

A full-page background image showing a bright sun rising above a thick layer of white clouds, with a clear blue sky above. The sun is positioned slightly to the left of the center, creating a warm orange glow across the horizon.

**Be smart.
Be Ormazabal**



ORMAZABAL

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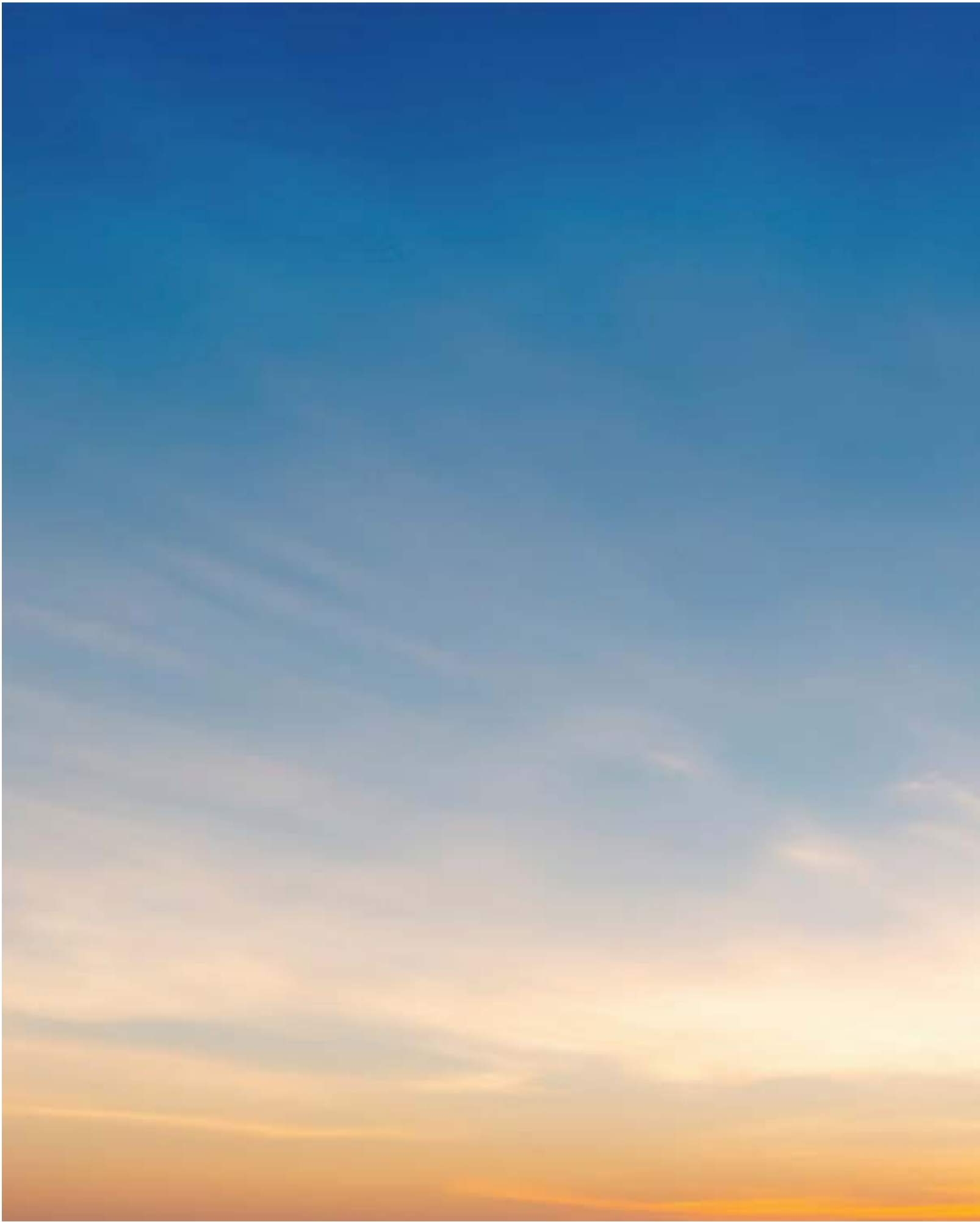
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Be Ormazabal.
Be sustainable





The year 2021 has closed as a vibrant year full of challenges and difficulties, but also opportunities and breakthroughs. Some of these challenges were foreseeable before the year began, but others have manifested themselves in unforeseeable ways. It is worth highlighting the still significant impact of the pandemic, as well as the enormous difficulties associated with supply chains, which, thanks to the enormous efforts of the Ormazabal team, the support of our shareholders, the close relationship with our suppliers and the collaboration of our customers, we have been able to overcome successfully. Almost 55 years of history (which we will celebrate in 2022) of continuous work based on solid values have allowed us to differentiate ourselves in the market due to our flexibility and pragmatism.

I cannot ignore the enormous support Ormazabal has received from the determined and sustained commitment of the institutions to the energy transition despite the uncertainty. This commitment is driving our strategy with great tailwind through the decarbonisation of the energy mix by building renewable generation plants, the decarbonisation of trans-

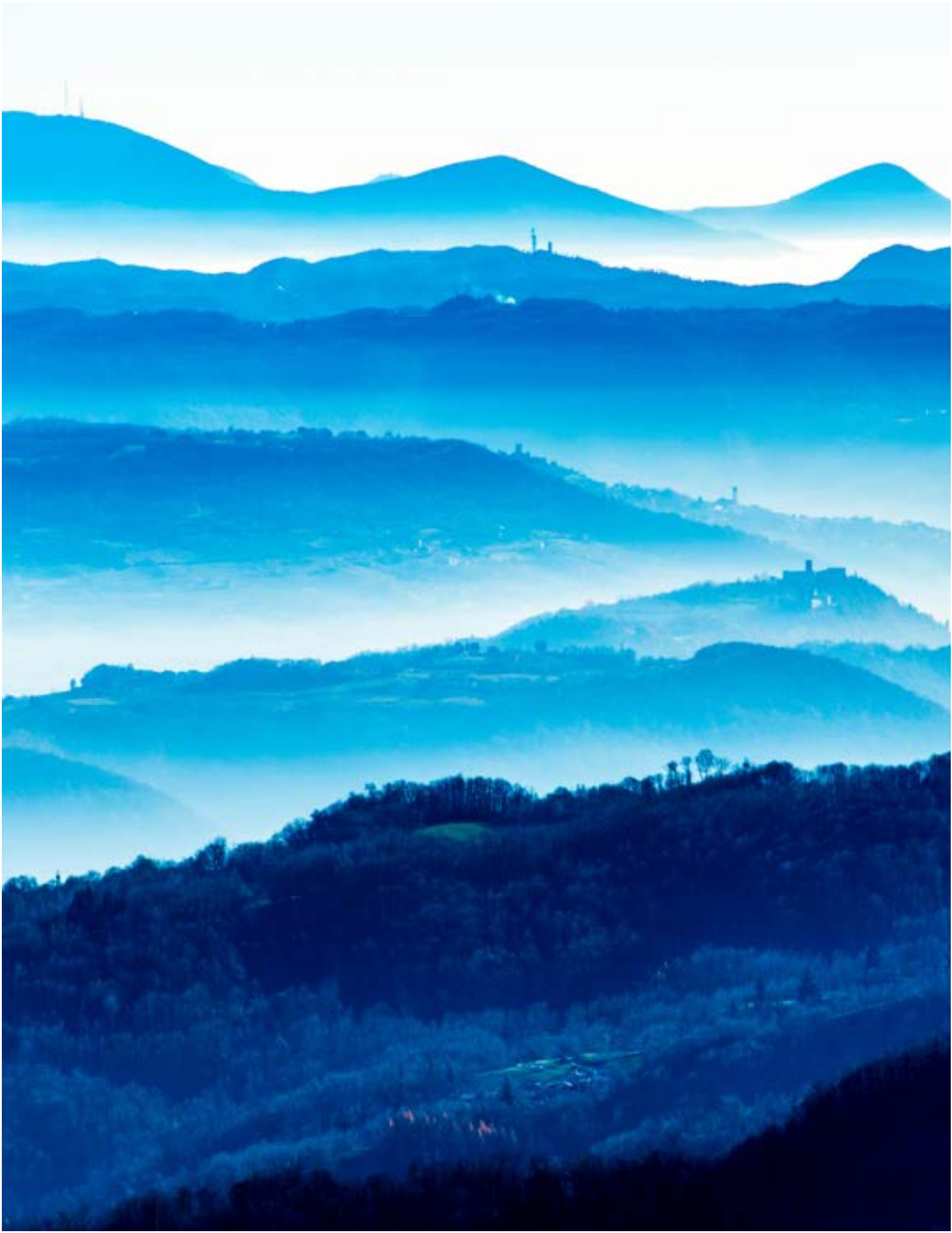
port and the digitalisation of electricity grids as the backbone of the entire system, all sectors in which Ormazabal plays an important role.

Although our business, in light of the above, is sustainable, Ormazabal is also firmly committed to making our own operation increasingly sustainable. Thus, we are committed to being carbon neutral by 2050 with an intermediate target of 68% reduction by 2030.

As a result of all of the above, we closed the year with results that we can undoubtedly describe as satisfactory. A growth in turnover of 15%, reaching 543 million euros. As well as continuing to create quality jobs to exceed 2,400.

I hope that by reading this report you will gain a detailed understanding of our economic, environmental and social performance over the past year.

