

Informe de Verificación Independiente del Estado de Información  
No Financiera Consolidado correspondiente al ejercicio anual finalizado  
el 31 de diciembre de 2022

ARTECHE LANTEGI ELKARTEA, S.A. Y SOCIEDADES DEPENDIENTES



## INFORME DE VERIFICACIÓN INDEPENDIENTE DEL ESTADO DE INFORMACIÓN NO FINANCIERA CONSOLIDADO

A los accionistas de ARTECHE LANTEGI ELKARTEA, S.A.:

De acuerdo al artículo 49 del Código de Comercio hemos realizado la verificación, con el alcance de seguridad limitada, del Estado de Información No Financiera Consolidado adjunto (en adelante EINF) correspondiente al ejercicio anual finalizado el 31 de diciembre de 2022, de Artech Lanategi Elkartea, S.A. y sociedades dependientes (en adelante, el Grupo) que forma parte del Informe de Gestión Consolidado del Grupo.

El contenido del EINF incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación de la información identificada en el Anexo “Índice de contenidos GRI y de la Ley 11/2018” incluido en el EINF adjunto.

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### Responsabilidad de los Administradores

La formulación del EINF incluido en el Informe de Gestión Consolidado del Grupo, así como el contenido del mismo, es responsabilidad de los Administradores de Artech Lanategi Elkartea, S.A. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los *Sustainability Reporting Standards* de *Global Reporting Initiative* (estándares GRI) seleccionados, así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en el Anexo “Índice de contenidos GRI y de la Ley 11/2018” del citado Estado.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores de Artech Lanategi Elkartea, S.A. son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

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### Nuestra independencia y gestión de la calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código Internacional de Ética para Profesionales de la Contabilidad (incluyendo las normas internacionales sobre independencia) emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Nuestra firma aplica las normas internacionales de calidad vigentes y mantiene, en consecuencia, un sistema de calidad que incluye políticas y procedimientos relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

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## Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado. Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 Revisada en vigor, "Encargos de Aseguramiento distintos de la Auditoría o de la Revisión de Información Financiera Histórica" (NIEA 3000 Revisada) emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC) y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de seguridad limitada los procedimientos llevados a cabo varían en su naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad que se obtiene es sustancialmente menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades del Grupo que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- ▶ Reuniones con el personal del Grupo para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.
- ▶ Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2022 en función del análisis de materialidad realizado por el Grupo y descrito en el apartado "2.4. Grupos de interés y análisis de materialidad", considerando contenidos requeridos en la normativa mercantil en vigor.
- ▶ Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2022.
- ▶ Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2022.
- ▶ Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2022 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- ▶ Obtención de una carta de manifestaciones de los Administradores y la Dirección.

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### Párrafo de énfasis

El Reglamento (UE) 2020/852 del Parlamento Europeo y del Consejo de 18 de junio de 2020 relativo al establecimiento de un marco para facilitar las inversiones sostenibles establece la obligación de divulgar información sobre la manera y la medida en que las actividades de la empresa se asocian a actividades económicas alineadas en relación con los objetivos de mitigación del cambio climático y adaptación al cambio climático por primera vez para el ejercicio 2022, adicional a la información referida a actividades elegibles exigida en el ejercicio 2021. En consecuencia, en el EINF adjunto no se ha incluido información comparativa sobre alineamiento. Adicionalmente, cabe señalar que los administradores de Arteche Lantegi Elkartea, S.A. han incorporado información sobre los criterios que, en su opinión, mejor permiten dar cumplimiento a las citadas obligaciones y que están definidos en el apartado 2.8. "Taxonomía europea de actividades sostenibles" del EINF adjunto. Nuestra conclusión no ha sido modificada en relación con esta cuestión

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### Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF del Grupo correspondiente al ejercicio anual finalizado el 31 de diciembre de 2022 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI seleccionados así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en el Anexo "Índice de contenidos GRI y de la Ley 11/2018" del citado Estado.

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### Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

Este informe se corresponde con el  
sello distintivo nº 01/23/04998  
emitido por el Instituto de Censores  
Jurados de Cuentas de España

ERNST & YOUNG, S.L.



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Alberto Castilla Vida

22 de marzo de 2023



arteche

NON-FINANCIAL  
INFORMATION  
STATEMENT

SUSTAINABILITY REPORT

2022





arteche

NON-FINANCIAL  
INFORMATION  
STATEMENT  

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SUSTAINABILITY REPORT

2022





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## PRESENTATION OF NON-FINANCIAL INFORMATION STATEMENT AND SUSTAINABILITY REPORT 2022

For the fifth consecutive year, we present our Non-Financial Information Statement and Sustainability Report, with the goal of presenting our advances in sustainability during 2022 and our contribution to the United Nations Sustainable Development Goals.

We hope to update our stakeholders on how we're doing in the environmental, social and governance spheres, key factors in our project for the future.

This Sustainability Report forms part of the 2022 Consolidated Management Report of Grupo Arteche (hereinafter "the Group" or "Arteche") drafted by the Board of Directors and dated 22 March 2023. With the publication of this document, Arteche meets the requirements established in Law 11/2018 of 28 December on non-financial information and diversity, transposing Directive 2014/95/EU into Spanish legislation, reporting, with the detail required information on environmental and social matters and relating to staff, human rights, society and the fight against corruption and bribery. Arteche also meets the requirements on disclosure established in Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment for 2022.

The information includes all significant impacts for the period subject of the report, establishing priorities with respect to the information based on the principles of materiality, completeness, the sustainability context and stakeholder inclusion in accordance with the Global Reporting Initiative (GRI)

requirements. To this end, the GRI Sustainability Reporting Standards were used as a reference when providing information on indicators and aspects considered relevant based on the materiality analysis conducted by the Group whenever such information can be presented with sufficient quality.

On 10 November last, the European Parliament approved the Corporate Sustainability Reporting Directive (CSRD), which improves the public accountability of companies, requiring them to report on the effects of their activity on people and the environment. The European Financial Reporting Advisory Group (EFRAG) also approved the first set of European Sustainability Reporting Standards (ESRS) which outline requirements for detailed corporate reporting on a broad range of sustainability issues. Arteche Group is currently assessing the impacts of these new Standards, which will apply from 1 January 2024.

At the start of each section, references to the GRI indicators covered in each section have been added (such as GRI 2-22). The provisions of the Guide for preparing Global Reporting Initiative sustainability reports (GRI standards) were taken into consideration, selecting a series of standards based on the information requirements established by Spanish Law 11/2018, Arteche's sector and the materiality analysis performed. The indicators are reported partially or completely.

The information in this report was verified by Ernst & Young, S.L., as the independent verification service provider, pursuant to Article 49 of the Spanish Commercial Code.

“This report transparently presents our progress in terms of sustainability in 2022”

# INTRODUCTION TO NON-FINANCIAL INFORMATION STATEMENT AND SUSTAINABILITY REPORT

GRI: 2-22



Only a few weeks have passed since the end of the year of celebration to mark our 75th anniversary that was 2022, and some of the emotions and moments we experience remain very fresh in our mind.

The different institutional and internal events we celebrated have shown the importance for Arteche of advancing hand in hand with our stakeholders and sharing and celebrating our success together.

In 2022, we have consolidated our listing on BME Growth, successfully completed the integration processes of our new acquisitions and reviewed and improved processes to make them more efficient. We have also surrounded ourselves with the best talent and we have worked day to day to meet the business objectives we have committed to with our investors.

This report, which we share with you for the fifth consecutive year, is one of the channels we have to inform the company in general and those who have placed their trust in our project, not just of the results in terms of achieving these objectives, but the way we have approached them, with a clear business vision and, above all, firm action based on criteria of good governance, care for the environment and commitment to society, as we have always done.

And we're working on it. In 2023, there lies ahead a year in which uncertainty has already proven to be a factor to contend with but also a year of many opportunities.

As a society, we have a commitment to the energy transition, with an increasing need for energy efficiency. And it is not such a long-term goal; it is one that can't wait and one that, finally, most countries in the world have committed to.

We are facing a major challenge in which the electricity sector is key. Here at Arteche, as part of this sector, we are committed to this goal and we must help accelerate the transition towards a more sustainable planet.

But the energy transition also opens up a horizon of opportunities. That means accelerating investments in renewable energy, energy efficiency, interconnections between countries and electrification. It also means placing front and centre something that those of us who dedicated ourselves to this already know; that for all this to be possible we need a network for the transport and distribution of electricity that is modern, more powerful, more interconnected, more flexible and more digital.

And this is our world. We have many opportunities ahead of us

that we must take advantage of. And we're seeing that. Contracting and our portfolio of orders is growing at double-digits rates and it's happening in all businesses and all markets. Thanks to the great work in the market, we have also been able to recover the margin for most of our products.

Even in an uncertain environment, we are optimistic about 2023, sitting in a good place with a positive outlook.

It will be an important year for Arteche, in which we work towards organic and inorganic growth, sustainability as a principle of action in all our processes and the drive for innovation in all businesses, products and solutions as the pillars upon which to build our future.

It will be a demanding year but an exciting one.

Just like always. Or not!



ALEXANDER ARTETXE  
CHAIRMAN AND CEO OF ARTECHE GROUP

“In 2022, we have consolidated our listing on BME Growth, successfully completed the integration processes of our new acquisitions and reviewed and improved processes to make them more efficient”

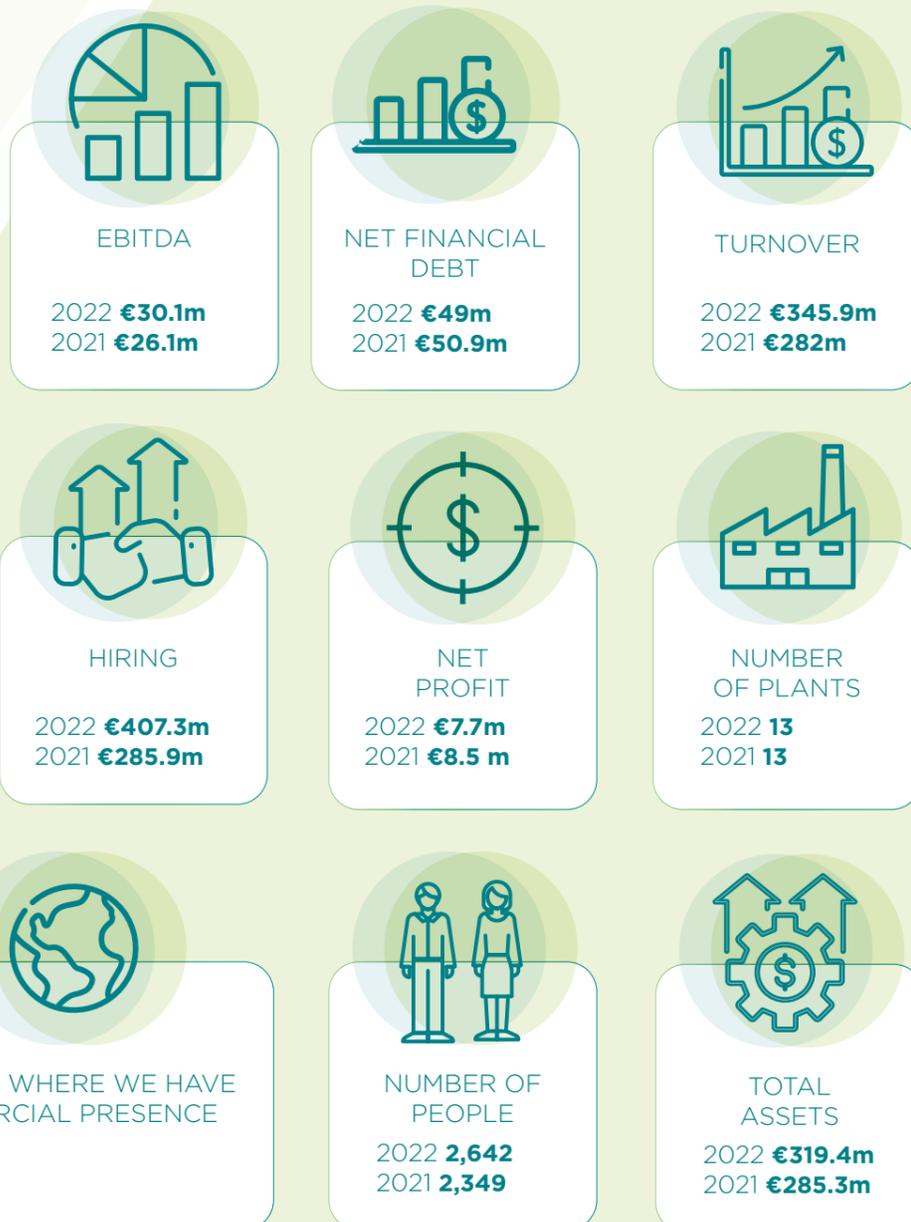


# EXECUTIVE SUMMARY

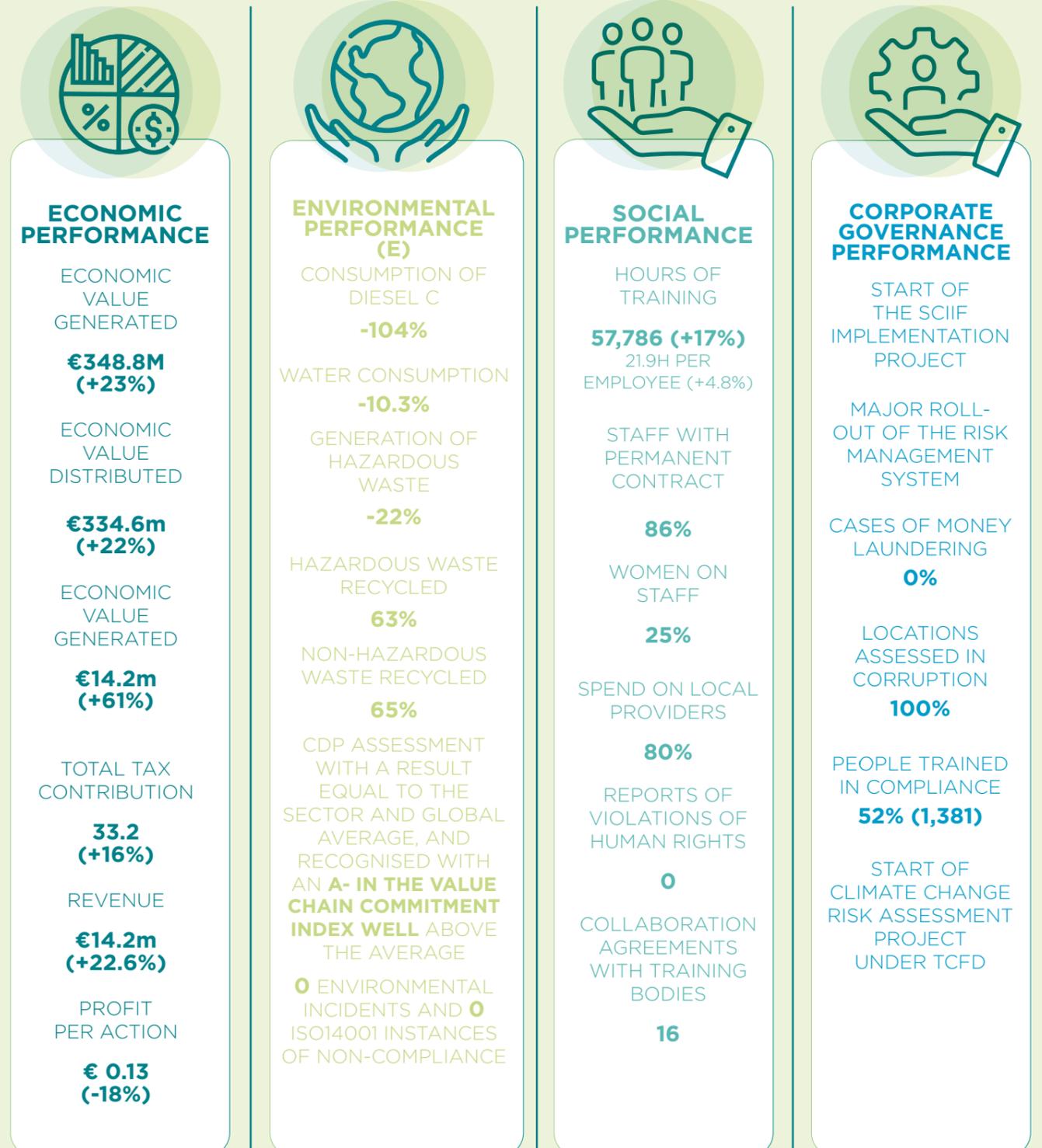
## ARTECHE IN FIGURES

GRI: 2-6, 201-1, 203-2

“Energy moves the world and here at Arteche we combine energy to transform electricity into value. Every year we set challenges in the economic, good governance, environmental and social spheres and we would like to give an account of this in this report”



## ECONOMIC PERFORMANCE AND ESG



## 2022 MILESTONES:



- CELEBRATING OUR 75TH ANNIVERSARY
- CHARITY ROAD RUNNING RACE
- JV BEGINS WITH HITACHI ENERGY FOR GAS-INSULATED TRANSFORMERS

- WE CREATED THE INTERNAL INNOVATION ECOSYSTEM AREA



- RECOGNITION OF RTE FOR THE SOLUTION FOR MIXED LINE PROTECTION VIA OPTICAL TRANSFORMERS
- WE INSTALLED CHARGING POINTS FOR ELECTRIC CARS AT OUR MUNGIA HEADQUARTERS

- WE WERE AWARDED AN A- RATING IN THE INDEX OF COMMITMENT TO THE VALUE CHAIN (SER: SUPPLIER ENGAGEMENT RATING) FOR CLIMATE CHANGE 2022 FROM CDP, A RATING THAT IS WITHIN THE HIGHEST LEVEL OF EVALUATIONS, ABOVE THE AVERAGE FOR THE SECTOR AND OVERALL.
- WE DOUBLED OUR PRODUCTION CAPACITY IN TURKEY
- WE ARE THE FIRST MANUFACTURER TO COMPLETE ARC TESTING WITH A 245KV INTENSITY TRANSFORMER IN CHINA
- WE HELD OUR FIRST GLOBAL FAMILY DAY



- AWARD FOR THE MOST SUSTAINABLE FAMILY COMPANY IN THE ENERGY SECTOR (FORBES-CREDIT SUISSE)
- SUSTAINABLE COMPETITIVENESS AWARD IN TRANSPARENCY AND GOOD GOVERNANCE CATEGORY (BBK-EL CORREO)



- ESKER ON (ECO DESIGN) AWARD FOR BIOAT PROJECT (BEAZ AND PROVINCIAL AUTHORITY OF BIZKAIA)

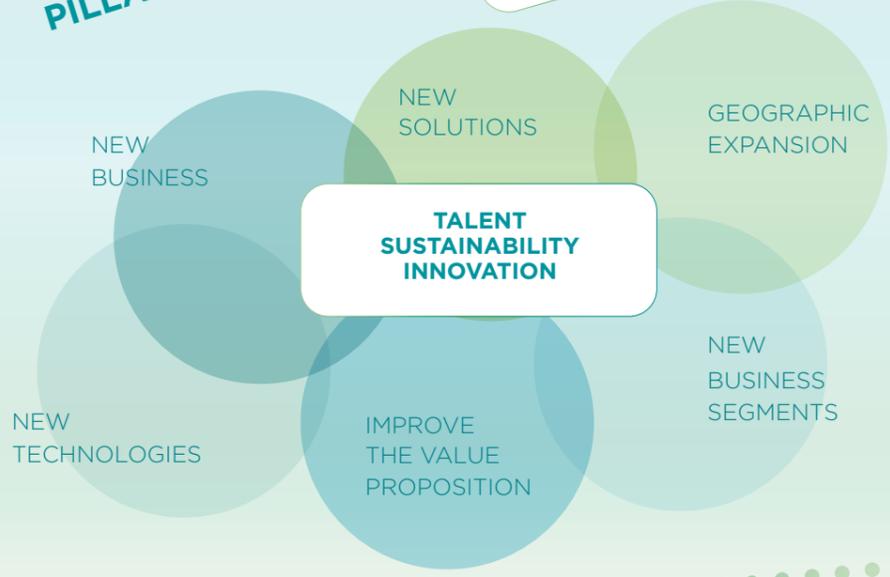
## KEY PROJECTS 2023

- PROMOTE RANGES OF HIGH VOLTAGE TRANSFORMER PRODUCTS AND RELAYS
- NEW DEVELOPMENTS OF PRODUCT WITH ECO INSULATION
- IMPLEMENTATION OF SYSTEM OF INTERNAL CONTROL OVER FINANCIAL INFORMATION (ICFR)
- FOCUS ON FRONT LINE MANAGEMENT
- SAP HANA
- SELF-CONSUMPTION RENEWABLE ENERGY
- DIGITALIZATION OF PROCESSES
- STRENGTHENING AND RESILIENCE OF THE SUPPLY CHAIN

## STRATEGIC PLAN 2020-2023 AND KEY PROJECTS

### PILLARS TO ACCELERATE OUR GROWTH

REVENUE **+8.0%** rate of growth



## LANDMARKS ACHIEVED AND TODAY'S CHALLENGES

WHAT WE HAVE ACHIEVED UP UNTIL NOW	WHAT WE'RE DOING
FLOTATION ON BME GROWTH ✓	NEW ELECTRONIC EQUIPMENT PLATFORM <b>2023</b>
ACQUISITION OF ESITAS ✓	NEW RECLOSER <b>2023</b>
ACQUISITION OF SDO ✓	ECOGAS <b>2023</b>
JOINT VENTURE WITH HITACHI ✓	NEW BIO INSULATION <b>2024</b>
MARKET RESEARCH TO IDENTIFY OPPORTUNITIES	

## INORGANIC OPPORTUNITIES



GENERATION



TRANSMISSION



DISTRIBUTION



ENGINEERING



INDUSTRY



RAIL



AND FROM 2023

# 1 WE ADD VALUE IN A SUSTAINABLE WAY

**EVERY DAY, WE WORK TO OFFER QUALITY PRODUCTS TO OUR CLIENTS, BUT WE DO SO WITH SOLUTIONS THAT RESPECT THE ENVIRONMENT, BECAUSE WE HAVE A COMMITMENT TO THE ENVIRONMENT, SOCIETY AND PEOPLE. WE BELIEVE IN SUSTAINABLE GROWTH.**

# 1.1 WE'VE BEEN COMMITTED TO PEOPLE, INNOVATION AND SUSTAINABILITY FOR MORE THAN 75 YEARS

For more than 75 years, here at Arteche we have acquired experience and achieved a unique position in the electricity sector. What started out as a dream in a modest workshop on Calle Godórniz is today a solid international corporate group with products installed in more than 175 countries.



