



Be smart.
Be Ormazabal



An underwater photograph of a coral reef. Sunlight rays penetrate the water from the surface, creating a dramatic effect. The coral is diverse, with various shapes and textures. A small fish is visible near the bottom right.

**Be Ormazabal.
Be sustainable**

The background of the entire page is a dense, close-up photograph of green leaves, likely from a plant like basil, with prominent veins and a slightly glossy texture. The leaves are in various shades of green, from light to dark, creating a rich, natural pattern.

ORMAZABAL

Letter from Jorge González, CEO of Ormazabal.....	5
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ABOUT ORMAZABAL

1.1. Purpose, mission, vision and values.....	9
1.2. Ormazabal business	9
1.3. Ormazabal in figures.....	10
1.4. Summary of the year.....	12
1.5. Governance	21
1.6. Risk management.....	22
1.7. Sustainability.....	23
1.8. Sustainable Development Goals (SDGs).....	26

ORMAZABAL COMMITMENTS

2.1. People.....	30
2.2. Innovation	50
2.3. Environment.....	59
2.4. Customers	69
2.5. Suppliers.....	71
2.6. Society	76



The year 2022 still began with many restrictions associated with the pandemic, although massive vaccination campaigns finally managed to restore normality throughout the year. At the same time as the pandemic's effect waned, the impact of the war in Ukraine was growing. The war, which has not ended yet, strained many supply chains, especially energy, creating an environment of huge inflation. The European Commission launched the REPowerEU Plan in May, which proposes ending energy dependence on Russia, accelerating the penetration of renewables in the energy mix to 45% by 2030, compared to the 40% target previously set. This is an increasingly ambitious challenge that we can only support, and which will require a real technological revolution in electrical networks.

The year 2022 represented an important milestone for Ormazabal: its 55th anniversary. A long history of evolution towards the aim of "leading the technological revolution in electrical networks, enabling the energy transition", which we wanted to reflect in our new corporate image. A purpose that energises us due to its transcendence and which we also consider to be a great opportunity to create value for all our stakeholders.

In 2022, thanks to a continued focus on executing our strategy, this opportunity has been substantiated by 14% growth and improved profitability above our annual objectives, as well as meeting the main objectives defined in our decarbonisation pathway.

The achievement of these results is the result of the enormous effort made by our clients, the Ormazabal team and its chain of suppliers to continue providing the best service on the market, enabling the execution of projects in an environment of scarcity and rising prices of raw materials and enormous inflation.

Likewise, with the support of our shareholders for our values of flexibility and pragmatism, we have been able to adapt all our supply and planning systems to this reality through tactical stockpiling of raw materials that made this achievement possible.

We have not forgotten to work on preparing ourselves for the future. Our increasing focus on technology has enabled us to launch our solutions for low-voltage grid smartisation, as well as prepare for the launch of our SF6-free 24 kV switchgear technological solutions in 2023, among many other innovations. We have also continued to invest in our manufacturing infrastructure to support the growth we expect in the coming years.

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 create
technology
for a sustainable
future**



01 | About Ormazabal



Technology for a new
electric world

Ormazabal is a global company with expertise in customised, reliable and high-tech solutions for electrical infrastructure, with more than 55 years of experience.

Its solutions aim to digitalise the electricity grid in order to integrate renewable energy generation, enable more sustainable mobility and guarantee supply for buildings and infrastructures with critical energy needs.

The company is permanently committed to technological and industrial innovation, which has enabled it to position its own technology worldwide and become a global company.

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 | Purpose, mission, vision and values

Purpose

To lead the technology 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.

Our 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 a new electric world

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

2 | Ormazabal business

The main segments served by the company are listed below:



Smart & digital grids



Green mobility



**Green generation
& storage**



**Sustainable buildings
& infrastructures**

An aerial photograph of a white wind turbine standing in a vast, brown, textured field. The field is marked with numerous concentric, wavy furrows, suggesting a process of erosion or a specific agricultural technique. A narrow, dark, winding path or stream cuts through the field, passing near the base of the turbine. The overall scene conveys a sense of harmony between nature and sustainable technology.

Leaving a positive footprint on the planet

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.



1967

FOUNDATION
YEAR



+50

YEARS OF
EXPERIENCE



2.456

EMPLOYEES



+50

COUNTRIES



15

COUNTRIES
WITH COMMERCIAL
OFFICES



16

PRODUCTION
CENTRES IN
THE WORLD



1

RESEARCH AND
TECHNOLOGY CENTRE,
THE ONLY ONE OF ITS
KIND IN THE WORLD

Proximity footprint

- Presence in **more than 50 countries**
- Its systems are installed in **more than 150 countries every year**
- More than **two million systems** installed worldwide
- More than **62,000 automated facilities** worldwide

Industrial footprint

- **16 centros productivos** en el mundo

Technology footprint

- 1 Research and Technology Centre, the only one of its kind in the world
- Product development centres in 8 countries

Ormazabal ends 2022 growing again

4 | Summary of the year

The year in review

At the end of the year, **Ormazabal** had amply exceeded the targets set in the main figures and was above the targets set in the Strategic Plan. Compared to the capital goods industry for the electrical environment, its performance is above average, even improving results significantly.

In a context of enormous global uncertainty and great complexity, characterised by the scarcity of raw materials, supply problems, inflation, high energy prices, among others; **Ormazabal** has managed to increase its turnover **by more than 15 %**, reaching a **turnover of 617 million euros** and doubling its profit with an **EBITDA of 12.6 %**.

If we read in more detail, this substantial improvement in results is the result of several factors, among which the following three stand out: successful management of the logistics crisis at a time of great scarcity of raw materials, the adaptation of the commercial policy to the new market realities and the efficiency measures that the company has been applying for several years.

Key customers acknowledge company's good management of logistics crisis

In relation to the first of these factors, thanks to good operations management, **Ormazabal** has been able to achieve excellent performance in terms of delivery times and supply incidents, which has been highly valued by global customers. Its high capacity for compliance and reliability has enabled it to extend contracts to new product families and geographic areas and has even earned it the acknowledgment of customers such as Enedis, which named it strategic supplier of the year "for its extensive experience, its response with a very high level of quality and flexibility in supply"; or Iberdrola, which distinguished the company as best supplier of the year.

The second factor relates to the important commercial effort to match changes in production costs with selling prices at a time of great market stress.

And the third has to do with the long-term vision and refers to the measures that **Ormazabal** has been taking in recent years to consolidate its strategic and competitive position thanks to the colossal effort made by the entire workforce and its firm commitment to people, product innovation and industrial investments to restructure its production organisation and better adapt to the new global scenario. All of this is aimed at better meeting the needs of our customers, on the basis of an offer of technology solutions and services with greater added value.

Ormazabal's path of growth and sustainable profitability is clearly driven by innovation. In a world where the technology variables in the sector are increasingly greater and which is moving faster and faster, the company is committed to investment in R&D&I, close to **90 million euros** in the last five years and with **20 % more people** dedicated to this area. A major investment effort that is already bearing fruit, such as, for example, the increasing digitisation of products to make them digital natives or the great advances achieved in alternatives to SF6. The seriousness with which we are tackling this great challenge—whose time horizon is yet to be defined, and which is currently between 2026 and 2030—together with the courage to take decisions, will allow us to emerge stronger in the face of both local and global competition.

Ormazabal also participates alongside leading European players in the sector in projects that seek to shed light on the technology solutions required by the energy revolution. An example of this is the current BrainEn project, which aims to develop sustainable solutions for secondary distribution, energy management, industrial installations and power electronics equipment.

Over the last five years, significant industrial investments of more than 40 million euros have also been made to update and adapt the production structure—through the purchase and start-up of new factories and the adaptation and renovation of existing ones—, expanding production capacity.

Ormazabal also continues to strengthen its ecosystem with a firm commitment to electric mobility, which has led it to **incorporate 100 % of Nexvia** into its business, renaming it **Stratenergy Charging Stations**.

All these investments give the company a glimpse of the near future in which its advantage over its competitors will

not only remain but even grow. Moving forward with ambition, but always with intelligence.

Digital-native products start to take off with first awards

2022 was an excellent year not only in terms of results but also in terms of progress in industrial projects and product development, including some milestones. For example, digital-native products are starting to take off with the first awards for smart transformers and automated low-voltage switchboards. At the end of the year, **Ormazabal** had more than 200 gigawatts of renewable energy installed around the world and more than 300 public charging stations contracted in Europe. International projects such as the local smart substations for the German operator Westfalen Weser, which it is helping to automate its network, or the project carried out for IONITY, consisting of the connection to the network of the test centre of the joint venture set up by the giants of the motor industry. Another significant milestone is the fact that the leading Italian electricity company, Enel, has placed its trust in **Ormazabal** as a solutions provider in its home market.

All of this is just a sample of the company's capacity to take advantage of the opportunities that arise and for which it is preparing. This preparation also includes the evolution of the most visible face of the **Ormazabal** brand: its corporate identity. In 2022 the company launched its new image, more electric, human and digital, aligned with the company's purpose.

Ormazabal changes its brand image

This exercise has confirmed that the major underlying trends

identified in the strategic plan for the period 2021-2023 remain fully in force and have even been accelerated by the consequences of the open conflict in Europe on energy. In a stormy global environment, the need to accelerate the energy transition (digitisation of electricity grids, commitment to renewable energy generation sources, electric vehicles, green hydrogen, large-scale electricity storage, etc.) means that institutions are redoubling their efforts in the areas in which **Ormazabal** operates. The spearhead are the Next Generation Funds, an unprecedented injection of money, in addition to other initiatives such as the REpowerEU Plan approved in May 2022 by the European Union, which raises the target for electricity generation from renewable sources to 45 % in 2030 (in 2010 it was only 14 %).

In relation to people management, it is necessary to mention the commitment to talent management, with the international deployment of **Ormazabal Mentoring Experience**, a programme that seeks to accelerate the integration and development of people's talent within the company. In addition, within **Velatia's** General Human Rights Management Framework, the **Due Diligence** project has continued to be implemented in some geographies, with intensive work being carried out throughout 2022, following its launch in 2021.

Ormazabal faces 2023 with a strong order book and a good starting point. In a gloomy global environment, opportunities are opening up and we are more than ready to continue in the constant line of evolution and improvement of recent years to ensure sustainable growth over time. The 2022 results shown below are a reflection of this.

EVOLUTION OF TURNOVER

2021

2022

TURNOVER
(millions of euros)

543
MILLION

617
MILLION

EBITDA
(% of turnover)

8.6%

12.6%

EBT
(% of turnover)

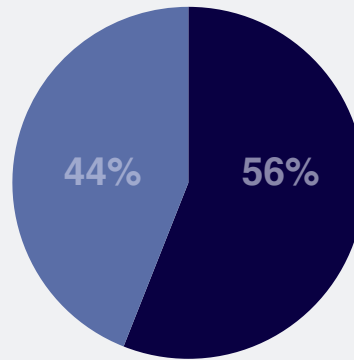
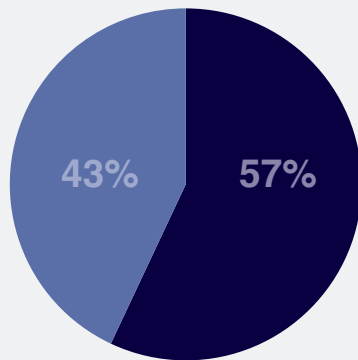
6.9%

8.9%

DISTRIBUTION OF STAFF

2021

2022



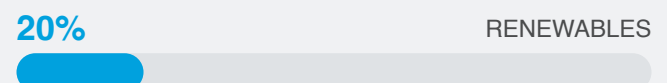
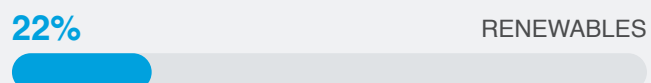
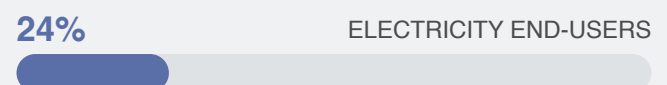
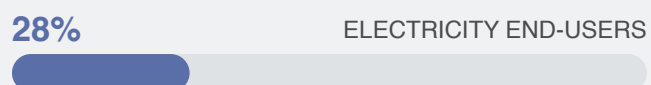
DIRECT
LABOUR FORCE

INDIRECT
LABOUR FORCE

DISTRIBUTION OF SALES

2021

2022





Ormazabal milestones

Deployment of intelligent local substations / Germany

After the success of the pilot test launched in 2020 and its subsequent expansion, Westfalen Weser is once again relying on **Ormazabal** switchgear for the deployment of the rest of its smart substations. Thanks to Ormazabal's equipment, equipped with remote control and transmission technology, the operator achieves fail-safe communication that provides maximum reliability and safety in the event of critical network operation.