Jorge González
CEO of Ormazabal



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

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

1. About Ormazabal



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

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

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

1.1. Purpose, mission, vision and values

Purpose

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

Mission

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

Vision

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

Values

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

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

"Technology for your sustainable grid"

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

1.2. Ormazabal business

Ormazabal's main business segments are:

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

1.3. Ormazabal in figures

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

Leaving a positive footprint on the planet

ORMAZABAL



Foundation

1967
year

Experience

+ 50
years

People

2,444
employees

Global presence

+ 50
countries

Commercial offices

15
countries

Production centres

16
worldwide

Research and Technology Centre

1
unique in the world



1.4. Summary of the year

The year in review

Ormazabal's growth surpasses forecasts and the industry average

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

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

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

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

One third of sales in the year were new products

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

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

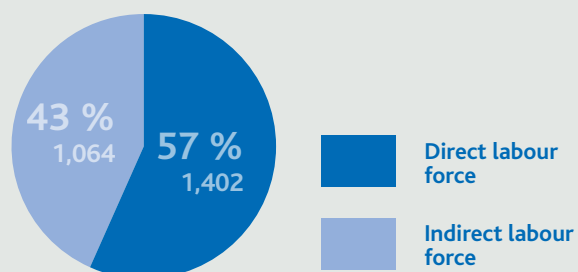
In relation to the commitment to talent management, two significant milestones should be mentioned: one is the launch of the "**Advanced**" training certificate aimed at the commercial networks promoted by Ormazabal Learning Center, and the other is the implementation of a mentoring program (**Ormazabal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

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

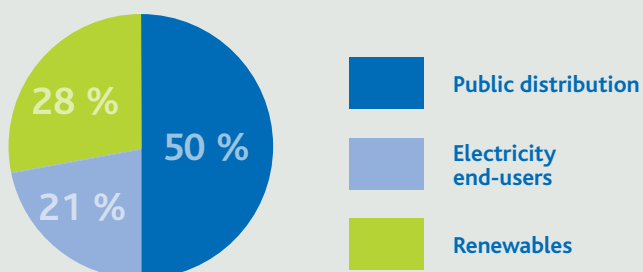
Evolution of turnover

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

STAFF 2021



DISTRIBUTION OF SALES 2021



Ormazabal milestones

Smart local network station / Germany

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

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



Hybrid wind-solar project for Iberdrola / Australia

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



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

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





First public green hydrogen station / Spain

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



Electric vehicle charging superhub / United Kingdom

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

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



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

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

Mexico City metro solution / Mexico

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



Solution for Iberdrola's mobile substations / Spain

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



Grand Paris Express Project / France

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

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





Ormazabal Learning Center launches Advanced

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



Ormazabal Mentoring Experience

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

Participation in industry activities

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

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

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

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

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





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



Awards and recognitions

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

In recognition of Ormazabal's excellence in management

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

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

Iberdrola special mention at the RETO Awards

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

1.5. Governance

Governing bodies

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

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

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

Ormazabal Advisory Council

CHAIRMAN

Mr. Javier Ormazabal Echevarria

MEMBERS

Mr. Alejandro Ormazabal Echevarria

Mr. Hipólito Suárez Gutiérrez

Mr. Luis Atienza Serna

Mr. Jorge González Somavilla

SECRETARY (non-member)

Mr. Alex Otaegui Furriel



1.6. Risk management

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

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

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

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

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

1.7. Sustainability

Identifying stakeholders

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

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

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

These stakeholders are prioritised according to two variables:

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

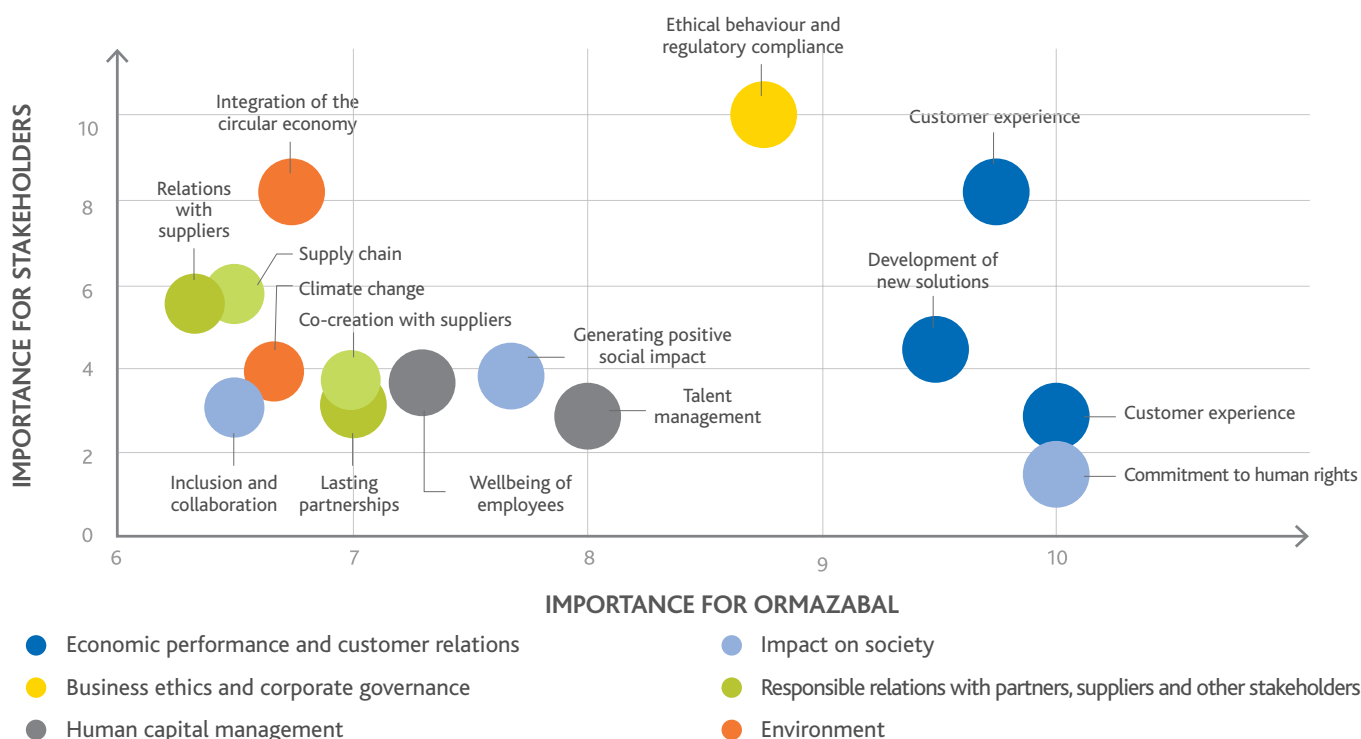
Identifying relevant issues

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

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

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

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





Lines of action, ambitions and commitments

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

1. Ethics and corporate governance

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

Ambition:

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

2. Human capital management

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

Ambition:

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

3. Environment

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

Ambition:

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

4. Impact on society

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

Ambition:

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

5. Economic performance and customer relations

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

Ambition:

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

6. Partnerships and responsible relations with partners and suppliers

Promote responsible partnerships to build networks of shared value.

Ambition:

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

1.8. Sustainable Development Goals

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

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

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



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

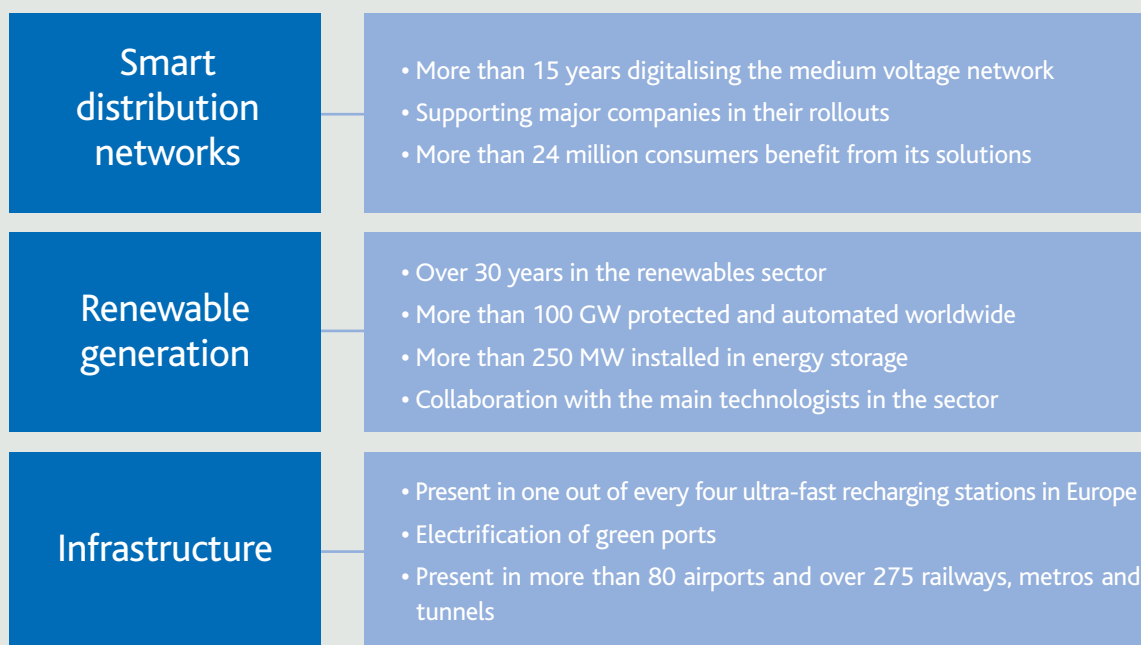
Identified targets:

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

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

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

CONTRIBUTION TO THE SDGS



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

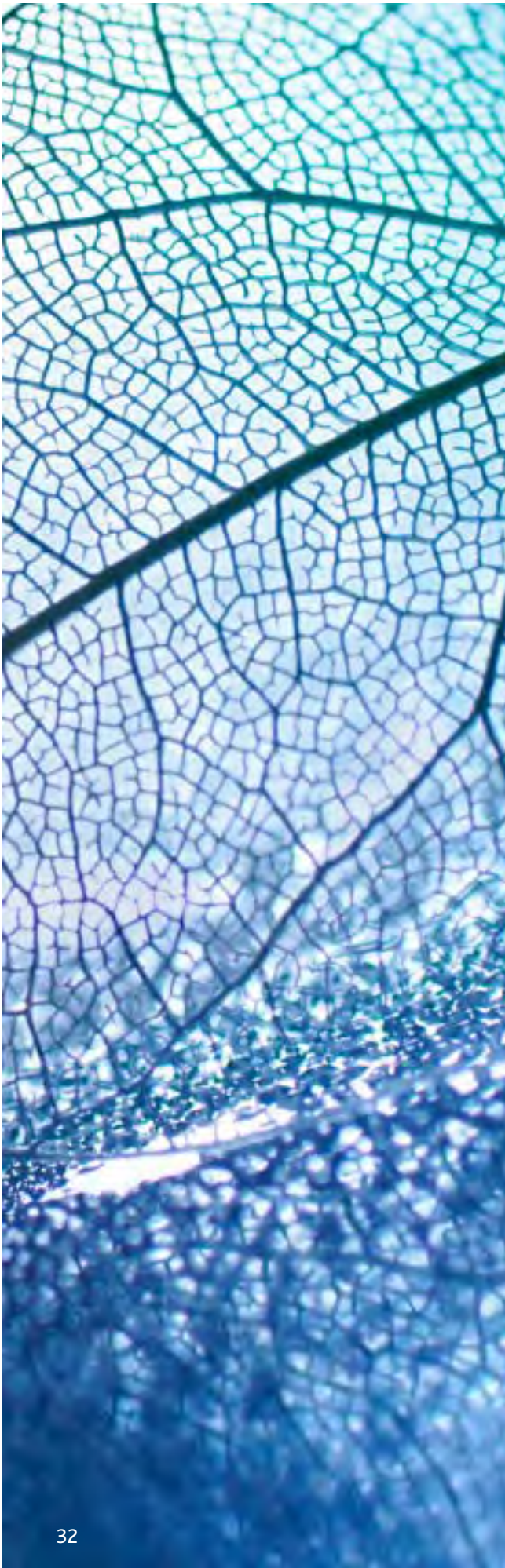
- It works to ensure that its **facilities** are environmentally **responsible**. To this end, during 2021 it carried out an in-depth analysis of the energy performance of its buildings in Spain with a view to improving their efficiency.
- It purchases **energy from 100 %** certified **sources** for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

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



2.

Ormazabal
commitments



2.1. People

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

Employment

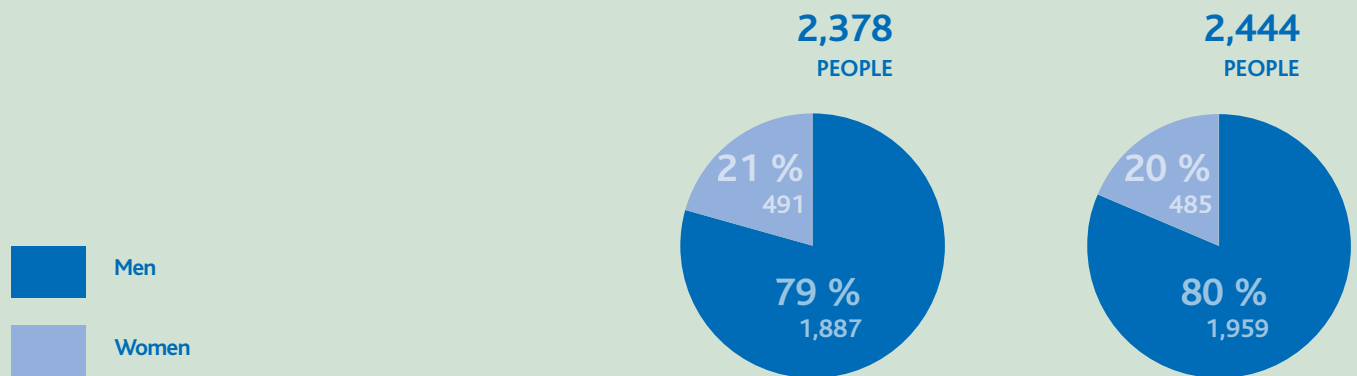
Ormazabal considers talent attraction and management to be two crucial factors for successfully tackling the major challenges it faces. As a result of the activity carried out, in 2021 the workforce remained at similar levels to the previous year.