**2004**

FIRST OPENING IN ASIA

**2010**

OPTICAL TRANSFORMERS (SDO)

**2011**

GAS INSULATED TRANSFORMERS

**2012**

AUTOMATION SYSTEMS AND ELECTRICAL SUBSTATION CONTROL

**2013**

ULTRA HIGH VOLTAGE LABORATORY

**2021**

LISTING ON BME GROWTH

ACQUISITION OF ESITAS JOINT VENTURE

ACQUISITION HITACHI ENERGY

ASSUMPTION OF CONTROL OF 100% OF SDO



**1975**

FIRST EXPORT OF AN ARTECHE PRODUCT

**1979**

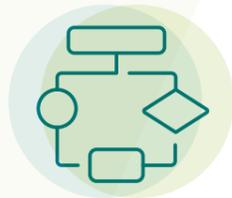
FIRST INTERNATIONAL OPENING, IN LATIN AMERICA

**1990**

ELECTRONIC INSTRUMENT TRANSFORMERS

**1993**

FIRST OPENING IN NORTH AMERICA



**1946**

FUNDACIÓN ARTECHE, FIRST INSTRUMENT TRANSFORMERS

**1961**

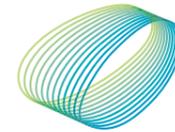
OUR FIRST AUXILIARY RELAYS

**1968**

FIRST OWN R&D TECHNOLOGY CENTRE

# 1.2 IDENTITY AND VALUES

GRI: 2-6, 2-22, 2-23



arteche



Thanks to our vision and our way of understanding the business as an extension of our identity and values, today we can say that we have products installed in more than 175 countries. Our experience and internationalization allows us to understand, directly, both social realities and contexts of the electricity sector, their demands and complexities.

For all that, here at Arteche we're advancing with a clear guideline: **#MovingTogether.**

## PROPOSITION

To continue responding to energy challenges with flexibility and responsibility, remaining faithful to our commitment to people, society and the planet.

## MISSION

Our mission is to be an international leader in the electricity sector, with a vocation for helping our customer add maximum value to develop the electricity network of the future together, as a family company with our roots and our company headquarters in Bizkaia.

The key is dominating technology, enhancing the knowledge and development of the people that are a part of this sustainable, attractive and socially and environmentally responsible project.

## VISION

We aspire to always remain at the cutting edge of technological innovation of the sector and being recognised for our quality and service level in all of our energy transport and distribution network products and solutions.

## VALUES

On the path towards our mission and vision, we are guided by these four cardinal points, our values:



### CLIENTS

- Closeness
- A presence with our customers
- Making good on promises
- Quick response
- Searching for solutions
- Listening, learning and bringing something to our customers



### PEOPLE

- A commitment to the company's project
- A commitment to people
- Sharing knowledge
- Joint effort to achieve shared objectives
- Assumption of challenges
- Resolve problems where they arise



### INNOVATION

- Innovative ambition
- A Systematic search for opportunities
- Refusing to conform with what's already been established or achieved
- Collaborating with others to transform knowledge



### EXCELLENCE

- Getting it right first time
- An ambition to outperform the highest standards of quality and efficiency
- Continuous improvement
- Aspiring for excellence in corporate reputation

## GENERAL POLICY OF ARTECHE GROUP

The involvement and leadership of our President and CEO at Arteche Group, Alex Artetxe, in disseminating, developing and updating the values are reflected in this declaration:

### We, AT ARTECHE GROUP,

As designers, manufacturers, integrators and marketers of products and solutions for power distribution network measurement, protection, automation, control and communication, and as project managers for electricity generation, transmission and distribution

### ARE COMMITTED TO:

Offering our customers close attention to details in order to meet their needs and expectations with the highest-quality ARTECHE products and services.

Creating a transparent environment in which to operate and interact, focusing on the aspects outlined in our code of conduct and which are heavily present in our corporate values, guaranteeing our management is appropriate to the context and our organization's aims.

Guaranteeing information security in all our processes, products and services, both within the organization and with third parties, identifying and eliminating any hazards or risks detected.

Developing and promoting a corporate culture of preventing harmful conduct in addition to supervisory actions with adequate procedures

that allow us to detect, correct and sanction irregularities within the organization and with any external party.

Working for social progress, environmental balance and sustainable economic growth, by protecting and guaranteeing human rights, workplace safety and environmental protection all while respecting everyone's individual and collective rights at Arteche in addition to fostering equality and non-discrimination so as to better understand and meet people's and the environment's needs.

Fostering communication, participation, consultation, teamwork, cooperation and collaboration at all levels of the organization.

Attaining and maintaining the most competitive version of our products and services by empowering innovative attitudes and professional development among our personnel, working within a culture of prevention and continuous improvement in order to achieve the highest levels of efficiency in our processes thanks to our vocation for excellence.

21 February 2020

**Alexander Artetxe**  
Chairman and CEO of Arteche Group

These values are aligned with the principles of Sustainable Development, Corporate Social Responsibility and, therefore, with the 2030 Agenda - United Nations Sustainable Development Goals.



## 1.3 OUR ACTIVITIES

GRI: 2-6



“We specialise in products and solutions that ensure that energy reaches the end user reliably, safely and efficiently”

At Arteche, we focus our business on designing, manufacturing and marketing electrical components and solutions in the areas of electricity generation, transportation and distribution as well as on industrial electric power applications, energy quality, distribution automation and the railway sector.

The key is dominating technology, enhancing the knowledge and

development of the people that are a part of this sustainable, attractive and socially and environmentally responsible project. We aspire to always remain at the cutting edge of technological innovation of the sector and being recognised for our quality and service level in all of our energy transport and distribution network products and solutions.



### MEASUREMENT AND MONITORING OF SYSTEMS

**We offer the widest technological range of instrument transformers on the market**

- High Voltage (HV) paper-oil insulation instrument transformers
- Medium Voltage (MV) dry insulation Transformers.
- Voltage transformers for powering auxiliary services (PVT-SSVT)
- Tailored HV digital solutions
- MV Voltage and intensity sensors

Innovative solutions for **unconventional measuring** based on sensors and **optical technology**



### NETWORK RELIABILITY

**Services that reinforce the efficiency of electrical infrastructures**

- Energy qualities
- Interconnection of renewable energies
- Specialised services

Over **75 years' experience** in the electricity sector



### AUTOMATION OF NETWORKS FOR TRANSMISSION AND DISTRIBUTION

**Equipment and solutions designed under the IEC 61850 philosophy and installed across the world**

- SAS: Electricity network and substation automation systems
- Restorers

**90% of the world's utilities** trust our solutions when reliability and security are critical

#### Auxiliary Relays

- Auxiliary Relays and Test Blocks for electricity system
- Relays for railway applications (boarding and signalling)

In the railway sector we have **customers in over 20 countries**

## 1.4 INNOVATION

For Arteche, **innovation is a strategic variable, a corporate value and, above all, a commitment to ourselves and customers.**

Our priorities are geared towards developing actions that focus on achieving an energy distribution and transport system that can efficiently, reliably and sustainably integrate the new realities of the energy transition

(renewable technologies, electric power interconnections, electric vehicles, energy storage, etc.).

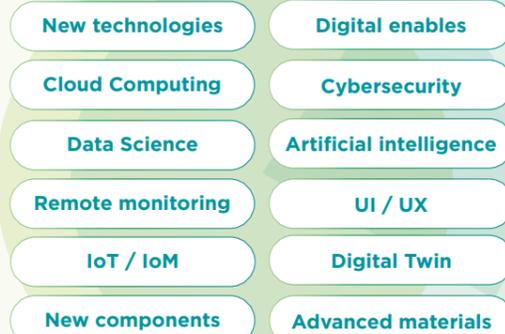
At Arteche, we've been working on innovation since our very foundation and firmly believe that investment in R&D&I is fundamental to maintaining a good competitive position in the market, growth and sustainability.

### 1.4.1. OUR ITINERARY IN INNOVATION, ENERGY, SUSTAINABILITY, TECHNOLOGY, INNOVATION AND SOCIAL CHALLENGES

In the challenges and opportunities opened up by the energy transition, we are conscious of the fact that one of our greatest contributions of value is in focusing our innovative know-how on:

- Generating new business by introducing the concept of Service associated with the product.
- Offer value-added solutions and incorporate them into our product portfolio.
- Develop innovative technologies to remain at cutting edge of the sector.
- Implement new tools in line with the Sustainability of the business.

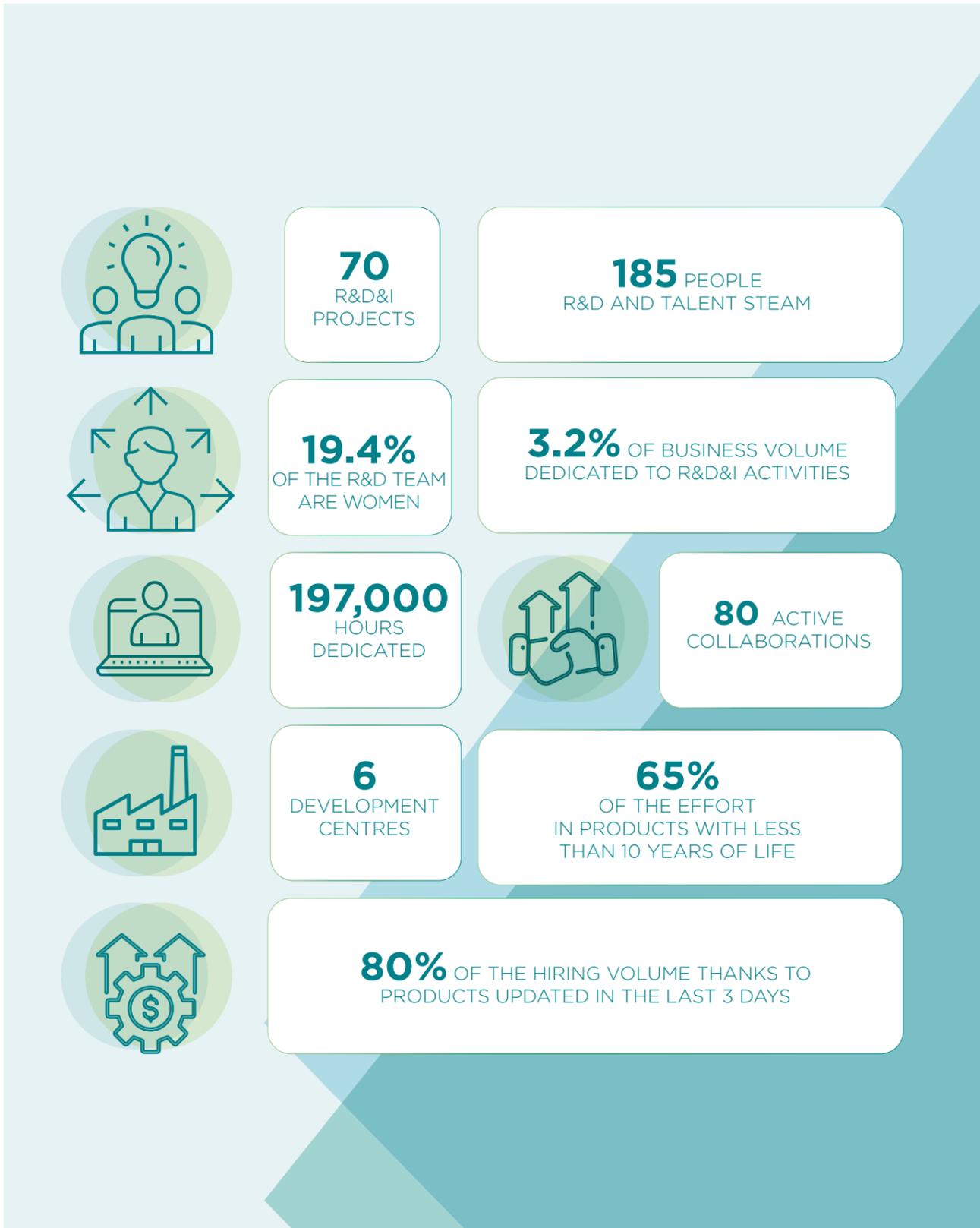
- Smart Grids
- Big Data
- Digitalization
- Sustainability
- Industry 5.0
- Advanced materials



TRANSMISSION  
DISTRIBUTION  
RENEWABLES  
RAILWAY

- Innovation in processes
- Innovation in technology
- Innovation in products
- Innovation in business

### 1.4.2. R&D&I INDICATORS 2022



### 1.4.3. INNOVATION ECOSYSTEM: COLLABORATION, KNOWLEDGE AND TALENT

In 2022 we launched the **Innovation Ecosystem in Artech Group**. At present, our **Innovation Ecosystem is comprised of around 80 entities** (technology centres, startups, etc.), working on co-creation, sharing spaces, projects and challenges, aligning efforts, interests and capacities, identifying new opportunities.

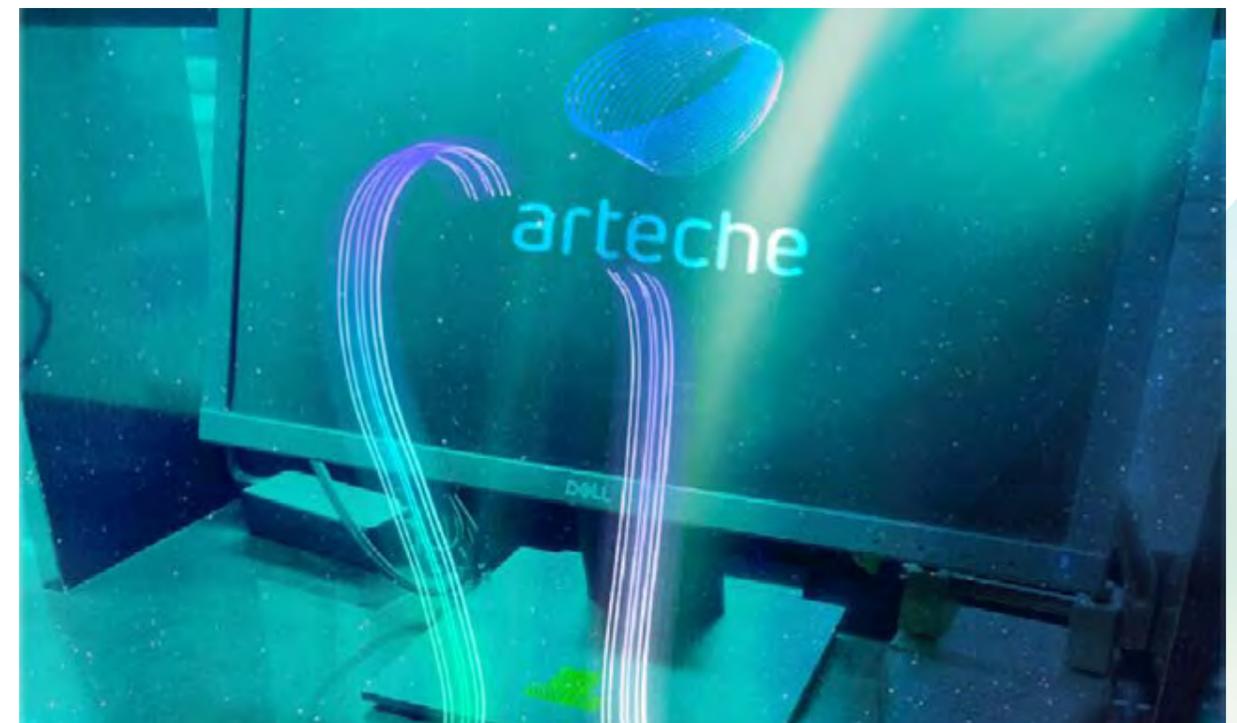
Through this, we join forces with numerous entities including technology centres, startups and universities, and also customers and providers, and even other companies on our sector on a global basis, making them partners from an innovation perspective, **sharing our vision, technology and developments to tackle new electric transformations.**

**Our proposition is to continue to expand our innovation horizons** so that our projects are at the cutting edge of R&D, and to build all that from an open perspective on innovation, and of course maintaining all confidential

ity and protection requirements the organization needs.

Our strategic lines frame our R&D&I roadmap for the coming years in such a way that we can avail of the offering of Innovative and Sustainable Solutions resulting from the application of disruptive technologies in the development of our new products.

- We actively participate in the principal international electricity bodies, such as CIGRE and CIRED, and in the leading international technical forums for the development of knowledge, technology and innovation (Plataforma Europea SmartGrids, T&D Europe, INNOBASQUE, Cluster de Energía | Basque Energy Cluster, GAIA, CYBASQUE...).
- We collaborate with stakeholders that form part of the scientific-technological consortium (BRTA) - IKERLAN, TECNALIA o TEKNIKER -, and at international level (INEEL).



- We're a Leading Company in the 6th edition (2021-2022) of the Basque Government's BIND 4.0 Acceleration and Open Innovation Programme for the development and promotion of areas like smart industry and clean and sustainable energy, in connection with the entrepreneurial and start-up ecosystem.
- We form part of the B Accelerator Tower | BAT, where we explore the international Entrepreneurship Ecosystem, connect new talent and form part of a first-rate innovating community.
- Among other open and collaborative innovation dynamics, we participated in Hackathon 2022-weetbe, with the aim of overcoming energy, technology, innovation and socio-economic challenges of our clients.
- We have participated in the First Lego League Euskadi educational project with aim of fostering STEAM vocations among young people. We also cooperate actively in the training sector, with universities (UPV/EHU, DEUSTO, MU, IMH) and other professional formats (dual training, programming school, R&D&I projects).

As part of our commitment to excellence, quality and innovation, we actively participate in international standard and certification committees for the energy sector. Remaining alert to the latest regulatory developments prepares us to deliver our products and services with greater flexibility and in line with the demands of the market and society, supporting the development of, and compliance with, standard on products we innovate in the markets where we do business (CTN, IRAM, NBR, etc.).

We are conscious of the importance on collaboration for innovation. That's why we rely on the knowledge of specialises agencies who provide their experience on matters like Open Innovation, R&D&I Financing, tax affairs and patentability.

This way, Arteche boosts a culture of open and collaborative innovation as a driver of growth, competitiveness and sustainability to jointly create value in the energy transportation and distribution value chain and respond to society's energy challenges.



“The challenge is to build the right relationships with key stakeholders in the innovation network and collaborate on different projects and initiatives, building new partnerships and engaging proactively with the latest technology trends.”

OPEN and NETWORK are the words that define the model of innovation we believe in. That is, our business pivots on a hybrid model (open and closed) of innovation that responds to the Arteche Group strategy and that will allow us to be a key stakeholder in the energy transition going forward”

BEGOÑA URIBARRENA  
INNOVATION ECOSYSTEM LEADER AT ARTECHE



### 1.4.4. R&D&I PROJECTS

#### ORGANIZATIONAL, INNOVATION AND TECHNOLOGICAL CAPACITIES



#### Technological and Product Innovation

Our strategic lines frame our R&D&I roadmap for the coming years in such a way that we can offer a range of Innovative and Sustainable Solutions resulting from the application of disruptive technologies in the development of our new products.

#### Arteche Technology Centre

The R&D&I Team includes the Arteche Technology Centre, a business unit of R&D that forms part of the Basque Science and Technology Network (RVCT) and which contributes to the Group's strategic R&D&I projects with specialised and technical resources.

#### We are IEC Standard 62443 certified

Cybersecurity not only covers Information Technology (IT) but also Operation Technologies (OT) which are critical for future business.

Our commitment to Cybersecurity is demonstrated through our own specialised laboratory: **“Arteche Cybersecurity Lab”**; a space that is insulated both physically and digitally, with all the security measures required of its critical nature, where we perform cybersecurity testing.

IEC 62443 is an international series of standards that address cybersecurity

for operating technology in automation and control systems like those developed at Arteche. That's why we have adapted the life cycle of our products to this reference standard for the sector, which lays down the requirements of the process to develop and maintain cybersecurity products.

Conscious of the importance of review by a trusted third party we have certified our processes with one of the most prestigious laboratories for this standard, TÜV Rheinland.