Increased capacity for one of the largest photovoltaic facilities in Oceania / Australia

Ormazabal is collaborating with the German company SMA, a specialist in photovoltaic system technology, on the project to expand the Australian solar power facility in Limondale with the capacity to generate 349 MW and supply more than 100,000 homes with green electricity.

SMA supplied 57 medium voltage power stations with Ormazabal technology to ensure that solar power can be reliably fed into the local grid.

Network connection for the IONITY Technology Test Centre / Germany

IONITY is an entrepreneurial initiative set up in 2017 jointly by automotive giants (BMW Group, Daimler, Ford, Audi, Volkswagen, Kia, Hyundai) to address the energy supply deficit that is currently limiting the growth of the electric mobility fleet. The joint venture has a modern test centre close to its headquarters in Munich where all the components required for the operation of the High Power Charging (HPC) points are tested under real operating conditions, including the medium-voltage components for grid connection and remote control technology. The latter have been produced and supplied by **Ormazabal** with a solution that is individually adapted to the special requirements of this advanced project. The participation in the project consisted of the entire technical planning, including the construction of the transfer station, within a period of six months.

Present at the largest public charging station in Southern Europe / Spain

Ormazabal provides its technology know-how and supplies the medium voltage equipment necessary for the two charging stations of the largest High Power Charging (HPC) station in southern Europe, thus providing coverage for electro-mobility in the Mediterranean corridor.

The two stations will allow simultaneous charging of up to sixteen electric vehicles with four 400 kW and twelve 200 kW chargers. They will enable the battery of an electric car to be charged in less than five minutes, providing each vehicle with a range of 100 km.



Power to Green Hydrogen project connection Mallorca / Spain

This pioneering project consists of an electrolyser connected to two photovoltaic facilities (14.35 MW) to supply energy for the production of 300 t of green hydrogen per year on the island of Mallorca. The hydrogen obtained will be used, on the one hand, for the gas network and, on the other, to supply land mobility (bus fleets and car rentals).

In collaboration with Acciona Energía, **Ormazabal** has supplied the complete, fully automated and digitalised solution for connecting the facilities to the electricity grid.



Delivery of the first compact substation in North America / USA

This prefabricated substation will enable Avangrid, a member of the Iberdrola group, to speed up the construction phase of its renewable energy projects and more effectively address its main challenge: the automation of its grid.

The “plug & play” solution provided by **Ormazabal** is fully integrated (with protection and automation equipment) and tested in the factory, with the aim of minimising the need for additional works on site. This project demonstrates the company’s ability to customise and integrate its equipment, providing unique solutions for its customers.





Solution for the world's first typhoon-resistant floating wind turbine / China

Ormazabal has developed together with its wind turbine customer a specific solution for floating offshore wind turbines resistant to the impact of marine environmental factors such as typhoons, seawater corrosion and extreme waves. The solution has been tested under different conditions of temperature, tilt-oscillation and random vibrations and will gradually be applied in offshore wind energy projects. It can withstand up to seventeen typhoons and has a unit capacity of 5.5 MW, equivalent to supplying 16.5 million kWh of clean electricity annually to the Guangdong-Hong Kong-Macao Bay area.



Support for the deployment of Electra charging stations / France

The French operator of public fast charging stations, Electra, relies on **Ormazabal** for its deployment objectives in France, which reach 300 charging points throughout the country. **Ormazabal** is in charge of supplying the connection points to the medium voltage grid. With this project, by 2022 it will have more than 250 public charging stations installed in Europe with its own technology.

€ 40 million EIB loan to boost research / Spain

The European Investment Bank (EIB) has signed a new 40 million euros financing facility with **Ormazabal** to support its R&D activities in Spain over the next four years. The agreement is backed by the **InvestEU** programme, which provides its implementing partners with an EU budget guarantee enabling them to increase their risk-bearing capacity, thereby helping to mobilise public and private investment for the European Union's policy priorities. EIB financing will help to strengthen **Ormazabal's** competitiveness, consolidating its innovative profile and future growth.

BrainEn project

Ormazabal participates in the development of SF6-free solutions for secondary distribution and in the research of power electronics equipment for DC/DC applications as well as a system for the energy management of industrial facilities with electrical storage and non-manageable renewable generation.

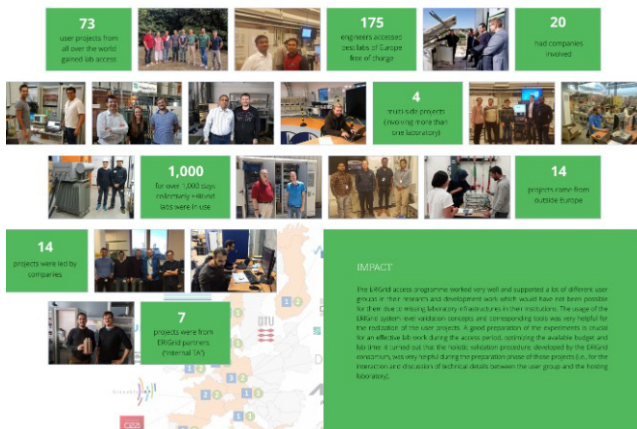
Industry activities

In 2022, the company once again sponsored the main event of the European electricity industry, **EURELECTRIC POWER SUMMIT**, which took place on 15 and 16 June in Brussels. José María Torres, director of the smart grids division, took part in a plenary session focused on the digital disruption brought about by the integration of data in the electricity industry.

The second meeting of the year supported by **Ormazabal** was the **IV AELEC Congress** held on 20 September in Madrid under the slogan “Technologies and markets for the energy transition”. This event was designed to analyse the advances and innovations promoted by the electricity industry within the framework of the energy transition and digital transformation in Spain towards decarbonisation. During the event, technologies that facilitate this transition, such as storage, green hydrogen and smart grids, were discussed.

Likewise, from 29 November to 1 December, **Ormazabal** presented its innovations for the digitalisation of grids at the **ENLIT EUROPE 2022** congress in Frankfurt. It is an excellent forum with the participation of national and international high-level exhibitors, during which all aspects of the energy transition on the European continent were discussed.





Awards and recognitions

Enedis “Best supplier of the Year” Award

The electricity company Enedis has awarded 2022 this recognition to the company for its long experience working together and, in the words of the award communiqué, “for always responding with the highest level of quality, jointly developing solutions, and flexibility of supply”.

Iberdrola “Best Supplier of the Year” Award

Iberdrola has also distinguished **Ormazabal** with this award as a strategic supplier “for being, more than a supplier, a risk-sharing partner with a continuous quality of communication and an industry leader in best practices”.

Spanish Maritime Cluster “Technology and Innovation” Award

The Spanish Maritime Cluster (Clúster Marítimo Español) has awarded the company the “Technology and Innovation” prize for its outstanding position in the market, where it is permanently committed to technological and industrial innovation. They also highlight the importance of the **Ormazabal** Research and Technology Centre, which is unique in the world.



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 Advisory Council** 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.

Without prejudice to any other duties that the Board of Directors of **Velatia** may request of it, this Advisory Council has been assigned among its functions:

- Analyse **Ormazabal's** results and the work of the management team.
- Propose the strategic plan and monitor its implementation.
- Control budget management.
- Propose to the Board the most important investment decisions (sale of assets, mergers, etc.).
- Assess and propose the authorisation of strategic alliances; put in place mechanisms to have the most accurate information on all areas of the company.
- Propose the remuneration policy to the Velatia Appointments and Remuneration Committee.
- Any other objective that contributes to the achievement of the company's goals.
- Gather information, preparing presentations, etc.; and any other tasks as requested by the Board.

Ormazabal Advisory Council

PRESIDENT

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



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. In 2022, **Ormazabal** has launched a new strategic project aimed at closely monitoring these threats and reducing their possible effects, under the title "Supply chain resilience improvement".

In general terms, the most immediate risks, prioritised for monitoring and management purposes, are as follows:

2022 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



7 | Sustainability

We embrace sustainability as a core element of our business strategy. For this reason, sustainability management cuts across the entire organisation and contributes to sustainable development through the creation of long-term value.

One of our aims is to provide companies with resources and support structures in order to adequately develop this area. In this sense, in 2022 **Ormazabal** has created a specific structure responsible for managing environmental, social and governance (ESG) aspects from a global perspective.

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.

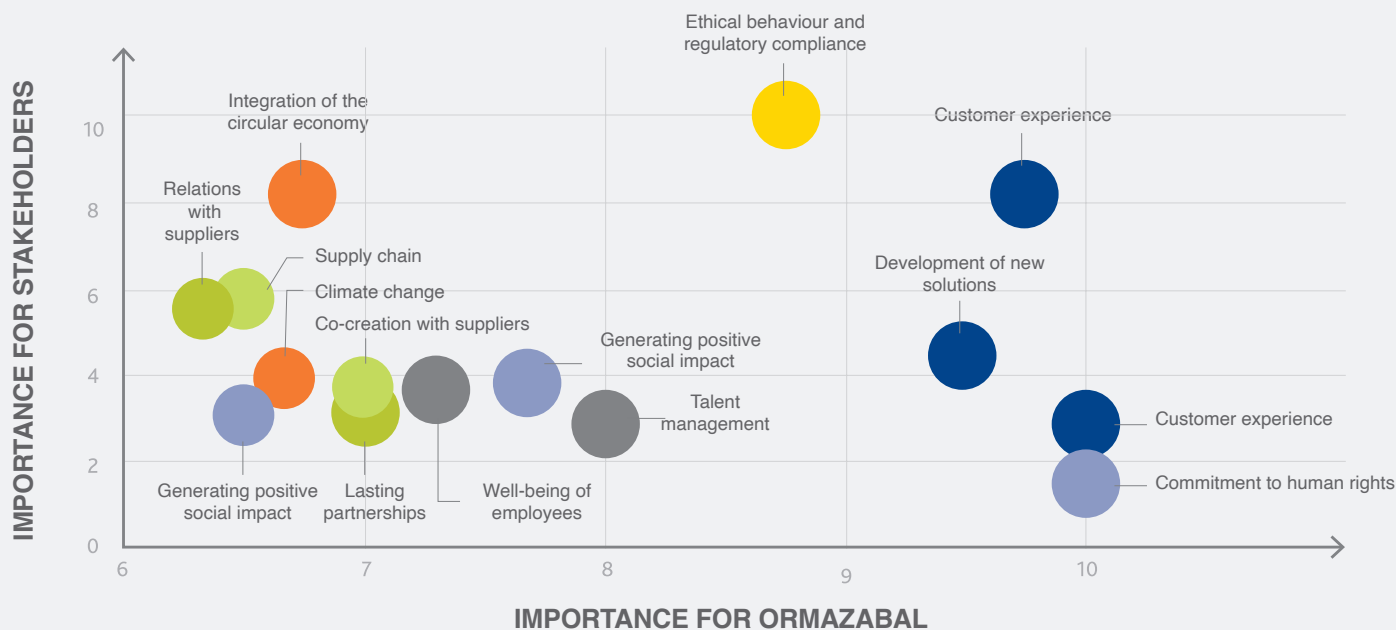
Identifying relevant issues

Ormazabal maintains 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:



- Economic performance and customer relations
- Business ethics and corporate governance
- Human capital management
- Impact on society
- Responsible relations with partners, suppliers and other stakeholders
- Environment

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 **technology 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**.

