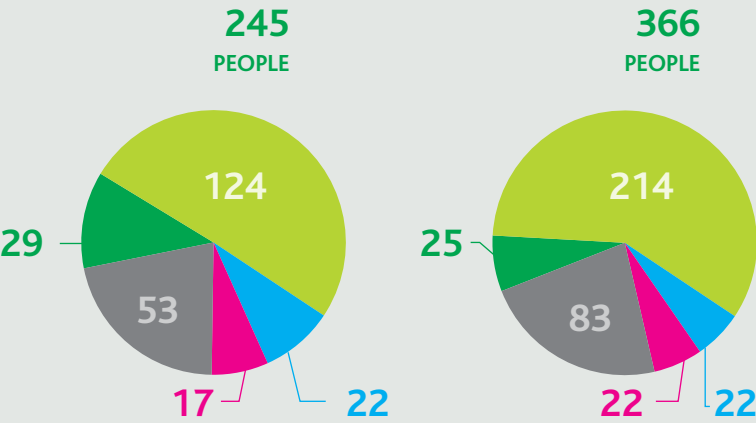
Also during 2020, there were 248 subcontracted people, mainly in Mexico, 178 men and 70 women, in addition to outsourcing of people in customer offices.

BY PROFESSIONAL CATEGORY

2019

2020

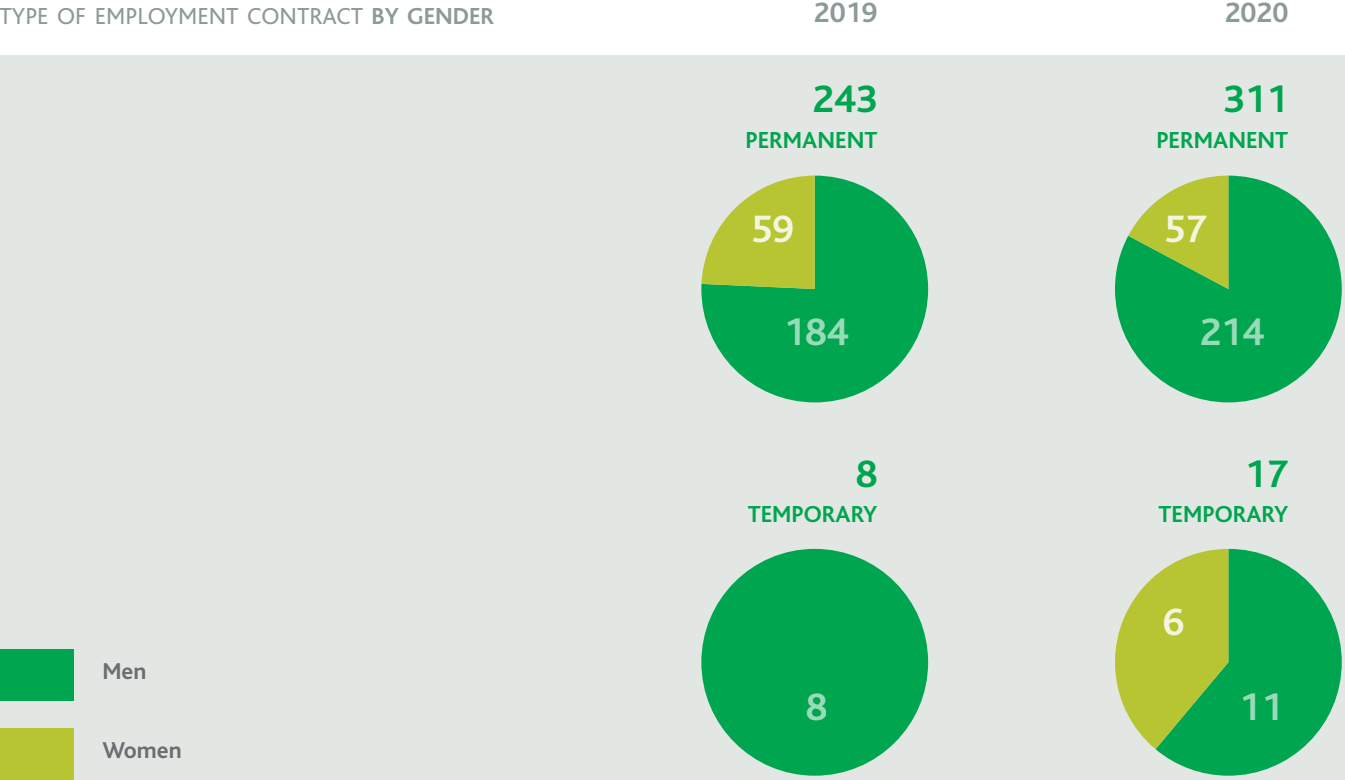
- Management
- Technical staff
- Administrative staff
- Sales staff
- Other



Average annual contracts

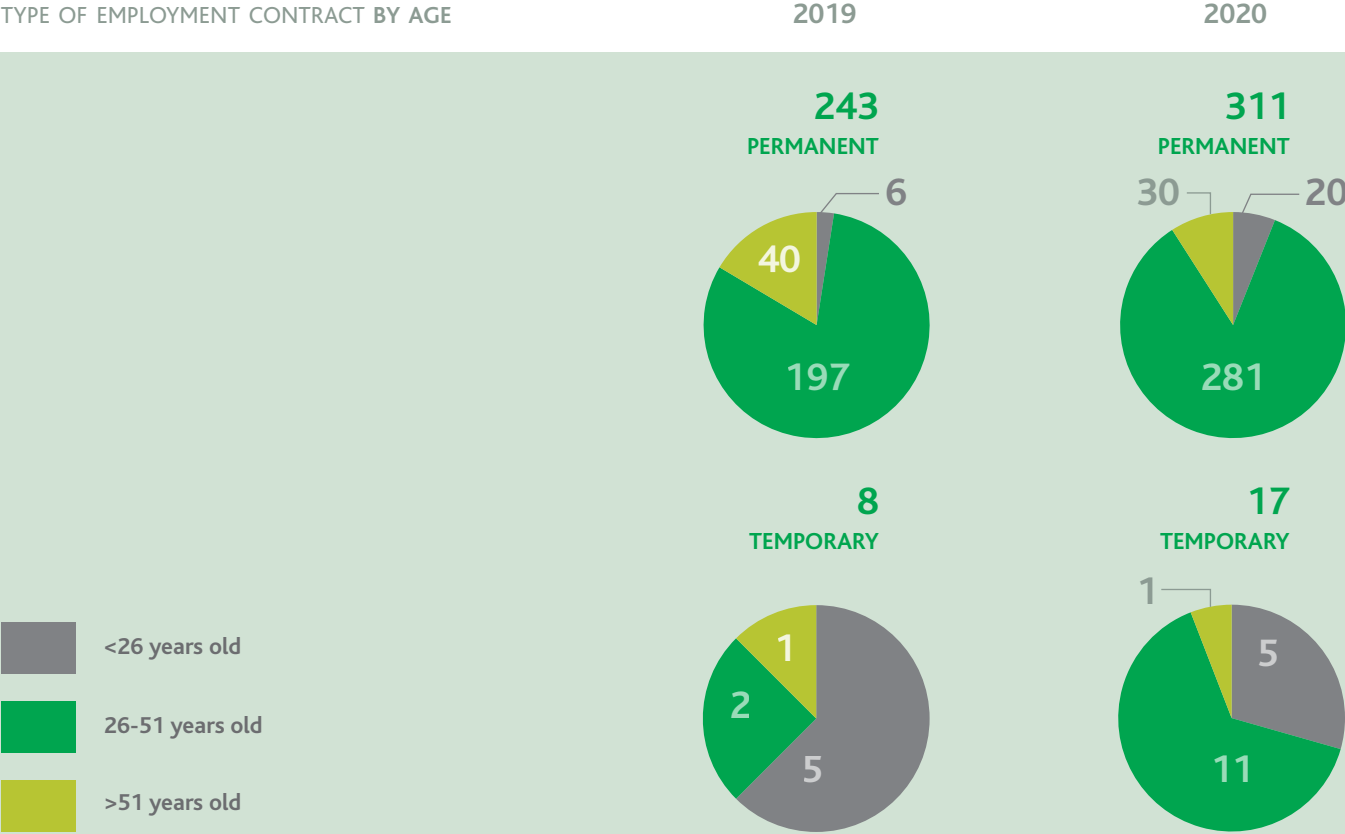
The experience and knowledge of the people who form part of Ikusi constitute one of the factors that have facilitated its competitive position, this approach being consistent with the most common type of contract offered to its employees, as can be seen in the following breakdowns of information showing the annual average number of permanent and temporary contracts ⁽¹⁷⁾:

TYPE OF EMPLOYMENT CONTRACT BY GENDER



⁽¹⁷⁾ The annual average figure has been calculated using the average staff of Ikusi during 2020 and 2019, respectively, taking into account the salary payments calculated in each month.

TYPE OF EMPLOYMENT CONTRACT BY AGE



TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

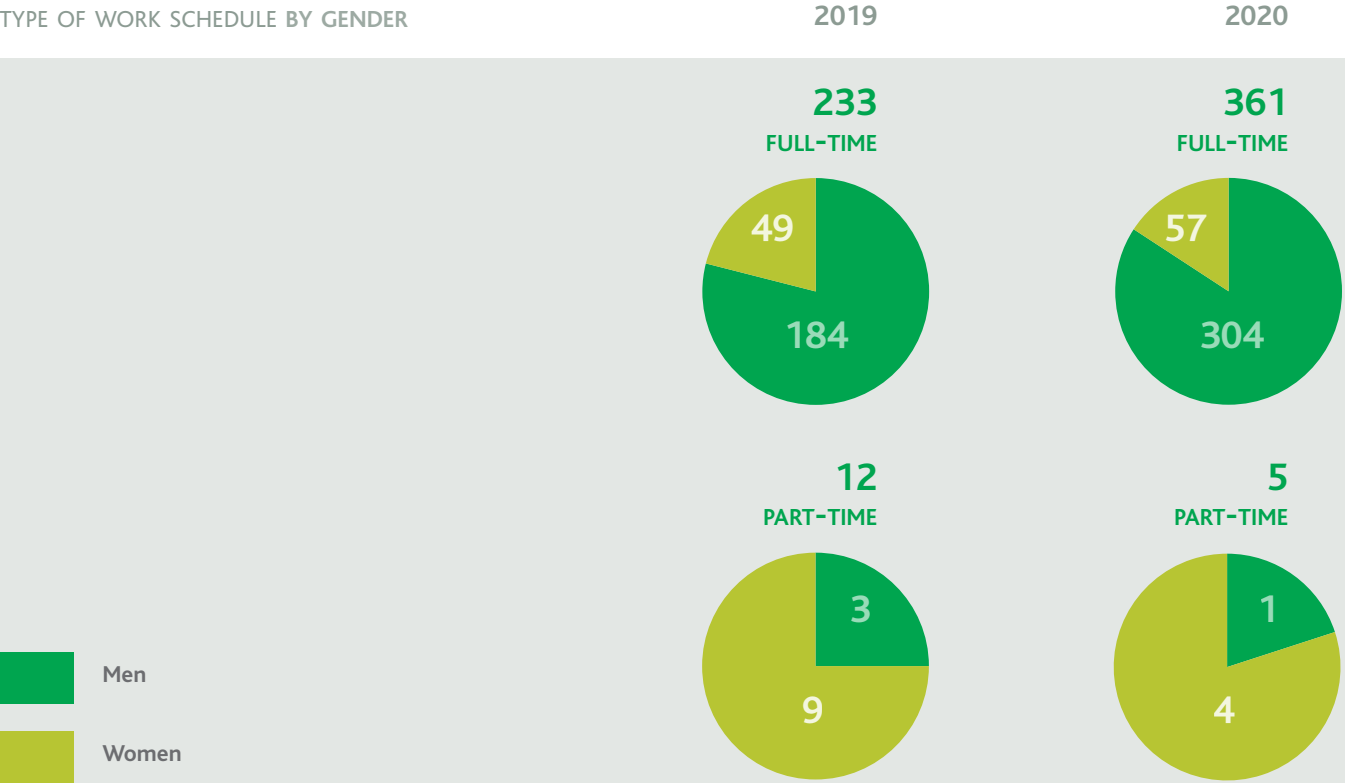
	2019		2020	
	PERMANENT	TEMPORARY	PERMANENT	TEMPORARY
Management	30	-	26	-
Scientific, intellectual and support specialists and professionals	128	4	177	10
Employees of an administrative nature	15	1	4	3
Sales personnel and similar	22	-	29	-
Other qualified personnel	48	3	96	4
Total	243	8	331	17

Employees by type of work schedule

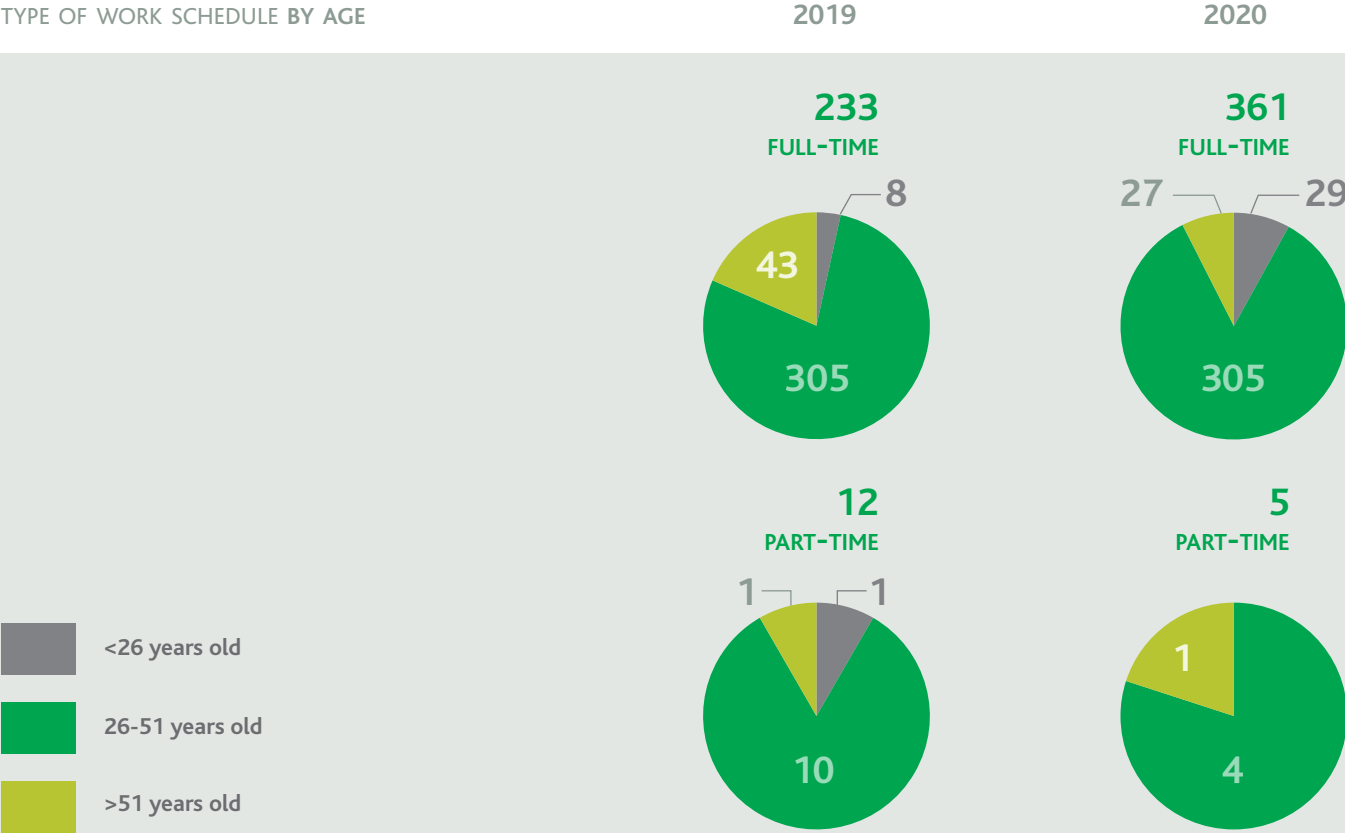
The evolution of Ikusi’s staff distribution in terms of number of employees by type of work schedule is as follows:

As can be seen in the tables, most of the people hired in 2020 are full-time. This is because Ikusi has measures to promote work-life balance which make it unnecessary to resort to part-time work schedules.

TYPE OF WORK SCHEDULE BY GENDER



TYPE OF WORK SCHEDULE BY AGE



TYPE OF WORK SCHEDULE BY PROFESSIONAL CATEGORY

	2019		2020	
	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
Management	29	-	25	-
Scientific, intellectual and support specialists and professionals	119	5	212	2
Employees of an administrative nature	11	6	19	3
Sales personnel and similar	22	-	22	-
Other qualified personnel	52	1	83	-
Total	233	12	361	5



Rate of employee turnover

In 2020, the overall turnover rate was 35 %, with a total of 116 departures (60 in 2019), of which 81 % (78 % in 2019) correspond to various causes such as retirement, contract terminations, voluntary leave, etc., the rest being dismissals.

Employees with disabilities

Currently, there are no employees in the workforce with a degree of disability greater than 33 %. However, Ikusi has an agreement with the Adecco Foundation whereby, as part of its integration programs, the integration of people with disabilities into the labour market is enhanced.

Compensation

Average remuneration

In 2020, wages fell for both men and women due to the new companies absorbed into Ikusi’s business and the variation in the mix of employees within the professional categories.

The average remuneration of employees for financial years 2020 and 2019 (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

2019

2020



AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

	2019	2020
Management	86,810	106,439
Scientific, intellectual and support specialists and professionals	40,123	29,634
Employees of an administrative nature	58,018	46,145
Sales personnel and similar	21,749	23,072
Other qualified personnel	31,196	29,007

Wage gap

The applicable collective bargaining agreements regulate the average remuneration of workers throughout the group, establishing criteria of equity between similar jobs. In this regard, both the remuneration of the employees subject to the agreement and that of those employees to whom these 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 with respect to the actual average fixed remuneration of men (except senior management) by geographical area, the year 2020 shows the following figures:

Geographical area	2019	2020
Europe	12%	20%
Americas	18%	24%

According to the table above, the wage gap has widened in both geographical areas. In the Americas, the recruitment of young women has been promoted to increase the female presence within the organisation, and the addition of a new company has changed the mix of employees by category, which has increased the wage gap during this period, as the table shows. In Europe, the 2020 calculation took into account the average remuneration of the staff of Aryse Comunicaciones, S.L., which also alters the weights of the wage categories.

Although the figures reflect current reality, it should be recalled that, in analysing the wage gap, an external and independent study carried out in 2018 concluded that there is no gap as such, but rather a "glass ceiling".

The wage gap result based on the above calculation 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.

An individual wage gap analysis, by wage brackets/employee categories, and a demographic analysis of the group's employees were carried out in 2020, the main conclusions of which are as follows:

- The number of women at management levels is very low.
- In the medium term, the majority of replacements in those positions will be men.
- As regards replacements in the longer term, it is felt that the distribution of men and women will be somewhat more balanced.

Organisation of work

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

Each company in the group determines the aspects relating to work schedule, rest periods and all other applicable working conditions. **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).

With regard to work-life balance, a forum for reflection was held in 2018 to assess the group's situation in this area, taking into account the employee satisfaction survey, external indicators (both of industrial and electrical sectors), and internal indicators. As a result, a number of measures were identified that are being analysed and implemented progressively throughout 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, in-house magazines, suggestion boxes, the annual conference, personal and direct communication by managers and directors, workers' committees, and health and safety committees.



Health and safety

Ikusi’s commitment to health and safety is reflected in the Corporate Social Responsibility and Quality, Environment and Risk Prevention policies of the group. On the basis of this policy, **Ikusi** 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.
- Safeguard business R+D with specific protection measures that ensure physical information assets, programmes and data.

- 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. In addition, 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.

Country	Company	Expiry
Spain	Ikusi S.L.U	2020
	Ikusi SIS	2020
Colombia	Daxa Colombia	2021

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, which is totally voluntary, entails improving all aspects relating to the health and safety of everyone in the organisation, and it also highlights how committed and proactive the company is in this matter.

Country	Company	Expiry
Mexico	Ikusi México	2023

Accidents

In keeping with its commitment to health and safety, one of Ormazabal’s fundamental goals is to minimise the number of accidents by closely monitoring the evolution of the most representative indicators ⁽¹⁸⁾:

	2019	2020
Frequency Index ⁽¹⁹⁾	2	2
Seriousness Index ⁽²⁰⁾	0.1	0.1

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.

The number of hours computed as absenteeism in 2020 was 6,469 (9,994 in 2019).



⁽¹⁸⁾ The number of hours worked by employees is theoretical, considering an estimated work schedule of 145 hours per month for each line of business.
⁽¹⁹⁾ Number of accidents per million hours.
⁽²⁰⁾ 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 group.

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, the 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 **Ikusi**’s strategy.
- Promote maximum pooling of the existing knowledge, providing the necessary resources and enabling their efficient use.

In this context, **Ikusi** has carried out training activities to meet the needs of its staff all over the world, the total number of training hours in 2020 amounting to 12,246, a total of 165 employees having attended.

Equality

Proof of a strong commitment to gender equality, **Ikusi** has had an Equality Plan in place since 2020.

Support for diversity and equal opportunities is intrinsic to **Ikusi**’s management. With this plan, the company confirms its alignment with principle 6 of the United Nations Global Compact, which supports the elimination of discrimination in respect of employment and occupation.

The group’s 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, national or social origin, economic status, disability or status.

Faithful to the commitment made in the Code of Ethics to guarantee the protection of the fundamental rights of individuals, the company 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 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, suggestions or enquiries about situations of harassment that have not been resolved by informal procedure.

HOURS INVESTED IN TRAINING

	2019	2020
Management	721	1,620
Technical staff	5,389	7,432
Administrative staff	413	-
Sales staff	548	424
Other	978	468
Total training hours	8,047	12,246
Average number of training hours per employee ⁽²¹⁾	32.05	35.18

Of the total number of training hours given in 2020, 10,930 correspond to men and 1,316 to women.

The main training courses carried out were as follows:

- Advanced Management Program.
- Development and leadership training.
- Language learning, mainly English.
- Training in strategic planning.

It is worth highlighting that in 2020, total training hours went up by 52 % compared with the previous year, which means a 10 % increase in the average number of hours of training received by each employee.

⁽²¹⁾ Total number of training hours in 2020 among the average total staff in said year.