#### Organizational and Process Innovation

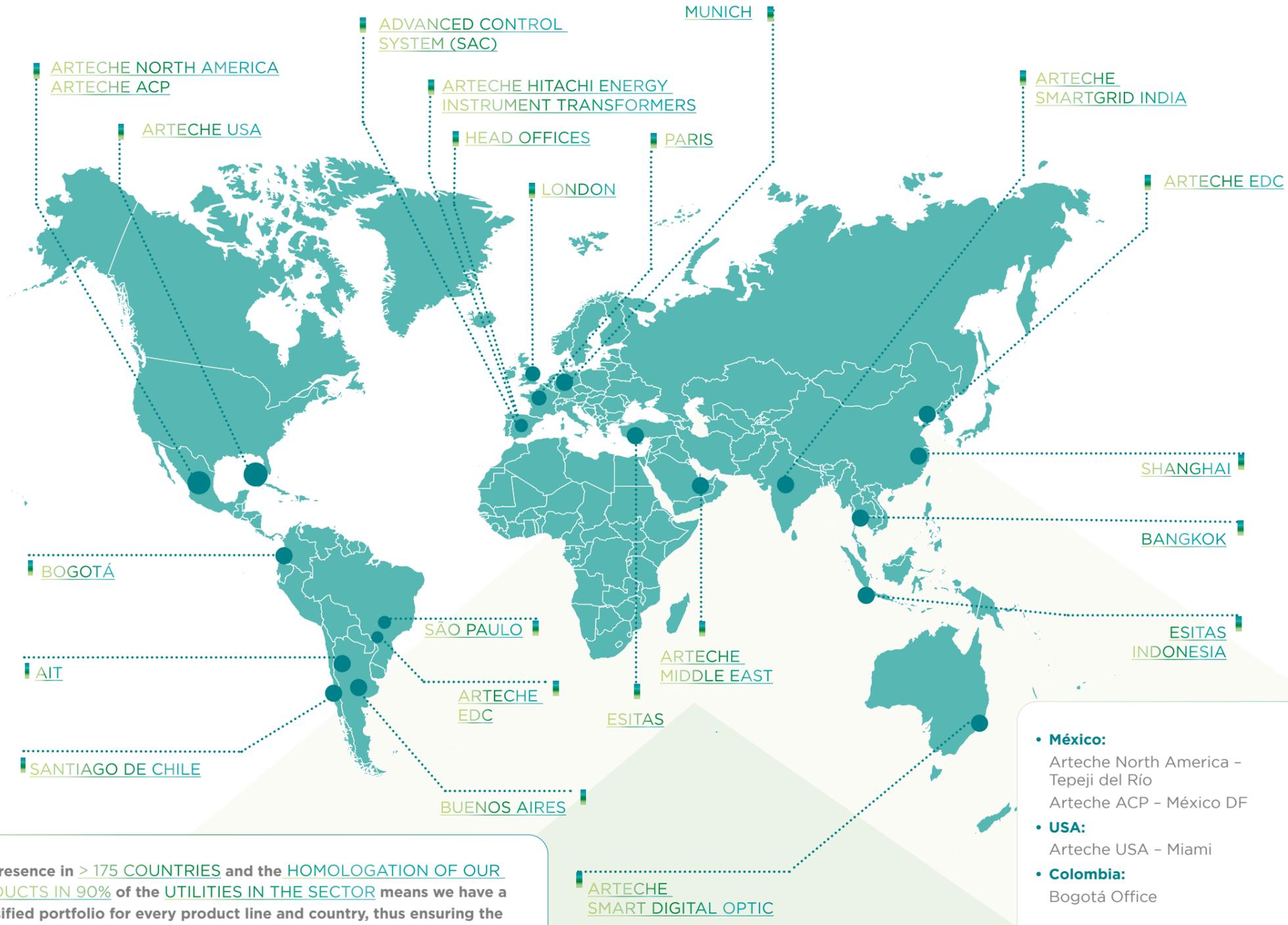
**The capacity to innovate, to transform processes, incorporate new technologies and develop new products** are, for Arteche, strategic aspects of our activity, a source of competitive advantages and, above all, a firm commitment to satisfaction for our customers in a context of increasingly rapid response times, in a cleaner environment, efficient and effective, and increasingly more secure.



# 1.5 INTERNATIONAL VOCATION

GRI: 2-1, 2-6

WITH A PIONEERING VISION IN INTERNATIONAL EXPANSION, WE HAVE A PRESENCE IN 4 OF THE 5 CONTINENTS:



Our presence in > 175 COUNTRIES and the HOMOLOGATION OF OUR PRODUCTS IN 90% of the UTILITIES IN THE SECTOR means we have a diversified portfolio for every product line and country, thus ensuring the stability of our business.



- Spain:**
  - Arteche Lantegi Elkartea - Headquarters - Mungia
  - Electrotécnica Arteche Hermanos - Mungia
  - Electrotécnica Arteche Smart Grid - Mungia
  - Arteche Technology Centre - Mungia
  - SAC Maker - Madrid
  - Arteche Hitachi Energy Instrument Transformers - Vitoria Gasteiz
  - Seville Office
- France:**
  - Paris Office
- Germany:**
  - Munich Office
- United Kingdom:**
  - London Office
- Turkey:**
  - Esitaş - Istanbul
- United Arab Emirates:**
  - Arteche Middle East - Dubai
- India:**
  - Arteche SmartGrid India - Bangalore
- China:**
  - Arteche DYH - Dalian
  - Shanghai Office
- Thailand:**
  - Bangkok
- Indonesia:**
  - Esitaş Indonesia - Bekasi
- Australia:**
  - Arteche Smart Digital Optics - Sydney

- México:**
  - Arteche North America - Tepeji del Río
  - Arteche ACP - México DF
- USA:**
  - Arteche USA - Miami
- Colombia:**
  - Bogotá Office

- Brazil:**
  - Arteche EDC - Curitiba
  - São Paulo Office
- Chile:**
  - Santiago de Chile Office
- Argentina:**
  - AIT - Córdoba
  - Buenos Aires Office

## HIRING BY REGIONS 2022 AND 2021



## 1.6 TODAY'S ENERGY SECTOR DRIVES OUR GROWTH

Today's energy sector finds itself facing great challenges and opportunities with the acute need for an energy transition driven by three interrelated factors:

- Decarbonization
- Decentralization
- Digitalization.

This evolution, a consequence of the increase in demand for electricity, will lead to an increase in the demand for substations arising from a new energy model with a trend for more generation, particularly of renewable energies, and an ever more decentralized electricity distribution network.



“The energy sector is a forward-looking sector in which more consumption of environmentally friendly energies is expected. It's a future we're building together every day at Arteche, with the aim of being key players in the tomorrow we want”

# 2 SUSTAINABILITY: THE CORNERSTONE OF OUR BUSINESS

SUSTAINABILITY IS PRESENT IN EVERY STEP WE TAKE AS A COMPANY. AS PART OF OUR SUSTAINABILITY STRATEGY, WE TRACE SHORT, MEDIUM AND LONG-TERM ACTION PLANS WITH DEMANDING BUT ATTAINABLE TARGETS

## 2.1 STRATEGIC PLAN 2020-2023

GRI: 2-22

The corporate mission of Arteche Group is to be an international leader in the electricity sector, with a vocation to assist clients to provide maximum value to grow together in the development of the electricity sector of the future.

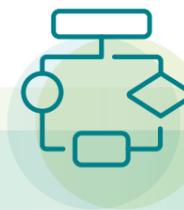
For Arteche Group, the key is to dominate technology, enhancing the knowledge and development of the people that are a part of this sustainable, attractive and socially and environmentally responsible project. At Arteche Group, we aspire to always remaining at the cutting edge of technological innovation of the

sector and being recognised for our quality and service level in all of our energy transport and distribution network products and solutions.

In 2020, we began the rollout of a strategy that responds to the trends of the electricity market and the needs and concerns of our stakeholders.

With this dual challenge, the company aims to ensure sustainable profitability over a key period for the sector, sorting the complex current situation and successfully tackling the opportunities offered by the new energy model.

We have identified the **basic pillars of the Strategic Plan for growth** that will lead development **2020-2023**:



- **Improve and strengthen our competitive advantages in the market**, through the development of high added-value solutions and services in our product portfolio.

- **Increase our international presence**, with the aim of growing, primarily in markets in Asia and the United States, and strengthening our presence in Europe.



- **Develop new market segments**, complementary to new value offer, which constitutes an opportunity for growth and value creation for the Group.

- **Develop new lines of business** to add to the current portfolio (e.g. asset management technologies).



- **Strengthen our commitment to innovation and the development of new technologies** which allows us to remain at the top of the market in terms of value.

- **Develop new solutions focussed on the transformation of the electricity sector**, such as electrification, digitalization, decarbonization, decentralization and integration of renewable energies.





# STRATEGIC PLAN 2020-2023

## PILLARS TO ACCELERATE OUR GROWTH

REVENUE **+8.0%** rate of growth



## LANDMARKS ACHIEVED AND TODAY'S CHALLENGES



### WHAT WE HAVE ACHIEVED UP UNTIL NOW

- LISTING ON BME GROWTH ✓
- ACQUISITION OF ESITAS ✓
- ACQUISITION OF SDO ✓
- JOINT VENTURE WITH HITACHI ✓



### WHAT WE'RE DOING

- NEW PLATFORM OF ELECTRONIC EQUIPMENT **2023**
- NEW RECLOSER **2023**
- ECOGAS **2023**
- NEW BIO INSULATION **2024**

MARKET RESEARCH TO IDENTIFY OPPORTUNITIES

## KEY PROJECTS 2023

- PROMOTE RANGES OF HIGH VOLTAGE TRANSFORMER PRODUCTS AND RELAYS
- NEW DEVELOPMENTS OF PRODUCT WITH ECO INSULATION
- IMPLEMENTATION OF SYSTEM OF INTERNAL CONTROL OVER FINANCIAL INFORMATION (ICFR)
- FOCUS ON FRONT LINE MANAGEMENT
- SAP HANA
- SELF-CONSUMPTION RENEWABLE ENERGY
- DIGITALIZATION OF PROCESSES
- STRENGTHENING AND RESILIENCE OF THE SUPPLY CHAIN

## INORGANIC OPPORTUNITIES



GENERATION



TRANSMISSION



DISTRIBUTION



ENGINEERING



INDUSTRY



RAIL



AND FROM 2023

## 2.2 OUR COMMITMENT TO SUSTAINABILITY

GRI: 2-22



The Strategic Sustainability Plan 2022-2030 approved by our Board of Directors in 2021 is the culmination of the integration of ESG aspects into Arteche's strategy, in its day-to-day business, in its operating decisions and in relationships with different stakeholders. It also demonstrates our highest executive body's commitment to a comprehensive sustainable strategy.

This plan was first set out in 2020 with contributions from different cross-cutting areas that participated

in our sustainability committees and the Management Committee and was approved in 2021, after completing an exercise in the selection and alignment of GRI indicators with the objectives established.

As part of this process, we reflected on the best way to row in behind the 2030 Agenda, and after listening of stakeholders and assessing our capacity to impact on the different SDGs (Sustainable Development Goals) we decided to put the focus on the following:

Based on the contributions to the **6 selected Sustainable Development Goals**, the plan establishes multi-

annual objectives based on GRI indicators and a roadmap for each strategic line:



In the **Strategic Sustainability Plan 2022-2030** five principal strategic lines were defined for 2030, with **11 strategic goals**:

### WE FOCUSED ON THE FOLLOWING SDGS



#### This commitment materialised in the following fundamental aspects:

- Generate quality, secure employment in optimal conditions for our workers.
- Develop the internal talent of our people and incorporate and attract better talent for our project.
- Add value to customers.
- Prioritize our efforts to reduce emissions, the efficient and minimal use of resources and the correct management of waste in all operations.
- Advanced development of knowledge management.
- Respect human rights.
- Be a leading company in equality.
- Fair practices during our production processes.
- Ensure transparency in our management, complying with standards that guarantee the professionalization of our Corporate Governance.

NET ZERO CARBON EMISSIONS	ZERO IMPACT FROM PRODUCTS AND PACKAGING	100% USE OF RENEWABLE ENERGY	EXCELLENCE IN CORPORATE GOVERNANCE	DIVERSITY AND EQUALITY
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- 100% of our products designed with insulation and sustainable materials.
- Paper-free. Digitalization of 100% of the administrative processes.
- Best practice of corporate governance.
- 0 days lost due to workplace accidents.
- 100% of the energy consumed is renewable.
- Recycling/reuse of 100% waste.
- "Best place to work".
- 100% use of recycled cardboard.
- Reduce our carbon footprint by 50%.
- 100% of our packaging is free of single use plastic.
- An equal opportunities employer in line with international standards.

## 2.3 RESPONSIBILITY ON ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES

GRI: 2-9, 2-12, 2-13,

The decisions on economic, environmental and social issues correspond to the Board of Directors, without prejudice to the prior analysis of certain materials and proposals on the part of delegate committees.

Our Board of Directors is designated executive level and presided by the Group General Manager. The responsibilities that these corporate functional areas hold over economic, environmental and social matters are the following:

- The Chairman and CEO is responsible for defining the strategy and the and the General Manager, together with the rest of the management team, is responsible for the day-to-day implementation of strategy.
- The Secretary of the Board of Directors assumes responsibility for matters relating to corporate governance.

These responsibilities are assumed on a decentralized basis by the different production companies, through their respective management teams.

- Aspects relating to the workplace practices, the employment environment, talent and social policies are the responsibility of the Human Resources Division.
- Those relating to the environment are the joint responsibility of the Operations Division and the Health and Safety and Environment area.
- Supply chain management is the responsibility of the Procurement Division
- Economic sustainability is the responsibility of the Finance Division.
- The Compliance Officer is responsible for proactively ensuring the smooth running of the Group compliance system.
- The Internal Audit Division ensures the smooth running of the internal information and control, risk management and Group governance systems.

### 2.3.1. INTERNAL FUNCTIONING AND SUSTAINABILITY POLICY

The framework in which Arteche Group hopes to develop its activity is defined in the Sustainability Policy approved by the Board of

Directors in 2021, which establishes some basic principles of action around the following areas:



The performance of the application of the Sustainability Policy and the possible related are included in the Risk Management and Control Policy.

Management of matters relating to sustainability is delegated to the Sustainability Committee, which is supervised by the Audit and Compliance Committee, in relation to non-financial reporting and internal

control, and to the Board of Director in all other aspects. With the aim of responding to the need for sustainable management on a global and homogeneous basis, the Group assumes a centralised model, integrated with the management model based on the SDGs and GRI, which affects all areas of the Organization. The Chairman and CEO leads the Sustainability Committee, which operates as follows:

<b>Functions</b>	Leadership and coordination of the objectives and actions in relation to sustainability.
<b>Frequency</b>	Monthly sessions
<b>Composition</b>	<ul style="list-style-type: none"> <li>• Leadership of chief executive.</li> <li>• Diversity of professional profiles, gender, geography and responsibility.</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>• Regional Autonomy.</li> <li>• Ad-hoc sustainability plans by region.</li> <li>• Annual budgetary assignment.</li> <li>• Coordination of initiatives by the global Committee.</li> <li>• Diversity of communication channels with stakeholders.</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>• Quarterly calculation of GRI indicators.</li> <li>• Quarterly internal communication with all the organization.</li> <li>• Annual sustainability report.</li> </ul>
<b>Supervision</b>	Periodic appearance at the Audit and Compliance Committee and Board of Directors.

“Actively promote sustainable development from a global perspective: working for social progress, environmental balance and economic growth. The 2030 Agenda is an action plan for people, the planet and prosperity”

Proposition with which the Sustainability Committee of Arteche Group was set up



**ORGANIZATION CHART OF SUSTAINABILITY COMMITTEES**



To measure evolution in terms of performance in different ESG, Arteche has established 27 indicators on a global level, which are included with the management plans of each plant and serves to monitor the evolution of the Strategic Sustainability Plan 2022-2030.

**2.4 COMMITTED TO THE UNITED NATIONS GLOBAL COMPACT SINCE 2014**

Through the letter sent to the UN Secretary General, stating our commitment to:

- human rights and employment rights in national and international legislation
- the principles upon which the UN Global Compact is based
- the standards of responsibilities of multinational companies and other commercial companies in the area of United Nations human rights
- OECD guidelines for multinational companies
- the three-way declaration of principles of multi-national companies
- the social policy of the International Labour Organization, and the documents and texts that may replace complement the above

This report consists of a compendium of Arteche's annual sustainable development performance in relation to its strategy and the principal actions and projects undertaken.

To facilitate analysis of our contribution to Agenda 2030 it is important to establish the relationship between the activities Arteche describes in this report and the different SDGs promoted only by the activities carried out. For that, the SDGs for which company believes it makes a significant contribution are indicated in each section.

**2.5 STAKEHOLDERS AND MATERIALITY ANALYSIS**

GRI: 2-12, 2-29, 3-1, 3-2

Identifying the most transcendent issues, both for Arteche and for our stakeholders, is a crucial task for our corporate governance decision making, the design of our strategic plans and the definition of content in the corporate reporting process.

arise from our activities, and that we will convert into priority issues, integrating business goals and sustainability in the development of our strategy.

The analysis of materiality helps us identify those impacts that may

Our materiality analysis conducted in 2021 was completed in 2022 with an analysis of the double materiality detailed in the following sections.

**2.5.1. REVIEW OF THE STAKEHOLDER MAP**

We want to respond to our stakeholders' expectations and that's why we endeavour to maintain constant communication to generate long-term relationships based on trust and respect. For that, we have different communication strategies for bidirectional communication based

on transparency and offering honest, precise and reliable information.

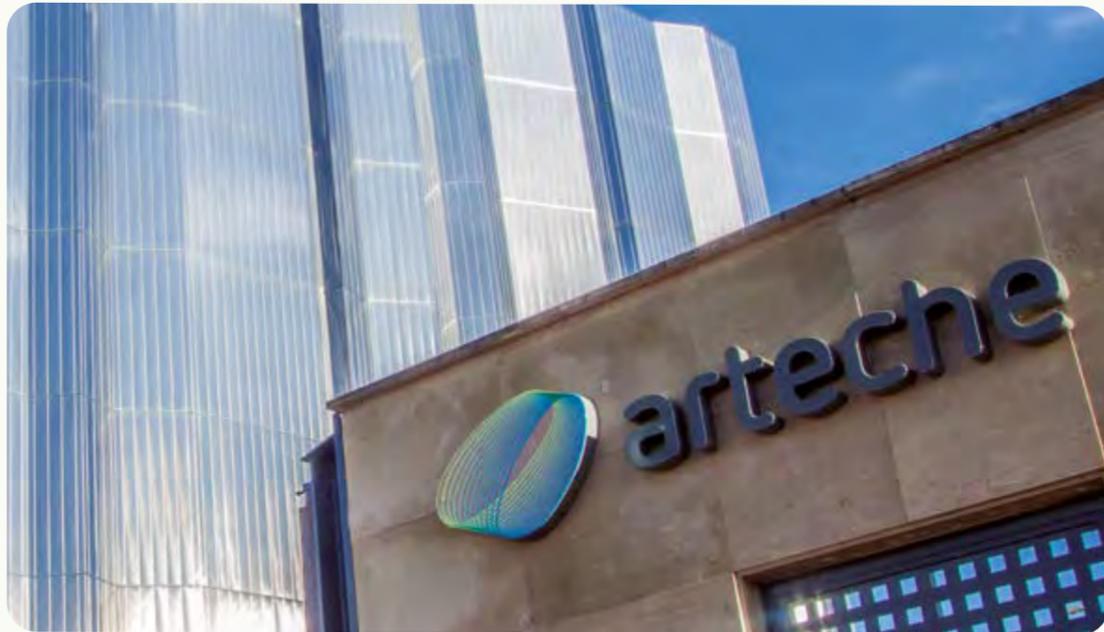
The Management Committee, as part of its annual strategic reflection process, updates the Group's stakeholders of these principal communication channels.



**STAKEHOLDERS OF ARTECHE GROUP**

STAKEHOLDER	IMPORTANCE FOR ARTECHE	COMMUNICATION CHANNELS
<b>Employees and their families</b>	For Arteche, people are the heart of the organization. A team aligned with the organizational strategy, motivated and willing to give its best every day, is fundamental and a key element in our value proposition as a company.	Internal newsletter "Arteche Together", "All Hands Meeting", "Coffee with a View", "Open Talks" intranet, performance evaluations, information panels, equality committees, employee's portal, ethics channel, sustainability channel, etc.
<b>Company and trade unions committee</b>	Social partnership is a fundamental part of joining forces and energies to advance towards the common good.	Committees, monitoring sessions, intranet, employee's portal.
<b>Customers</b>	Our work is always focused on the Customer. We've been known for our closeness and service quality for over 75 years of history, and we work each and every day to offer the best solutions for every one of their needs.	Satisfaction surveys, visits, fairs, social media.
<b>Suppliers</b>	Suppliers are a key link in the value chain. We work together to achieve a sustainable and innovative supply process, always thinking about the long term in our relations.	Visits, trade shows, periodic evaluations, ethics channel, social media, Arteche website.

STAKEHOLDERS	IMPORTANCE FOR ARTECHE	COMMUNICATION CHANNELS
<b>Shareholders, analysts and investors</b>	The support and trust of our shareholders, analysts and investors is fundamental to delivering on our proposition and making our vision a reality. With our good governance practices and transparency in our relations, we endeavour every day to turn that trust into conviction.	General Meeting of Shareholders, annual reports, Arteche website - investors, specialized forums, investors relations manager.
<b>Governments and public agencies</b>	Governments and public agencies are decisive allies for our business in each of the places where we operate.	Scheduled visits, legal requirements, surveys, Arteche website.
<b>Society</b>	Enhancing the efficiency and connectivity of the grid is one of our major goals as we focus on ensuring the highest possible quality in the generation, transmission and distribution of energy to society.  We also seek to proactively contribute to its development by creating opportunities in the places where we do business.	Scheduled visits, open days, environmental indicators, Arteche website.
<b>R&amp;D centres and training centres</b>	Collaboration in the areas of innovation and future talent is fundamental for progress. We work together with the goal of generating the best synergies.	Open days, scheduled visits, joint projects, sectoral forums, Arteche website, innovative ecosystem manager.