Ormazabal contributes to the challenge of ensuring access to affordable, reliable and sustainable energy



8 | Sustainable Development Goals

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

Of the five SDGs prioritised by Velatia, the company 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.

7 AFFORDABLE AND CLEAN ENERGY



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

Smart and digital networks

- We support the main electricity companies in the deployment of their automations.
- More than 15 years digitalising the medium voltage networks.
- More than 24 million consumers benefit from its solutions.

Green generation and storage

- Collaboration with the main technologists in the industry.
- More than 30 years of experience.
- More than 150 GW protected and automated worldwide.
- More than 250 MW installed in energy storage.
- Present in major green hydrogen generation projects.

Green mobility

- We accompany the main players in the development of their infrastructures.
- Connection to the network of 20 % of Europe's High Power Charging (HPC) stations.
- Electrification of ports, railways and subways.
- Benchmark in electrical connections for green hydrogen mobility.

Sustainable buildings and infrastructure

- Present in any type of project.
- Electrification of Europe's first Tier IV data centre.

- Present in more than 80 airports, hospitals, industries, hotels, shopping malls, etc., all over the world.

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:

- During the 2022 financial year, a pilot project has been developed in three of its centres with the aim of measuring the most relevant Scope 3 CO₂ emissions.
- It works to ensure that its facilities are environmentally responsible. To this end, following the analysis of the energy performance of its buildings in Spain, it continues to implement the improvement actions identified with a view to improving their efficiency.
- It purchases energy from 100 % certified renewable sources for its sites in Spain and from 2022 will also do so for its production site in France.
- It minimises all waste by facilitating recycling.
- It incorporates 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.





02

Ormazabal commitments

1 | People

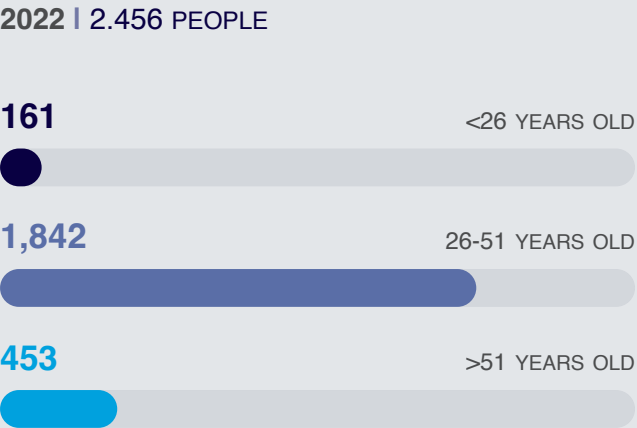
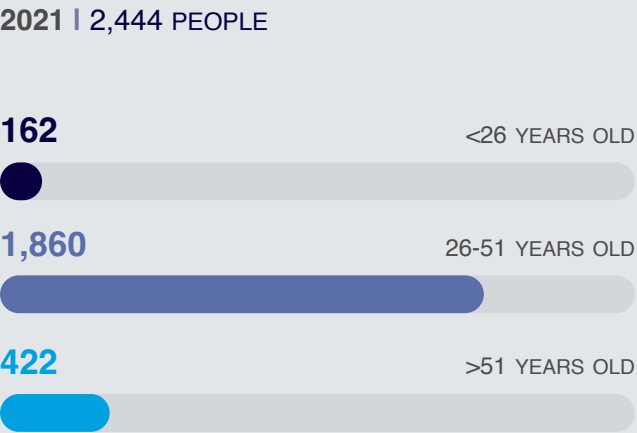
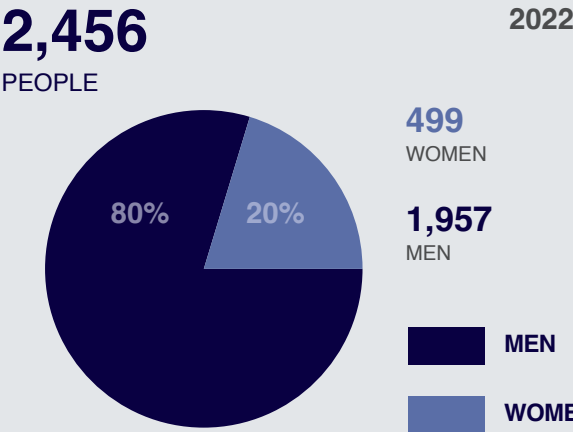
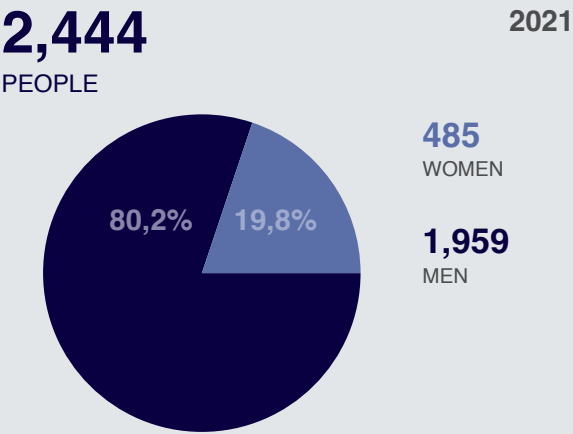
At the end of 2022, **Ormazabal's** diverse and singular team was made up of **2,456 people**, most of whom are located in Europe (85 %), mainly in Spain (75 %), with the remaining 15 % spread across the other continents. 80 % of the staff are men and 20 % women, and 75 % of the total are aged between 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 2022 the workforce remained at similar levels to the previous year.

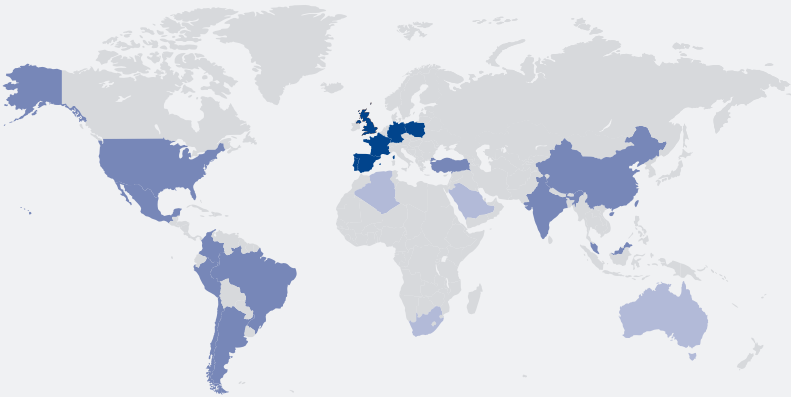
DISTRIBUTION OF STAFF BY GENDER

DISTRIBUTION OF STAFF BY AGE

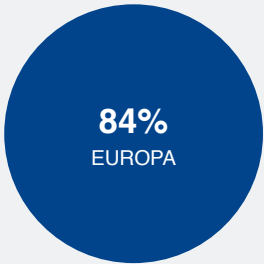


DISTRIBUTION OF STAFF BY CONTINENT

2021 | 2,444 PEOPLE

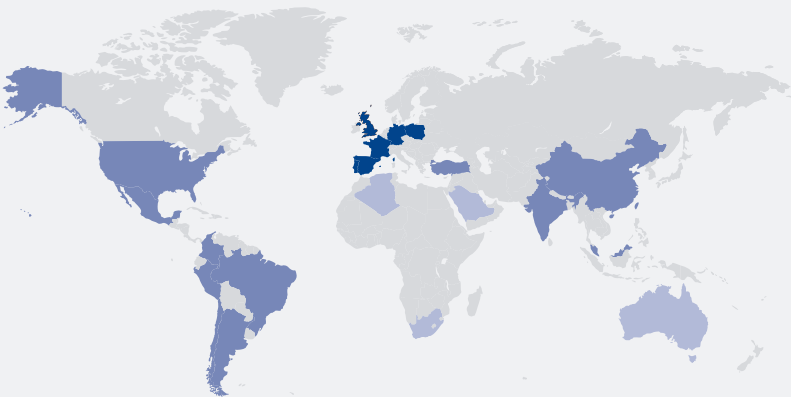


2,050	306	79	4	5
PEOPLE IN EUROPE	PEOPLE IN ASIA	PEOPLE IN THE AMERICAS	PEOPLE IN AFRICA	PEOPLE IN OCEANIA

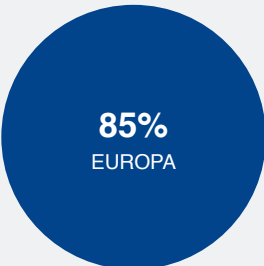


84%	
EUROPA	
12.5%	
ASIA	
3%	
THE AMERICAS	
<1%	<1%
AFRICA	OCEANIA

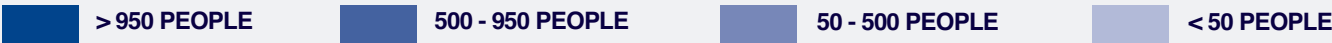
2022 | 2,456 PEOPLE



2,096	276	74	6	4
PEOPLE IN EUROPE	PEOPLE IN ASIA	PEOPLE IN THE AMERICAS	PEOPLE IN AFRICA	PEOPLE IN OCEANIA



85%	
EUROPA	
11%	
ASIA	
3%	
THE AMERICAS	
<1%	<1%
AFRICA	OCEANIA



Distribution by type of employment contract

The staff data by type of contract at the end of 2022 show a total of 2,084 permanent contracts (1,692 men and 392 women), and 372 temporary contracts (265 men and 107 women).

In relation to the type of working time, there are no permanent part-time contracts in 2022, with temporary contracts

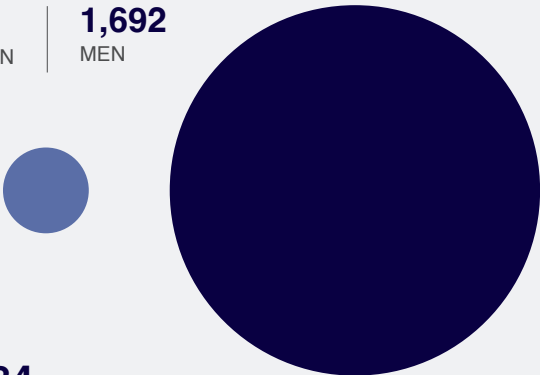
being those with part-time working times and a total of 17 contracts with this modality (10 men and 7 women) and 355 in the full-time modality (255 men and 100 women). There is no comparison with the previous year, as this information was not reported in 2021.