Distribution of staff

BY GENDER

2020

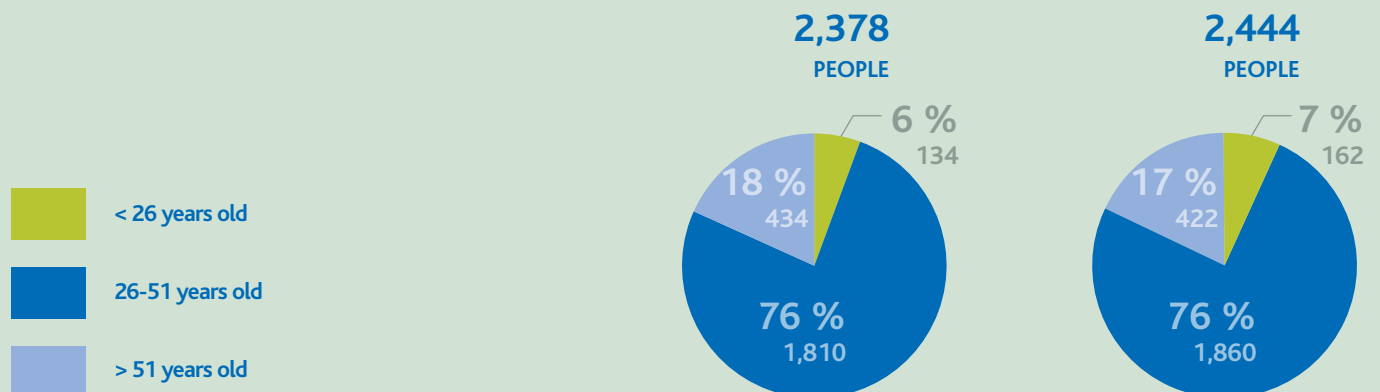
2021



BY AGE

2020

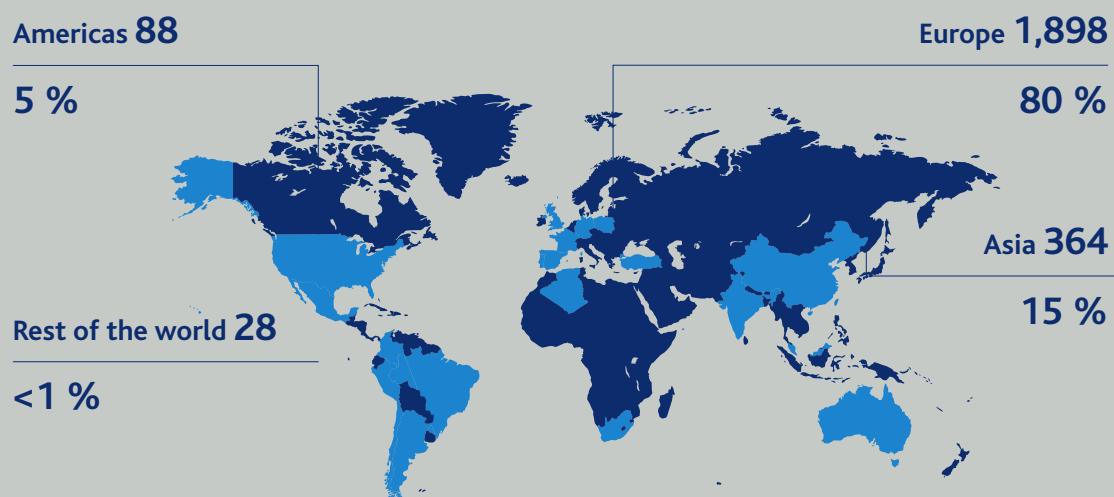
2021



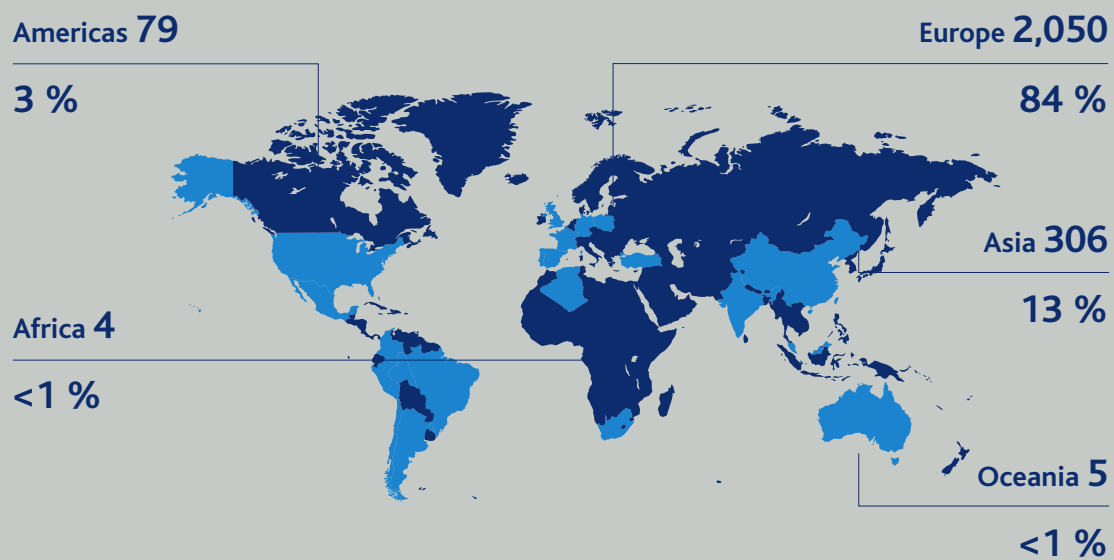
Distribution of staff

BY CONTINENT

2020- 2,378 people



2021- 2,444 people

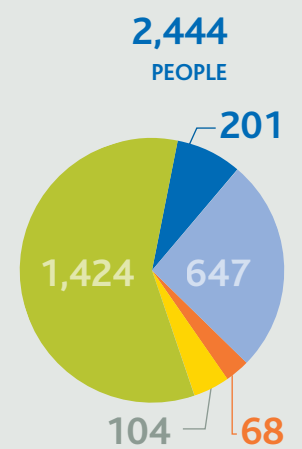
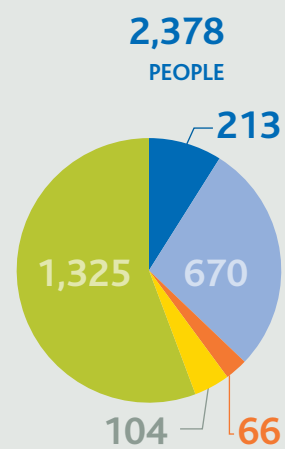


Distribution of staff

BY PROFESSIONAL CATEGORY

2020

2021



Average annual contracts

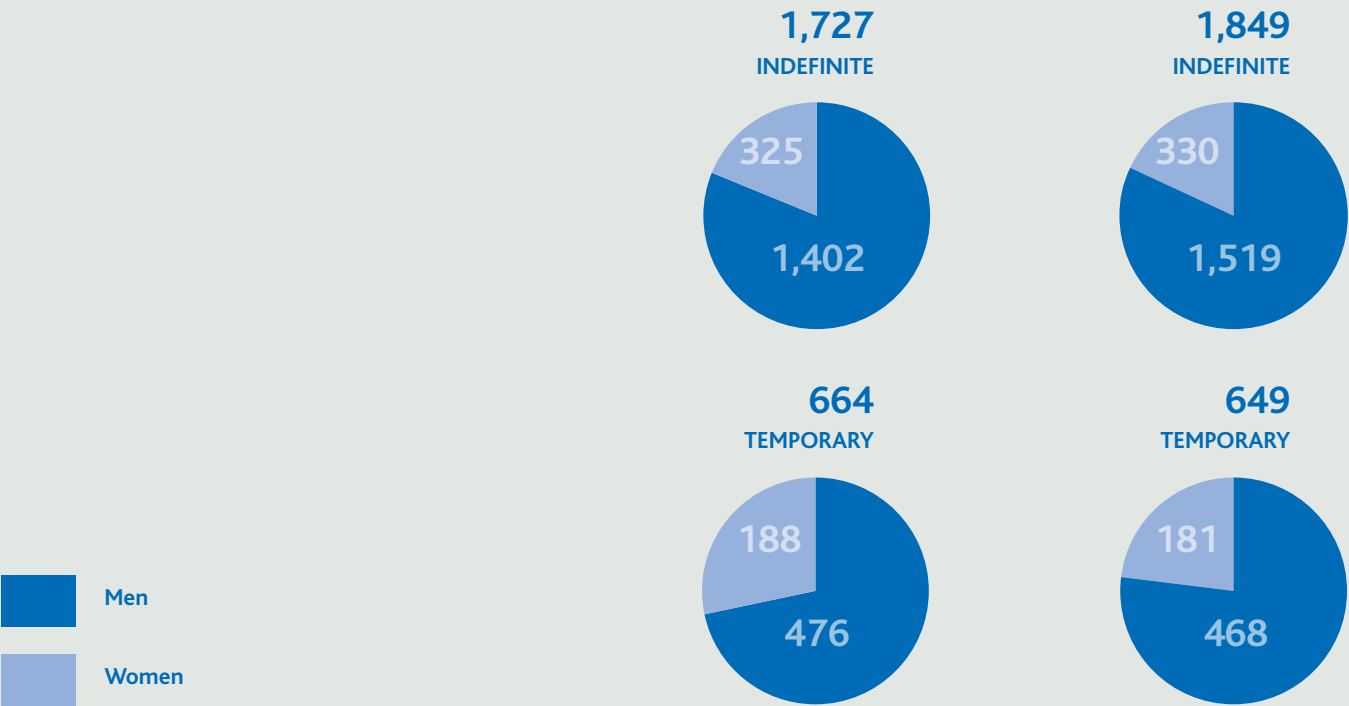
74 % of the employment contracts entered into in 2021 are full-time

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

TYPE OF EMPLOYMENT CONTRACT BY GENDER

2020

2021

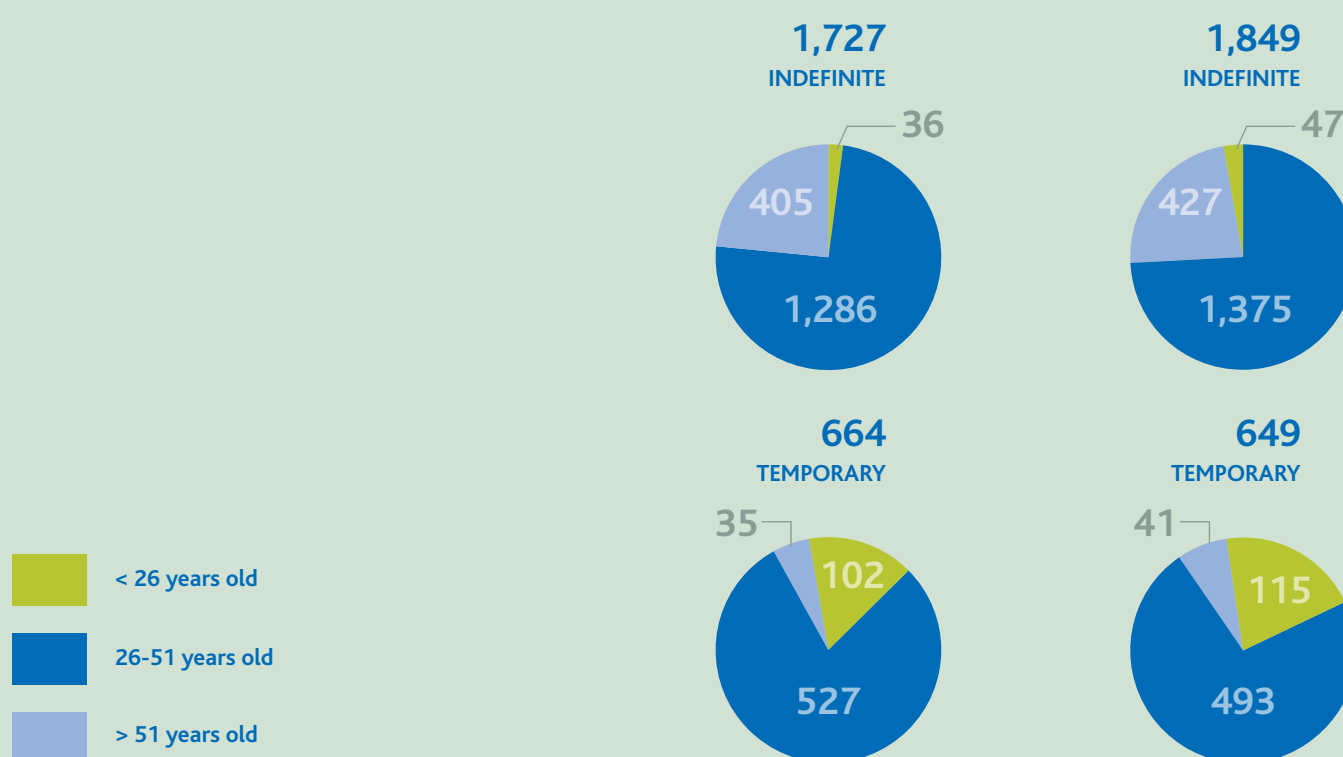


⁽⁸⁾ The annual average figure has been calculated using the average staff of Ormazabal during 2021 and 2020, taking into account the salary payments calculated in each month.