Conscious as we are of the importance of communication in the strategy of the Group, the following are the pillars upon which this pursuit of transparency is built with rigour in external communication and the application of corporate governance best practice.



PILLARS

General policy for communication with shareholders and investors	Sustainability Policy	Corporate Communication Policy
Corporate website for investors		
Internal conduct regulations on matters relating to security markets and responsibility for implementation of the Board of Directors		
Area responsible for investor relations		
Corporate Communication		

### 2.5.2. DUAL MATERIALITY

The European Commission's Corporate Sustainability Reporting Directive (CSRD) requires organizations to report on sustainability in a coherent and comparable manner, in line with the taxonomy of the European Union, and that carry out evaluation of dual materiality. This double materiality requirement is contained in the Task Force on Climate-Related Financial Disclosures (TCFD) and Global Reporting Initiative (GRI) standards,

among others. At Arteche, we have started working with this focus in 2022, as a key element of our sustainability strategy with a dual perspective:

- Assessing the impact of the company ("financial materiality" or "internal impacts")
- Evaluating the impacts on our stakeholders ("environmental and social materiality or external impacts")



### 2.5.3. MATERIALITY ANALYSIS

In 2021, we completed a materiality analysis based on the following phases:



CONTEXT	IDENTIFICATION	BUNDLING	PRIORITIZATION	ASSIGNMENT
Assessment of the changes in the environment of the Group.	Identification of significant issues for each stakeholder.	Bundling of significant aspects in 15 themes.	Prioritizing of issues based on important for business and for each stakeholder.	Assignment of each of the relevant issues to each SDG of the 2030 Agenda.

As part of this process, **15 priority issues were identified**

The double materiality consists of explaining why the subjects are relevant from a social impact, environmental and/or financial perspective. For that, potentially material subjects that were identified in 2021 are analysed to be

weighted and priorities from both perspectives. In 2022, we also added incorporated other ESG aspects that did not disappear from the 2021 materiality analysis, but which constitute a risk to our medium and long term strategy.

This 2021 analysis was realized considering the following sources:

- Global and regulatory context
- Benchmark of other entities of sector
- ESG criteria and contributions of the Sustainability Committee
- SDG

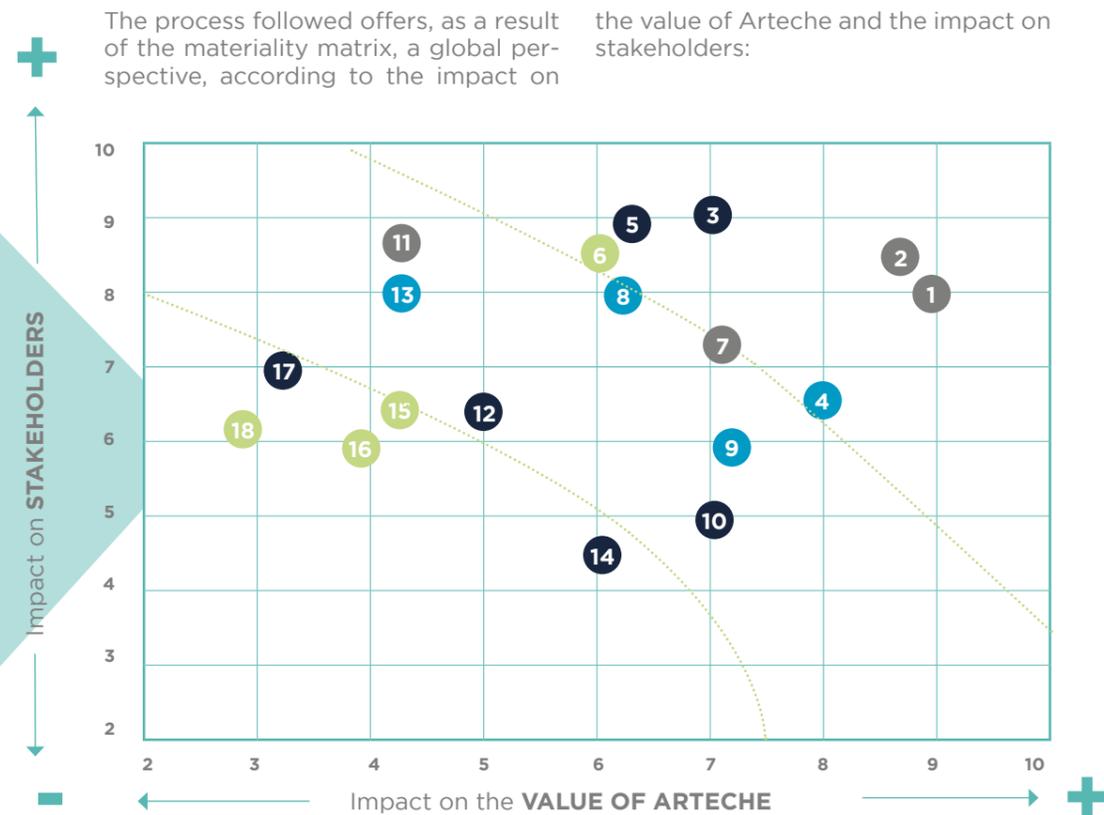
### FINANCIAL MATERIALITY OR IMPACT ON THE VALUE OF ARTECHE

In this case, the principal ESG risks were identified from the Arteche Group Corporate Risks Map, drafted with the participation of all functional areas, regions and the Management Committee, and

assessed in terms of their impact on the financial value of the company.

Principally, strategically important future or emerging risks.

### DOUBLE MATERIALITY MATRIX



#### Environment

- 6 Carbon footprint and decarbonization
- 15 Mitigation and adaptation to climate change
- 16 Hazardous materials
- 18 Physical impacts of climate change

#### Social

- 3 Quality employment
- 5 Health and safety
- 10 Talent management
- 12 Diversity and equality
- 14 Experience and use of organization of work
- 17 Development and local commitment

#### Corporate governance

- 4 Good governance and risk management
- 8 Ethics and transparency
- 9 Management of legal and regulatory environment
- 13 Fiscally responsible

#### Business model

- 1 Economic and financial performance
- 2 Customer satisfaction
- 7 Innovation and sustainable products
- 11 Responsible supply chain

Understanding that all issues identified in the matrix are material, they have been classified around three levels, indicating the more strategic issues (level

one), those which have a significant impact (second level) and those which, while important, as of today have a more limited impact (level three).

### SIGNIFICANT CHANGES IN THE MATERIAL ISSUES IN 2022

The evolution of the COVID-19 pandemic in 2022, and the success of the containment measures for socio-health risks implemented by the Group have helped reduce the importance of this issue from the health perspective of the personnel to the detriment of the impacts on the supply chain, which has grown in importance.

2021 and the growing interest of our stakeholders in ESG aspects, have jointly heightened the importance of corporate governance, decarbonization, transparency and ethics in our business.

The attraction and retention of talent as a fundamental basis of our strategy, and customer satisfaction and innovation as key aspects of our business models, are maintained in material subjects.

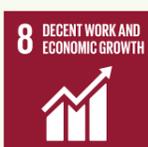
In addition, the new environment arising from the listing on BME Growth in

### DEFINITION OF PRIORITY SDGS (SUSTAINABLE DEVELOPMENT GOALS) AND COVERAGE OF MATERIAL ISSUES

As a consequence of the analysis of materiality and conscious of the undoubted economic, social and environmental repercussion of our activities, at Arteche we frame our business action in the commitment

to a mission and values and in the context of respect for Human Rights. The SDGs where our contribution is most relevant and the coverage of this report is detailed below:



PRIORITY SDGS	DESCRIPTION	MATERIAL ISSUES	COVERAGE OF SUSTAINABILITY REPORT
 <p><b>4</b> QUALITY EDUCATION</p>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	<ul style="list-style-type: none"> <li>Employee experience and organization of work.</li> <li>Diversity and equality.</li> </ul>	<b>CHAPTER 5</b>
 <p><b>5</b> GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls.	<ul style="list-style-type: none"> <li>Diversity and equality.</li> </ul>	<b>CHAPTER 5</b>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	<ul style="list-style-type: none"> <li>Economic and financial performance.</li> <li>Good governance and risk management.</li> <li>Ethics and transparency.</li> <li>Quality employment.</li> <li>Health and safety.</li> <li>Employee experience and organization of work.</li> <li>Customer satisfaction.</li> <li>Fiscally responsible.</li> </ul>	<b>CHAPTERS 1, 3, 4 AND 5</b>
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	<ul style="list-style-type: none"> <li>Responsible supply chain.</li> <li>Innovation and sustainable products.</li> <li>Management of legal and regulatory environment.</li> </ul>	<b>CHAPTERS 1, 3 AND 7</b>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient and sustainable.	<ul style="list-style-type: none"> <li>Good governance and risk management.</li> <li>Ethics and transparency.</li> <li>Carbon footprint and decarbonization.</li> <li>Mitigation of, and adaptation to, climate change.</li> <li>Development and local commitment.</li> <li>Responsible supply chain.</li> <li>Fiscally responsible.</li> <li>Hazardous materials.</li> <li>Physical impacts of climate change.</li> </ul>	<b>CHAPTERS 3, 5, 6, 7 AND 8</b>
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns.	<ul style="list-style-type: none"> <li>Carbon footprint and decarbonization.</li> <li>Mitigation of, and adaptation to, climate change.</li> <li>Responsible supply chain.</li> <li>Innovation and sustainable products.</li> <li>Hazardous materials.</li> </ul>	<b>CHAPTERS 1, 6 AND 7</b>

These SDGs are our priority goals, for our capacities of influence on same and the expectations of our stakeholders, but not the only ones. We also foster initiatives relating to the other remaining SDGs.



## 2.6 SUSTAINABILITY SCORECARD

Strategic goal	Indicator	Unit	Real 2022	2022 Goal	2030 Goal
<b>ENVIRONMENT</b> 100% of our products designed with ecological and biodegradable insulating fluids	Ranges of products with organic biodegradable insulating fluid solution / Total product ranges (%)	Number	73.5%	73.5%	100%
Reduce our carbon footprint >50%	Total emissions (scope 1+2+3) / Total emissions (scope 1+2+3) base year (2021) (%)	Kg CO <sub>2</sub> E	-0.86% (219,225,316.21)	-1% (218,916,559.45)	-50% (110,563,918)
100% energy consumption renewable electricity	Total renewable electricity consumption / Total electricity consumption (%)	KWH	13.75%	10%	100%
Reuse/recycle 100% of waste generated	Total P+NP waste (reused + recycled) / Total P+NP waste generated (%)	Tn.	64%	60%	100%
Paper free/digitalization of all processes	All digital processes / total processes (%)	Number	65%	60%	100%
Use of 100% recycled cardboard	Total of suppliers who use 100% recycled cardboard in the packaging of our products / Total suppliers who used cardboard in packaging of our products (%)	Number	39%	39%	100%
100% of our packaging in free of single use plastic	Total of suppliers who use 100% plastic free of single use in the packaging of our products / Total suppliers who use plastic in packaging of our products (%)	Number	30%	30%	100%
<b>SOCIAL</b> Promote and integrating organization, in which all people have the same opportunities of development	Women in front line management/ Total persons in front line management (%)	Number	25%	20%	40%
	Hours of training per employee	Hours	21,9h	21h	40h
	Recognition of "Bloomberg Gender Equality Index" based on 5 pillars: - Female leadership and channelling of talent - Salary equity between women and men - Inclusive culture - Sexual harassment policy - Supporting women mark	Assessment	n/a	n/a	Recognition on Bloomberg Gender Equality Index
0 days lost due to workplace accidents	Accident frequency ratio	Number	16.57	7	0
	Accident severity ratio	Number	0.22	0.08	0
<b>GOVERNANCE</b> Percentage of women on Board of Directors	Percentage of women on Board of Directors	Number	0% (*)	12.5%	40%
System of Internal Control over Financial Information (ICFR)	External auditor's report on ICFR	n/a	Diagnosis and planning	-	Audited by external auditor
Risk Management System	% of risk models integrated with RMS	Number	1/6	n/a	6/6
"Great place to work" Certification	Evaluation and certification	Certification	n/a	n/a	"Great place to work" Certification
Recognition of best practice in corporate governance in the continuous market	Evaluation and certification	Certification	n/a	n/a	Certification

(\*) To June 2022: 12.5%

## 2.7 AWARENESS ACTIONS FOR SDGS



The SDGs present a great opportunity to improve the value of business sustainability and strengthen relationships with our stakeholders.

Widespread acceptance of this initiative within Arteché was reflected in the number of people who form part of the regional sustainability committees and the number of sustainability proposals received (15), exceeding the objective set for the year 2021 (12) of which 10 have been accepted and implemented.

Various initiatives have been developed to raise awareness of the **2030**

### Agenda Sustainable Development Goals:

- Internal material on the 6 corporate SDGs.
- Specific training and modules on each SDG.
- Volunteers for raising of awareness of SDGs in society.

At present, the Sustainability Committee continues to develop initiatives that contribute to the dissemination of SDGs at all levels of the organization, boosting the sustainability communication plan.

## 2.8 EUROPEAN TAXONOMY OF SUSTAINABLE ACTIVITIES

### 2.8.1. REGULATORY CONTEXT

The Taxonomy of the EU is a central component of the **European Union Green Deal** and the action plan on financing sustainable growth, which aims to achieve a circular, competitive and climate-neutral economy by 2050. Its main goals are:

- Re-orientation of capital flows towards sustainable investments de-carbonizing the financial sector and increasing the possibilities of financing for the non-financial sector.
- Manage financial risks arising from climate change, the exhaustion of resources, the depredation of the environment and social problems
- Foster transparency and long-term vision of financial and economic activities.

For an activity to be considered “environmentally sustainable” in accordance with EU taxonomy, we must distinguish between eligibility and alignment.

- **Taxonomically eligible activities:** an economic activity is considered

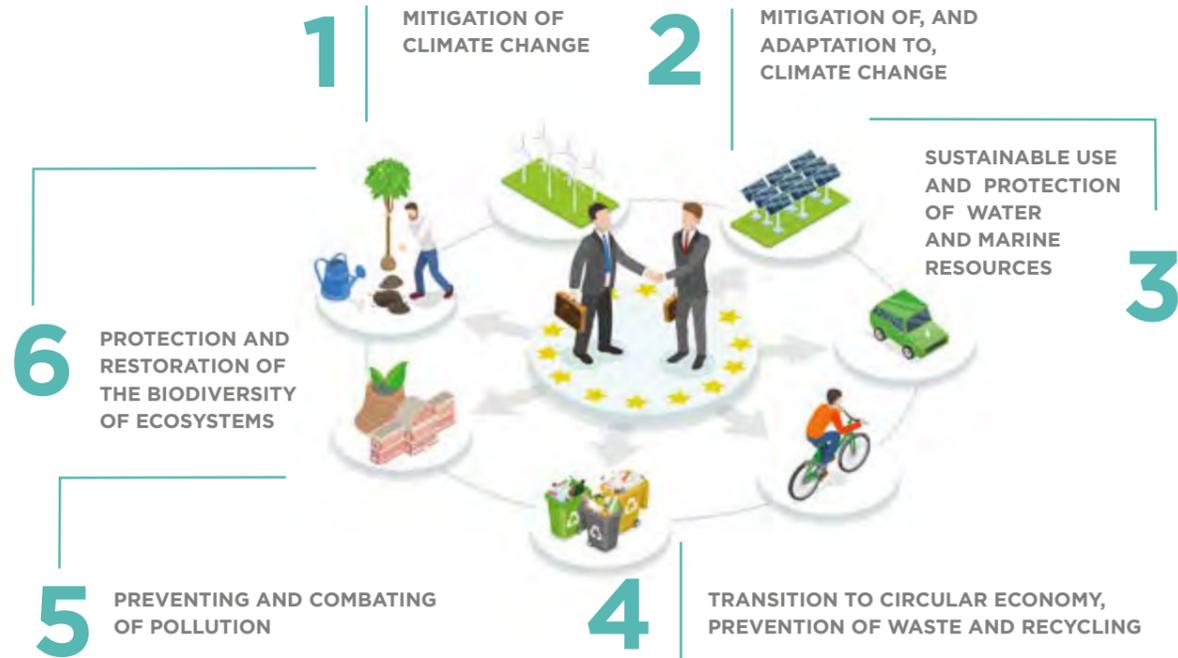
eligible if described in the Delegated Regulation, regardless of whether said economic activity meets any or all of the technical selection criteria.

- **Taxonomically aligned activities:** an eligible activity is considered aligned (and therefore, “environmentally sustainable”), when it has been assessed for compliance with all technical criteria established in the Delegated Regulation:

- Contributes substantially to one of the six environmental goals
- Causes no significant harm to the other five environmental goals
- Meets all minimum social safeguards: At corporate level, the OECD Strategic Guidelines for Multinationals and the UN Guiding Principles on Companies and Human Rights

Having demonstrated compliance with all criteria, it is considered aligned and may be suitably labelled as a facilitating or transition activity.

**SUSTAINABILITY TARGETS BEHIND THE EUROPEAN GREEN DEAL**



The regulation relating to taxonomy establishes a series of reporting requirements for certain companies. With respect to the financial year 2021, non-financial companies should disclose the percentage of eligible activities against revenue, investments in fixed assets (“capex”) and operating costs (“opex”) (linked

to activities considered for the taxonomy for the potential substantial contribution to mitigation of, and adaptation to, climate change). In terms of financial year 2022, as well as analysing compliance with the technical criteria established to be able to report the percentage of activities aligned.

**2.8.2. SCOPE OF THE TAXONOMY REPORT**

In the application of EU taxonomy, Artech has considered the “global perimeter” (section 9.1.2.), that is the activity of Artech Lantegi Elkarte, S.A. And all subsidiary companies that make up the Group

(companies consolidated through global integration).

To understand why Artech finds added value in taxonomy for its sector, its mission must be taken into account:

*“Our mission is to be an international leader in the electricity sector, with a vocation for helping our customer add maximum value to develop the electricity network of the future together, as a family company with our roots and our company headquarters in Bizkaia.*

*The key is dominating technology, enhancing our knowledge and developing the people **within a sustainable, attractive and socially and environmentally responsible project.***

And its **sustainability strategy**, which arises in the following commitments:

- Generate quality, secure employment in optimal conditions for our workers
- **Prioritize our efforts reduce emissions, the efficient and minimal use of resources and the correct management of waste in all operations**
- Develop the internal talent of our people and incorporate and attract the best talent for our project
- Advanced development of knowledge management
- Add value to customers
- Respect human rights
- Fair practices during our production processes

**2.8.3. EU TAXONOMY IN THE CONTEXT OF OUR BUSINESS**

With the “**Measurement and Monitoring of Systems**” section, we offer products and solutions focused on the measurement and monitoring of energy. This business is focussed on the measurement and protection of electrical power systems, covering functions of capturing current/voltage signals from electricity lines to take them to values measurable by meters and protections, teams responsible for billing energy and the protection of the assets of the system itself.

and stability of the electricity system with a special focus on allowing the interconnection of renewable energies to the energy transportation and distribution network. The reliability of electricity systems has acquired great importance today; the more reliable a system is (which depends on its component elements), the safer it is. The reliability indices of an electrical system are usually used to take short, medium and long-term distribution decisions.

- Medium and high voltage transformers
- Digital measurement equipment
- Sensors (current and voltage)
- Energy qualities
- Reclosers
- Service analysis, consulting and engineering

With the “**Automation of Transmission and Distribution networks**” Artech serves substation automation systems in transmission and distribution networks, providing protection, control, automation, monitoring and communication capacities as part of the comprehensive substation control and monitoring solution.

The products manufactured by Artech Group are necessary for all interconnecting points of the electricity network, from the generation of electricity to the transportation and distribution network. The network has become more complex, with the onset of renewable and offshore generation, increasing the number of interconnections and broadening the market potential of Artech Group. Over 30% of our products and solutions are geared toward the development and integration of renewable energies.

- Auxiliary relays (industry and rail)
- SAS (Substation and distribution automation systems)

With the “**Network reliability**” Artech offers products and services strengthening the efficiency, reliability

The classification criteria based on the adjustment to the Delegated Regulation on Taxonomy (EU) 2020/852.

### 2.8.3.1. ELIGIBILITY

For the purpose of the Mitigation and Combating of Climate Change, the attached table contains the activities Arteche carries out and the activities included in the taxonomy considered eligible.

Activity of Arteche Group	Mitigation of, and adaptation to, climate change
<b>Automation Segment of Transmission and Distribution Networks:</b> • Business: SAS (Automation systems of substation and distribution)	<b>4.9 Transport and distribution of electricity</b>  Annex 1 of the Delegated Act on Climate literally defines the activity 4.9 as: <ul style="list-style-type: none"> <li>• “Construction and operation of transmission systems that support electricity in the interconnected medium voltage and high voltage system.”</li> <li>• “Construction and operation of distribution systems that transport electricity in high, medium and low voltage systems”</li> </ul> Arteche Group has performed an analysis of the activity or activities performed by each company in the Group along with the Spanish Economic Activities Code (CNAE), identifying the businesses mentioned as adjusted to description of activity 4.9.
<b>Network Reliability Segment:</b> • Business: Energy Quality	

Due to greater understanding of the Regulation on taxonomy (Regulation EU 2020/852 and its application in terms of the economic activities of Arteche, after the recent publication of clarifications by the European Commission on the interpretation of certain aspects of Article 8 of Delegated Regulation on the reporting of eligible economic activities, the data reported in 2021 have been reviewed and updated. In this regard, the items included initially in some of the activities reported in 2021 no longer strictly correspond to the description of the activity. Despite the fact that the products and solutions are integrated into systems that are eligible, with the current interpretation, that do not include “manufacturing”, the following activities are no longer considered eligible:

- Medium and high voltage instrument transformers
- Digital measurement equipment
- Sensors (current and voltage)
- Relays
- Reclosers
- Service analysis, consulting and engineering

In Chapter 9, we refer to this re-expression of information from 2021, which meant considering certain business in activities 3.1 and 9.2 of the taxonomy, in addition to 4.9.