DISTRIBUTION OF STAFF BY TYPE OF CONTRACT, TYPE OF WORKING TIME AND GENDER

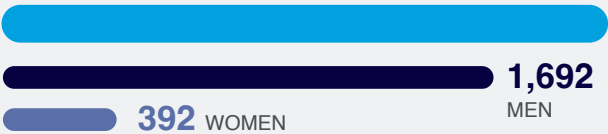
2022 | 2,456 PEOPLE

2,084
PERMANENT CONTRACTS

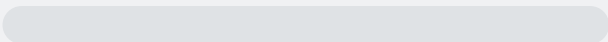
392 WOMEN | 1,692 MEN



2,084
FULL-TIME



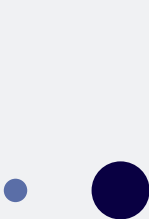
0
PART-TIME



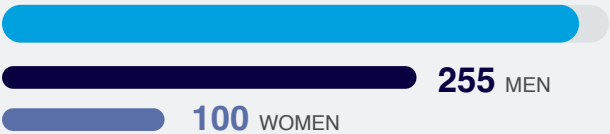
MEN WOMEN

372
TEMPORARY CONTRACTS

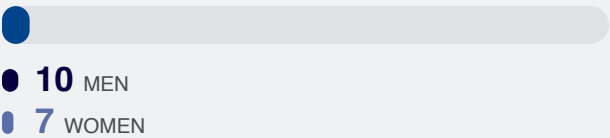
107 WOMEN | 265 MEN



355
FULL-TIME



17
PART-TIME





Average annual contracts

The experience and knowledge of the people who form part of **Ormazabal** are key to strengthening its competitive position. In addition, **Ormazabal** is aware of the need to open the professional path for young people, and therefore offers internships every year through different instruments—internship contracts, educational cooperation agreements, etc.—trying to convert these contracts into permanent contracts in line with the company's approach aimed at formalising permanent contracts (80 % of permanent contracts out of the total number of contracts of the average staff).

In the following breakdown⁽¹⁾, which contains the information on the annual average of permanent and temporary contracts, it can be seen that if we compare the data with the previous year, temporary hiring is up by 23 % and there is an increase of 9 % in permanent hiring.

80 % of the contracts in force in 2022 are permanent contracts.

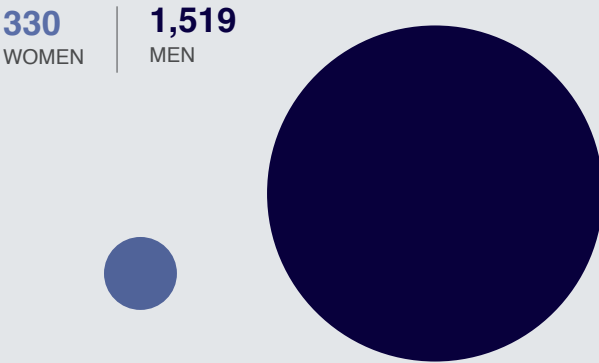
⁽¹⁾ The annual average figure has been calculated using the average staff of Ormazabal during 2021 and 2022, taking into account the salary payments calculated for each month.

TYPE OF EMPLOYMENT CONTRACT BY GENDER

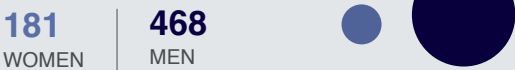
2021 | 2,498 CONTRACTS



1,849
PERMANENT CONTRACTS



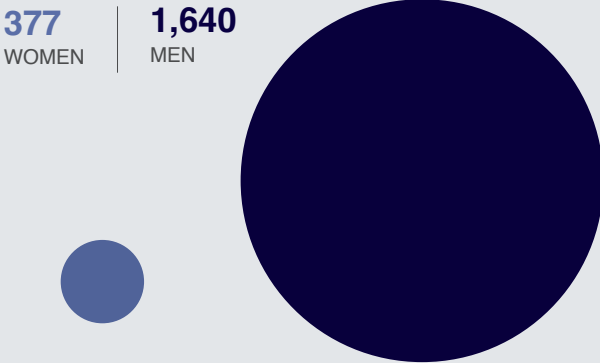
649
TEMPORARY CONTRACTS



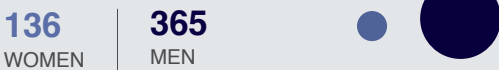
2022 | 2,518 CONTRACTS





2,017
PERMANENT CONTRACTS



501
TEMPORARY CONTRACTS



 MEN  WOMEN

TYPE OF EMPLOYMENT CONTRACT BY AGE

2021 | 2,498 CONTRACTS

1,849
PERMANENT CONTRACTS



649
TEMPORARY CONTRACTS



2022 | 2,518 CONTRACTS

2,017
PERMANENT CONTRACTS



501
TEMPORARY CONTRACTS





Average by type of working time

There is hardly any decrease in Ormazabal's average staff, as the average staff in 2022 was 2,518 people, while in 2021 it was 2,489 people. The relevant difference in terms of the type of contracts is due to the impact of the legislative change undertaken by the Government in 2022, in addition to the measures to promote the balance of family, personal and working life. Ormazabal offers staff the possibility of teleworking (a guideline established by the group) which facilitates greater time flexibility, allowing employees to take advantage of flexible working hours and maintain full-time instead of reducing the working time.

This is reflected in the hiring of the average staff, with 99 % working full-time, compared to 1 % working part-time.

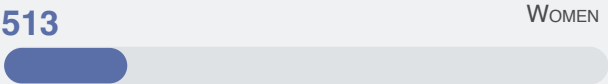
The distribution of Ormazabal's staff by type of working time, gender, age and professional category is as follows (in 2021 no such disaggregation is made in the average figures)⁽²⁾:

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

(2) The annual average figure has been calculated using the average staff of Ormazabal during 2021 and 2022, taking into account the salary payments calculated for each month.

TYPE OF WORKING TIME BY GENDER

2022 | 2,518 WORKING DAYS



2,498
FULL-TIME

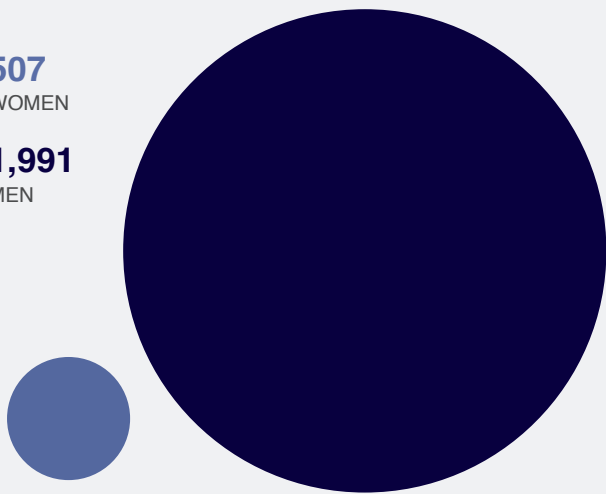
20
PART-TIME

507
WOMEN

1,991
MEN

6
WOMEN

14
MEN



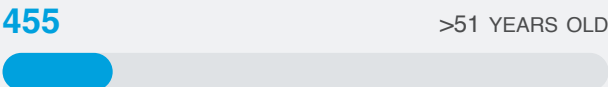
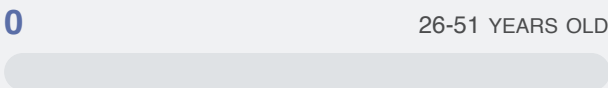
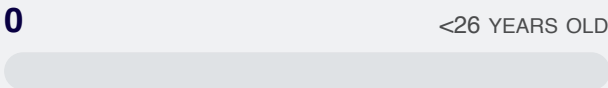
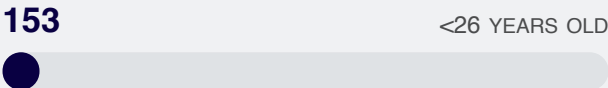
MEN WOMEN

TYPE OF WORKING TIME BY AGE

2022 | 2,518 WORKING DAYS

2,498
FULL-TIME

20
PART-TIME



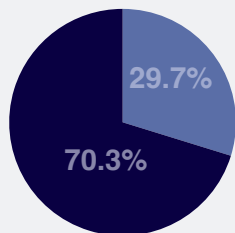
Redundancies

Compared to the previous year, there is a 35 % decrease in non-voluntary departures, with 129 in 2021 and 84 in 2022. This decrease is due to the effect of the change in the business model in Germany in 2021, which led to a restructuring and reorganisation of the staff.

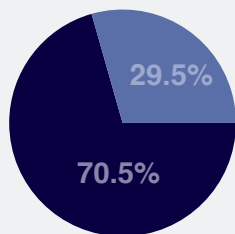
The redundancies that took place during 2022 and 2021 are broken down by gender, age and professional category as follows:



DISTRIBUTION OF REDUNDANCIES BY GENDER

2021 | 129 REDUNDANCIES



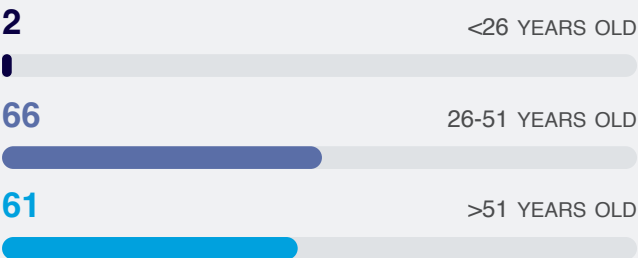
2022 | 84 REDUNDANCIES



 MEN  WOMEN

DISTRIBUTION OF REDUNDANCIES BY AGE

2021 | 129 REDUNDANCIES



2022 | 84 REDUNDANCIES





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.

In 2022 the number of people with disabilities hired was 16 (22 in 2021). In addition, **Ormazabal** collaborates with the Gureak and Urbegi centres to help people with disabilities find employment.

It should also be noted that during 2022 **Ormazabal** has entered into a collaboration relationship with another organisation for people with disabilities. It has also made a donation to a foundation that works in this field, specialising in children.

Average remuneration

The average remuneration of the staff in 2022 increased compared to 2021 (excluding senior management). The amount, 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

2021



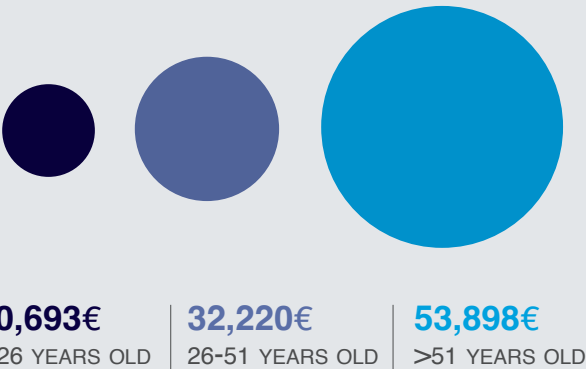
2022



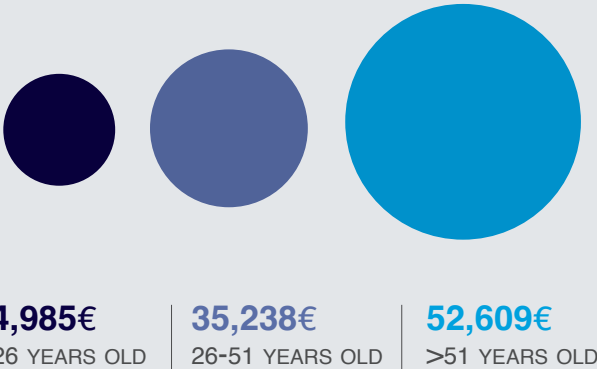
 MEN  WOMEN

AVERAGE REMUNERATION BY AGE

2021



2022



 < 26 YEARS OLD  26 - 51 YEARS OLD  > 51 YEARS OLD



Gender perspective

The applicable collective bargaining agreements regulate the minimum remuneration of employees of **Ormazabal**, establishing criteria of equity between jobs of equal value 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 average real remuneration (fixed plus variable) of women compared to men (excluding senior management), the difference in 2022 is 16 %.