2.2. Innovation

Innovation is inseparable from Ikusi because it is part of its DNA. As a specialist in information and communication technologies, it develops solutions using the most advanced technologies (5G, AI, blockchain, etc.) to connect processes that help create smarter cities, more sustainable transport, more reliable and resilient infrastructure.

We highlight below some of the innovation developments and projects that Ikusi worked on in 2020.

Major projects and technological developments

SUCESO

Goal: Generation of a collaborative and shared database aimed at mitigating the effects of the major threats in the network.

Description: Application of artificial intelligence technologies to identify hitherto unknown anomalous behaviours and allow non-expert personnel to interpret them using visual analytics techniques.

Collaborating partners: Vicomtech.

REPLÍCATE

Goal: Deployment of the mobility verticals of the SpiderUMP platform together with the Mobility Department of San Sebastián City Council.

Description: Development and validation of a sustainable urban business model to enhance the transition to a smart city in three "lighthouse" European cities (San Sebastián, Florence and Bristol) in the fields of energy efficiency, sustainable mobility and ICT infrastructures.

Collaborating partners: San Sebastian City Council.

2.3. Environment

Ikusi embraces a culture of responsibility towards the environment, working actively to protect it.

The company's commitments in this respect are reflected in the Corporate Social Responsibility Policy and the Quality, Environment and Occupational Health and Safety Policy.

A basic premise of the **Ikusi** policy developed in 2019 is ensuring compliance with prevailing regulations and guidelines on 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.

The commitments in these areas are reflected in this policy, and are mainly the following:

- 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 by promoting 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.

With this objective as a driver, 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 2019 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

Along these lines, **Ikusi** continues to deploy our 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 within the group.

ISO 14001 certification is the most widely used technical standard worldwide for the implementation and assessment of environmental management systems and is voluntary. The implementation of this certification demonstrates **Ikusi**’s commitment to meeting the highest standards of excellence in this area.

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 by the group 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 2020

Business	Country	Company	Expiry
Ikusi Redes	Spain	Ikusi S.L.	2022
		Ikusi SIS S.A.	2023
	Mexico	Ikusi México	2021
		Micronet de México	2021
	Colombia	Ikusi Redes Colombia	2021

Pollution and climate change

In line with its strategy and goal of combating climate change, and as a necessary step towards reducing CO2 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 CO2 eq.).

GHG emissions (t. CO2eq.) ⁽²²⁾	2019	2020
Direct (Scope 1)	15	16
Indirect (Scope 2)	454	259

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 CO2 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.

In addition, a commitment has been made to sustainable mobility, with the aim of helping to decarbonise the economy. In 2020, 25 % of the company fleet was hybrid, and the company is committed to making its fleet 100 % hybrid (minimum) 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.

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.

It should also be highlighted that 2020 saw the launch of a project aimed at reducing the consumption of paper and toner. 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. Consequently, the amount of printing has been reduced, although due to the pandemic and the reduction in activity, the results obtained are not representative.

For waste management purposes, most **Ikusi**’s companies have contracts with management companies specialising in the transportation and handling of waste. These contracts cover the entire process, from collection to handling and, in some cases, return for reuse and the liability of both parties.

Waste generation

Type of waste	2019	2020
Hazardous waste	2,515 Kg	0 Kg
Non-hazardous waste	6,606 Kg	7,523 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.

It is important to point out that waste in 2019 was associated with **Ikusi** Spain. In Spain, generated waste is associated with removals of equipment from customer premises, which means there are peaks for removal depending on the customer’s requirements, as well as for the upgrading of systems. In 2020, there was no such waste in Spain.

The waste recorded for 2020 refers to Mexico, where it is collected by the waste manager every other year, hence there being no figures for 2019. This is because waste generation is very low, and the minimum amount for collection is 7,500 kg.

Sustainable use of resources

Evolution of energy consumption

Consumption	2019	2020
Electricity consumption (kWh)	1,060,812	720,566
Electricity consumption from renewable sources (kWh)	-	126,789
Natural gas consumption (Nm³)	6,753	7,383
Diesel A and C consumption (l)	1,060,812	847,355

There have been two significant variations in electricity consumption:

- A 47 % reduction in Mexico due to the unavailability of half a plant at the facilities and because the employees have basically been teleworking. In addition, certain measures have also been put in place to improve energy efficiency.
- Increased electricity consumption due to the inclusion of Aryse data, which accounted for around 27 % of total consumption in 2020. Aryse being a new addition, no figures had been reported in 2019.

Energy efficiency

In line with its commitment to reducing energy consumption, in 2020 **Ikusi** undertook a number of initiatives to promote and boost energy efficiency:

- Some companies changed to LED lighting.
- In Mexico, motion sensors were installed to switch lights off automatically in seldom frequented areas and meeting rooms.
- 100 % renewable energy at **Ikusi** Spain.

⁽²²⁾ 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.

2.4. Customers and consumers

Ikusi’s vocation is to establish longstanding 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 commitment to quality, it should be highlighted that, by the end of 2020, various **Ikusi** companies worldwide were ISO 9001 certified:

Business	Country	Company
Ikusi Redes	Colombia	Daxa Colombia
	Mexico	Ikusi México
		Micronet
Ikusi Proyectos	España	Ikusi S.L.
		Ikusi SIS S.A.

Claims and complaints system

Ikusi has identified customer satisfaction as a relevant aspect in the materiality analysis and has established the following course of action:

- Develop 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.

Customer satisfaction is in the group’s DNA, which is why **Velatia** has implemented a claims and complaints system adapted to the reality of each company and business, applicable to **Ikusi**.

In this system, incidents are reported through any of the formal and informal channels made available to the consumer. The claims and complaints are managed and processed by specialised staff who analyse 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.

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. Claims and complaints are regularly monitored in all the businesses, identifying the type, status and resolution date of each one.

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 2020, Ikusi continued to work towards responsible production and consumption across the supply chain.

The group’s firm commitment to the supply chain, reflected in our Corporate Social Responsibility and Procurement policies, manifests itself in the following areas of action:

- Extend 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.
- 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 the group 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.

Faith in local suppliers

Ikusi’s influence on the local economy is measured not only in terms of creating direct employment and paying wages and taxes, but also in terms of positive economic impacts indirectly generated by supporting local businesses through the supply chain.

The company is firmly committed to the companies located in the main geographical areas in which it operates. In this regard, the company 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.

% expenditure to local suppliers	2019	2020
Spain	76%	86%
Mexico	66%	69 %
Colombia	78%	47%