TYPE OF EMPLOYMENT CONTRACT BY AGE

2020

2021



TYPE OF EMPLOYMENT CONTRACT BY PROFESSIONAL CATEGORY

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

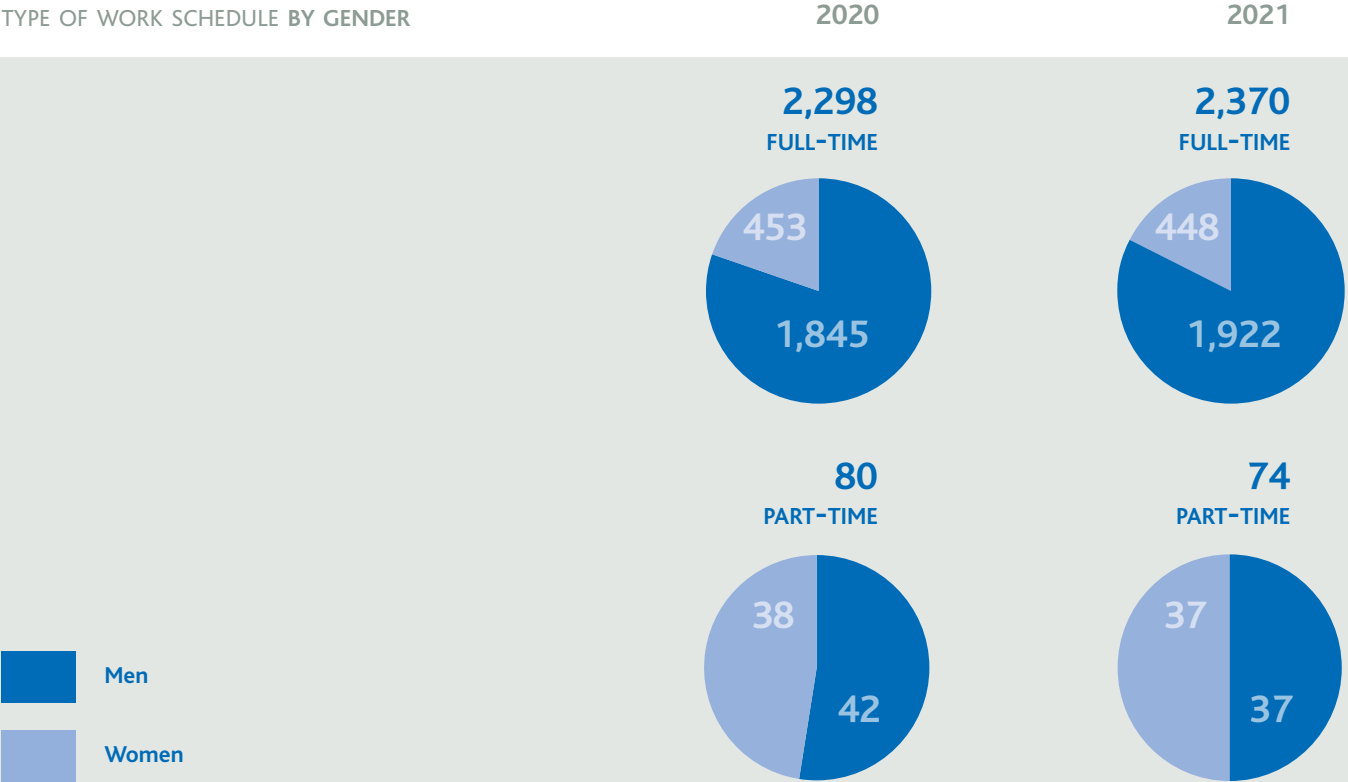
Employees by type of work schedule

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

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

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

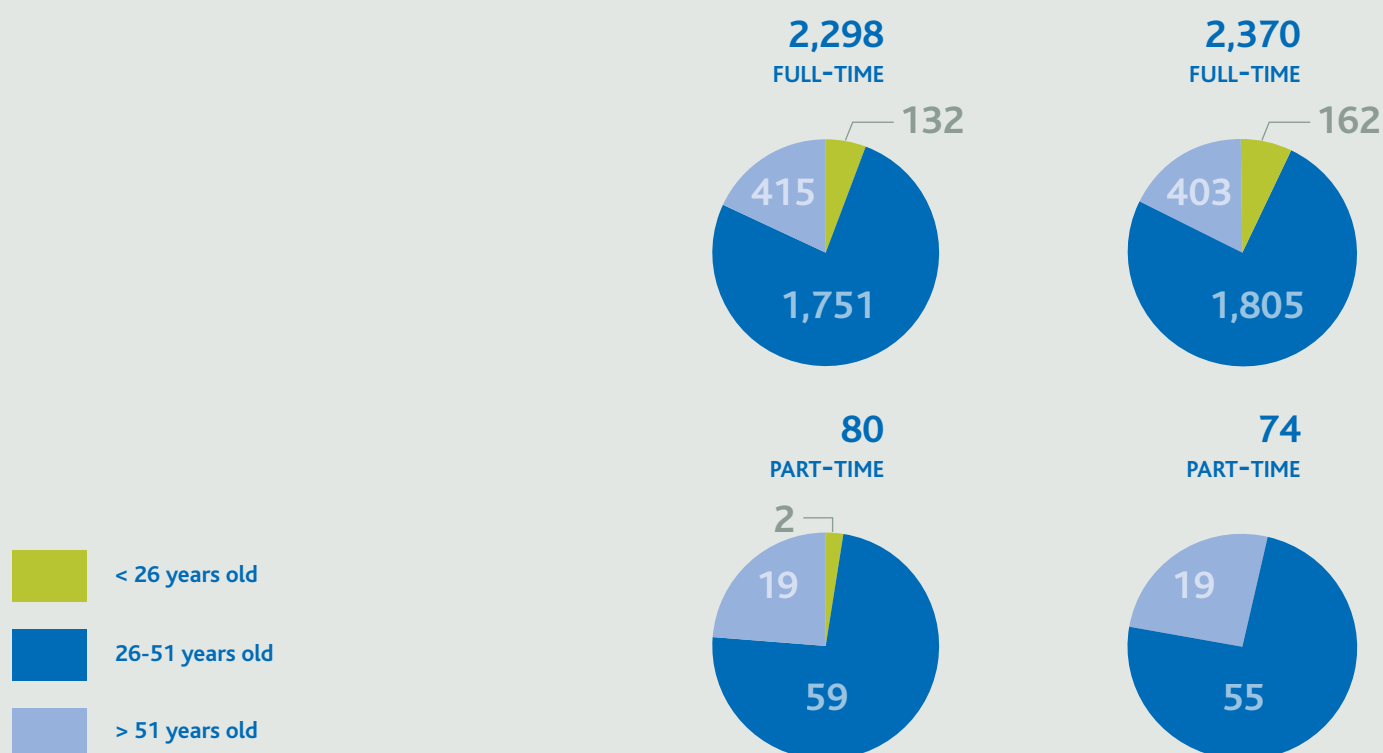
TYPE OF WORK SCHEDULE BY GENDER



TYPE OF WORK SCHEDULE BY AGE

2020

2021



TYPE OF WORK SCHEDULE BY PROFESSIONAL CATEGORY

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

Dismissals

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

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

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

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

Employees with disabilities

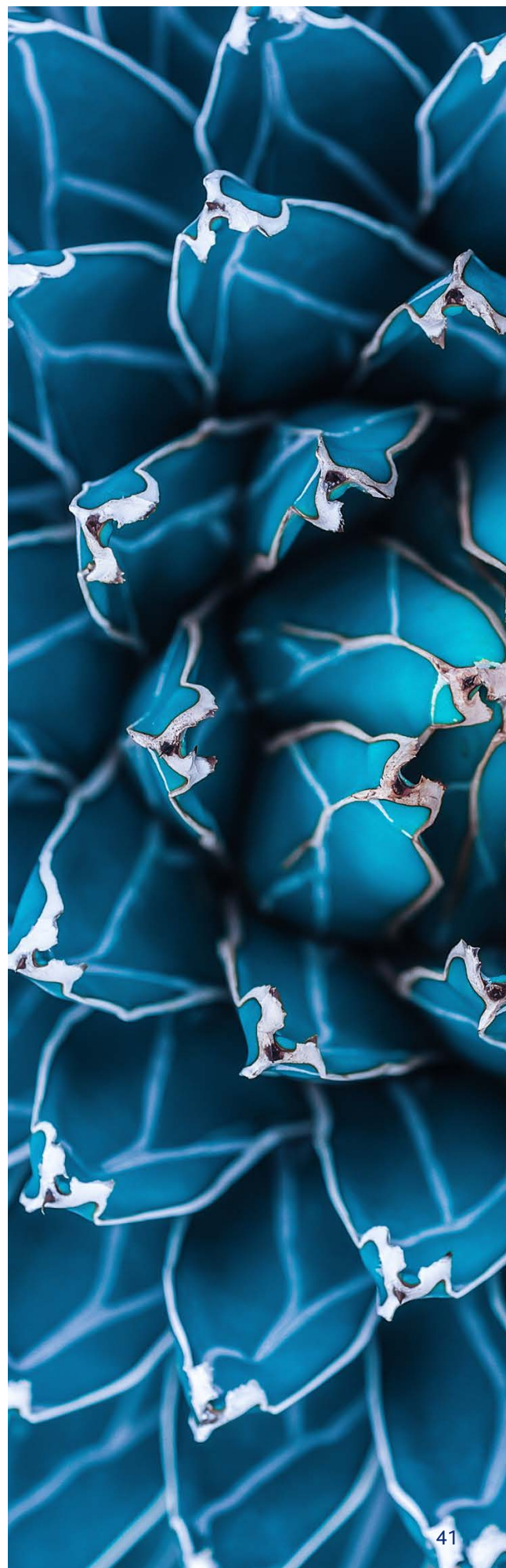
For nearly 40 years **Ormazabal** has maintained a collaborative relationship with the **Lantegi Batuak Foundation**, as well as with other non-profit organisations whose aim is to help people with disabilities by **promoting and achieving their integration into society and the job market**, hiring them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