This figure reflects the low presence of women in industry in general and in **Ormazabal** in particular, where they represent 20 % of the workforce. In the managerial part of the company, i.e. considering the people who have responsibility for an area of activity, the percentage rises to 26 %. The fact that three quarters of management positions are held by men means that their average pay is higher. The fight against the “glass ceiling” is a strong ambition at **Ormazabal**, but the size of the female base of the workforce is an obstacle that is being addressed through Employer Branding initiatives specifically aimed at women.

Organisation of work

Ormazabal has adopted measures to guarantee the well-being of its employees and to be a benchmark in the generation of quality employment. To this end, it has a tool in charge of monitoring time records, thus combating long working hours, forcing the taking of holidays, etc.

Each company in **Ormazabal** determines the aspects relating to working time, rest periods and all other applicable working conditions. **Ormazabal's Code of Ethics**, in the section on Labour Rights, states that the working time 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 an in-depth reflection on the balance of work, family and personal life, which has led 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.



Lastly, 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 facilities, in-house magazines, suggestion boxes, annual conferences, personal and direct communication by managers and directors, workers' committees, and health and safety committees. Since 2021, the My Velatia application, shared by the entire group, has added a new, agile and efficient internal communication channel to the options available.

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 Well-being 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 equipment of workplaces with respect to a wide range of risks, from breaking and entering to fire.

In relation to this point, in 2022 the offices and facilities of the companies located in Igorre were completely refurbished. This refurbishment has improved the working conditions, physical spaces and equipment of the work centres.

- **Labour integrity:** To guarantee insofar as possible the labour integrity of workers in compliance with the respective industry regulations, and to implement the necessary measures.
- **International certifications:** Achieve and maintain the most recognised certifications of quality, the environment, and oc-

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.

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



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:

DISTRIBUTION OF NUMBER OF ACCIDENTS BY GENDER

2021 | 190 ACCIDENTS



8
WOMEN

68
MEN



15
WOMEN

99
MEN

2022 | 184 ACCIDENTS



7
WOMEN

67
MEN



18
WOMEN

92
MEN

MEN

WOMEN

In 2022, there were 74 accidents at work with sick leave (7 women, 67 men) and 114 without sick leave (18 women, 92 men). Comparing the data with the year 2021, there were 76 accidents with sick leave (8 of women) and 114 without sick leave (15 of women).

As for the frequency and severity indices, in 2021 they were 18.33 and 0.53, respectively, with no breakdown by gender. For the year 2022, the indices calculated are as follows:

	2022		
	Men	Women	Total
Frequency Index	19.40	9.80	17.50
Seriousness Index	0.40	0.10	0.40

Absenteeism

The **absenteeism** rate is understood to be the non-compliance with the working time due to sick leave, occupational accidents, works council hours and strike hours. In the 2022 financial year, there has been a change in the criteria for calculating the hours included under this concept. Thus, the total number of hours amounted to 177,098, 22 % more than the previous year, an increase that is a consequence of the change in the aforementioned criterion, as the absence hours for 2021 were recalculated, giving a total of 145,281 hours. That year 210,992 hours were reported as the calculation included maternity, paternity, trade union hours and leave allowed in agreements and did not include strike hours (although in 2021 there were no strike hours and in 2022 there were).

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.

Ormazabal follows the guidelines and is aligned with the performance evaluation process that the group has adopted and which is included in the corporate Training Policy. Besides, 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 technology 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 2022 training activities tailored to the needs of its staff worldwide, the total number of training hours amounting to 35,972, from which 1,633 employees have benefited.

(3) The number of hours worked by employees is theoretical, considering an estimated working time of 145 hours per month for each line of business.



New training programmes: Sophos Advanced, Ormazabal Mentoring Experience and Finance Module

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

In particular, we highlight the following training plans included in 2022:

- **Sophos Advanced:** training and certification programme aimed primarily at the sales network. Its objective is to improve and broaden the organisation's knowledge of the entire range of **Ormazabal** products.
- **Ormazabal Mentoring:** programme initiated in 2021 and implemented during 2022. Its aim is to promote the growth of personnel in the company and develop potential talent through the relationship between a reference person (mentor) and another person in development (mentee).
- **Finance Module:** online module aimed primarily at business unit managers with the objective of providing them with a basic general knowledge of business data from an economic point of view, thus enabling them to make decisions based on this data.

Of the total number of hours taught in 2022, 30,902 are for men and 7,411 for women.

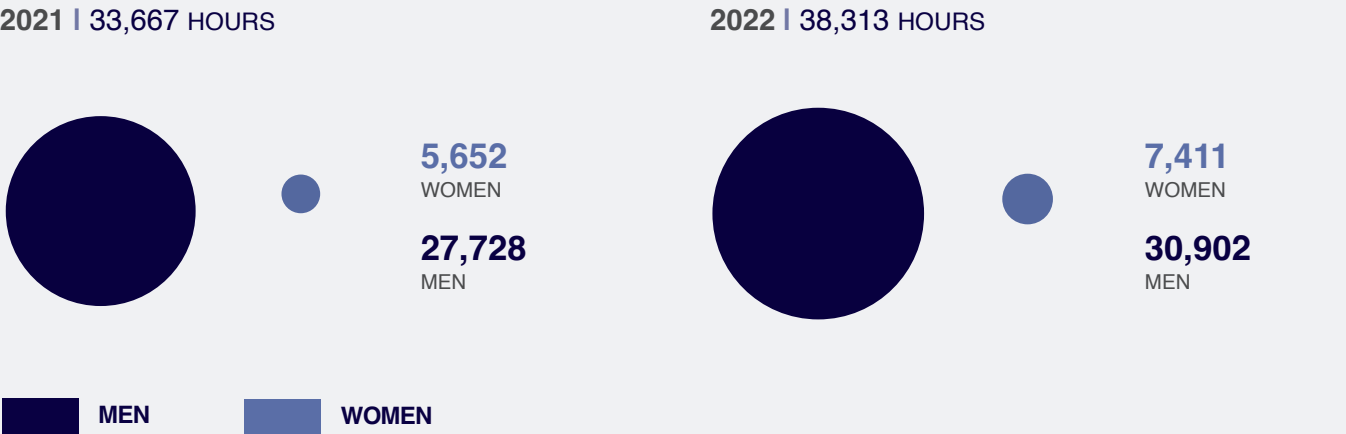
Although the pandemic limited training hours in 2021, normality is gradually returning, as reflected in the increase in training hours in 2022, up 14 % overall. Some of the categories have felt this increase the most, such as administrative staff with a 76 % increase and sales staff with a 49 % increase.

As a consequence, there has been a corresponding increase in the average number of training hours per employee, representing an average of 15.22 training hours per employee in 2022 compared to 13.9 in 2021.

HOURS INVESTED IN TRAINING BY PROFESSIONAL CATEGORY



HOURS INVESTED IN TRAINING BY GENDER





Equality

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

There is a **Protocol for Prevention and Action against Harassment at Work** at group level, which is committed to protecting people's fundamental rights and is focused on establishing the necessary measures to ensure prevention and action against any type of harassment at work (sexual, discriminatory and/or psychological). This protocol was updated in 2021 to include gender-based harassment, which demonstrates the group's interest in promoting equality in the organisation.

In this regard, the main objective of **Ormazabal** is 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.

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 include, among other things, general and specific objectives, an internal analysis and diagnostic of the organisation, as well as proposals for action. During 2022, the process of implementing them in all the company's work centres in Spain was completed.

At the end of 2022, all **Ormazabal** companies had an equality plan in place or were in the process of finalising it. Each plan in turn includes a series of actions that have been implemented throughout the year.

2022 also saw the launch of the LEAP (Learn, Engage, Act and Progress) initiative, which aims to receive feedback on equality issues from sixteen women of different ages, companies and organisational levels.

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

- A special session on the occasion of International Women's Day, 8 March.
- Workshop given by Emakunde (Basque Institute for Women) and Gizonduz (a Basque Government initiative) on 20 and 27 November, addressing issues such as masculinity and equality, sexist violence and sexual harassment at work.

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



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

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 technology growth.

This long history of innovation, combined with an innate entrepreneurial spirit, allows it to offer its customers the most innovative technology 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.

Technology innovation

Investment in technology innovation is strategic for the company, which is why it allocates approximately 4 % of its annual turnover to R&D&I. It has a team of **113 people of ten different nationalities** working for this purpose in different parts of the world.

In addition, since 2005 it has had a **Business R&D Unit** attached to the Basque Science, Technology and Innovation Network (Red Vasca de Ciencia Tecnología e Innovación). This unit has infrastructures that make it unique in the world and includes an accredited and independent 2.5 GW High-Power Laboratory (HPL) connected to a fully configurable experimental network (UDEX, Demonstration & Experimentation Unit). This infrastructure allows technologies, products and applications to be tested in a real and secure environment, without interfering with the electricity grid of customers.

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

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 electrical insulation technology, firmware and communications. It is a priority objective for the company to ensure that all 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.

Ormazabal has recently incorporated two new technology areas into its strategy that will undoubtedly strengthen its positioning in the face of the challenge of network digitalisation: data analytics, with the creation of the **Ormazabal Analytics** department, and power electronics, with the integration of the company **Supsonik** into its ecosystem.

Among the singular achievements in the area of digitalisation, it is worth highlighting the recognition of our Demonstration & Experimentation Unit (UDEX) as a European Digital Innovation Hub, as it is the only private centre that forms part of the Basque Digital Innovation Hub, within the Digital Electricity Grids node.

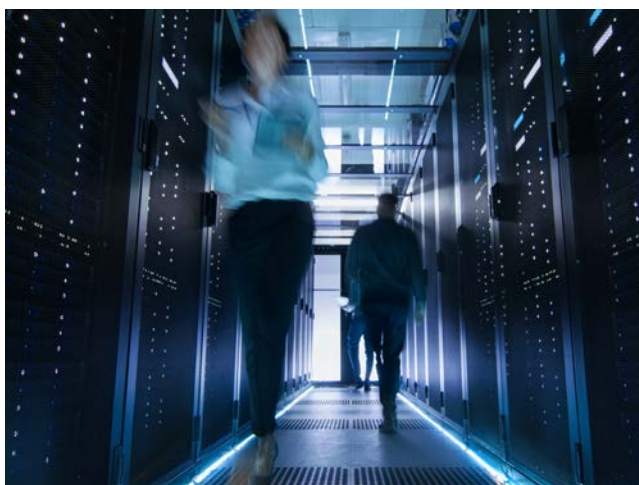
The company currently has more than 290 patents and intellectual property registrations, which demonstrates its clear commitment to the development of cutting-edge technology and makes it a benchmark in its field in the generation of technology value.

As a reflection of its support for open innovation, **Ormazabal** sits on the boards of several research centres such as Tecnalia, the largest applied research and technology development organisation in Spain and one of the most prominent in Europe; or the energy research centre 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.

Among the priority action policies is also the promotion of collaboration with technology start-ups, trying to take advantage of its driver effect on these companies. In this context, **Ormazabal** has joined the Basque Government's BIND 4.0 programme as a **Corporate Venture Client**.

Annually, the company allocates approximately 4 % of its 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. It has been deployed throughout 2022.

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

A key element in **Ormazabal's** management is to promote innovation in customer relations with the aim of always achieving excellence in advice and service.

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

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 tackle the sustainability challenges facing the planet by boosting renewable energies, bringing intelligence to the grid, making electro-mobility possible, etc. Proof of this was the company's incorporation into Iberdrola's **Global Smart Grids Innovation Hub**, where it has participated in most of the working groups in which different innovative ideas have been discussed around the electricity grids of the future, which have materialised in various projects. In this line, in 2022 **Ormazabal** negotiated with Enel its participation in the initiative called **Enel Open Grid**.