Sustainability in the supply chain

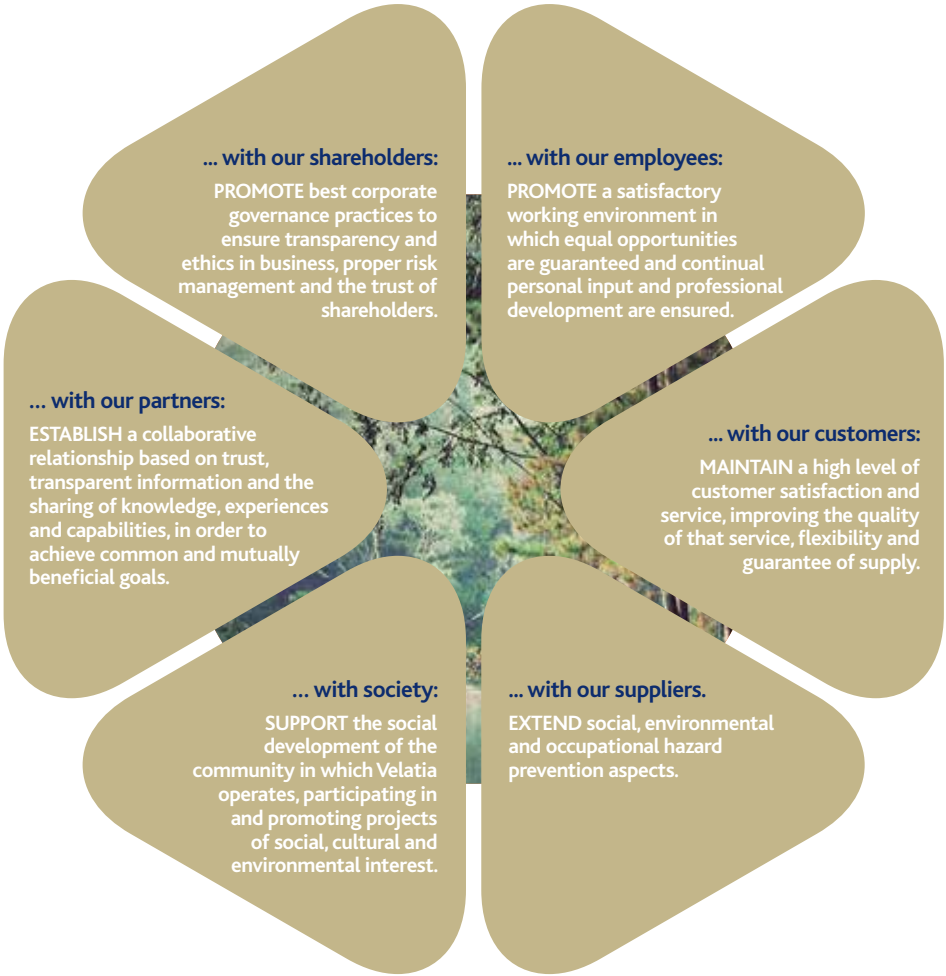
Ikusi’s companies seek to contribute real value in their procurement management processes, both for their businesses and for their suppliers, guaranteeing results and favouring adaptation to the local environment, which enhances the creation of wealth and employment in the communities in which they operate. 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 departments 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. The Corporate Social Responsibility and Social Action policies defined by the group set out its lines of action in this area:

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.



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.

It consistently maintains a position of defending regulation conducive to the fundamental principle of sustainability.

This position regarding the regulatory aspect is linked to the adoption of 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 **Ikusi** 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. These are some of the most relevant:

Organisations	
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 Española de Normalización
CAINTRA	Cámara de la Industria de Transformación de Nuevo León
AMIITEL	Asociación Madrileña de Integradores de Telecomunicaciones
ALAS	
ITS	
MAFEX	
COPARMEX	Sindicato patronal independiente, apartidista y de afiliación voluntaria que reúne a empresarios de todos tamaños y sectores
WISP MX	Asociación Nacional de Proveedores de Internet Inalámbrico, A.C
SELECT NET	Comunidad para la transformación digital de las organizaciones en México.

Forging links between education and business

Ikusi maintains close collaboration with training institutions through collaboration agreements, scholarships and internships, to promote the development and growth of the local economic fabric, bringing the company closer to the educational world.

Agreement with Tecnun (Engineering School, University of Navarre)

In 2016 **Ikusi** signed a collaboration agreement with Tecnun, the Engineering School at the University of Navarre, which pursues the following goals:

- Training students 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 leader in the field of technology. Various communication actions have been carried out over the years, such as participation in the company classroom presentation days and the school’s newsletter.

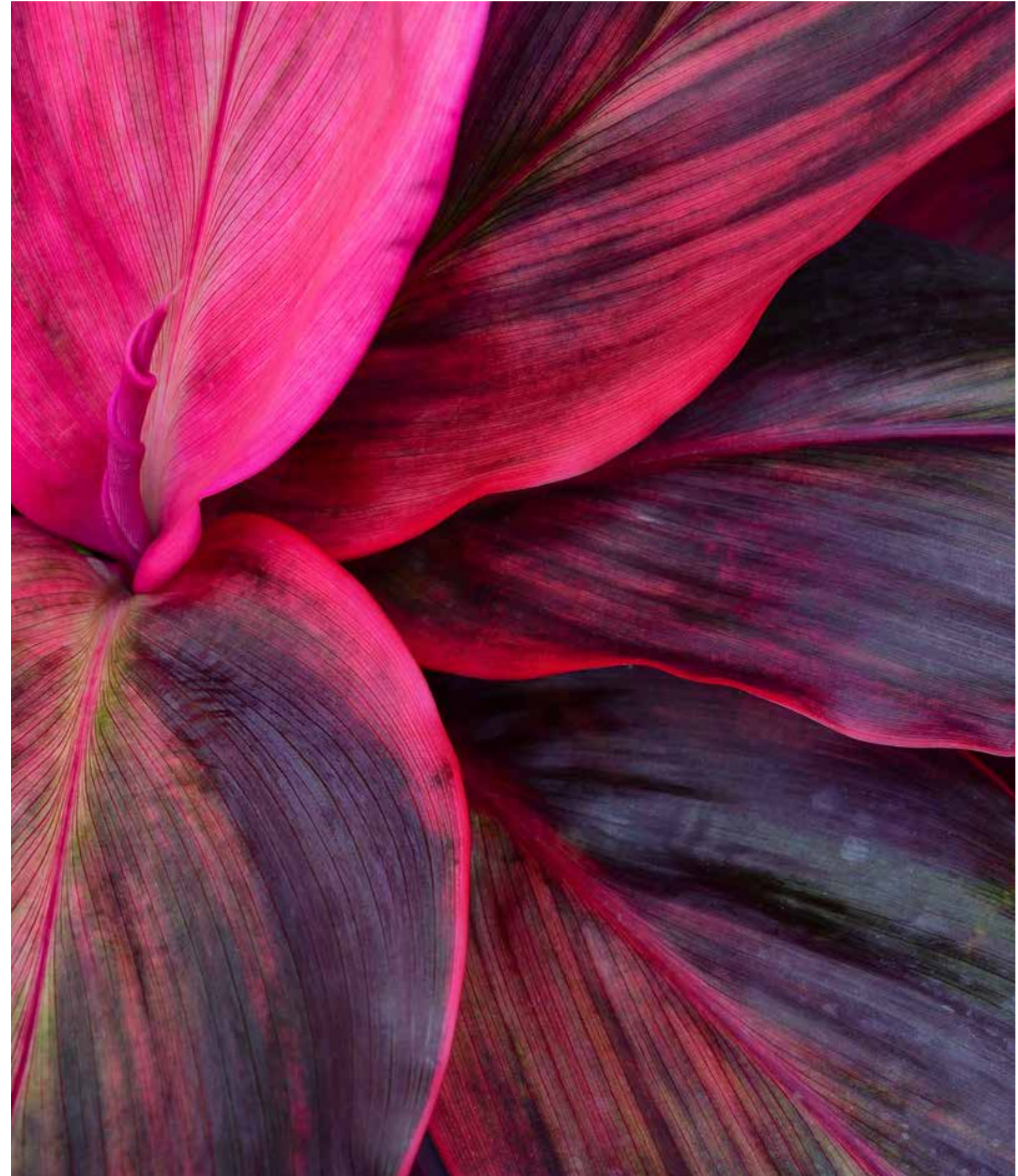
Agreement with the Monterrey Institute of Technology and Higher Studies (ITESM)

In 2020, **Ikusi** signed a collaboration agreement with this prestigious educational centre in the city of Monterrey (Mexico) with the aim of improving the competitiveness of students in their professional field, helping to enhance the skills of current generations in order to forge leaders who can meet the challenges and opportunities of the 21st century.

Through a close relationship in which students are systematically supported by both the teaching staff and by **Ikusi** professionals, the aim is to further the development of their competencies in a real environment.