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

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

Average remuneration

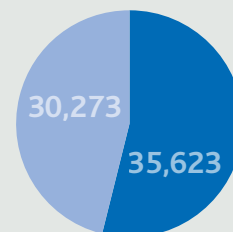
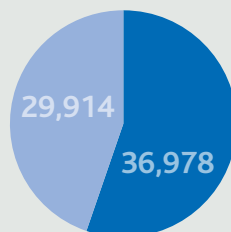
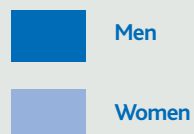
The average remuneration of employees for financial years 2021 and 2020 (except senior management), taking into account all existing remuneration items in the organisation (fixed, variable, bonus, benefits, incentives, etc.) and distributed by gender, age and professional category, is as follows:



AVERAGE REMUNERATION BY GENDER

2020

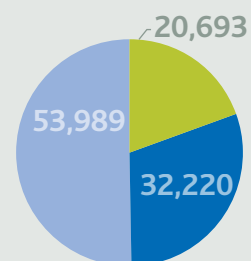
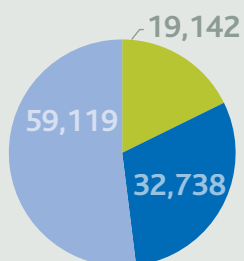
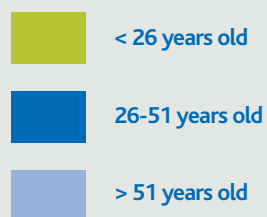
2021



AVERAGE REMUNERATION BY AGE

2020

2021



AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY

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

Wage gap

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

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

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

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

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

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

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

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



Organisation of work

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

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

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

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

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

Health and safety

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

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

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

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

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

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

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

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

Accidents

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

	2020	2021
Frequency Index ⁽¹⁰⁾	18.76	18.33
Seriousness Index ⁽¹¹⁾	0.45	0.53

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

Absenteeism

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

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

Training

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

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

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

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

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

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

⁽¹⁰⁾ Number of accidents per million hours.

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

Two new training programs: Sophos Advanced and Ormazabal Mentoring Experience

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

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

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

HOURS INVESTED IN TRAINING BY PROFESSIONAL CATEGORY

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

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

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

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

Equality

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

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

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

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

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

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



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

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

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

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

Noteworthy events in relation to equality

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

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

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

2.2. Innovation

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

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

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

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





Technological innovation

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

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

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

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

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

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

Industrial innovation

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

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

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

Commercial innovation

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

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

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

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



Innovation milestones

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

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

Sales of new products

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

First automated low voltage board

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

R+D agreement with Iberdrola

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

Projects and technological developments

Projects started in 2021

BrainEn Project

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

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

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

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

TRANSMOD II Project

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

Project funded by the Basque Government through the Elkartek program

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

TRUEVALSEC Project

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

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

Ongoing projects

EriGRID 2.0 Project

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

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

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

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

Ormazabal Corporate Technology participates.

FLEXIGRID project

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

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

CINCOSEI project

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

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

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

WIND 4.0 project

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

Development of switches and associated electronics for wind power applications.

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

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

NUGER project

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

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

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

SHUNT project

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

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

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

SCBT project

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

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

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

CONSIGUE project

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

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

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





Product responsibility

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

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

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

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

2.3. Environment

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

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

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

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

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





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

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

Provisions and insurance

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

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

Certifications

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

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

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

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

ORMAZABAL COMPANIES WITH ISO 14001 CERTIFICATION IN 2021

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

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

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

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

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

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

Waste management and eco-design

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

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

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

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

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

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

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

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

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



**Basque
Ecodesign
Center**

Alianza pública-privada
en ecodiseño y
economía circular





Pollution and climate change

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

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

- Ormazabal Limited UK has moved to a new, more environmentally friendly building, reducing emissions in comparison with the previous location.
- Uniblok has started a project to reduce its carbon footprint (in collaboration with Fundación Empresa y Clima) by optimising the formulation of the concrete it makes by replacing the cement used with another that generates 18.4 % fewer emissions. This project will continue to be carried out throughout 2022.
- In 2020, the Igorre centre was reviewed in relation to the greenhouse gas (GHG) emissions inventory, with favourable conclusions in the report. The activities subject to verification were Scope 1 emissions, direct emissions and Scope 2, as well as indirect emissions from electricity purchased for own use.
- Finally, in 2021, an emission mitigation plan has been carried out by planting trees, in line with the "Sustainable Forests" initiative. The planting area measures three quarters of a hectare (7,500 square metres) of future native and diverse forest, and the 600 planted specimens will compensate for a total of 200 tonnes of CO₂ within 40 years.

The results of **Ormazabal's** environmental performance in relation to GHG emissions (t CO₂ eq.) in 2021 and 2020 are as follows:

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

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

In 2021 and 2020, electricity companies, by granting the corresponding certificates of Guarantee of Origin, accredited several **Ormazabal** companies as 100 % renewable, in terms of their consumption of electricity from such sources, which respect the environment and prevent emissions of 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.

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

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

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

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

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

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

Electrical mobility

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

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

Circular economy

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

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

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

Transformer Division:

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

Protection and automation division:

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

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

Secondary distribution division:

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

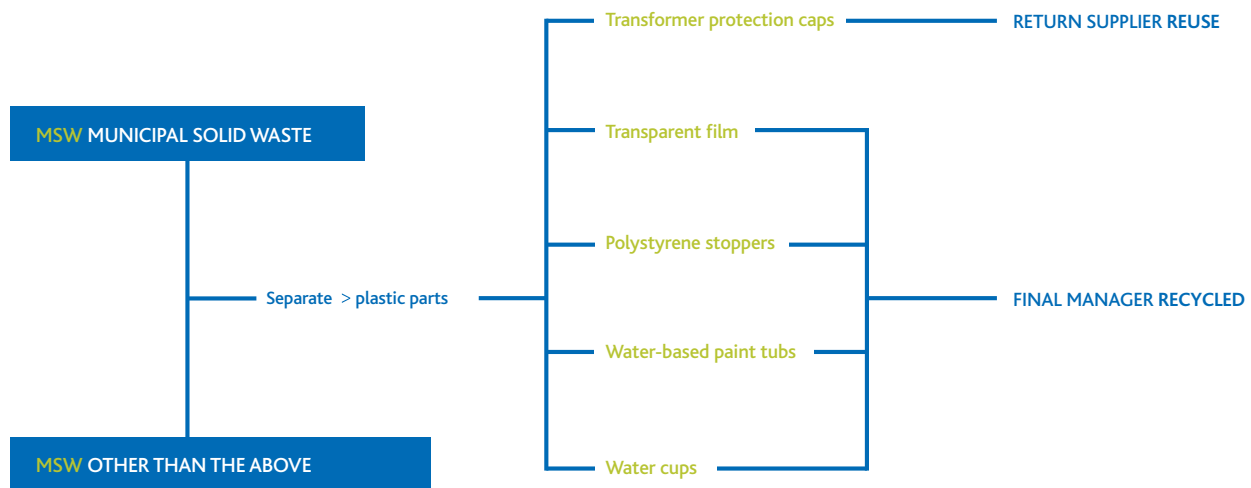
Factory in Seseña (which manufactures concrete enclosures):

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



REDUCING THE IMPACT OF PLASTIC WASTE

PLASTIC SEGREGATION



WE GIVE A SECOND LIFE TO OUR CONCRETE WASTE

RECYCLING / BY-PRODUCT



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

Waste management

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

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

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

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

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

⁽¹⁴⁾ Waste management in 2021 includes the company **Ormazabal** Burgos Switchgear (96,000 kg of non-hazardous waste and 316 kg of hazardous waste) in addition to the perimeter of 2021, although it does not have a significant impact on the comparative figures.

Sustainable use of resources

Evolution of water consumption

With sustainability as a goal, in 2021 **Ormazabal** continued to work towards responsible production and water consumption across our supply chain. To this end, measures have been implemented to increase the awareness of all people in the company about the responsible use of this vital element.

Consumption	2020	2021
Water consumption (m ³)	40,341 ⁽¹⁵⁾	42,312



Water consumption is mainly concentrated in the **Ormazabal** plant in Getafe, as this resource is essential for the preparation of concrete and its normal production process. In 2021, water consumption was 39 % higher than the previous year and, as a consequence, overall consumption at **Ormazabal** increased. The reasons for this increase at the Getafe plant are associated, on the one hand, with the 21 % growth in the workforce, which led to greater consumption for sanitary use and, on the other hand, with the significant increase in the manufacture of concrete (24 %), where, as mentioned above, water is a basic raw material.

Higher water consumption was also recorded in the company that brings together the commercial offices, due to a greater presence of staff in the offices and the occasional breakdown in the network.

The Getafe plant also recorded significant water consumption in its C3 paint plant (also essential for its production process). In this case, however, consumption levels remained similar to those of the previous year.

⁽¹⁵⁾ Water consumption for 2021 includes the company Ormazabal Burgos Switchgear (649 m³) in addition to the perimeter of 2020, although it does not have a significant impact on the comparative figures.

Evolution of energy consumption

All Ormazabal companies are implementing energy efficiency measures and making an effort to reduce electricity consumption. Proof of this is that consumption decreased in 2021, despite an increase in production in general terms.

In relation to gas consumption, it should be noted that there was a 50 % increase in gas consumption in absolute terms compared with 2020. This increase is mainly due to:

- Increased activity.
- Substitution of diesel and petrol by natural gas in some production processes.
- Increase to two shifts with a corresponding increase in equipment use.
- Meteorological factors: during January they were affected by snowstorm Filomena, which produced very low temperatures and affected production processes.
- In 2020 there was a period when the gas inlet meters were disabled because they were in the process of being calibrated.