In short, **Ormazabal** aspires to be a benchmark for the high level of innovation applied to each project, which translates into the constant search for competitive and differentiating solutions that meet the needs of its customers.

Innovation milestones

Almost a third of sales in 2022 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 2022 were devoted to it. Part of this ongoing effort to innovate can be seen in various projects and advanced technology developments in collaboration with cutting-edge research centres, universities, organisations and companies in the industry. 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 2022, as almost a third of sales were of products developed in recent years.

Agreement with the European Investment Bank (EIB)

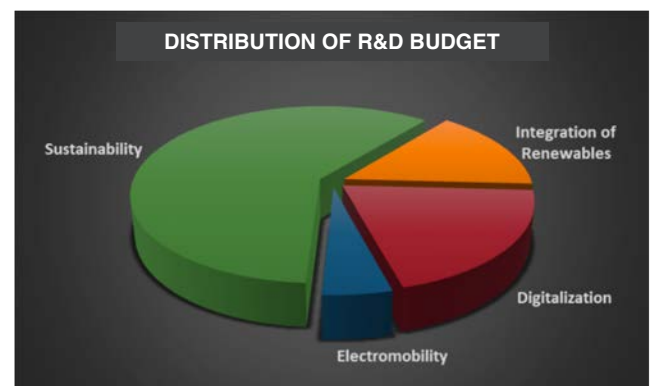
Ormazabal has signed a 40 million euros financing facility with the EIB to facilitate the development of its R&D investment plan for the period 2022-2025.

The support of this European institution to the ambitious innovation project of our company gives an important backing to its purpose of accompanying its customers in the energy transition in a permanent race towards technology innovation, and, in parallel, contribute to the fulfilment of the objectives of decarbonisation of the energy system in Europe.

The agreement is supported by the InvestEU programme, which provides its implementing partners with a budgetary guarantee to enable them to increase their risk-bearing capacity, thereby helping to mobilise public and private investment for EU policy priorities.

R&D agreement with Iberdrola

In 2022 **Ormazabal** renewed the contract entered into with Iberdrola for a total amount of 5.85 million euros through the tax instrument known as "Article 64a" (of the Basque Country and Navarre Corporate Income Tax Law). The agreement covers the period 2022-2024 and is aimed at financing research and development of new products for electricity distribution, including new insulation gases with low envi-





ronmental impact, sensorisation of primary and secondary distribution switchgear, as well as the development of equipment for the automation of electricity grids and cyber-safe medium-voltage relays, among others. As for the low-voltage grid, efforts are focused on the digitalisation, control and automation of equipment such as low-voltage switchboards and other components, as well as applications based on intelligent data processing for grid management.

Projects and technology developments

Projects started in 2022

Integral transformation of the electric mobility value chain for sustainability and competitiveness in the development and domestic manufacture of electric premium MPVs

Description: Project led by Mercedes-Benz within the Spanish Strategic Projects for Economic Recovery and Transformation for the development of the Electric and Connected Vehicle (PERTE_VEC), which has an eligible budget of almost 513 million euros.

This boosting project is subdivided into several primary projects. **Ormazabal** is participating in the development of an EV charging station installed in an industry with an energy buffer, based on electrochemical storage, a photovoltaic facility and an energy management system for the installation.

Participants: Consortium led by Mercedes-Benz in which **Ormazabal** participates together with 34 other companies including Basquevolt, Fagor Automation, CIC energiGUNE, Gestamp, Grupo Antolín, Ibil, Ingeteam, etc.

EDGE project

Description: Project focused on the research, design and development of a system that integrates:

- Distributed computing nodes (Edge Computing) installable in MV/LV transformer substations.
- IoT platform for node management.
- Algorithms and applications for distributed computing in transformer substations to enable:
 - Network balancing.
 - Detection of technical and non-technical losses.

- Optimal tapping of conventional transformers.
- Optimal voltage set-point for smart transformers with On-Load Tap Changer (OLTC).

The project is funded by the Spanish funding authority CDTI and is expected to last 29 months.

Participants: Ormazabal is leading this project with the participation of the start-up Barbara IoT and the distribution company CMH from Puerto Lápice, in Ciudad Real (Spain).

SINAPE project

Description: Collaborative research project with high industrial potential financed by the Basque Government within the Elkartek programme aimed at agents of the Basque Science, Technology and Innovation Network.

Its objectives are:

- Investigate temperature-compensated pressure sensors for gas environments alternative to SF6 capable of transmitting their measurement via wireless systems.
- Research into self-powered temperature sensors with wireless data transmission for low-voltage switchboards and medium-voltage switchgear, which are not affected by electromagnetic fields generated by short-circuit currents.
- Investigate an edge computing platform architecture to capture and process signals from sensors in a transformation substation, integrating applications based on sensor and other data.

Participants: Ormazabal Corporate Technology is leading this project, with the participation of the Signal Theory and Communications Group (Grupo de Teoría de la Señal y Comunicaciones) of Mondragon Goi Eskola Politeknikoa (MGEP) in Spain.

MODITRANS project

Description: Project aimed at modelling and diagnosing transformers.

Its objectives are:

- Develop an oil quality sensor based on the measurement of the dielectric constant (real and imaginary components) to provide information for the calculation of the Health Index.

- Thermal modelling of transformers in the presence of harmonic orders and the development of a tool to improve the calculation of transformers and to provide information on the hot-spot temperature (HST) for the calculation of the Health Index.

- Research into systems that reduce the switch-on power of transformers to avoid adverse effects on grids, especially the weaker ones.

- Research and implementation of a methodology to determine the transformer's Health Index.

The project is funded by the Spanish Ministry of Science and Innovation (MICIN) as part of the grants for public-private collaboration of the national programme to promote scientific-technical research and its transfer within the national plan for scientific and technical research and innovation 2021-2023, within the framework of the Spanish Recovery, Transformation and Resilience Plan (PRTR).

Participants: Collaborative research project led by **Ormazabal Cotradis Transformadores**, coordinated by **Ormazabal Corporate Technology** and involving the Spanish CEIT technology centre, the Signal Theory and Communications Group (Grupo de Teoría de la Señal y Comunicaciones) and the Electrical Energy Group (Grupo de Energía Eléctrica) of Mondragon Goi Eskola Politeknikoa (MGEP) in Spain, and the Thermal and Fluids Engineering Area (Área de Ingeniería Térmica y de Fluidos, AITF) of the Department of Mechanical Engineering and Materials of Tecnun School of Engineering (Navarra, Spain).

CEDIP 12 project

Description: Project that addresses the following objectives:

- Designing a 12 kV range of small gas-insulated switchgear.
- Reducing the environmental impact of the switchgear range by designing the insulation system for the use of switchgear with an alternative gas to SF6.
- Integrating sensor technology (Industry 4.0) in the switchgear to diagnose their state of health.
- Developing of new voltage indicators according to the new standard IEC 62271-213/215 applicable to voltage detecting and indicating systems (VDIS).



- Developing sensor technology: Embedded V-sensors according to IEC 61869-11.
- Investigating mechanisms for heat dissipation from medium-voltage switchgear.

This project is funded by the Basque Government within the Hazitek programme for projects that include R&D activities to develop new products and plans for industrial research and experimental development of a strategic nature in the Basque Country region.

Participants: Ormazabal Distribución Primaria is leading this project and Ormazabal Protection & Automation is also participating as a partner.

Ormazabal Corporate Technology is a subcontractor of both companies in the project as an Agent of the Basque Science, Technology and Innovation Network (Red Vasca de Ciencia, Tecnología e Innovación).

Ongoing projects

BrainEn project

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

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

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

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

TRUEVALUESEC project

Description: A project that aims to generate new innovative, verifiable and scalable cybersecurity technologies that make it possible to build, through collaboration, long-term solutions to meet the business and competitiveness challenges of the electricity industry. The project is funded by the Basque Government through the Hazitek programme for strategic projects.

Participants: Consortium made up of eight partners and seven agents from the Basque Science, Technology and Innovation Network (*Red Vasca de Ciencia Tecnología e Innovación*).

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 their backbone.

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

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

Participants: Ormazabal Corporate Technology participates in the EriGRID 2.0 consortium, which is made up of complementary organisations including distribution grid operators, equipment manufacturers, universities and research centres. All of them with extensive experience in the field of smart grids and with their own laboratory infrastructures for electrical power systems. 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.

FLEXIGRID project

Description: European project funded within the Horizon 2020 programme (8th EU Framework Programme for Research and Innovation) for the development of interoperable solutions for the implementation of holistic network flexibility services.



Participants: Ormazabal Protection & Automation and Ormazabal Corporate Technology participate in the consortium of this project composed of more than ten companies and Horizon 2020 partners, among them the CIRCE Foundation and Viesgo Distribución Eléctrica.

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, in 2022, an internal forum meeting was organised to analyse regulatory and legislative developments affecting the products with the participation of technical managers, as well as marketing and engineering personnel.

Finally, **Ormazabal** places special emphasis on the development of descriptive information about its products, which constitutes another phase in 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 documentation** associated with the products in relation to technical performance and installation and assembly needs.



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 people **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

Following the precautionary principle, Ormazabal periodically analyses the register of provisions to cover existing environmental risks.

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

During 2022, **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 2022, those corresponding to **Ormazabal** Cotradis Transformadores and **Ormazabal** Distribución Primaria were renewed. **Ormazabal** International Business has also obtained the corresponding certification.

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 2022

Along the same lines of responsibility, various **Ormazabal** companies make **environmental product declarations**. Specifically, in 2022, we would highlight the environmental product declaration made by **Ormazabal** Cotradis Transformadores SLU. The aim of this type of declaration is to provide the public and other interested parties with information on the environmental impact and behaviour of the organisation, as well as the ongoing improvement of its behaviour in this area.

In order to ensure the maintenance and implementation of the above mentioned certificates, **Ormazabal** has a team

distributed among its main facilities 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.

Country	Company
China	Ormazabal Kunhsan Switchgear
	Ormazabal Zhuhai Switchgear
United Kingdom	Ormazabal Limited UK
Spain	Prefabricados Uniblok
	Ormazabal y Cía. (Ormazabal Distribución Secundaria)
	Ormazabal Media Tensión
	Ormazabal International Business
	Ormazabal Distribución Primaria
	Ormazabal Cotradis
	Aislantes Sólidos
	Ormazabal Burgos Switchgear
Brazil	Ormazabal do Brasil
Mexico	Ormazabal México



Ormazabal participates in the first edition of the Basque Circular Summit

In line with its commitment to the circular economy, **Ormazabal** participated in the first edition of the **Basque Circular Summit 2022** ("Walking the talk"), the largest circular economy event in southern Europe aimed at business and industry, from 23 to 25 November 2022, where it was possible to share experiences and strategies on the new requirements of product circularity.

The objectives of this public-private collaboration initiative include: bringing Basque companies closer to the new challenges and opportunities in circular economy promoted by the European Green Deal, transferring the work carried out and the innovative results obtained by Basque companies in this area, providing criteria and promoting, making visible and positioning the Basque Country at the forefront of southern Europe in business circular economy.

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.

In this regard, the company has continued to develop specific tools for its product portfolio, including the aforementioned eco-design aspects. Among those implemented in 2022, the following are worth highlighting:

- **Life cycle analysis tool** for medium voltage switchgear (secondary distribution) for the integration of green purchasing criteria (Collaborative project with i-DE).
- **Life cycle analysis automation tool** for medium voltage switchgear (primary distribution). Piloting with cpg.0 lite 2000A switchgear.

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 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 entities Ihobe and SPRI; together with a group of leading companies such as Iberdrola, EDP, Siemens Gamesa, as well as **Ormazabal**.

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.