Other businesses



A close-up photograph of a fan palm frond, showing the intricate, ribbed texture of the leaf. The frond is curved, and the color transitions from a warm, reddish-pink on the left to a cool, deep blue on the right. The lighting highlights the fine details of the leaf's structure.

**Be smart.
Be sustainable**

1. Companies

Velatia’s core businesses are power grids and information and communication technologies (ICTs), led by **Ormazabal** and **Ikusi**, respectively. In addition, the group provides advanced technological solutions that generate value in other cutting-edge sectors such as aeronautics, energy services, electromechanical engineering, electronic components, multimedia services and infrastructure for e-mobility; all these activities are grouped together under “Other businesses” or “ventures”.

The companies that make up the latter group are described below.



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 cards and electronic assemblies for customers who require high quality standards in products and services.

Klode Media / Multimedia

Klode Media

Experts in innovative and high-quality solutions for the reception, processing and distribution of TV and video signals.

2. People

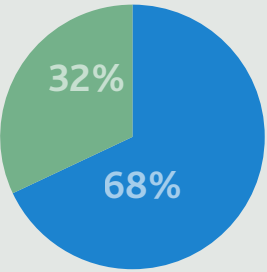
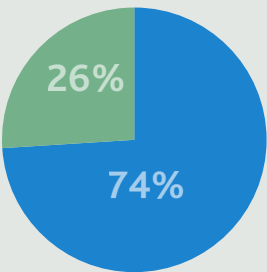
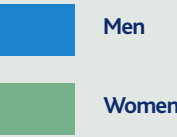
At the end of 2020, the total workforce of “Other businesses” consisted of 338 people, the vast majority (91 %) located in Spain and with a permanent contract (95 %). As for the breakdown by gender, 68 % are men and 32 % women.

Distribution of staff

BY GENDER

2019

2020



3. The year in review

While each business has made a great effort to achieve the best results by adapting to the circumstances, the crisis resulting from the pandemic has hit “Other businesses” especially hard, albeit to varying extents.

In overall terms, the consolidated turnover stands at 42.1 million euros.

If we review each company in turn, we see that for **Smarmec** 2020 was marked by a fall in sales of nearly 30 % with respect to the budget, due to the impact of the crisis on the market of HP, the company’s main customer. This was compounded by the workforce adjustments made as a result of the restructuring of the company in Zamudio. It should be noted that, after the drastic drop in sales, HP’s activity began to recover gradually during the second half of the year.

As planned, **Smarmec** has carried out the transfer of HP product from the Zamudio plant to its new factory in Malaysia, which acquires greater importance.

Restrictions on mobility have seriously impacted the aeronautical industry and, as a result, the activity of **Wec**, which proceeded to adapt its structure to that of the market and seek new opportunities in segments such as defence.

Electronics, after implementing strong cost containment

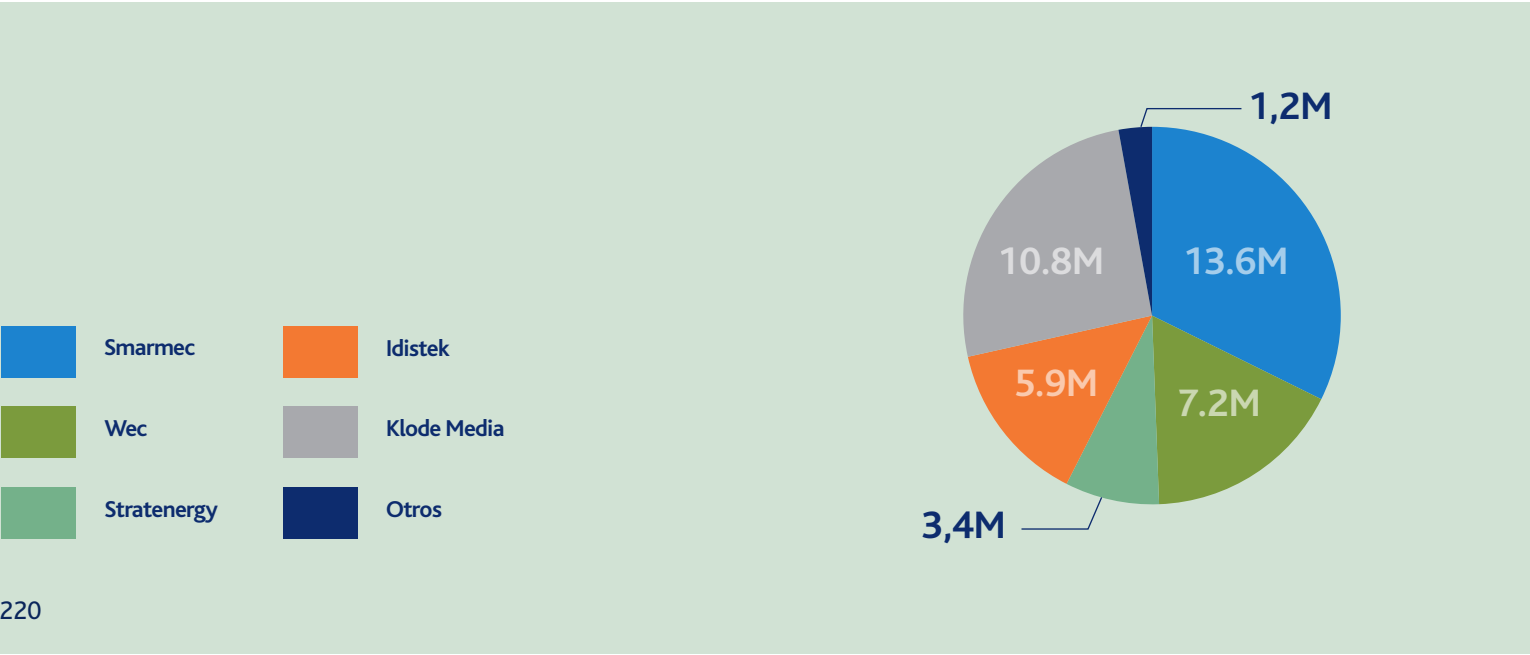
measures and improving competitiveness, is entering a new phase of consolidation and fresh opportunities under a new name, **Idistek**, to be launched in January 2021.

2020 also brought excellent news such as the signing of an agreement for the merger of Klode Media –**Velatia’s** multimedia business unit– with Triax, to create a new and more competitive company with greater capabilities. This merger will allow both companies to grow and stand out in the market, combining complementary offerings and a solid R+D base and, above all, focusing on customers’ needs.

Also in 2020, **Ormazabal** supported the commercial launch of Nexvia in Spain, which secured its first orders, and the first steps were taken to set up Nexvia Mexico by bringing in new and powerful partners. **Stratenergy** also joined this innovative ecosystem that is destined to become a real driver of future success.

TURNOVER (MILLIONS OF EUROS)

2020



4. Projects



Project for the design and manufacture of a cell culture bioreactor

Aglaris has awarded **Smarmec** the design, manufacture and commissioning of a prototype and a three-unit series of a cell culture bioreactor for European hospitals.

The product designed on the basis of Aglaris’s biomedical technology is an innovation that will revolutionise cell culture productivity.

The speed of response and coordination between **Smarmec’s** engineering team and the production team at its factory in Zamudio allowed the parts to be delivered according to the customer’s demands and requirements.



Project for the manufacture of enclosures for electric car chargers

Smarmec has been approved by Starcharge – one of China’s leading manufacturers of e-vehicle chargers – for the manufacture of three of its models.

Thanks to this project, led and executed by **Smarmec’s** engineering and production team at its factory in Kunshan, the customer can have a product of the quality required in international markets in a sector as demanding as electromobility.