### 2.8.3.2. ALIGNMENT

To classify an activity as aligned with a climate change mitigation objective or adhering to the Taxonomy, during this financial year 2022, work was carried out level to analyse whether the eligible activities:

- Contribute sustainably to the achievement of one or several of the six environmental goals;
- Do not significantly harm the achievement of the other five environmental objectives (principle of not causing significant harm);
- Comply, at a company level, with the minimum requirements for workplace health and safety and human rights (social safeguards).

### SUBSTANTIAL CONTRIBUTION

The table below shows how Arteche complies with the criteria for the substantial contribution of the Climate Change Mitigation goal for Revenue, CapEx and OpEx of some of its activities:

Activity	Criteria for substantial contribution	Application for Arteche
<b>4.9 Transport and distribution of electricity</b>	The activity is one of the following: e) installation of equipment for the increase of control and observation capacity of the system and to determine the development and integration of renewable energy sources, among others the following:  I. measurement sensors and instruments (including meteorological sensors to predict production of renewable energy)  II. Communication and control (advanced software and control rooms, automation of substation or power lines, voltage regulation capacities for adaptation to more decentralized supply with renewable energies);”	Arteche Group has performed an analysis of the activities performed by each company in the Group, identifying the businesses mentioned as strictly adjusted to description of Activity 4.9:  <ul style="list-style-type: none"> <li>• SAS (Substation and distribution automation systems)</li> <li>• Energy Quality</li> </ul>

### DO NO SIGNIFICANT HARM (DNSH) CRITERIA

To comply with the Do No Significant Harm criteria (to other environmental goals), the following analysis was completed:

- Adaptation to climate change

All our plans, including those that perform eligible activities, comply with Appendix A of the EU taxonomy, which is related to climate risk analysis, linked to the TCFD analysis (“Task force on Climate-related Financial Disclosures”). In 2022, Arteche commenced the TCFD project, tackling the assessment of physical risks of climate change (principal requirement of the aforementioned Appendix A) for 2023, extending it to transition risks. To complete this analysis long term, a semi-quantitative methodology and the global warming scenarios described by the Inter-governmental Panel on Climate Change (IPCC) RCP 8.5 and RCP 4.5, with the temporal scope 2050. After completing this analysis of physical risks, it was concluded that there were no significant risks requiring adaptation measures for now.

- sustainable use and protection of water and marine resources: Not applicable
- Transition towards a circular economy

All our plants, including those that perform eligible activities, have developed a waste management plan to maximize reuse or recycling at the end of the use life in accordance with the hierarchy of waste, including through contractual agreements with waste management partners, the incorporation of financial forecasts and the official documentation of the project.

- Prevention and combating of pollution: Not applicable as Arteche has no high voltage lines installed

### MINIMUM SOCIAL SAFEGUARDS

Arteche complies with the most exacting international standards in this area: the OECD Guidelines for multi-national companies, the Guiding Principles of the UN Global Compact, the Universal Declaration of Human Rights, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization. All of the above is contained in the Ethical Code of Arteche Group.

In accordance with the requirements of the Taxonomy, to complete an evaluation of whether the activities of Arteche are carried out in accordance with the minimum social guarantees, an analysis in respect of the management and performance of the following four spheres:

- Human rights
- Corruption and bribery
- Tax
- Fair competition

To adequately prevent and manage the risks associated with these four spheres and to guarantee adequate performance and full respect for the law and its principles and values, Arteche Group maintains a fully operations Compliance System that is designed and operates in accordance



- Protection and recover of biodiversity and ecosystems

Our activity is not subject to environmental impact assessment in accordance with Law 21/2013, nor is it conducted close to areas important for biodiversity such as Natura 2000 spaces or UNESCO World Heritage Site or other protected areas. Moreover, Arteche has completed an analysis of the principal environmental impacts for all its plants and maintains periodic monitoring of the possible effects of its activity on the environment.

with the best national and international practices. The Group Compliance System uses Standard ISO19601:2017 as a reference. The *Zero Tolerance for Corruption and Bribery* section of this Report explores the principle elements of this system and the way the company carries out its activities in these management areas.

The section *Defending Human Rights and Labour Rights* from the chapter *Our Energy: People* of this Report explicitly and specifically state the commitment of Arteche Group to support, respect and protect human rights to the fullest extent and the mechanism it has to ensure that all activities are developed in accordance with these principles.

Finally, the *Fiscally Responsible* section included in the chapter Economic Performance details the principal aspects and elements tax governance, ensuring compliance with legislation in this area.

Neither Arteche Lantegi Elkartea, S.A. Nor any of its subsidiaries have been convicted of any offences in relation to tax evasion or human rights violations in 2022. At present, neither Arteche Lantegi Elkartea, S.A. Nor any of its subsidiaries have been convicted of corruption, bribery or violation of legislation on fair competition.

### 2.8.3.3. SUMMARY OF ELIGIBILITY AND ALIGNMENT

We classify Arteche's activities as follows based on their alignment with Delegated Regulation (EU) 2020/852:

Segment	Eligibility and Alignment	Not eligible and not aligned
<b>Measurement and Monitoring of Systems</b>	-	<ul style="list-style-type: none"> <li>• Medium and high voltage instrument transformers</li> <li>• Digital measurement equipment</li> <li>• Sensors (current and voltage)</li> </ul>
<b>Automation of Transmission and Distribution Networks</b>	<ul style="list-style-type: none"> <li>• SAS (Substation and distribution automation systems)</li> </ul>	<ul style="list-style-type: none"> <li>• Relays</li> </ul>
<b>Network Reliability</b>	<ul style="list-style-type: none"> <li>• Energy qualities</li> </ul>	<ul style="list-style-type: none"> <li>• Reclosers</li> <li>• Service analysis, consulting and engineering</li> </ul>

The vast majority of the products and services provided by Arteche Group are contained in both the description and in the technical criteria in Section 4.9 "Transport and distribution of electricity" of the EU Taxonomy. However, today, the literal definition of the aforementioned activity 4.9 includes only "installation of equipment".

Therefore, the European Commission recently clarified that *"the information on eligible activities according to the taxonomy does not imply an assessment of the value chain of a company [...] For the purposes of notification of turnover, assets and processes of the value chain of an activity are only eligible if they explicitly include the description of the activity"*.

The term "installation" is not clearly defined in the technical criteria of the activity, so the activity of Arteche is "manufacturing". Therefore, the literal interpretation of the regulation excludes the segment "Measurement and monitoring of systems and manufacture of relays, reclosers and analysis, consulting and engineering services," considering it in-

cludes SA and energy quality services. Railway relays are treated similarly in activity 6.2. "Goods transport by rail". In the interests of transparency and rigour, we have considered it appropriate to apply this criterion in this Statement of Non-Financial Information.

Not all technologies that support the objectives of decarbonization and environment of the EU are currently classified in the EU taxonomy. The reason for this is that some activities that facilitate the reduction of emissions do so indirectly. From the perspective of Arteche, considering the products and services we provide and the company's role in "construction and operation of transmission systems that transport electricity" (Activity 4.9), this is an activity explicitly included in said activity. The European Commission has made pronouncements in this regard, stating, in the Recitals of Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, noting that *"The manufacturing of electrical equipment for electricity plays an important role for the upgrade, uptake and compensation of fluctuations of the electricity"*

provided by the renewable sources of energy in the Union electric grids, the recharging of the zero emissions vehicles and deployment of smart, green house applications. At the same time, the manufacturing of electric equipment for the generation of electricity allows for the development of the smart home concept with the aim of promoting the use of renewable energy sources and good management of domestic equipment. Consequently, it may prove necessary to complement the technical selection criteria in the manufacturing industry and assess the potential of manufacturing of elec-

trical material to make a substantial contribution to the mitigation of, and adaptation to, climate change".

Based on this, it is expected that the taxonomy will be broadened over time to include activities considered sustainable to include, among others, the manufacturing of electrical equipment. The taxonomy is a development framework and, as such, requires companies to review the information disclosed on a regular basis to ensure that the reports are in line with the expectations of EU regulators and the relevant stakeholders.

### 2.8.4. METHODOLOGY

Based on the consolidated information of the Group, and based on the corporate management control criteria, we have identified the items of these indicators that correspond to the activities considered by the taxonomy.

Transaction between Group companies have not been considered in the calculations.

During the entire process, we have taken into account the considerations necessary to avoid double counting.

- Reconciliation of accounting information, guaranteeing adequate consideration of elimination and adjustments made during the consolidation process
- Use of consistent sources of information, which avoids any consideration of a single item in two different indicators or twice within the same indicator
- Verification of the integrity and precision of data



### 2.8.5. CALCULATION OF KPIS

Starting with the analytical accounting of the Group, we have obtained three KPIs related to the activities considered eligible and aligned.

#### CALCULATION THE ELIGIBLE TURNOVER %

The key indicator referring to turnover is calculated based on the proportion of revenue from eligible activities (numerator) of the total revenue of Arteche Group (denominator).

Said revenues correspond to those recognised in accordance with Royal Decree 1514/2007, of 20 November, approving the General Accounting Plan, and Royal Decree 1159/2010, of 17 September, approving the Standards for the Preparation of Consolidated Financial Statements and sub-

sequent amendments (included in RD 602/2016) (General Accounting Plan - Group 70 accounts), once the corresponding consolidation adjustments have been made. Therefore, the denominator corresponds to the net turnover of the Arteche Group Consolidated Financial Statement 2022.

For the calculation of the eligibility, the numerator corresponds to the net turnover of the Consolidated Financial Statements of the activities considered eligible in the Taxonomy.



### CALCULATING THE ELIGIBLE CAPEX %

This indicator is obtained as a proportion of fixed assets invested by activities considered eligible (numerator) in respect of the total assets acquired in the financial year (denominator).

The numerator will include the part of the investments in fixed assets included in the denominator that:

- This is related to assets or processes linked to eligible economic activities;
- Forms part of the plan to extend economic activities in line with the taxonomy or in order to allow eligible economic activities under the taxonomy align with the taxonomy in the future (CapEx plan);
- It is related to the purchase of the production obtained from economic activities aligned with the taxonomy and individual measures than make it possible of activities in question have low carbon emissions or lead to reductions in greenhouse gases, and provided that these measures are implemented within a period of eighteen months.

The denominator (total CapEx) is obtained as the additions to tangible and intangible assets before depreciation, amortization, revaluations and value impairment except for changes in fair value. It also included additions resulting from business mergers. Therefore, they correspond to the capitalized costs in tangible and intangible assets in accordance with the General Accounting Plan (NRVs 2, 5 and 19). The denominator, then, corresponds to the total additions in cost in the financial year 2022 to the property, plant and equipment and intangible assets, reflected in the asset transaction in the Consolidated Financial Statements.

To calculate the eligibility, the numerator corresponds to the sum of the increases in costs of property, plant and equipment and the intangible assets of the activities that have been considered eligible in the Taxonomy, along with certain asset additions made to make it possible to reduce the carbon emissions of the assets in question.

### CALCULATING THE ELIGIBLE CAPEX %

This indicator is obtained as the proportion of OpEx from companies whose activities are considered eligible (numerator) out of the total taxonomic OpEx (denominator).

This numerator includes the part of the operating costs included in the denominator that:

- Is related to assets or processes linked to eligible economic activities, including training and other needs for adaptation of human resources and non-capitalised direct costs that represent research and development;
- Forms part of the plan to extend economic activities in line with the taxonomy or in order to allow eligible economic activities under

the taxonomy align with the taxonomy in the future (CapEx plan);

- It is related to the purchase of the production obtained from economic activities aligned with the taxonomy and individual measures than make it possible of activities in question have low carbon emissions or lead to reductions in greenhouse gases, and provided that these measures are implemented within a period of eighteen months.

The denominator covers the total direct non-capitalized operating costs relating to research and development, building refurbishment measures, short-term rents, maintenance and repairs and other direct costs related to the daily maintenance of property,

plant and equipment by the company or a third party subcontractor and which are necessary to ensure the continued efficient of said assets. The denominator, therefore, corresponds to the consolidated operating costs accounts of the financial year 2022 associated with R&D costs, short-term rents and repairs and conservation, primarily. Therefore they correspond

to the aforementioned costs included under the heading "External services" of the consolidate profit and loss account.

For the calculation of the **eligibility**, the numerator corresponds to R&D costs, short-term rents and repairs and conservation related to activities considered eligible in the Taxonomy.

### CALCULATION OF ALIGNED KPIS.

To calculate alignment percentages, we start with the calculation of eligibility, taking the same denominator, but including in the numerator exclusively the figures for revenue, investments and cost,

as applicable, corresponding to the eligible activities that comply with the alignment criteria established in the regulation (do no significant harm to other goals and fulfilling the minimum social guarantees).

### 2.8.6. RESULTS

In 2022, the Turnover indicator showed an 11% eligibility and alignment, the OpEx indicator was 7.7% eligibility and alignment and the CapEx indicator was 17.5% eligibility and alignment. In 2021, the KPI Turnover was 12.1% eligibility, OpEx was 6.6% eligibility and CapEx 20.5% eligibility.

"manufacture" of electrical equipment, the core business of the Arteche Group, were to be considered literally as an activity included in the "construction and operation of electrical energy" activity as is its "installation", the KPIs would amount to 99.9%, 100% and 99.5% of turnover, CapEx and OpEx in 2022, respectively, both in eligibility and alignment.

However, it is noted that if the



**TURNOVER**

Economic activities	Codes	Gross turnover	Proportion of turnover	Criteria for substantial contribution						Criteria for absence of significant damage (Does no significant harm)						Minimum guarantees	Proportion of turnover complying with the taxonomy, year 2022	Proportion of turnover complying with the taxonomy, year 2021	Category (facilitating activity)	Category ("transition activity")
				Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					

**B. ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY**
**A.1 Environmentally sustainable activities (complying with the taxonomy)**

Transport and distribution of electricity	4.9	38,466	11.1%	100%	0%	n/a	n/a	n/a	n/a	-	S	S	S	S	S	S	11.1%	n/a	F	-
Turnover from environmentally sustainable activities (complying with the taxonomy) (A.1)	-	38,466	11.1%	100%	0%	n/a	n/a	n/a	n/a	-	-	-	-	-	-	-	11.1%	-	-	-

**A.2 Eligible activities according to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy)**

n/a	-	-	0.0%																
Turnover from taxonomy-eligible but not environmentally sustainable activities (activities that do not comply with the taxonomy) (A.2)	-	-	0.0%																
<b>Total(A.1+A.2)</b>	<b>-</b>	<b>38,466</b>	<b>11.1%</b>																

**B. ACTIVITIES NOT ELIGIBLE ACCORDING TO TAXONOMY**

Turnover from ineligible activities according to taxonomy (B)	-	307,437	88.9%
<b>Total (A + B)</b>	<b>-</b>	<b>345,903</b>	<b>100%</b>

**CAPEX**

Economic activities	Codes	Gross CapEx (thousands of euro)	Proportion of CapEx	Criteria for substantial contribution						Criteria for absence of significant damage (Does no significant harm)						Minimum guarantees	Proportion of turnover complying with the taxonomy, year 2022	Proportion of turnover complying with the taxonomy, year 2021	Category (facilitating activity)	Category ("transition activity")
				Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					

**B. ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY**
**A.1 Environmentally sustainable activities (complying with the taxonomy)**

Transport and distribution of electricity	4.9	1,848	17.5%	100%	0%	n/a	n/a	n/a	n/a		S	S	S	S	S	S	17.5%	n/a	F	-
CapEx of environmentally sustainable activities (complying with the taxonomy) (A.1)	-	1,848	17.5%	100%	0%	n/a	n/a	n/a	n/a	-	-	-	-	-	-	-	17.5%	-	-	-

**A.2 Eligible activities according to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy)**

n/a	-	-	0.0%													-	-	-	-
CapEx of activities eligible under the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy) (A.2)	-	-	0.0%													0.0%	n/a	-	-
<b>Total(A.1+A.2)</b>	<b>-</b>	<b>1,848</b>	<b>17.5%</b>													<b>17.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>

**B. ACTIVITIES NOT ELIGIBLE ACCORDING TO TAXONOMY**

CapEx from ineligible activities according to taxonomy (B)	-	8,696	82.5%
<b>Total (A + B)</b>	<b>-</b>	<b>10,544</b>	<b>100%</b>

**OPEX**

Economic activities	Codes	Gross OpEx (thousands of euro)	OpEx ratio	Criteria for substantial contribution						Criteria for absence of significant damage (Does no significant harm)						Minimum guarantees	Proportion of turnover complying with the taxonomy, year 2022	Proportion of turnover complying with the taxonomy, year 2021	Category (facilitating activity)	Category ("transition activity")
				Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigation of climate change	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					

**B. ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY**
**A.1 Environmentally sustainable activities (complying with the taxonomy)**

Transport and distribution of electricity	4.9	910	7.7%	100%	0%	n/a	n/a	n/a	n/a	-	S	S	S	S	S	S	7.7%	n/a	F	-
<b>OpEx of environmentally sustainable activities (complying with the taxonomy) (A.1)</b>	-	910	7.7%	100%	0%	n/a	n/a	n/a	n/a	-	-	-	-	-	-	-	7.7%	-	-	-

**A.2 Eligible activities according to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy)**

n/a	-	-	0.0%													-	-	-	-
<b>OpEx of taxonomy-eligible but not environmentally sustainable activities (activities that do not comply with the taxonomy) (A.2)</b>	-	-	0.0%													0.0%	n/a	-	-
<b>Total(A.1+A.2)</b>		<b>1,848</b>	<b>7.7%</b>													<b>7.7%</b>	-	-	-

**B. ACTIVITIES NOT ELIGIBLE ACCORDING TO TAXONOMY**

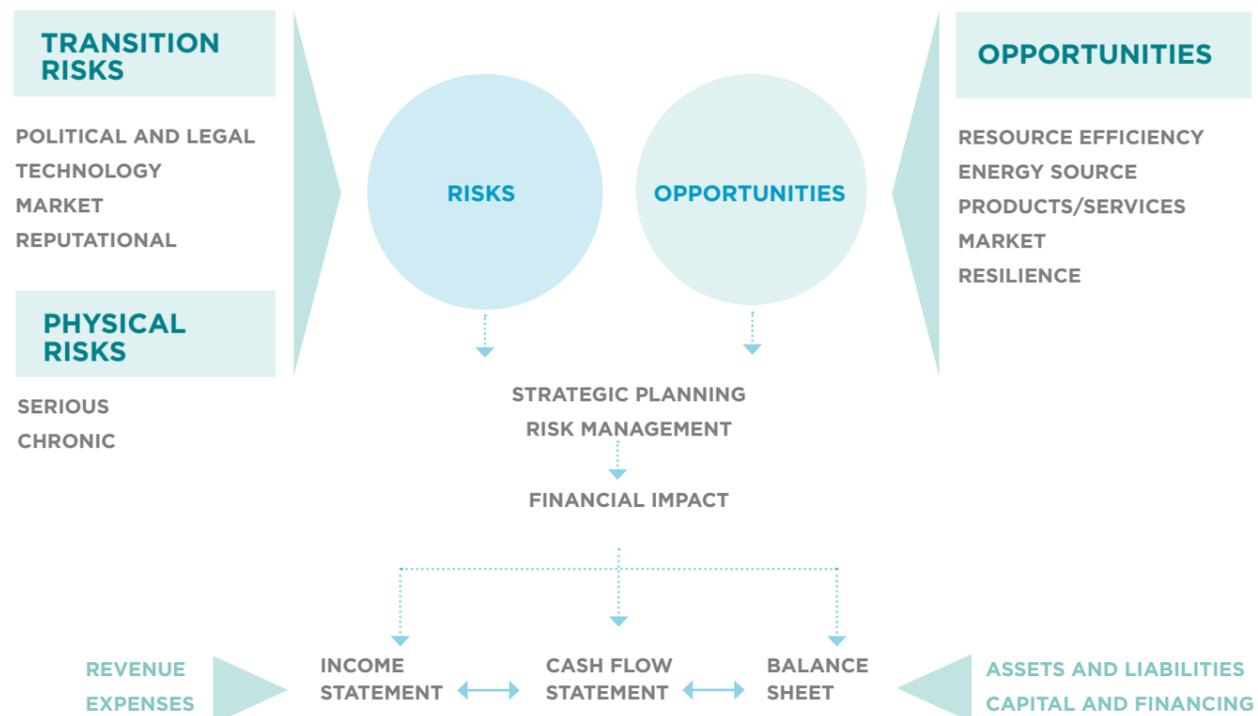
<b>OpEx from ineligible activities according to taxonomy (B)</b>	-	10,980	92.3%
<b>Total (A + B)</b>	-	<b>11,890</b>	<b>100%</b>

## 2.9 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) AND CLIMATE RISKS

Although climate change risks have been considered in the Artech Group's risk assessment system since the beginning of its development, it was not until the 2022 financial year that these risks were included in accordance with a specific standard.