Additionally, in 2022, in collaboration with the Business & Climate Foundation (Fundación Empresa & Clima), a pilot project has been carried out to estimate the Scope 3 emissions of three of the company's organisations.

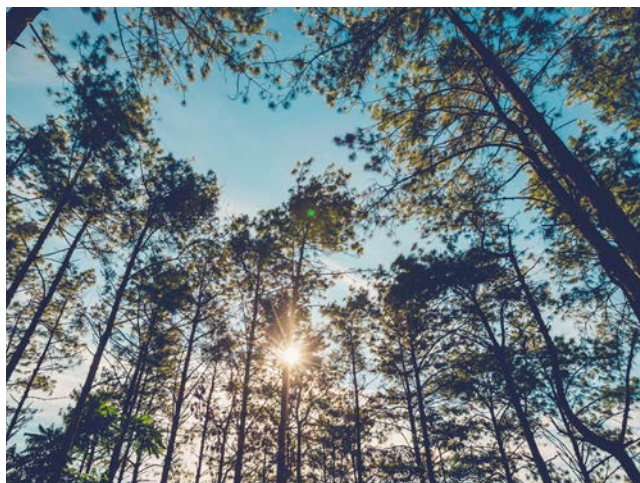
In addition, other notable initiatives led by various **Ormazabal** centres took place during 2022:

- Uniblok has reformulated its concrete formula, reducing the amount of cement used, thereby reducing indirect carbon footprint emissions.
- Initiatives to carbon offsetting by planting trees have continued, with several initiatives carried out in Biscay, Burgos and Madrid.
- In particular, in Biscay, in collaboration with the Lurgaia foundation, 900 native trees and bushes have been planted on a 65,915 m² plot of land, as part of the Undabaso project covering 167 hectares. This action entails an offsetting of 312 t of CO₂, according to the certificate issued by the Lurgaia foundation.
- In addition to carbon offsetting, the projects have a biodiversity restoration and promotion objective and are carried out with a "corporate volunteering" approach.
- Around 180 people from the company have been involved in these plantings.

In 2022 **Ormazabal** has updated its emissions factors. Thus, the results of **Ormazabal's** environmental performance in relation to GHG emissions (t CO₂-eq) in 2022 and 2021 are as follows:

GHG emissions (t CO ₂ -eq) ⁽⁴⁾	2021	2022
Direct (Scope 1)	3,518	2,649
Indirect (Scope 2)	650	741

(4) 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 the Spanish Ministry of Environment MITECO (Ministry for the Ecological Transition). 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.



Direct emissions (Scope 1) 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. It is worth noting that in 2022, thanks to **Ormazabal's** efforts to reduce its fuel consumption, the organisation has reduced its direct emissions by 25 % compared to the previous year.

In the case of indirect emissions (Scope 2), **Ormazabal** considers as such those derived from electricity consumption in the organisation, excluding self-consumption. In this sense, it calculates its emissions according to the **market-based method** defined in the Scope 2 Guidelines of the GHG Protocol. This method attributes GHG emissions from electricity consumed based on the organisation's 'contractual instruments', taking into account Energy Attribute Certificates (EACs) or other contracts.

In 2022, despite having improved energy performance by achieving lower non-renewable energy consumption (-31 % compared to 2021), the organisation has increased its Scope 2 emissions by 14 % compared to the previous year. This is due to the update of the organisation's GHG emissions calculation methodology (market-based method), as well as the update of the emission factors used. If the same emission factors had been used as in the previous year, there would have been a reduction of 10 % in this year's results compared to 2021.

In addition to the aforementioned emissions, in 2022 **Ormazabal** has increased its efforts to provide greater detail of its environmental footprint to its stakeholders. Thus, this year, the company has registered a total of 7,972 t CO₂-eq derived from SF6 emissions in the manufacturing process compared to 11,750 t CO₂-eq in 2021.

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 2022, 60 % of the vehicles in the company fleet were hybrid and 5 % electric/plug-in hybrid. In addition, the company is committed to renewing the fleet only with hybrid or electric vehicles.

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 take further decisive steps in this direction, progress continued to be made on various measures and procedures implemented in some product divisions to encourage the reduction and recycling of waste in order to minimise its impact on the environment. These include, among others:

- **In the Secondary Distribution** and Primary Distribution Divisions and Cotradis, dismantling guides have been developed for the equipment they manufacture, which enables them to dismantle it efficiently, as well as the correct segregation and management of waste at the end of the products' life.
- **In the Transformer Division** the following actions have been carried out:
 - Lagging of thermal oil tanks.
 - Installation of VF in welding hall extractors and ppm concentration control system.
 - Reduction of unproductive operating times of air-conditioning, lighting and process systems.



Waste generation

Type of waste	2021	2022
Hazardous waste	250,062 kg	227,585 kg
Non-hazardous waste	5,080,060 kg	5,088,639 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, 36 % of the waste generated in 2022 was recovered, 56 % was disposed of and the remaining 8 % was sent to controlled landfills. A continuous improvement if we look at the 2021 data, where 31 % was recovered, 55 % disposed of, 11 % underwent a valorisation process and the remaining 3 % was sent to controlled landfills.

As regards non-hazardous waste—scrap metal, paper and cardboard, plastics and wood—in 2022, 45 % of these were recovered, 7 % sent to controlled landfills, 47 % underwent a valorisation process and the remaining 1 % were disposed of, while in 2021, 48 % were recovered, 3 % were sent to controlled landfills, 46 % underwent a valorisation process and the remaining 3 % were disposed of.

Sustainable use of resources

Evolution of water consumption

With sustainability as a goal, in 2022 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.

The table shows that water consumption in Ormazabal is very linear as there is only a 1 % decrease compared to 2021. This consumption is concentrated in the Cotradis facilities (without significant variations with respect to 2021) and Tecnichapa, which has experienced an increase in its water consumption of 71 % in 2022, mainly due to the cleaning procedures of the painting line.

Consumption	2021	2022
Water consumption (m³)	42,312 m³	41,771 m³

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 in 2022, the organisation's total energy consumption has decreased despite the increase in production overall.

The increase in renewable energy and the decrease in non-renewable energy consumption this year (-31 % compared to 2021) is mainly due to the acquisition of energy with a renewable energy guarantee certificate by **Ormazabal Burgos** and **Ormapost**.

With regard to energy consumption derived from the use of fuels, **Ormazabal** is making great efforts to reduce their use. As a result, in 2022 the company has reduced the consumption of all types of fuel used.

Consumption	2021	2022
Non-renewable electricity (kW h)	2,116,895	1,453,912
Electricity from renewable sources (kW h)	10,085,078	10,533,814
Total electricity (kW h)	11,444,291	11,987,735
Natural gas (Nm³)	1,315,486	1,086,798
Diesel A & C (l)	245,810	178,760
Gasoline (l)	47,997	327

In this sense, we can highlight the generalised replacement of combustion energy equipment by electric equipment, as well as the elimination of petrol consumption in **Ormazabal Portugal** and **Ormazabal Beijing Switchgear**.

Additionally, and in line with previous years, in 2022 **Ormazabal** has continued to increase the renewable energy generation facilities for self-consumption in its buildings through the installation of solar panels in different facilities of the company in Amorebieta, Loeches and Getafe. Thanks to the installation of solar panels, **Ormazabal** has generated 902,278 kW h of energy for self-consumption.

Energy efficiency

As a company committed to reducing energy consumption, in 2022 **Ormazabal** has developed various initiatives aimed at promoting and encouraging energy efficiency, including those carried out at the Igorre facility (Biscay).

Office refurbishment:

- Installation of LED equipment and control sensors, replacing the old fluorescent system and reducing the installed lighting power.
- Introduction of an aero-thermal heat pump for hot water generation and heating and primary air volume. It consists of the elimination of all electric water heaters for hot water generation for the changing rooms, as well as the generation equipment that uses natural gas as fuel. The volume of hot water storage is estimated to be similar to that of the current situation. In addition, a primary air volume of 8,500 m³/h is introduced, according to the information provided.
- Energy rehabilitation of the enclosure by means of:
 - Installation of new metal carpentry, windows and curtain wall with superior insulation.
 - Installation of a strip facade panel over the existing thermo-clay facade, applying a system that adds thermal insulation [50 mm thick polyurethane (PUR) foam filling].

Industrial facility refurbishment:

- Installation of an aero-thermal system for hall heating to replace the old natural gas boiler system.

In accordance with the Spanish 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. As Ormazabal's centres have been audited for the last four years, no further audits are required in 2022.

Finally, true to its commitment to reducing energy consumption, over the last few years Ormazabal has implemented measures that include aspects such as the replacement of existing lighting with LED lights and energy monitoring, among others.



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	2021	2022
Main raw materials (magnetic sheet, enamelled wire, aluminium, chemical consumables, oil and aluminium strip)	21,931,032 kg	26,930,646 kg

The increase observed in the consumption of raw materials in 2022 (23 % compared to 2021) is a direct consequence of the increase observed in the organisation's overall manufacturing. Likewise, in the particular case of Cotradis, the change in the design of the transformer in the network carried out with the aim of reducing losses, due to the entry into force of Tier 2 requirements of the Energy Efficiency Directive, has required the use of a greater amount of aluminium, oil and magnetic sheet for its correct implementation and operation.



4 | Customers

Commitment to the customer is a strategic pillar for **Ormazabal** and the company's entire value chain is geared to this end: to offer a sustainable service to its customers.

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 the industry in which it operates. 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 customers satisfaction, **Ormazabal** uses internal assessment mechanisms such as surveys, interviews, etc., which offer a deeper understanding of their needs and expectations and allow us to

identify possible areas of improvement to continue working on.

In recent years **Ormazabal** has continued to conduct satisfaction surveys in the countries where it has a commercial presence and production facilities (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.

Ormazabal uses the Advanced Management Model as a benchmark to evaluate and improve its management system, and one of the aspects on which this model focuses is that of the customers.

Likewise, throughout the year, the technology 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 industry on the path towards energy transformation.

The products and services of the companies of the group take into account all the **quality and safety parameters** provided for in the regulations applicable in each case. For this reason, **Ormazabal** has a very robust complaints system, registering requests on a monthly basis and analysing them. Requests for action by the company in the event of incidents arising from a lack of quality or management errors in the supply of products during the 2022 financial year totalled 2,510 complaints, of which 2,306 were closed and 204 were in the process of being dealt with at the end of the year.



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 2022.

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 Purchasing Function** applicable to **Ormazabal** which provides the entire organisation with common and compulsory guidelines that regulate the complete purchasing 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 **Purchasing 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, the company has a **System of Risk Management** in the supply chain that monitors the panel of critical suppliers classified according to different levels of criticality.

Ormazabal is in the process of recording in detail the audits and the results obtained from them. In this sense, the group's new supplier portal will play a fundamental role in achieving this objective.



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 facilities. 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 standard 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.

Ormazabal’s most representative countries are shown below:

% expenditure on local suppliers	2021	2022
Spain	80%	77%
France	94%	97%
Germany	69%	87%
China	96%	95%
Mexico	98%	99%

Sustainability in the supply chain

Ormazabal's companies seek to contribute real value in their purchasing 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 purchasing with each operational department has allowed **Ormazabal** 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.

As mentioned above, the sustainability aspects that are analysed within the supplier approval process are related to environmental certifications and regulatory compliance.



“Buy Green” pilot project

Ormazabal continues to participate in the pioneering “Buy Green” project in the private sector.

In 2019, the Basque Country region launched this pilot programme (a pioneer at the 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, **Ormazabal** developed in 2021 its own criteria for “buy green” private procurement, resulting in an action plan which has been continued in 2022, whose main lines of work are as follows:

- Deploy in 2022 the policy regarding Ormazabal’s position on “conflict minerals”. This policy is 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.
- After establishing the environmental standards in the purchasing of raw materials of magnetic sheet, aluminium and stainless steel, the roll-out of the strategy and its transfer to suppliers began in 2022.
- Regulate cross-cutting environmental guidelines for cleaning services, collection and destruction of confidential documentation, company vehicles, as well as energy supply/trade companies (the overall guidelines of the group are followed).