Consumption	2020	2021
Electricity consumption (kW h) ⁽¹⁶⁾	2,825,528	2,116,895
Consumption of electricity from renewable sources (kW h)	8,987,115	10,085,078
Total electricity consumption (kW h)	11,683,082	11,444,291
Gas consumption (Nm ³)	874,109	1,315,486
Diesel consumption (l)	148,967	245,810
Diesel A and C consumption (l)	34,057	47,997

⁽¹⁶⁾ The electricity consumption for 2021 includes the Zhuhai and Beijing companies in addition to the perimeter of 2019.

Energy efficiency

Ormazabal, as a company committed to reducing energy consumption, carried out various initiatives in 2021 aimed at promoting and encouraging energy efficiency, including the following:

- Solar panels were installed at the Seseña factory, as was a new air conditioning system in the cloakrooms.
- Solar panels were installed at the premises in Getafe.
- Power consumption was reduced in transformer factories by installing solar panels, while natural gas replaced diesel both for heating and the paint booth process, thereby eliminating the consumption of diesel oil completely.
- At one of the Boroa plants, all the luminaires in the building were replaced with LED equipment, which has led to a reduction in energy consumption.

Furthermore, in accordance with Royal Decree 56/2016, large companies or groups of companies must undergo an energy audit every four years, covering at least 85 % of the total final energy consumption of all facilities located in the national territory; **Stratenergy**, a company belonging to **Velatia**, has carried out energy audits at 100 % of the company's facilities in Spain. Specifically, at the **Ormazabal** centres in Boroa, Igorre, Zamudio, Zaratamo, Getafe, Loeches and Seseña. The audits highlighted the improvements and savings made over the years.

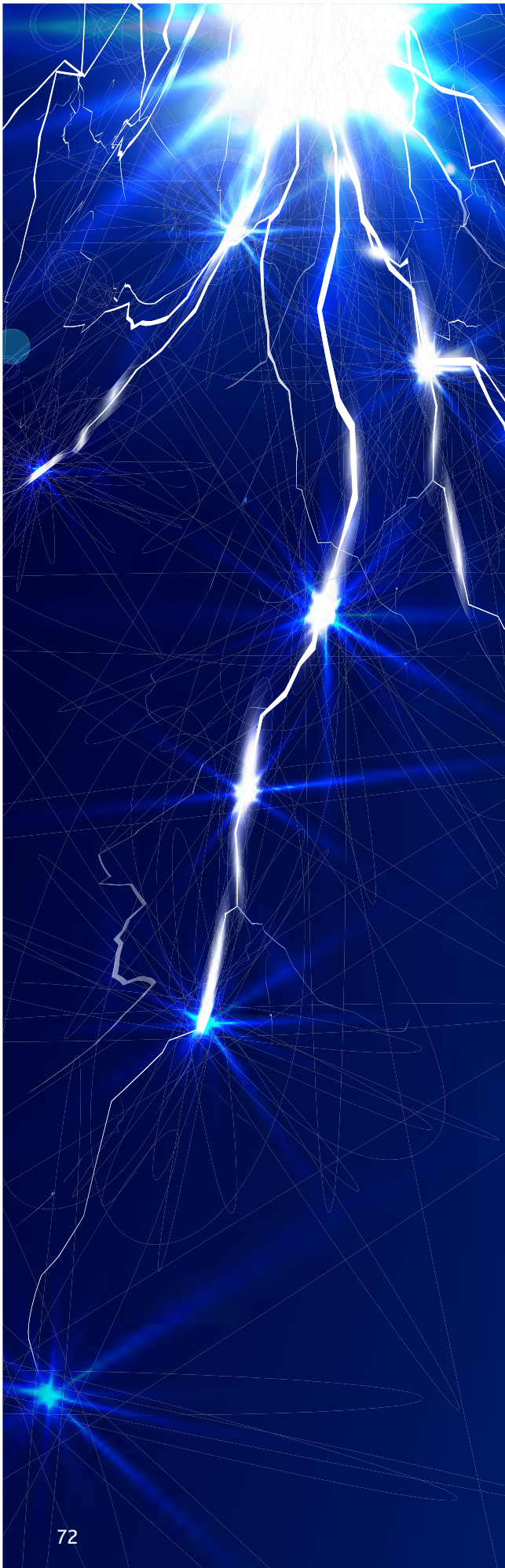
Finally, true to its commitment to reducing energy consumption, over the last few years **Ormazabal** has implemented measures including the replacement of existing lighting with LED lights, the replacement of compressors, heat recovery, the adaptation of air conditioning systems and the implementation of a system for monitoring the energy demand.

Evolution of raw material consumption and energy consumption

Seeking optimal use of material resources in all phases of activity, **Ormazabal** promotes the efficient use of raw materials and energy. In addition, through the environmental and energy management systems it has implemented, it can measure, assess and continue to implement new measures that increase its energy efficiency and optimise resource consumption in all its production processes.

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

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



2.4. Customers

Ormazabal's commitment to its customers is a strategic cornerstone. The company's entire value chain is geared towards offering a sustainable service to its customers, with sustainable being understood to mean "today and always".

Responding to their needs with customised solutions, establishing long-term relationships based on trust and mutual interest are, therefore, the backbone of the company's business strategy as a result of a firm commitment to a job well done, which is inherent to the brand.

The equipment and products Ormazabal supplies take into account all the safety parameters provided for in the regulations applicable in each case. All of them are accompanied by the corresponding general instructions for use in order to provide an adequate level of protection for anyone using or coming in contact with such equipment. These information materials aim to:

- Eliminate dangers whenever possible.
- Incorporate appropriate protections into the equipment itself in order to eliminate all hazards.
- Communicate the remaining risks in order to facilitate the design of operating procedures that prevent such risks, the training of operating personnel to carry out these procedures, and the use of relevant personal protection measures.
- Maximise the use of recyclable materials and establish procedures for the treatment of products and their components, so that they are appropriately handled at the end of their useful life, respecting the environmental regulations established by the competent bodies.

Ormazabal has a **Claims and Complaints System** adapted to the reality of each sector it addresses. This system is used to periodically monitor the complaints received, identifying the type, status and resolution date of each complaint. Incidents are received through the formal and informal channels made available for this purpose and are managed and processed by specialised staff, who are responsible for analysing the reason for each incident on an individual basis and adopting the appropriate measures to offer a solution in line with the highest quality standards.

Furthermore, in businesses with a high volume of complex operations, **Ormazabal** has a tool for recording incidents that allows it to improve the quality of the service and apply corrective actions.

In line with its undeniable commitment to customer satisfaction, **Ormazabal** uses internal assessment mechanisms such as scorecards (performance and result indicators), surveys, interviews, etc., which give us a deeper understanding of their needs and expectations, as well as allowing us to identify possible areas of improvement to continue working on.

During 2021 Ormazabal continued to conduct satisfaction surveys in the countries where it has a commercial presence and production plants (Spain, France, Germany and China). Among the conclusions obtained it is worth noting the high level of satisfaction with the treatment received from the company's staff, deadline compliance, efficiency, quality of products and services, resolution of incidents and technical assistance.

Likewise, throughout the year, the technological workshops for customers continued, an initiative that is very well received and whose purpose is to anticipate solutions that respond to the future needs of the main companies in the electricity distribution and renewables sector on the path towards energy transformation.

Ormazabal, maximum recognition for its customer management in 2021

Ormazabal uses the Advanced Management Model as a benchmark to evaluate and improve its management system. In 2021, Euskalit, the Basque Foundation for Quality, recognised its management in the Customer category.

For the company it is essential to work with suppliers with mutually beneficial concerns and interests. This is the reason for its commitment to companies located in the geographical areas where it is present, particularly in those where it has a production plant. True to a strategy of responsible production and consumption throughout the supply chain, the company reinforces its commitment to local agents by devoting most of its expenditure to them.

2.5. Suppliers

Promoting responsible production and consumption throughout the supply chain is a part of **Ormazabal's** main aspirations, and work along these lines continued in 2021.

The company's commitment to its suppliers is reflected in the Sustainable Development Policy and Purchasing Policy, focusing on the following points:

- Extending **social, environmental** and occupational hazard **prevention** aspects to our suppliers.
- Establish **mutually beneficial** relationships and prolonged stability with our suppliers by rigorously applying the Code of Ethics.
- Respecting the principles of **sustainable development** by encouraging our suppliers to comply with human rights requirements and the laws, regulations and standards of the countries in which the company operates.

To act on the commitments undertaken, **Velatia** has a **Regulatory Framework for the Procurement Function** applicable to **Ormazabal** which provides the entire organisation with common and compulsory guidelines that regulate the complete procurement cycle, from identifying the need to satisfying it. Thus, all businesses must have a supplier approval process in which suppliers must give a written undertaking to comply with the group's **Procurement Policy and Code of Ethics**. To this end, since financial year 2019, critical suppliers have been sent the Quality Manual and the Code of Ethics for their signature. This process has continued to be strengthened in recent years, eliciting the agreement of more and more suppliers.

The supplier approval process primarily involves analysing the availability of environmental certifications and compliance with environmental regulations. **Ormazabal** has an **Annual Supplier Audit Plan** in which both aspects are analysed.

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

Commitment to local suppliers

Beyond the direct jobs it creates and the wages and taxes it pays, **Ormazabal's** influence is also felt indirectly thanks to the positive economic impact its support has on local businesses through the supply chain.