Driven by the Board of Directors and the Audit and Compliance Committee, in 2022 we have started a project to progressively incorporate the recommendations of the Task Force on Climate-related financial disclosures (TCFD) into the evaluation process.

### RELATED RISKS, OPPORTUNITIES AND FINANCIAL IMPACT



This project envisages carrying out an initial assessment of physical climate risks, resulting from the effects of climate change on the activity of each plant for 2022, and transitional climate risks, resulting from the impacts of a transition to a low-carbon economy by 2023.

To complete this analysis long term, a semi-quantitative methodology and the global warming scenarios described by the Inter-governmental Panel on Climate Change (IPCC) RCP 8.5 and RCP 4.5, with the temporal scope 2050. For each type of risk, the possible sources of risk were identified, assessing their probability of occurrence in a scenario of a two-degree temperature rise, the possible impact

on the business and the timeframe for their realization:

- **Acute physical hazards:** arising from extreme one-off events such as storms, floods, fires or heat waves.
- **Chronic physical risks:** due to global warming, such as sea level rise, reduced water availability, loss of biodiversity and changes in land and soil productivity.

Turnover, production, EBITDA and capex have been considered for the financial impact assessment.

In FY 2023, we will continue to implement TCFD for transition risks.



# 3 GOOD GOVERNANCE, ETHICS AND RISK MANAGEMENT

WE HAVE A CORPORATE GOVERNANCE MODEL GOVERNED BY INDEPENDENCE AND PROFESSIONALISM AND AIMED AT GUARANTEEING THE LONG-TERM SUSTAINABILITY OF THE COMPANY, PROVIDING CONFIDENCE AND GENERATING VALUE FOR OUR STAKEHOLDERS.

**LAUNCH OF INTERNAL CONTROL OVER FINANCIAL INFORMATION (ICFR) SYSTEM PROJECT**

**START OF TCFD PROJECT (TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES)**

**ESTABLISHMENT OF THE RISK MANAGEMENT SYSTEM**

**SELECTION PROCESS FOR AN INDEPENDENT DIRECTOR, PENDING RATIFICATION BY THE BOARD OF DIRECTORS**

MATERIAL TOPIC	RELATED SDGS
Good governance and risk management	
Ethics and transparency	
Management of legal and regulatory environment	

### 3.1. CORPORATE GOVERNANCE SYSTEM

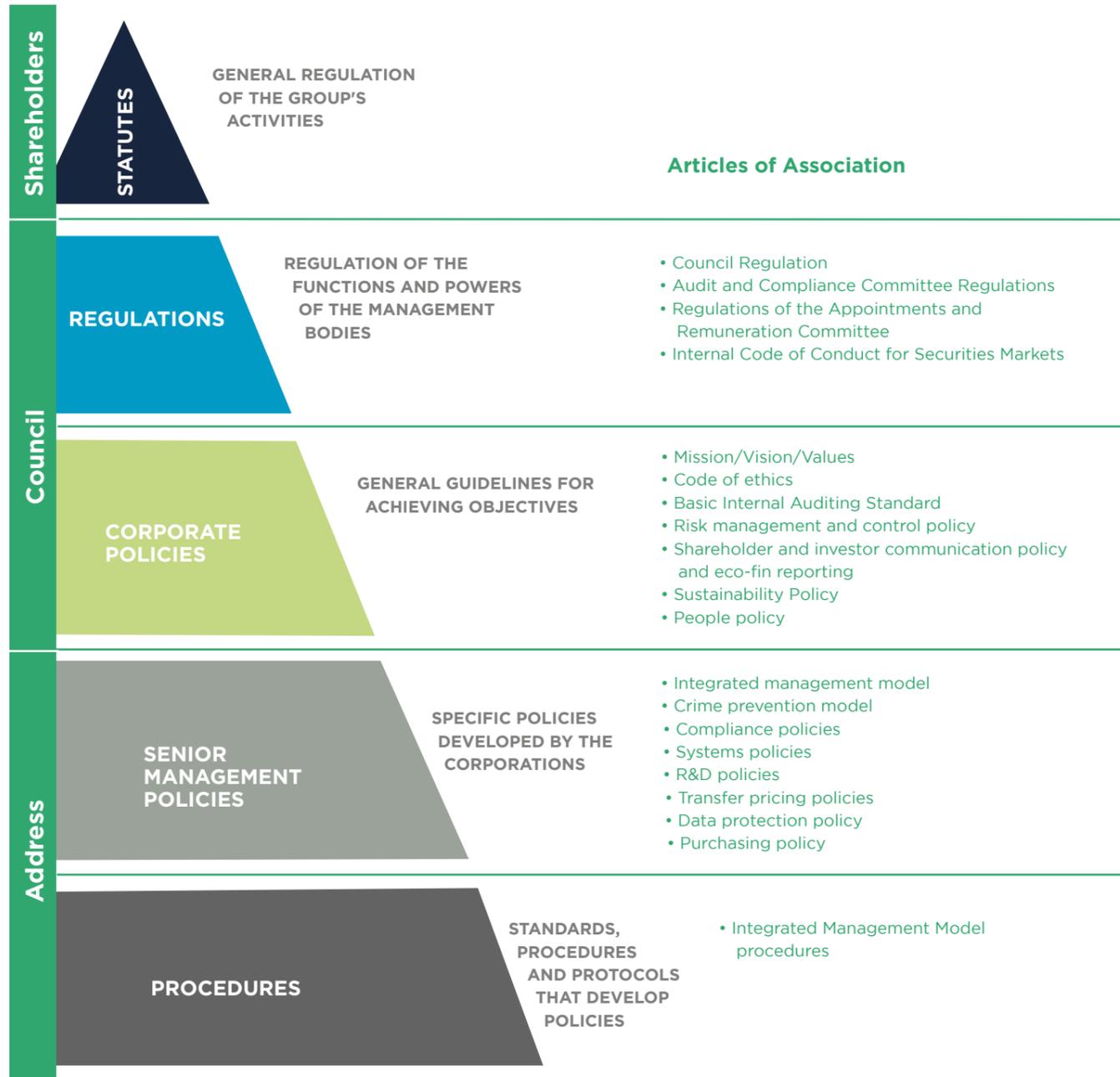
GRI: 2-6, 2-23, 2-9, 2-18

At Arteche, we have set up a corporate governance system aimed at guaranteeing the long-term sustainability of the company, providing confidence and generating value for our stakeholders. This model, inspired by ethical principles and committed to transparency, is built around its own regulatory framework, which regulates and controls the actions of its Governing Bodies, establishes mechanisms to

mitigate possible risks and frames relations with its stakeholders.

Thus, the pillars of our corporate governance system are mainly the Articles of Association, the Regulations of the governing bodies, the mission, vision and values of the Group, the Code of Ethics, the Crime Prevention Model and the Integrated Management Model.

**CORPORATE GOVERNANCE SYSTEM OF THE ARTECHE GROUP**



**UPDATING THE CORPORATE GOVERNANCE SYSTEM**

The continuous monitoring of this system, which is the responsibility of all the governing bodies in their areas of action and is expressly included in the Regulations of the Appointments and Remuneration Committee, is a further requirement for improving the Group's governance and fostering an ethical culture, which are key aspects in the sustainability of our business model.

The Corporate Governance Roadmap approved by the Board of Directors in 2021, the result of a diagnosis of best corporate governance practices and laws applied to listed companies carried out by the Group, sets a timetable for the implementation of recommendations in areas such as composition of the board and committees, diversity on the board, functioning of the board, internal control and risks or policies.

In 2021, on the occasion of the listing of the company BME Growth, we adapted our corporate governance system to the new regulatory environment and best practice in areas such as composition of board committees, updating of board and committee regulations, approval of corporate policies.

In 2022, we introduced new initiatives to improve risk governance and control:

- Multi-year project for the implementation of the Internal Control over Financial Reporting System (ICFR)
- Multi-annual climate change risk assessment project, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see section 2.9)
- Gap analysis of ISO 37001 compliance, with excellent results
- Internal procedure for related-party transactions, approved by the Board of Directors

And we have also continued the trend of previous years:

- Annual self-assessment of the performance of the Board of Directors and all delegated committees
- Deployment of the risk management system to the regions
- Updating of the Board's skills and knowledge matrix by the Appointment and Remuneration Committee
- Follow-up to the corporate governance roadmap approved by the Board in 2021



## 3.2 GOVERNANCE



### 3.2.1. SHAREHOLDER RELATIONS MODEL

GRI: 2-1, 2-6

Since 11 June 2021, the shares of Arteche Lantegi Elkartea, S.A., the parent company of Arteche Group, are traded on the BME Growth market of BME MTF Equity.

At 31 December 2022, the list of shareholders with a direct or indirect position of 5% or more in Arteche Lantegi Elkartea, S.A. is as follows:

#### SHAREHOLDING COMPOSITION OF ARTECHE LANTEGI ELKARTEA, S.A.

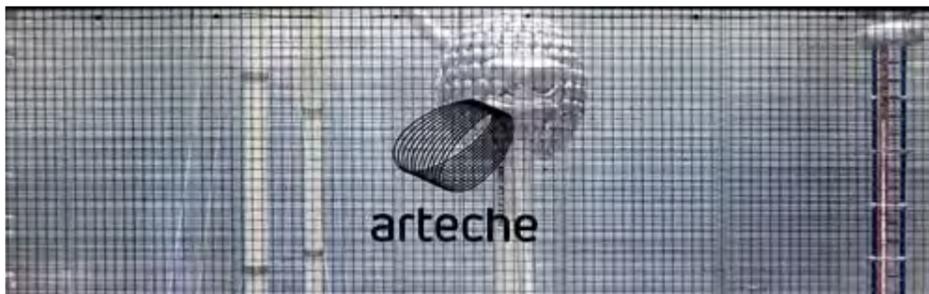
	2022	2021
Ziskua Ber, S.L.	52.45%	52.45%
ECN Cable Group	20.21%	20.21%
Basque Venture Capital Fund	6.40%	6.40%
Onchena S.L.	5.63%	5.47%
Free-float	15.31%	15.47%

Our shareholder relations model is developed on the basis of the *Shareholder and Investor Communication and Economic and Financial Information Policy* and the *Internal Code of Conduct on Matters Relating to the Securities Markets*, both documents approved by the Board of Directors.

The *Policy on communication with shareholders and investors and economic and financial information* defines the channels of communication

and contact with shareholders and institutional investors within the framework of their involvement in the company, with full respect for the rules of market abuse and the principle of equal treatment of shareholders in the same position.

The *Internal Code of Conduct on matters relating to the securities markets*, aims to ensure compliance with the Securities Market Law and the Market Abuse Regulation, insofar as applicable to the Group.

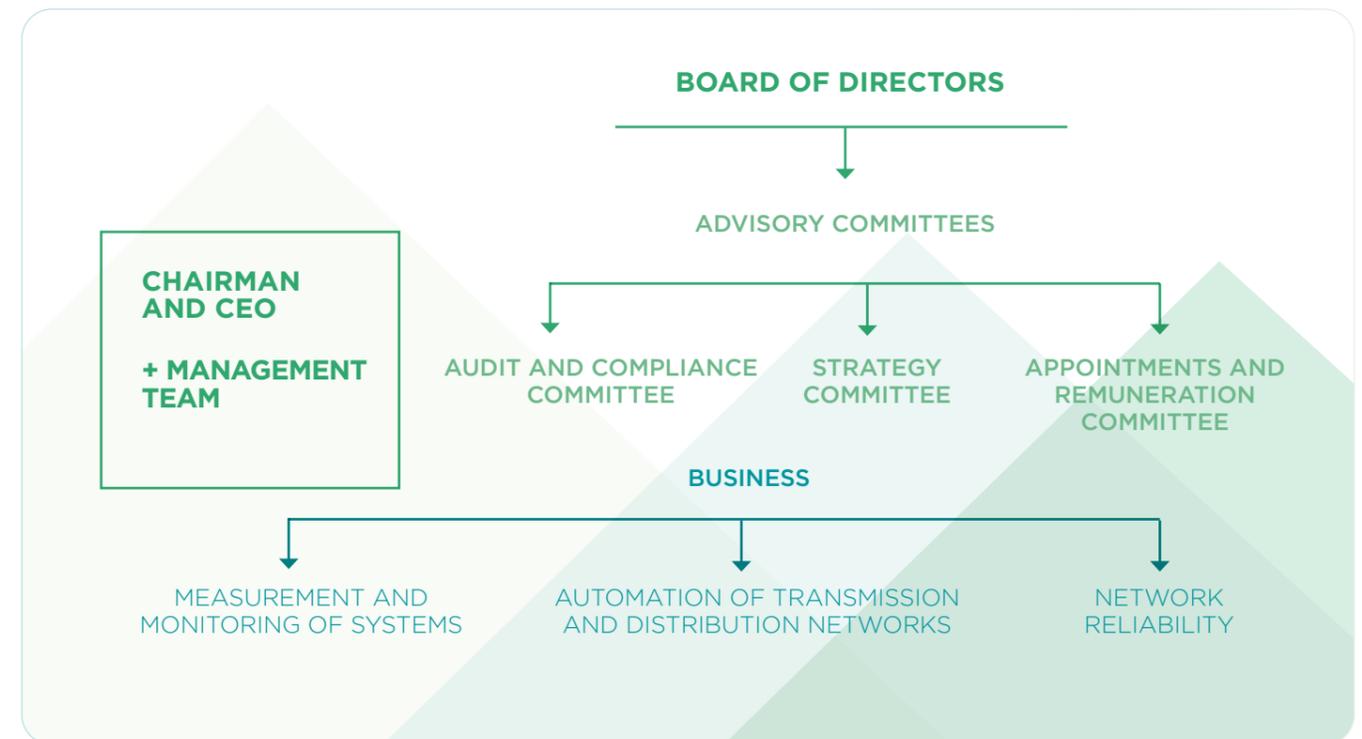


### 3.2.2. CORPORATE AND GOVERNANCE STRUCTURE

GRI: 2-9

The corporate and governance structure of our Group is reflected in the following scheme:

#### CORPORATE AND GOVERNANCE STRUCTURE OF ARTECHE GROUP



Except for matters reserved by law and the Articles of Association for the General Meeting of Shareholders, our Board of Directors is, after the General

Meeting of Shareholders, the highest decision-making body, which is regulated by the Articles of Association and the Board of Directors' Regulations.

#### ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders is the highest representative body of our shareholders. Its functions are regulated by the Articles of Association, according to which the holders of at least one thousand (1,000) shares of the Company registered in

their name at least five days prior to the meeting are entitled to attend.

In 2022, the AGM was held on 11 May and 30 shareholders, holding 91.63% of the capital, attended in person or by proxy.

## RESOLUTIONS ADOPTED BY THE GENERAL MEETING OF SHAREHOLDERS IN 2022

Approval of the annual accounts of Arteche Lantegi Elkartea, S.A., and the annual accounts of its consolidated group of companies, for the 2021 financial year
Discharge of the Board of Directors
Approval of the proposed application of the result for the financial year 2021
Approval of the consolidated non-financial information statement of Arteche Lantegi Elkartea, S.A. and its subsidiaries for the 2021 financial year
Setting the maximum amount of directors' remuneration in their capacity as such for the current financial year
Approval of the minutes of the meeting

## BOARD OF DIRECTORS

GRI: 2-6, 2-9, 2-11, 2-10, 2-15, 2-12, 2-17

The Board of Directors of Arteche assumes the powers of supervision, management, control and representation of the Group, establishes, as the core of its mission, the approval of the strategy and the organization required for its implementation, as well as the supervision and control of the fulfilment of the objectives by the management, and the respect of the social interest of the Group.

Its functions are regulated by the Articles of Association and the Regulations of the Board of Directors.

The Board of Directors consists of 8 directors, 2 of whom are executive directors, 3 are proprietary directors, 2 are independent directors and 1 is another external director, as well as the Secretary.

Throughout the 2022 financial year, the Appointments and Remuneration Committee has worked on the identification and selection of a new independent female director. Finally, at the date of formulation of this report, the Board of Directors proposes to increase the number of independent directors by one position and to welcome a female Professor of Physics from the Complutense University of Madrid with more than 20 years of experience in industrial multinationals in the energy and electrical equipment sectors, with executive responsibilities. The proposal of the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, is pending ratification at the Annual General Meeting in May.

## COMPOSITION OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2022

Position:	Director	Character	Nationality	First appointment	Latest appointment	Audit and Compliance Committee	Appointments and Remuneration Committee	Strategy Commission
<b>Chairman and CEO</b>	Alexander Artetxe Panera	Executive	Spanish	26/06/2001	20/06/2018	-	Board member and Secretary	Chairman
<b>Member</b>	Ziskua Ber, S.L. (*)	Proprietary director (*)	Spanish	26/06/2008	29/04/2019	-	-	-
<b>Member</b>	Dámaso Quintana Pradera	Proprietary director	Spanish	29/04/2021	29/04/2021	-	Member	Member and secretary
<b>Member</b>	Pablo Ramallo Taboada	Proprietary director	Spanish	29/04/2021	29/04/2021	Board member and Secretary	-	-
<b>Member</b>	José María Abril Pérez	Other external director	Spanish	29/04/2021	29/04/2021	-	-	Member
<b>Member</b>	Gestión de Capital Riesgo del País Vasco, SGEIIC, S.A. (**)	Proprietary director	Spanish	29/04/2019	29/04/2019	-	-	-
<b>Member</b>	Guillermo Ulacia Arnáiz	Independent	Spanish	29/04/2021	29/04/2021	Member	Chairman	Member
<b>Member</b>	Luis Aranaz Zuzá	Independent	Spanish	29/04/2019	29/04/2021	Chairman	-	-
<b>Non-director Secretary</b>	José Ramón Berecibar	-	Spanish	28/05/2018	28/05/2018	-	-	-

(\*) Their legal representative being Lander Arteche Eguía. Notwithstanding the fact that the director Ziskua Ber, S.L. is a shareholder of the Company, his natural person representative is also a senior executive of the Company.

(\*\*) His representative being Zigor Urkiaga Urkiza, a natural person with an effective date of 8 September 2022. Until September 2022, it was Yolanda Beldarrain Salaberria"

Prior to joining BME Growth and in order to adapt to the new regulatory environment, the Board of Directors, at its meeting on 29 April 2021, made certain changes to its composition and fees, subject to and conditional upon the admission to trading of the shares in the BME Growth segment of BME MTF Equity. Basically, the replacement of several legal entities by individuals and the reconfiguration

of the composition of its committees, as reported in the "Information Document on Listing the Market" available on Arteche's corporate website.

In 2022, the representative of Gestión de Capital Riesgo del País Vasco, SGEIIC, S.A., Yolanda Beldarrain, was replaced by Zigor Urkiaga, effective 8 September.

### CHAIRMAN AND CEO

The Chairman and Chief Executive Officer is responsible for the management and correct functioning of the Board of Directors, for the supervisory functions of management, for the institutional representation of the Group as well as for the leadership and promotion of the Group's strategy and its transformation process.

With regard to the concentration of

power in the Chairman of the Board of Directors, who is also the chief executive of the company, the Group has taken measures to limit the risks of such concentration, including: the existence of committees, with a majority of independent or external directors, whose resolutions are subsequently sanctioned by the Board; the delimitation of the Chairman's functions in the Board's regulations, etc.

### ADVISORY COMMITTEES

The Commissions have no executive functions and act as permanent bodies of an informative, advisory and consultative nature, as well as making proposals on matters within their competence.

They are governed by the provisions of both the Articles of Association and their own internal regulations (except for the Strategy Committee, which is regulated by the Board Regulations).

Audit and Compliance Committee	Appointments and Remuneration Committee	Strategy Committee
Its responsibilities relate to the supervision of information systems, internal control and risk management, including tax risks, supervision of the financial and non-financial reporting process, the statutory auditor, the internal audit function, the ethics channel and the Group's internal compliance function	It performs functions related to proposals for the appointment and re-election of directors, proposing the system and amount of directors' remuneration, approving related policies, approving annual executive remuneration and executive policy related to training, promotion and selection	It is a consultative body specialising in the development of the Group's strategy, with a special focus on corporate development and inorganic growth

### SELECTION AND APPOINTMENT

The Annual General Meeting of Shareholders is responsible for appointing, re-electing and dismissing directors. The Appointments and Remuneration Committee advises the Board of Directors on the most appropriate configuration of this body and its committees.

The members of the Board of Directors collectively have the relevant technical knowledge for the performance of their duties in relation to Arteche's sector of activity, to the extent that the competencies of each of its members provide knowledge and experience in the industrial

field, in the electricity sector, in the field of listed companies and other relevant areas. Their CVs are

available on Arteche's corporate website (<https://www.arteche.com/es/consejo-de-administracion>).

### SELF-EVALUATION OF THE COUNCIL

In accordance with Recommendation 36 of the Good Governance Code of Listed Companies, once a year the Board of Directors evaluates and adopts, where appropriate, an action plan to remediate any deficiencies detected with respect to:

- a) The quality and efficiency of the functioning of the Board of Directors.
- b) The functioning and composition of its committees.
- c) Diversity in the composition and competences of the Board of Directors.
- d) The performance of the Chairman of the Board of Directors and the chief executive of the company.
- e) The performance and contribution of each director, paying special attention to the heads of the various Board Committees.

The purpose of this evaluation is to

serve as a tool to assist the members of the Board of Directors in identifying the most relevant areas of improvement in its functioning, in relation to the previous year, which will result in the optimization of the value contributed by the Board.