REMEDI project

In 2020, **Smarmec** continued to contribute its experience to the REMEDI R+D project. The aim of this project, involving Ramen, CT Ingenieros and **Smarmec** with the support of AIMEN-Technological Centre, is to establish an optimal, efficient and lightweight design methodology in the manufacture of medium/large components. It is part of the Smart Eureka call and is subsidised by the Innoglobal programme.



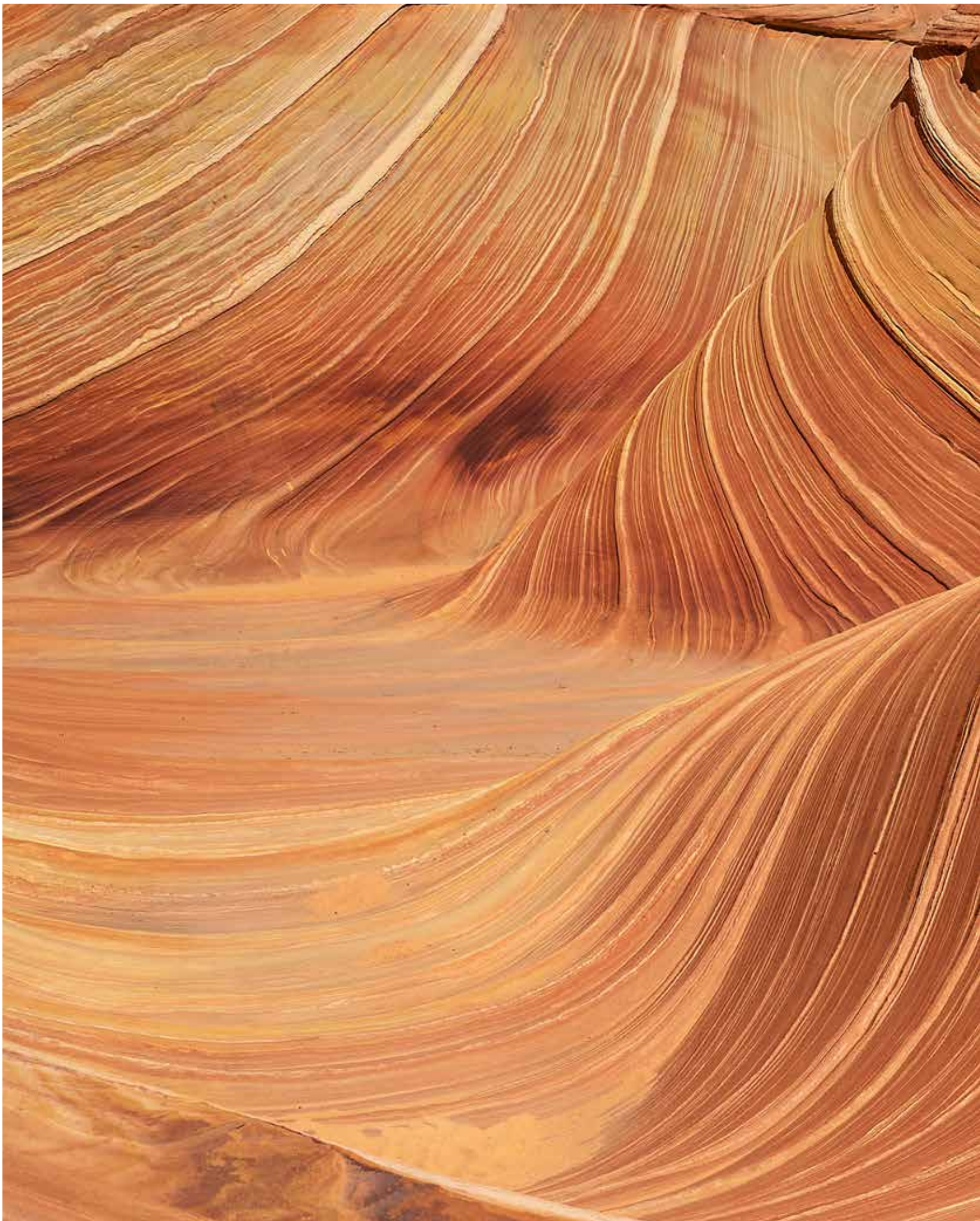
UltraFan engine development project

Wec has participated in the development of the UltraFan engine for the next generation of Rolls Royce aeronautical engines.



Robotic surgery project

Idistek has collaborated on a robotic surgery project led by Cyber Surgery.



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, and 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". In doing so, 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 Corporate Social Responsibility Master Plan 2018-2020. 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 2020.

With all this, 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 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 2020, without omitting information relevant to stakeholders. In the event of significant changes in coverage, these have been indicated throughout the report.

*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. For the sake of data comparability, and wherever possible, certain figures from 2019 have been recalculated with the same scope as those reported in 2020.

Reliability

The reliability of the data collected in this 2020 Report has been checked by Deloitte, the firm that has carried out its verification.

List of material topics

Period: 2020

Valor: 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.

Re-expression of information

In 2020, business data were disaggregated in order to provide information more appropriate to the stakeholders of each business.

Reporting period

The report covers data corresponding to 2020 and its comparison with 2019.

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: 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 on Non-Financial Information Statement (NFIS)			
Contents	Standard used (GRI)	Page	Observations
0. General information			
Materiality	102-44 Key topics and concerns raised	30-36	
	102-47 List of material topics		
Description of the group's business model	102-1 Name of the organisation	7-20 26-29	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 Key topics and concerns raised		
	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		
	102-16 Values, principles, standards and norms of behaviour	10-11	
	102-35 Remuneration policies	56-57	
	103-1 Explanation of the material topic and its Boundary	30-36	
	103-3 The management approach and its components approach	67-76	
	103-2 Evaluation of the management	67-76	
	205-2: Communication and training on anti-corruption policies and procedures	24-26	

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	26 – 33
	102-15 Key impacts, risks and opportunities	27-29
	102-29 Identifying and managing economic, environmental and social impacts	65-68
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	28
	102-29 Identifying and managing economic, environmental and social impacts	67-69
Environmental assessment or certification procedures	102-11 Precautionary Principle or approach	67-68
	103-3 Evaluation of the management approach	
Resources dedicated to the prevention of environmental risks.	102-29 Identifying and managing economic, environmental and social impacts	67-71
Application of the precautionary principle	102-11 Precautionary Principle or approach	67-71
Provisions and guarantees for environmental risks	307-1 Non-compliance with environmental laws and regulations	67-68
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)	69

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	69	
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	70	
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	70-71	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	70-71	
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	69	
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)	69-71	

Measures taken to preserve or restore biodiversity	Impacts caused by activities or operations in protected areas		As derived from 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	17-20	
	102-8 Information on employees and other workers		
	405-1. b) Diversity of employees	47-49	
Total number and distribution of employment contract types	102-8 Information on employees and other workers	48-40	
Annual average of indefinite, temporary and part-time contracts by gender, age and professional category	102-8 Information on employees and other workers	48-51	
Number of dismissals by gender, age and professional category	401-1b Rate of employee turnover	52-53	
Average remunerations and their evolution disaggregated by gender, age and professional category or equal value		55-56	
Wage gap		57	
Remuneration of equal work or average remuneration in the company		43-46 54-56	
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		55-56	
Implementation of "right to disconnect" measures		62	
Employees with disabilities		54	