The company maintains a strong commitment to companies located in the main regions where it operates, a commitment that acquires greater significance in businesses with production plants. We regularly monitor the volume of purchases associated with each geographical area, which allows us to keep the proportion of local suppliers within a significant percentage range.

In its purchasing strategy, **Ormazabal** has a panel of global suppliers of basic raw materials (copper, aluminium, steel, etc.) and STD and/or high-rotation products for customisation with local suppliers located near the points of consumption, a competitive advantage that results in **greater flexibility and proximity to the end customer**.

% expenditure on local suppliers	2020	2021
Spain	77 %	80 %
France	97 %	94 %
Germany	60 %	69 %
China	98 %	96 %
Mexico	99 %	98 %

Sustainability in the supply chain

Ormazabal's companies seek to contribute real value in their procurement management processes, both for their businesses and for their suppliers, guaranteeing results and favouring adaptation to the local environment, which enhances the creation of wealth and employment in the communities in which they operate. In this vein, we have started informing companies that wish to form part of our supply chain of the need to undertake the commitments promoted by the UN Global Compact.

Aligning the corporate function of procurement with each operational department has allowed us to determine and apply the best assessment criteria in each procurement or purchasing process, and to always be at the forefront in terms of sustainability, environmental assessment and human rights criteria.



"Buy Green" pilot project

Ormazabal continued to participate in a project in 2020 to promote the "buy green" message in the private sector.



In 2019 the Basque Country launched a pioneering pilot programme at national level with a group of companies, including **Ormazabal**, which have taken on the challenge of introducing the procurement of sustainable products and services in the private sector.

In this context, in 2021 **Ormazabal** developed its own "buy green" criteria, which resulted in an action plan set out along the following lines:

- Define the policy regarding **Ormazabal's** position on conflict resources. This policy should be integrated with the rest of the policies and communicated to stakeholders (being of special interest in the supply chain).

- Establish criteria for taking into consideration the traceability and transparency of the origin of mineral resources.
- Establish environmental standards for the purchase of raw materials for magnetic sheet, aluminium and stainless steel.
- Regulate cross-cutting environmental guidelines for cleaning services, collection and destruction of confidential documentation, company vehicles, as well as energy supply/marketing companies.

The ultimate aim of this plan is to ensure insofar as possible the procurement of products and services with reduced environmental impact.

2.6. Society

Ormazabal combines economic development and the interests of the communities with which it coexists and of its stakeholders, in a sustainable manner in the long term, in accordance with the principles of Corporate Social Responsibility.

Its firm commitment to the environment is evident in its ongoing investment in social projects related to education, employment, integration of people with disabilities, and culture. Initiatives that protect children through education, that seek to offer a future to young people through training and the promotion of programs that enhance their employability, including that of people with disabilities; proposals that promote access to culture for the whole of society, etc.

Ormazabal's line of action in the social sphere is defined in the Corporate Social Responsibility and Social Action policies.

Social commitment:
Support the social development of the community in which Velatia operates, participating in and promoting projects of social, cultural and environmental interest

WE CONTRIBUTE TO SOCIETY'S DEVELOPMENT THROUGH...



Ormazabal puts special emphasis on ensuring **clear and direct communication with its stakeholders**, so that it serves as feedback to find out their needs and expectations. It also makes sure that everyone in the organisation follows the

guidelines contained in the Code of Ethics when performing their professional activity.



Relationship with local communities

Ormazabal contributes to the interests of the surrounding community generating a positive social impact by creating jobs, developing the local economy, collaborating with educational institutions, paying taxes and distributing the value generated.

In its aim to be part of the change, it actively participates in the development of public policies of regulatory bodies related to electricity distribution networks and is involved with -and in some cases leads- business associations linked to the sector in all areas of action, both national and European.

Proactive advocacy for regulation that is conducive to the fundamental principle of sustainability of the electricity system

At all times the company maintains a proactive position in defence of regulation leading to the fundamental principle of the sustainability of the electrical system, through the development, commissioning and maintenance of a reliable, durable, efficient and eco-friendly power grid model.

This position regarding the regulatory aspect leads us to adopt solid and consistent precepts in relation to the criteria and concepts applied to the design, manufacture and commissioning of the products, equipment and services that we offer to the market.

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

As a result of its determination to be a benchmark player in the sectors in which it operates, **Ormazabal** participates proactively in numerous forums and associations. This allows the company to demonstrate its commitment to sustainability, interact with the main agents of change, generating shared value between the company and its environment, sharing good practices and strengthening relations with its stakeholders. These are some of the most important forums and associations:

Country	Associations	
Spain	AFBEL	AFBEL Asociación Española de Fabricantes de Bienes de Equipos Eléctricos de Alta y Media Tensión
	Clúster de la energía del CAPV	Clúster de la energía de la CAPV
	Confebask	Confederación Empresarial Vasca
	Euskalit	Fundación Vasca para el Fomento de la Calidad
	Basque Ecodesign Center	Basque Ecodesign Center
	AEE	Asociación Empresarial Eólica
	GT compartición datos aeros	Club Español de la Energía
	UNE	Asociación Española de Normalización
	ENERCLUB	Club Español de la Energía
	CONSORCIO DE ENERGÍAS RENOVABLES	Consortio de Energías Renovables
France	GIMELEC	Groupement des entreprises de la filière lectronumérique française
	MATPOST	
Germany	ZVEI	Zentralverband Elektrotechnik- und Elektronikindustrie
Europe	T&D Europe	European Association of the Electricity Transmission and Distribution
	CIREC/CIGRE	International Conference on Electricity Distribution
	WindEurope	The Voice of the Wind Energy Industry
	EURELECTRIC	Federación de la Industria Eléctrica Europea
China	江苏省电器工业协会	Jiangsu Electrical Equipment Industrial Association (JEEIA)
	江苏省可再生能源行业协会	Jiangsu Province Renewable Energy Industry Association (JSREA)
	全国输配电技术协作网会员	Electric Power Technology Collaboration (EPTC)
	中关村储能产业技术联盟	China Energy Storage Alliance (CNESA)
	中国电动汽车充电基础设施促进联盟	China Electric Vehicle Charging Infrastructure Promotion Alliance (EVCIPA)
	中国光伏行业协会	China Photovoltaic Industry Association (CPIA)

Solidarity actions

Ormazabal, as a company close to its environment and social concerns in various aspects such as solidarity, education, protection of natural resources, etc., promotes or participates in various activities that seek to do their bit in achieving the objectives desired by all. We mention three that took place in 2021:

Collaboration with training centres

In line with its vocation to contribute to the training of future professionals in industry, **Ormazabal** has donated robotics equipment to two training centres in Bizkaia: the Urri-txe centre in Amorebieta and the Bidebieta centre in Basauri.

In addition to donating this equipment, which will enable students in the final years of vocational training to assemble a robotic cell, **Ormazabal** has provided them with the necessary expert support.

There are plans for new lines of collaboration with other centres so that robotised cell developments such as these can be used to train the staff of **Ormazabal**'s own companies.

Tree planting in Urdaibai

Volunteers from **Ormazabal** took part in the **planting of 600 trees** in the stunning setting of Urdaibai in Bizkaia to protect our forests and natural environment and, at the same time, help reduce our carbon footprint.

This initiative, carried out in collaboration with the Lurgaia Foundation, will offset the emission of 200 tons of CO₂ over the next 40 years.

Solidarity campaign

For the third consecutive year, the **Ormazabal** plant in Seseña organised the Christmas campaign "Take care of yourself, take care of them", which consisted of collecting toys and food for the most disadvantaged families.

Forging links between education and business

Ormazabal makes a special effort to **forge links between education and business**, collaborating with several training institutions to boost the development and growth of the local economic fabric through various agreements, scholarships and internship options.

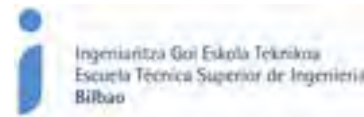
Since 2001 Ormazabal has been collaborating with the **Bilbao School of Engineering** with our own company classroom. This initiative, which will be 20 years old in the 21-22 academic year, pursues the following objectives:

- Recruitment of students with potential. In 2021, 5 students from the classroom have joined the **Ormazabal** companies.
- Carry out projects in areas of interest to the company.
- Help generate a brand among students as a prestigious point of reference in the technological field. Over the years we have carried out various communication actions such as participation in the company classroom presentations and in the School newsletter, offering news about the progress made and the projects developed in the **Ormazabal Classroom**.

The **Ormazabal Classroom** of the **University of Mondragón**, launched in 2007, specialises in power electronics, protection and automation, as well as medium-voltage network communications. It aims to develop projects with undergraduates in the penultimate or final year of their degree in disciplines of interest to the company. The teachers are in charge of directing the students' work and the tutors appointed by the company for each project supervise their work.

Since 2006, **Ormazabal** has also had a company classroom at the Higher Technical School of Industrial Engineering and Design of the **Technical University of Madrid (UPM)**. Its dual purpose is to teach and investigate, and it helps future engineering professionals learn about transformation centres, practical simulation of the different defects that can occur in this type of facility, as well as the protective devices and systems associated with transformation centres.

Finally, Ormazabal Corporate Technology, the company's R&D&I-focused entity, is on the Board of Trustees of the **Euskampus Foundation** of the **University of the Basque Country**, an interinstitutional instrument that aims to become a driver of Basque R&D&I with a clear vocation of social responsibility and integration within the region. To achieve this aim, its mission is to design, coordinate and execute actions that strengthen and accelerate the modernisation and internationalisation of the Basque public university.



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