In 2022, the Appointments and Remuneration Committee analysed the procedure to be applied for the evaluation of the functioning of the Board for financial year 2022, the quality of its work and the performance of its members and submitted the relevant evaluation proposal to the Board. On the basis of the Commission's proposal, the Council carried out the above-mentioned evaluation without the collaboration of external consultants, as this is required every three years or when circumstances make it advisable, as stated in the aforementioned Recommendation 36.



### CONFLICTS OF INTEREST

With regard to the procedure implemented to avoid conflicts of interest in the highest governing body, the directors inform the Board of Directors of any situation of direct or indirect conflict that they may have with the interests of the Company, in compliance with article 229 of the Spanish Companies Act (Ley de Sociedades de Capital). Directors in such a position shall refrain from intervening in matters where there may be a conflict between the interests of the Company and those of the directors or their related parties.

In financial year 2022, the Board of Di-

rectors has approved an internal procedure for related-party transactions, adapted to the regulatory requirements for listed companies.

The Audit and Compliance Committee is responsible for supervising transactions with related parties and for providing information prior to the adoption of the corresponding decision by the Board of Directors.

Finally, the annual accounts include transactions with related parties, which are known to all directors and shareholders.



### 3.3 ORGANIZATION AND STRUCTURE

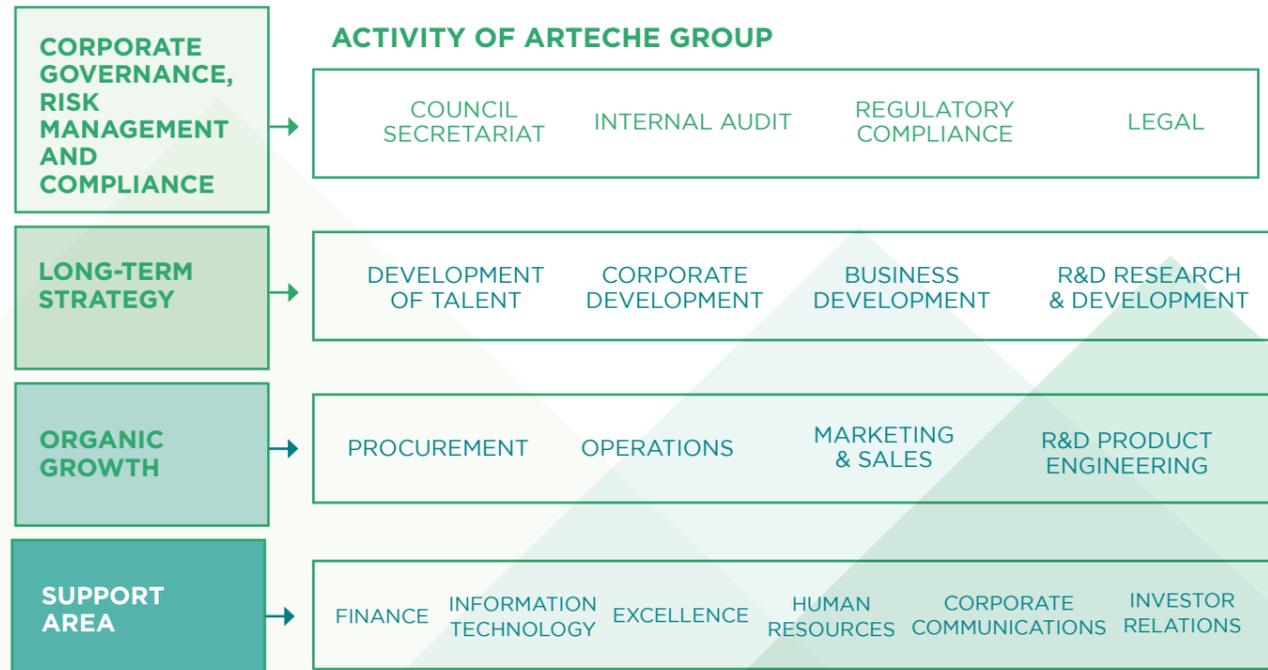
GRI: 2-6



Our organizational structure is based on functional areas that support all production companies, which in turn have their own hierarchical management mechanisms.

The General Manager is responsible for the operational management of the group, reporting directly to the Chairman and Chief Executive Officer. It is supported by the Group Management Committee, an executive body made up of the Directors of the functional areas, except for the functions of Internal Audit and Compliance Officer, with supervisory and assurance tasks. The control model of our structure is

based on the three-line model of the Committee of Sponsoring Organizations of the Treadway (COSO II), which aims to make the risk management and internal control system more robust in its different dimensions, as well as to improve the supervisory mechanisms of the governing bodies. This model reinforces the independence of supervision and assurance areas such as Compliance Officer, responsible for the supervision and control of regulatory compliance in the Group, and Internal Audit, with a double hierarchical dependence on the Chief Executive Officer and functional dependence on the Audit and Compliance Committee.



### 3.4 ETHICS

#### 3.4.1. VALUES, PRINCIPLES, STANDARDS AND NORMS OF CONDUCT

GRI: 2-23, 2-26

Compliance objectives are part of our strategy and, together with the Group's values, principles, standards and rules of conduct, are set out in **Arteche's Code of Ethics**, approved by the Board of Directors. It expresses the commitment and linkage to human and labour rights recognised in national and international law and the principles underlying the UN Global Compact, the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights, the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the Social Policy of the International Labour Organization, as well as any documents or texts that may replace or

complement those referred to above.

In addition, the Code was drawn up taking into account both the generally recognised good governance recommendations and the principles of social responsibility accepted by the company, constituting a basic reference for its monitoring by the Group.

The Code now forms a fundamental part of the Group's corporate governance system and is fully respectful of the principles of corporate organization set out therein.

The 15 general principles of the Code of Ethics (guidelines for action, commitments to conduct and responsible practices) set out in the Code are as follows:

<b>Respect for legality</b>	<b>Sound professional conduct Conflict of interest</b>	<b>Anti-corruption measures</b>
<b>Fair employment practices: Equal opportunities and non-discrimination</b>	<b>Transparency of information</b>	<b>Relations with customers and suppliers</b>
<b>Health and Safety</b>	<b>Protection of own and third party assets</b>	<b>Protection of competition</b>
<b>Environment</b>	<b>Use of company goods and services</b>	<b>Confidential information. Trade secrets</b>
<b>Sustainable development</b>	<b>Financial control</b>	<b>Relations with authorities and officials</b>

This Code applies to all Arteche employees, regardless of their geography, hierarchical position or job position. In case of doubt, or if we detect non-compliance, Arteche has an **Ethics Channel** open to our people and to

third parties that have a relationship with us, so that they can consult any doubt related to the Code or our internal policies, and if necessary, they can report if they detect any behaviour that differs from these





regulations. Arteche guarantees the maximum reserve and confidentiality on the part of the Ethics Committee and the impartial and independent management, without any kind of reprisals against any person who submits a query or complaint, formally or informally: ([https://canalresponsable.marcafranca.com/canaletico/presentacion\\_cliente/4714977183137792](https://canalresponsable.marcafranca.com/canaletico/presentacion_cliente/4714977183137792)).

Arteche's Code of Ethical Behaviour and Ethical Channel are available on the website <https://www.arteche.com/es/buen-gobierno-y-etica>. Complaints received in the ethics channel in 2022 amounted to 17 (13 in 2021). This

Code has been communicated to the entire organization to ensure the correct knowledge, understanding and compliance. 100% of new hires have been informed of the principles set out in our Code of Ethics and have expressly accepted the commitments contained therein.

In addition to the Code, Arteche's "Crime Prevention Programme" is also integrated in its Corporate Compliance Programme (see chapter 8).

Our commitment to ethics and good governance is in turn transmitted to the third parties with whom the Group interacts through various initiatives.

ARTECHE HAS NOT HAD ANY HUMAN RIGHTS COMPLAINTS

### 3.4.2. BODIES RESPONSIBLE FOR REGULATORY COMPLIANCE

GRI: 2-26

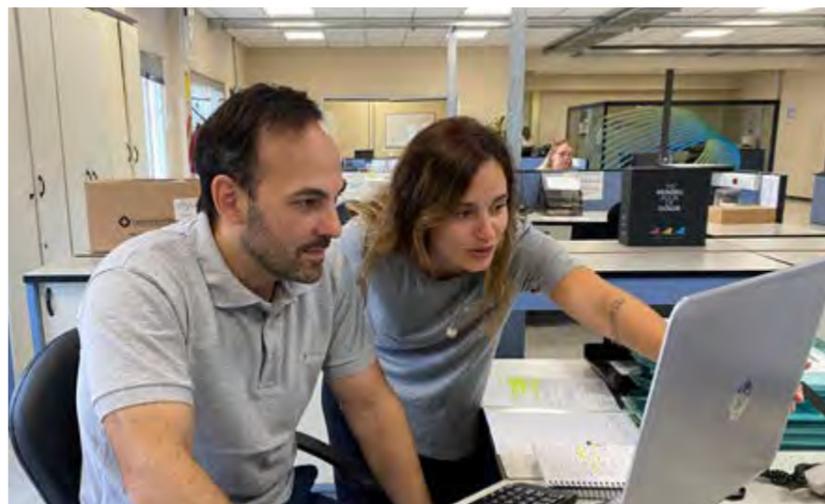
In 2019, the Board of Directors appointed a Compliance Officer, who reports hierarchically to the Chairman of the Board of Directors, in order to provide the organization with the basic and fundamental support to ensure compliance with current legislation, the Code of Ethics and the Group's internal policies and regulations.

The Compliance function has the autonomy and powers to carry out its duties **objectively, impartially and independently**, without the need for authorization. It also has sufficient authority and legitimacy to gather information at any time and to access the records and documentation it requires for the exercise of its function.

The **Ethics Committee** is an autonomous and independent control body, responsible for ensuring regulatory compliance. It is also responsible for the supervision and execution of the Corporate Compliance Programme, and the attributions contained therein.

The Committee may act on its own initiative or at the request of any person subject to the Code. Its decisions are binding on the company and the employee.

It has its own regulations defining its functions and responsibilities and is made up of a representative of the Board, the Compliance Officer, General Management, the Legal Division and the Human Resources Division.



## 3.5 RISK MANAGEMENT SYSTEM

### 3.5.1. ARTECHE GROUP INTEGRATED MANAGEMENT MODEL

GRI: 2-12

Our aim is to achieve the best results, to ensure the competitiveness and sustainability of the company in both the short and long term, to satisfy our stakeholders and to achieve results in a balanced way.

The Arteche integrated management model, which includes a global and standard vision, helps us achieve this objective. Starting with our mission, vision and values, we put ourselves in the right direction by establishing an annual strategy and annual goals so that everyone in the group may contribute. This model is based on the requirements of the following standards:

- ISO45001:2018 "Occupational Health and Safety Management Systems",
- ISO14001:2015 "Environmental Management Systems",
- ISO9001:2015 "Quality Management Systems",
- ISO 27001:2013 "Information Security Management

Our integrated management model is rolled out through key business processes throughout the group. Each one of these processes includes a description, procedure, indicators and rules for control as well as applicable policies. All policies are periodically revised and updated in order to ensure the desired results are achieved in the implementation phase.

Within this model, we have developed a system for the assessment and measurement of results, in order to detect deviations in our key business processes in addition to a monitoring, control and improvement system to ensure targets are met.

Our scorecard incorporates the metrics that allow us to perform comprehensive management, defining both result and control indicators related to strategy, people, processes and society.

### 3.5.2. RISK MANAGEMENT SYSTEM

GRI: 2-12

Arteche Group's activities are subject to different contingencies which, if they were to occur, would prevent or hinder the achievement of our objectives set. These risks are measured using the measuring systems established in the integrated model. These risks are inherent in the countries where the Group does business, including the markets or sectors in which it operates.

The Board of Directors, at the initiative of the Audit and Compliance Committee and acutely aware of the importance of this aspect in the control and management of the business, has pushed for the implementation of a risk management system based on a proven methodology since 2019.





This risk management model, established in the Artech Group's Risk Control and Management Policy approved in 2021, is the responsibility of

the Board of Directors, which delegates its supervision and correct operation to the Audit and Compliance Committee. The basic principles of this policy are:

### RISK MANAGEMENT AND CONTROL POLICY

INTEGRATE THE RISK PERSPECTIVE INTO MANAGEMENT

MAINTAIN A TIGHT SEGREGATION OF DUTIES BETWEEN THE TAKING AND SUPERVISING AREAS

TRANSPARENT REPORTING OF RISKS

ENSURING COMPLIANCE WITH CORPORATE GOVERNANCE POLICIES

ENSURING COMPLIANCE WITH LAWS

Arteche is committed to providing greater certainty and security in achieving strategic objectives, protecting results and reputation, safeguarding financial stability and solidity and ensuring compliance with current regulations.

The basic tool of our risk management system is the Risk Map, which is drawn up annually and reviewed every six months, and which categorises the risks into:

- Strategic risks
- Financial risks:
  - Market risk
  - Credit risk
  - Liquidity and debt risk

- Operational and technical risks
- Technological risks
- Compliance and regulatory risks, including tax risks
- Corporate governance risks

These risk categories also include ESG risks related to the environment, people, compensation and equal opportunities.

In 2022, climate change risk assessments and financial reporting risks are specifically incorporated, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the ICFR Guidelines of the Spanish Securities and Exchange Commission (CNMV), respectively, in two multi-year projects.

### PREPARATION AND SCOPE



The whole process is led by the General Management, along with the Management Committee and the Regional Committees, and supervised by Internal Audit. There will be a half-yearly appearance at the Audit and Compliance Committee and Board of Directors.

A full evaluation is completed during the strategic reflection process and reviewed at the beginning of the year.

In the 2022 financial year, 86 people have been involved in the two risk assessments carried out.

The map is drawn up from a residual perspective, considering the controls already in place in Artech and assessed in terms of impact and probability and are aggregated and prioritised to establish responsible parties, risk indicators and action plans:

The main aspects of our system are:



Because of their relevance and significance to the business, certain risks are specifically identified, assessed and addressed:

- Health and safety: ISO45001:2018,
- Environmental risks: ISO14001:2015,
- Criminal risks (Spain and Mexico): ISO19601:2017 as a reference
- Information security risks: ISO 27001:2013
- Tax risks

### 3.5.3. RISKS ASSESSED IN 2022

The Corporate Risk Map again places both geopolitical risks and the management of a sustainable supply chain centre stage.

Increases in prices of raw materials and the scarcity generated by global supply problems have seen extremely high inflation rates. All of this has had an impact on financial risks, with central banks abandoning protectionist measures, resulting in rising interest rates and volatility on currency markets.

It also confirms and addresses industry risks and their evolution, such as changing customer demands and

increasing regulatory requirements in the areas of environment and sustainability and their impact on achieving strategic objectives.

It also highlights concerns about cybersecurity and compliance and the economic damage that poor management of these can cause.

In all these scenarios, it is essential to take care of our greatest energy source, people, and the risks involved: attracting and retaining talent, and the impact of health and safety on turnover levels.

#### Market

- Changing customer trends
- Ability to adapt to new regulatory developments in the field of environment and sustainability

#### People

- Succession plan for key personnel
- Capacity to attract and retain talent
- Increased turnover

#### Financial risks

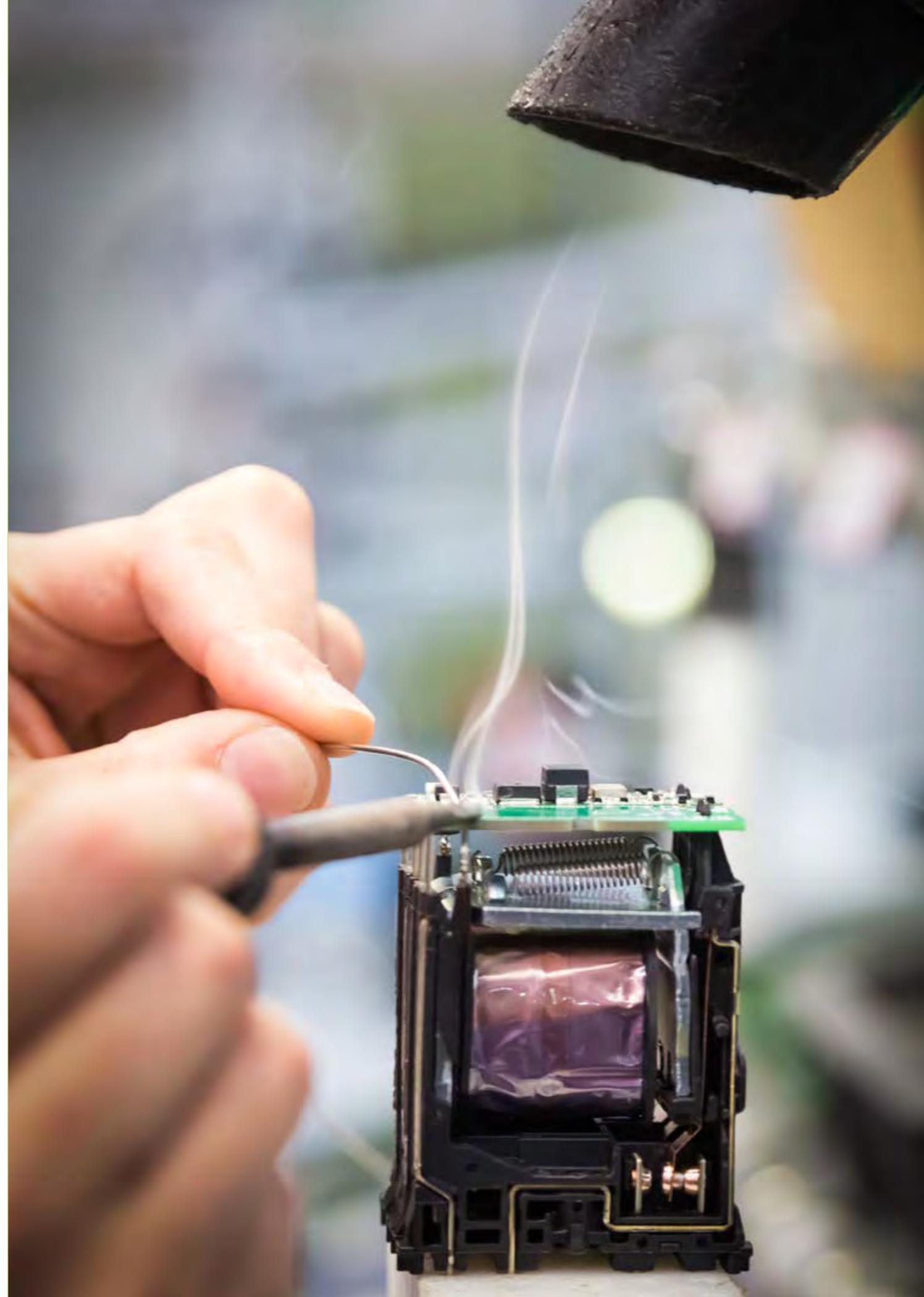
- Increased in interest rates
- Ability to generate cash flow in a turbulent macro environment
- Increasing levels of inflation
- Increased currency volatility

#### Purchasing and supply chain

- Increased commodity price volatility
- Availability of materials and pool of alternative suppliers
- Creditworthiness of suppliers

#### Cybersecurity

#### Compliance

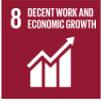
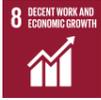


# 4 ECONOMIC PERFORMANCE

**WE OPERATE IN A VERY CHALLENGING SECTOR AND HERE AT ARTECHE WE WORK TO CREATE A BETTER WORLD.**

## 4.1 ECONOMIC RESULTS AND FINANCIAL SITUATION

GRI: 201-1

MATERIAL TOPIC	RELATED SDG	
Economic and financial performance		 <p>SALES FIGURE: <b>+22.6%</b> VS FY21                      EBITDA: <b>+15.4%</b> VS FY21                      NET DEBT/EBITDA: <b>1.63x</b> VS 1.95X FY21</p>
Fiscally responsible	 	



The year 2022 was full of external challenges for our economy, but we have managed to learn from them and take advantage of the opportunities there for us to consolidate Arteché's position as trusted name in the international electricity sector.

The **sales figure** reported for the financial year 2022 was 345.9 million euros, an increase of 22.6% on 2021, with growth in all our geographic areas and business divisions.

Earnings Before Interest Taxes Depreciation and Amortization, **EBITDA**, was 30.1 million euros, re-

flecting growth in absolute terms of +15.4% on last year.

Despite growing inflationary pressure on costs, the **cash flow generation** from transactions became a **major strength on the balance sheet** at the end of December 2022, having managed to reduce net debt of 3.7% in 2021 to 49.0 million euros, thus improving the leverage ratio up to 1.6 times EBITDA.

The **net profit** for the financial year 2022 was 7.5 million euros, equivalent to a profit per share of 0.13 euros.

“ In 2022, the sales figure was 345.9 million, 22.6% more than in 2021 ”

## 4.2 VALUE CREATION FOR SHAREHOLDERS

From 11 June 2021, the shares of Arteché Lantegi Elkarte, S.A., the parent company of Arteché Group, are traded on the BME Growth market of BME MTF Equity.

The share capital of the Group's parent company consists of 57,094,013 fully paid-up shares of € 0.10 par value each, of the same class.