Organisation of working time	103-2 Management approach (work organisation)	58	
			Information on the number of hours of absenteeism has been included only for those companies where a clocking-in system is available. However, the percentage of coverage achieved with the information included as regards the main parameters of the consolidated figures is close to 100 %.
Number of hours of absenteeism	403-9a Work-related injuries	60	
Measures aimed at facilitating enjoyment of work-life balance and encouraging both parents to assume joint responsibility in this matter.	103-2 Management approach	60	
Occupational health and safety conditions	403-1 Workers representation in formal joint management–worker health and safety committees	58-59	
Work accidents and occupational diseases (frequency and seriousness) disaggregated by gender	403-9a Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	59	No information on occupational diseases is provided.
Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them. Percentage of employees covered by collective agreement, by country	102-43 Organisation’s approach to stakeholder engagement (trade unions and collective bargaining) 403-4 Health and safety topics covered in formal agreements with trade unions	58	
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 2020 was 79 % (82 % in 2019).
Review of collective agreements, particularly in the field of occupational health and safety		58-59	

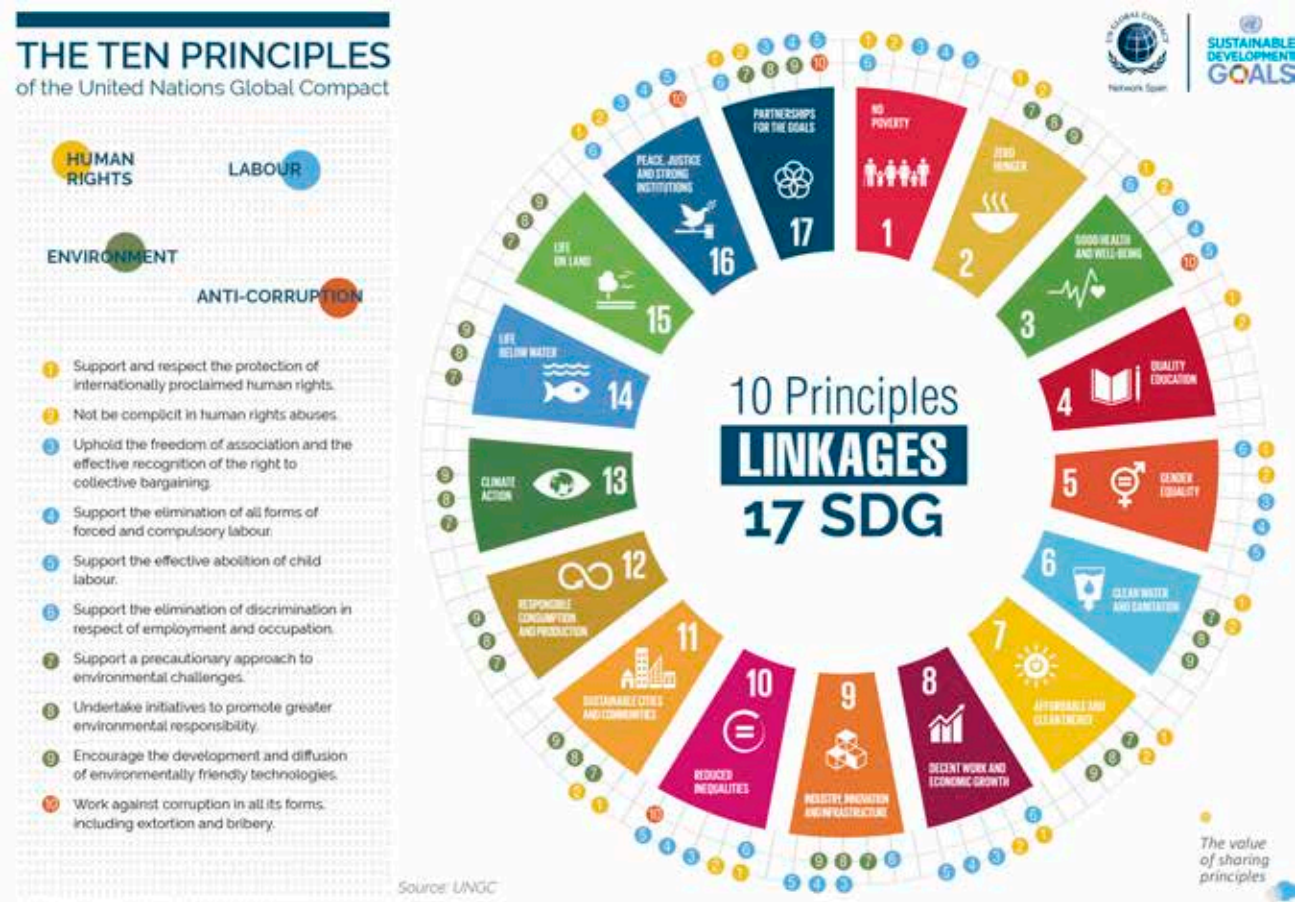
Policies implemented in the field of training	103-2 Management Approach (regarding GRI 404-Training and Education) Total number of hours of training by professional category	58 y 60
Total number of hours of training by professional category	404-1 Average hours of training per year per employee	61
Universal accessibility for people with disabilities	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	54
Measures taken to promote equal treatment and opportunities for men and women	103-2: Management approach (regarding GRI 405 Diversity and Equal Opportunity)	63
Equality plans	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	63
Measures taken to promote employment	103-2 Management approach (regarding GRI 401 Anti-corruption)	76,77 y 79
Protocols against sexual harassment and gender-based harassment	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	24 – 26 63
Integration and universal accessibility for people with disabilities	103-2 Management approach (regarding GRI 405 Diversity and Equal Opportunity and GRI 406 Non-discrimination)	54
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	24 – 26 66-67

3. Information on respect for human rights		
Implementation of due diligence procedures in matters concerning human rights	103-2 Management approach (regarding GRI 412 Human Rights Assessment)	24
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)	28
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)	26
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)	24-25 58
4. Information relating to the fight against corruption and money-laundering		
Measures taken to prevent corruption, bribery and the fight against money-laundering	103-2 Management approach (regarding GRI 205 Anti-corruption)	24-26
Contributions to foundations and non-profit entities	103-2 Management approach (regarding GRI 205 Anti-corruption)	77-80

5. Information on the company		
Impact of the company's activity on local employment and development and on local populations and the region	204-1 Proportion of spending on local suppliers	73
	102-40 List of stakeholders 102-42 Identifying and selecting stakeholders	
Relations with local community actors and modes of dialogue with them	102-43 Approach to stakeholder engagement (community) 413-1 Operations with local community engagement, impact assessments, and development programs	
Partnership or sponsorship actions	102-13 Membership of associations	76-80
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)	73-75
Supplier and subcontractor supervision and audit systems, and results thereof	308-1 New suppliers that were screened using environmental criteria	74
Measures for consumer health and safety	103-2 Management approach (regarding GRI 416 Customer Health and Safety)	72
Complaint systems, complaints received and resolution thereof	103-2 Management approach (regarding GRI 416 Customer Health and Safety)	72

	201-1 Direct economic value generated and distributed	
Profits earned by country	207-1 Approach to tax	81-82
	207-4b.vi Country-by-country reporting	
Profit taxes paid	201-1 Direct economic value generated and distributed	81-82
	207-1 Approach to tax	
Public grants received	201-4 Financial assistance received from public administrations	83

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 2020, 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 informe 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 GRI y Contenidos de la Ley 11/2018” incluida en el apartado 3.2 del Estado de Información no Financiera 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 GRI y Contenidos de la Ley 11/2018” incluida en el apartado 3.2 del Estado de Información no Financiera 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 B*, folio 188, hoja M-54414, inscripción 964. 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 2020 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 2020.
- 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 2020.

- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2020 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.

Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido 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 2020 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 la “Tabla GRI y Contenidos de la Ley 11/2018” incluida en el apartado 3.2 del Estado de Información no Financiera 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
10 de mayo de 2021



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