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



Key actions taken in 2022 in relation to sustainability in the supply chain include the following:

- Launch of a **new supplier portal** for the approval and management of suppliers, including the following actions:
- Update of the approval template and inclusion of ethical aspects and ESG criteria for strategic suppliers.
- Update of the risk management and supplier classification procedure.
- Analysis and monitoring, together with suppliers of raw materials, of the level of **incorporation of recycled material in their production processes** in order to reward and encourage its use. Throughout 2022, recycled material has been incorporated in the case of steel, stainless steel and aluminium.
- Promotion of the use of the **green magnetic sheet**, which has a lower CO2 footprint, for which we have been in contact with some key customers in order to promote its use and receive feedback. As a result of this action, **Ormazabal Cotradis** has increased the percentage of green sheet purchases.
- **Wood packaging recycling** project with steel mills in the EU and China.

Social commitment: Support the social development of the communities where Ormazabal operates, participating in and promoting projects of social, cultural and environmental interest

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 programmes 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.

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

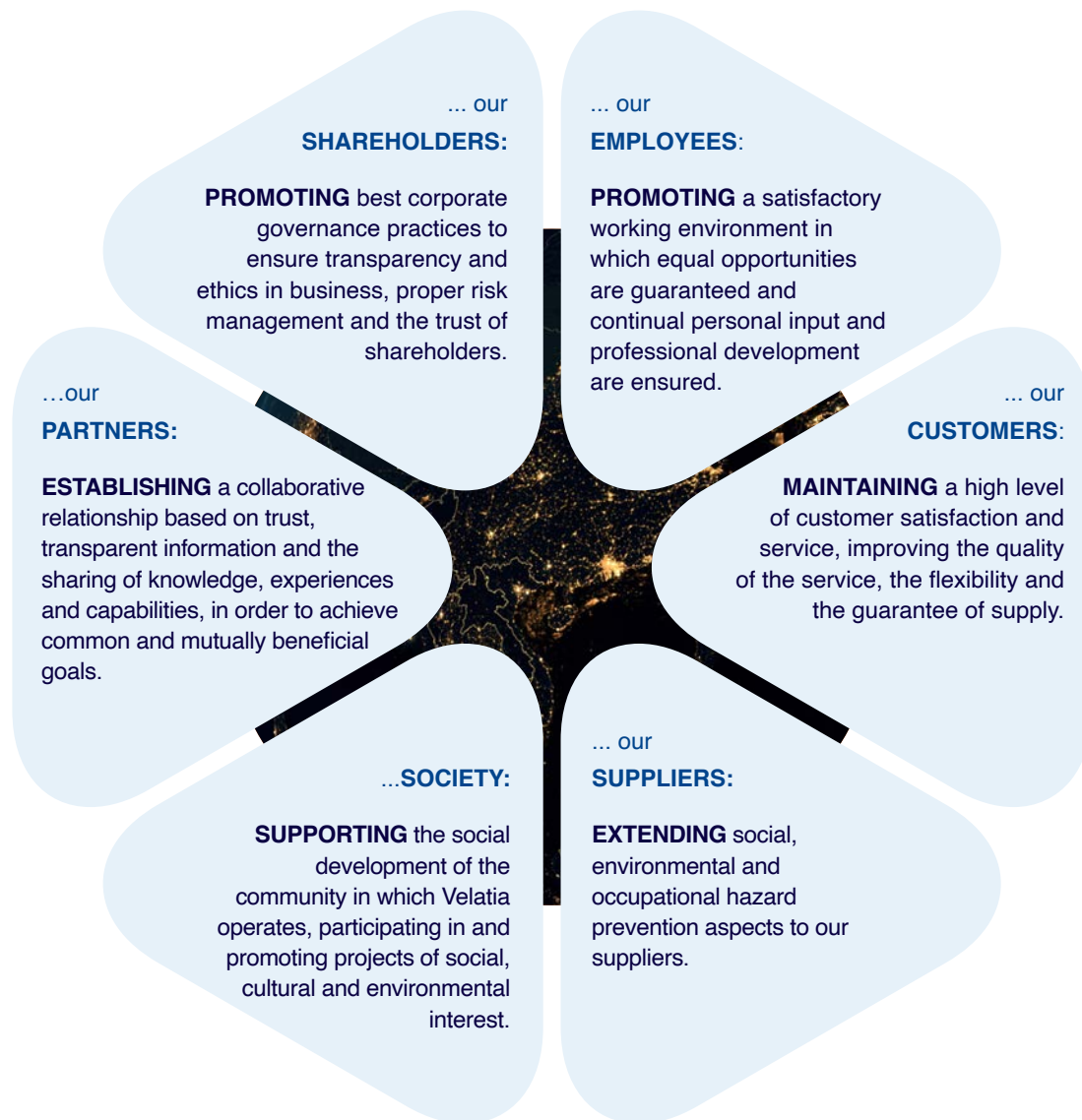
Ormazabal contributes to the interests of the surrounding community generating a positive social impact by creating jobs, developing the local economy, collaborating with educational institutions, paying taxes and distributing the value generated.

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 industry in all areas of action, both national and European.

We advocate regulations that are conducive to the fundamental principle of sustainability of the electricity system.

At all times the company maintains a proactive position in defence of regulations 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.

We contribute to society's development through...



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 industries 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 in which it participates:

Country	Associations	
Spain	AFBEL	Asociación Española de Fabricantes de Bienes de Equipo Eléctricos (<i>Spanish Association of Manufacturers of Electrical Capital Goods</i>)
	Clúster de la energía del CAPV	Energy cluster of the Basque Country region
	Confebask	Basque Business Confederation
	Euskalit	Basque Foundation for Quality Promotion
	Basque Ecodesign Center	Basque Ecodesign Center
	AEE	Asociación Empresarial Eólica (<i>Wind Energy Business Association</i>)
	GT compartición datos aeros	Working Group on Wind Turbine Data Sharing
	UNE	Asociación Española de Normalización (<i>Spanish Standards Association</i>)
	ENERCLUB	Club Español de la Energía (<i>Spanish Energy Club</i>)
	CONSORCIO DE ENERGÍAS RENOVABLES	Renewable Energy Consortium
	CONFEMETAL	Spanish Confederation of Metal Business Organisations
	AEDIVE	Asociación de Empresas para el Desarrollo e Impulso del Vehículo Eléctrico (<i>Association of Companies for the Development and Promotion of the Electric Vehicle</i>)
	SERCOBE	Spanish Association of Manufacturers of Capital Goods
	CEOE	Confederación Española de Organizaciones Empresariales (<i>Spanish Confederation of Business Organisations</i>)
	UNEF	Unión Española Fotovoltaica (<i>Spanish Photovoltaic Association</i>)
	FUNDACION EMPRESA/CLIMA	Business & Climate Foundation
	FORO PARA LA ELECTRIFICACIÓN	Forum for electrification
	Club Marítimo Español	Spanish Maritime Cluster
	Foro Marítimo Vasco	Basque Maritime Forum
	AEMENER	Asociación Española de mujeres para la energía (<i>Spanish Association of Women for Energy</i>)
	SREC	Spain Renewable Energy Consortium
	AELEC	Association of Electric Power Companies
	CIDE	Asociación de Distribuidoras de Energía Eléctrica (<i>Association of Electricity Distributors</i>)
	BIND 4.0	Basque Open Innovation Platform
	INNOBASQUE	Basque Innovation Agency
	GSGHI	Global Smart Grid Innovation Hub of Iberdrola
	ASEME	Association of Electricity Companies

Country	Associations	
France	GIMELEC	Groupement des entreprises de la filièrelectronumérique française (Group of companies in the French digital electronics industry)
	MATPOSTPlatform	
Portugal	AVERE	National association for the development of electric mobility
	ANIMEE	Portuguese Association of Companies in the Electrical and Electronic Sector
UK	BEAMA	UK trade association for manufacturers and providers of energy infrastructure technologies and systems
Germany	ZVEI	Verband der Elektro- und Digitalindustrie Electrical and Digital Industry Association
Europe	T&D Europe	European Association of the Electricity Transmission and Distribution
	CIREC/CIGRE	International Conference on Electricity Distribution
	EURELECTRIC	Union of the Electricity Industry
	ORGALIM	EU Technology Industries Association
	BUSINESS EUROPE	
	EDSO_E	European Distribution System Operators
	GEODE	The voice of local energy distributors across Europe
	CEDEC	European Federation of Local and Regional Energy Companies
	SOLAR POWER EUROPE	
	WIND EUROPE	The Voice of the Wind Energy Industry
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 some that took place in 2022:

Collaboration with training centres

In line with its vocation to contribute to the training of future professionals in industry, Ormazabal has sponsored the “Industria Erronka” initiative, organised by the Biscayan Federation of Metal Companies (FVEM), and has continued its work to promote the industrial sector in various educational centres, as well as hosting its students at the company’s facilities.

Tree planting

In 2022, four reforestation initiatives (“Kumula”) have been carried out thanks to the collaboration of people from **Ormazabal** and their families and with the help of three NGOs:

- In Biscay, with the Lurgaia foundation and the participation of around 100 people divided into two groups.

900 native trees and bushes have been planted in the Urdai-bai area, which implies a carbon offsetting of 312 t of CO₂ in 40 years, according to the certificate issued by the foundation.

- In Burgos, with the Oxígeno foundation and around 30 people who repopulated around one hectare of woodland in the Quintanlara area with native species.
- In Madrid with Reforesta and around 50 people who planted native species in the mountain area of Cordel de las Asperillas.

In addition to carbon offsetting, the projects are aimed at restoring and promoting native biodiversity and are carried out with a “corporate volunteering” approach. Overall, around 180 people from the company have participated in the different initiatives.

Solidarity campaign

Ormazabal has also collaborated in 2022 with the Biscay Food Bank, collecting the following amounts of food in several of its headquarters:

- Boroa (plot 14): 62 kg
- Boroa (plot 24): 38 kg
- Igorre: 9 kg
- Zamudio (Velatia headquarters): 21 kg

In addition, **Ormazabal** Transformadores has collaborated this year with the “No child without toys” (Ningún niño/a sin juguetes) Campaign.

Forging links between education and businesses

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 turned 20 years old in the 2021-22 academic year, pursues the following objectives:

- Recruitment of students with potential. Thus, in 2022, eight students from the classroom joined **Ormazabal**.
- Carrying out of projects in areas of interest to the company.
- Helping generate a brand among students as a prestigious point of reference in the technology 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, automation, and 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.

Ormazabal Corporate Technology, the key company's R&D&I-focused entity, is on the Board of Trustees of the **Euskampus Foundation of the University of the Basque Country (UPV)**, 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.

Finally, in addition to the above, in 2022 some events have been used to intensify the company's relationship with students:

- On the occasion of WindEurope Annual Event in April 2022 in Bilbao (Spain), four types of students were welcomed during the exhibition:
 - Master's Degree in Integration of Renewable Energies in the Electricity System.
 - Degree in Renewable Energy Engineering.
 - Advanced Vocational Training in Mechatronics.
 - Advanced Vocational Training in Renewable Energies.
- Participation in the UPV Biscay Campus Employment Forum (May 2022).
- Participation in Talentia Week, Bizkaia Talent network (May 2022).
- **Ormazabal Meeting Day**: hosting thirteen students in presentations, visit to the Ormazabal Research & Technology Centre (OCT), etc. (June 2022).



velatia