With regard to **share price performance**, at 31 December 2022 the share **price** appreciated by +8.0% compared to the end of 2021, ending the year at **€3.90 per share** and thus outperforming other benchmark indices such as the Ibex Growth Market 15 ( **-2.1%**), the Ibex Growth All Share ( **-0.9%**) and the Ibex Small Cap ( **-12.8%**), as shown in the chart below:



### ARTECHE'S SHARE PRICE PERFORMANCE

In comparative percentage terms, baseline 2021





### PRINCIPAL STOCK MARKET INDICATORS OF ARTECHE

	2022	2021
<b>Capital admitted</b> (thousands of euros)	5,709	5,709
<b>No. of shares</b> (x 1,000)	57,094	57,094
<b>Closing price of period</b> (euros)	3.9000	3.6100
<b>Last price of period</b> (euros)	3.9000	3.6100
<b>Maximum price of period</b> (euros)	4.0000	4.3500
<b>Minimum price of period</b> (euros)	2.7400	3.3500
<b>Capitalization</b> (thousands of euros)	222,667	206,109
<b>Volume</b> (thousands of shares)	2,308	2,982
<b>Cash</b> (thousands of euros)	7,453	11,627



The **total shareholder remuneration** paid out of profits for the year 2021 was **€0.045 per share** (complementary dividend paid on 6 July 2022), equivalent to a distribution of **30% of the net profit** of the group in the financial year 2021.

The shareholder remuneration policy aims to offer an attractive, predictable and sustainable dividend over time. This policy is compatible with the maximum priority assigned to maintaining a level of capital that guarantees the investments for future growth of the Company and ensure value creation.

## 4.3 FISCALLY RESPONSIBLE

### 4.3.1. POLICIES AND RESULTS

GRI: 201-4

The fiscally responsible behaviour of all Arteche Group companies is part of the general policy of corporate responsibility, which includes the principles of basic action which must be respected.

The duties and taxes we pay in the countries in which we operate constitute the main contribution of the Group companies to the support of public charges and thus one of the contributions to society.

The tax principles we apply are integrated within the ethical principles of social responsibility, transparency and institutional loyalty with which the Arteche Group is governed.

The tax principles we apply are monitored by the tax department and are based on:

- The prevention and reduction of tax risks in each geographic area, providing the necessary human and material resources to carry it out.
- Strengthening the relationship with the tax authorities, based on legality, trust and collaboration.
- An understanding of the taxes and duties that the various Group companies pay to the relevant administrations as the main contribution to the support of public charges and contribution to society.

Based on these principles, the Group maintains the following tax practices:

- Not to use artificial or opaque corporate and tax structures for the purpose of avoiding or reducing the tax burden or to prevent or hinder the tax authorities from knowing who is ultimately responsible for the transactions.
- Not to incorporate or acquire companies in tax havens for the purpose of avoiding tax obligations.
- To establish a reporting system to prevent and detect significant tax risks in any of the Group's subsidiaries.
- To take into account the recommendations and codes of good tax practice implemented in the countries where the Group operates.
- To establish a transfer pricing policy to ensure that linked transactions do not contribute to shifting taxation to regions with lower tax rates.
- Provide the information and documentation with tax implications requested by the tax authorities in the shortest possible time and to the appropriate extent.
- Inform the Board of Directors and the Audit and Compliance Committee of the tax policies applied by the group, and in the event that they are going to carry out transactions that must be submitted to the approval of the group's Board of Directors, the Board of Directors shall be informed of the tax consequences when this is a relevant factor.



“ We contribute to society in all the countries where we do business through local taxation on a faithful, transparent and responsible basis ”

The Group has an impact on the economic development of different tax jurisdictions around the world through the tax contribution

generated by its activity, thus fulfilling a dual economic and social function, and respecting the value of transparency:

### ARTECHE GROUP'S TAX CONTRIBUTION

(In thousands of euros)	Spain	Mexico	Brazil	Argentina	China	Australia	Turkey	Indonesia	USA	Total
Own contribution (*)	10,269	2,975	1,185	797	914	5	2,070	131	560	18,906
Of which: Corporate income tax	487	658	319	-	(256)	-	1,320	10	223	2,761
Third party contribution (**)	7,816	2,552	1,472	257	389	153	1,033	427	235	14,334
<b>Total 2022</b>	<b>18,085</b>	<b>5,526</b>	<b>2,657</b>	<b>1,054</b>	<b>1,303</b>	<b>158</b>	<b>3,103</b>	<b>559</b>	<b>795</b>	<b>33,241</b>
Own contribution (*)	10,038	3,632	795	594	776	4	-	-	276	16,114
Of which: Corporate income tax	368	1,887	209	-	86	-	-	-	63	2,612
Third party contribution (**)	7,249	2,021	2,625	114	233	156	-	-	118	12,516
<b>Total 2021</b>	<b>17,287</b>	<b>5,653</b>	<b>3,420</b>	<b>708</b>	<b>1,009</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>394</b>	<b>28,630</b>

(\*) Own contribution: Corporate income tax, Social security, Local taxation  
 (\*\*) Contribution by third parties: Retentions, value added tax

The above analysis has been carried out in accordance with the methodology set out in PwC's "Total Tax Contribution" report.

As a result, in 2022 we have contributed 33.2 million euros in

the territories where we carry out our activities between our own contributions and contributions from third parties (28.1 million euros in 2021), which represents a very significant increase in the tax contribution (+16%).

The profit before tax per country is detailed below:

### PROFIT BEFORE TAX BY COUNTRY

(In thousands of euros)	2022	2021
Spain	6,305	3,609
Mexico	2,120	2,391
Argentina	(3,401)	560
United States	2,038	762
China	1,554	392
Australia	(509)	3,216
Brazil:	470	704
Chile	(60)	-415
Colombia	(32)	-
Turkey	2,315	2,833
Indonesia	(290)	-
<b>Pre-tax profit</b>	<b>10,510</b>	<b>13,845</b>

Most of the tax deductions generated are mainly due to the research and development activities conducted in the Mungia-based companies, and specifically in this financial year 2022, they have enabled the tax group to avail itself of 64 bis, an article of the Bizkaia Corporation Tax regulation that regulates the obtaining of financing from a third party in exchange for handing over the tax deductions generated so that the third party can deduct them in its self-assessment.

### FINANCIAL AID RECEIVED FROM GOVERNMENT

GRI: 201-4

Over the course of 2022 and 2021 subsidies were received received for a sum of (in thousands of euros):

	2022	2021
Subsidies	863	765



Over the course 2022, subsidies totalling 863 thousand euros (765 thousand euros in 2021) have been recorded. The main R&D projects

that have been carried out in 2022 with the support of public funding have been included in Annex A3.

# 5 OUR ENERGY: PEOPLE #MOVINGTOGETHER



**WE HAVE THE LARGEST SOURCE OF ENERGY IN THE UNIVERSE: PEOPLE. EVERY DAY, ON FOUR CONTINENTS, MORE THAN 2,600 PEOPLE MAKE ARTECHE A REALITY.**



**CREATING ATTRACTIVE CAREER OPPORTUNITIES TO DEVELOP AND ATTRACT THE BEST TALENT**

**WE ARE COMMITTED TO FEMALE TALENT**

**WE PROMOTE EFFECTIVE EQUALITY IN ALL AREAS OF THE ORGANIZATION**

**IN 2022 WE HAVE RECEIVED MORE THAN 57,000 HOURS OF TRAINING (>17% OVER THE PREVIOUS YEAR)**

MATERIAL TOPIC	RELATED SDG
Employee experience and organization of work	
Diversity and equality	
Quality employment	
Development and local commitment	
Health and safety	

**GRI: 3-3**

At Arteche we have the greatest energy on the planet: **PEOPLE**

Our enthusiasm, experience and knowledge are reflected in everything we do.

Our aim is to make our organization the best place to work and grow professionally in a motivating environment where innovation and projects between multidisciplinary teams are encouraged.

We have great challenges ahead for which we need the best talent, and therefore we must identify and enhance the best skills of the people who

are already part of Arteche and be the best professional option for the talent we attract.

Arteche Group's commitment to people was materialized in 2021 with the **People Policy** approved by the Board of Directors, whose focuses of action are:

- Diversity, inclusion and equality.
- Selection and talent.
- Measurement of performance and talent management.
- Training and development of talent
- Compensation and benefits (remuneration policy).
- Ethics in the workplace.

## 5.1 OUR TEAM



GRI: 3-3

### 5.1.1. LEADERSHIP MODEL



People are at the center of our sustainable business model. That's why the **Leadership Model** is one of the strategic lines the group works on in order to create a corporate culture that focuses on development, well-being and personal and professional growth among our teams.

We believe in a Group united by our values, where teamwork is fundamental and where the people who lead are an example and an inspiration.

Our leadership model promotes transparency, meritocracy, diversity, talent development, communication skills and the vision of a shared long-term project.

### 5.1.2. CAPTURING TALENT

GRI: 404-1, 404-2

We are a multinational company in a growing sector where the competition for talent is increasing all exponentially. In this context, we are aware that attracting talent begins long before people join our Company and we therefore collaborate on different projects with institutions, universities and other training entities to add value from our vision in the earliest stages.

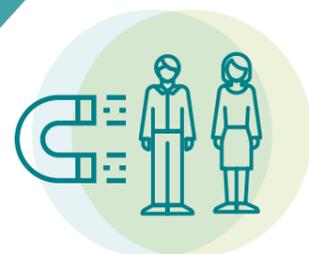
These collaborations in 2022 included:

- Artech's participation in the report on young talent promoted by U4IMPACT
- Collaborating with the Basque Regional Government (where our corporate offices are located) on the

presentation of the 2022 competitiveness report or the Employability and Talent Forum held in London.

- The meeting with the global entrepreneurship network.
- Our participation in Industria Erronka.
- Ongoing collaboration with vocational training centres, universities and ikastolas (Basque language schools) in the areas where we are present.

As stated in our **People Policy**, our talent recruitment procedure guarantees objectivity and transparency, ensuring selection processes that guarantee equal opportunities and encourage diversity and multidisciplinary teams.



### 5.1.3. PEOPLE DEVELOPMENT

To generate high-performing teams, it is necessary to identify and develop the talent that already exists in the organization. Through our "talent maps", we prepare individual development plans or work on succession plans at organizational level.

The performance evaluation process guarantees an annual reflection necessary for the deployment of objectives and the review of the professional expectations of each person in Artech. In addition, it provides us with inputs on training needs that are subsequently transferred to the Training Plans.

**This process ensures that people are motivated and aligned with our strategic objectives.**

A total of 57,786 training hours have been invested over 2022 (49,061 hours in 2021). An average of **21.9 hours of training per person** (20.9 hours in 2021).

One of the outstanding actions is the "From Managers to Leaders"

programme, aimed at those people who manage or will manage teams in the future, in addition to technical training they can develop skills in:

- active listening,
- effective feedback,
- conflict mediation,
- design thinking

The ultimate goal is to give our managers the necessary tools to be an example of leadership, to inspire and develop their teams by complementing their technical skills.

We also enhance internal knowledge management by organising internal training sessions, both technical and transversal, which are given by instructors with proven skills in the subjects in question.

Knowledge is a key factor in competitiveness. We learn from all actors in our ecosystem and collaborate to share knowledge, best practices, as well as useful and relevant information.



## SHARED PROJECT, COMMITMENT AND COMMUNICATION WITH PEOPLE

Communication is a fundamental tool for all the people in the team to know the vision and the project of our company, understanding the purpose of their daily work and the impact of the different projects in which they participate for the common achievement of the goals of the Arteche Project.

Our philosophy for both external and internal communication is that it

should be transparent, honest, reliable, close and based on listening and meeting points where information can be shared in a multi directional way.

In this sense, we continue to consolidate the meetings with our President and CEO in our "Coffee with a View" and "All Hands Meeting" events with the General Management, the internal Newsletter, suggestion mailboxes, etc.



“ Transparency, honesty and reliability are the pillars of Arteche’s internal and external communication ”



In particular, the response to the meetings has been so positive that during 2022 we have created a new space,

the "Open Talk with..." in which to host more conversations with different Arteche leaders, project specialists, etc.

## GOALS OF OUR INTERNAL COMMUNICATION

### MAKE PEOPLE PARTICIPANTS IN THE STRATEGY

To help people understand the Arteche Project by sharing the strategy so that each person is able to value their contribution to the project



### CREATING A STRONG CORPORATE CULTURE UPON THE PILLARS OF ARTECHE'S VALUES AND PURPOSE

Sharing the philosophy behind Arteche's purpose, mission and values is a key tool to build a common corporate culture for the whole Group

## GOALS

### TO GENERATE A GOOD WORKING ENVIRONMENT THROUGH LISTENING AND MULTIDIRECTIONAL CO-COMMUNICATION

Create moments of multi directional communication and listening with the aim of generating a climate of trust in which to respond to people's real concerns and thus foster an environment in which each person feels listened to, valued and able to give the very best of themselves

### 5.1.4. AMBASSADORS

Our values guide our way forward to continue to progress #MovingTogether. In 2022, for the first time, the four people who, through their behaviour and attitudes, best represent Arteche's Corporate Values were chosen from among

all of us who form part of Arteche.

With more than 450 people taking part in the vote, the 2022 corporate values ambassadors were chosen for the following reasons: \*



#### CUSTOMERS

Thanks to their vocation for service (in this case to the internal customer) and their dedication



#### PEOPLE

Thanks to their empathy and worldview



#### INNOVATION

Thanks to their non-conformism, vision and practicality

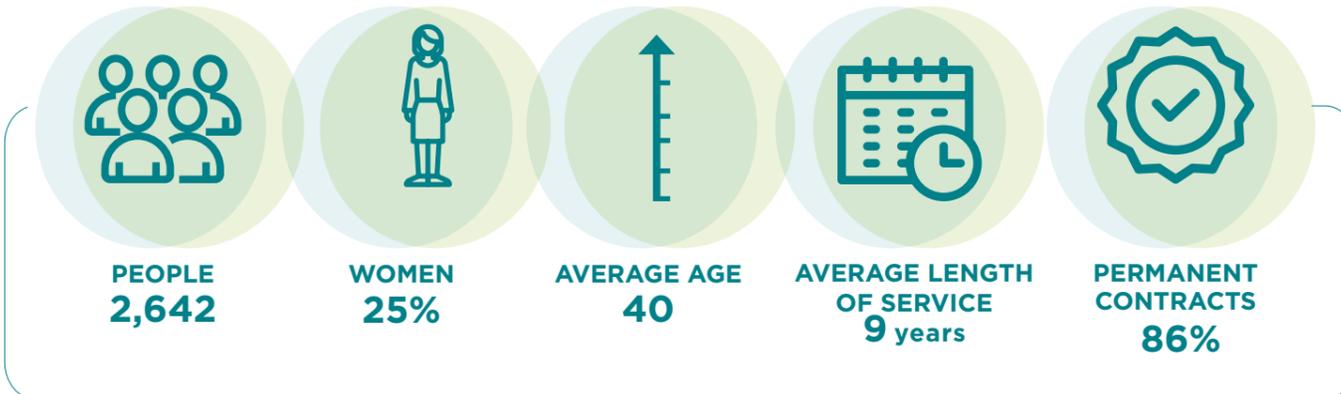


#### EXCELLENCE

For their know-how and ambition to excel

### 5.1.5. OUR PEOPLE

GRI: 2-6, 2-7, 405-1, 401-1

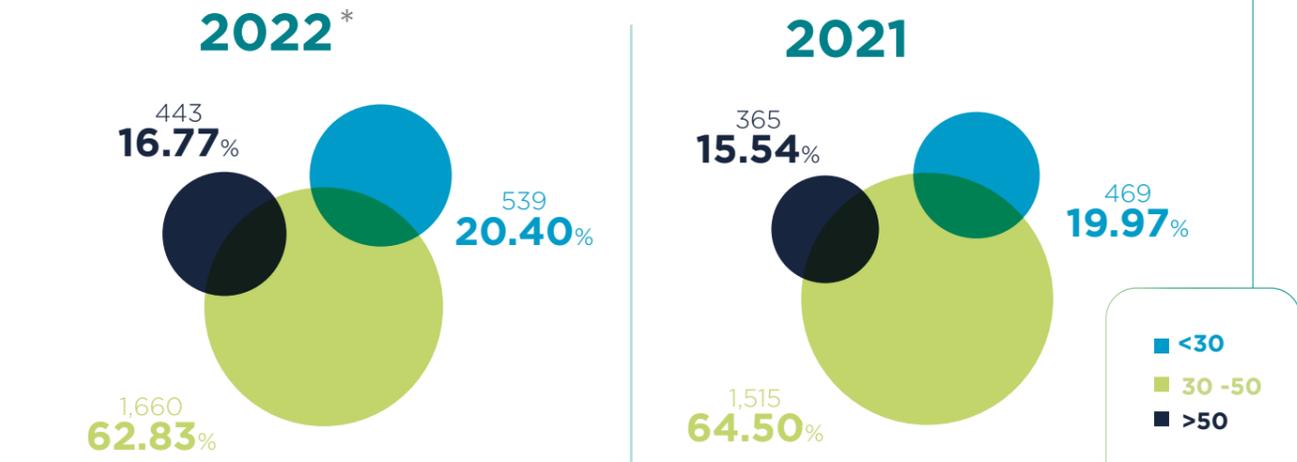


Here at Artech, we work to build sustainable and quality relationships with the people on our teams. In fact, our corporate risk indicator scorecard monitors the staff turnover rate (i.e. voluntary departures) as one of the most important aspects to monitor in relation to the risk of retaining talent, which is why we take these indicators and individual interviews with people who change companies for any reason into account.

In this regard, the turnover in 2022 has risen to 21.57% compared to 18.09%

the previous year. As mentioned in Section 3.5 Risk management system, talent retention and attraction are trends that are affecting the sector globally, but to a greater extent in certain regions where we operate with very dynamic labour markets, such as Mexico and Turkey, where average staff turnover has risen to 27% and 51%, respectively. In the latter case, largely affected by the plant relocation that has taken place at the end of the financial year 2022 to increase production capacity in Turkey.

#### STAFF AGE BREAKDOWN



(\* As of 31 December 2022, includes 104 employees of Esitas Pacific (Indonesian company acquired in 2021), of which 39 were <30, 59 between 30-50 and 6 >50

**Diversity as a value:** present in different countries, our teams are made up of people of many different nationalities. Cultural diversity results in competitive advantages, related to

openness to knowledge, plural points of view, strengthening Artech's culture, increasing innovation, creativity and productivity.

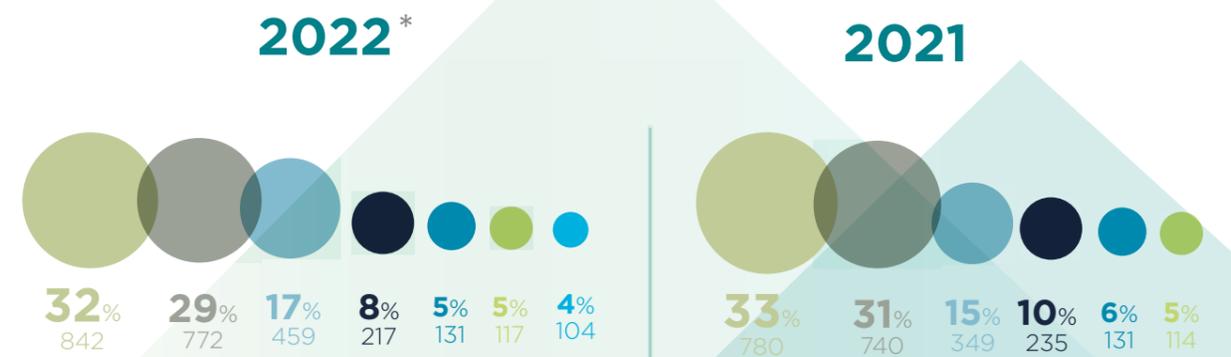


Santa Barbara festival celebrations in Mungia with Artech workers on its 35th and 25th anniversary.

We support young talent in their entry into the labour market. Out of a total

of 583 hires (without Esitas) >50% > 50.77% were aged under 30.

#### STAFF AGE BREAKDOWN



(\* as of 31 December 2022 104 employees contributed by Esitas Pacific (Indonesian company acquired in 2021) are included.

Mexico Spain Turkey China Argentina Brazil Indonesia

## 5.2 DEFENDING HUMAN RIGHTS AND LABOUR RIGHTS



GRI: 3-3, 406-1, 407-1, 408-1, 409-1

At Arteche, we strictly comply with the legislation in force in the territories in which we carry out our activities. We have a firm commitment to the defence of human rights, so that the people who form part of Arteche can exercise their rights to freedom of association and collective bargaining, we reject child, forced or compulsory labour, the assignment of dangerous work, as well as the violation of the rights of ethnic minorities and indigenous peoples in the places where we do business.

*We promote a culture of respect for human rights, adopting the necessary measures to guarantee the protection and respect of human rights and we align our practices with the principles of the United Nations Global Compact.*

This commitment is expressly set out in our Code of Ethical Conduct, which is binding for all Group employees, regardless of where they work. With this declaration, in addition to publicly formalising our commitment, we send a clear message to our stakeholders regarding our position of respect for human and labour rights as recognised in national and international law.

Respect for Human Rights is present throughout our value chain, and we

are therefore working on this commitment also in the supplier approval process, in which we evaluate environmental, safety and social responsibility criteria. We require this commitment to human rights in the chapter on the supply chain. During visits, audits and supplier assessments over the last 3 years, no operations with evidence of forced labour, child labour or other human rights issues have been detected in the supply chain.

Our approach to these commitments is from a corporate social responsibility perspective, based on ISO 26000:2021, as a reference. Similarly, in the companies located in Spain, we have an action protocol in the event of harassment in the workplace, with the commitment to prevent situations of any kind of harassment or discrimination from occurring.

**In 2022, the Ethics Committee did not receive any complaints regarding human rights in any of the Group's companies.**

With regard to the ILO core conventions we are in a position to ensure compliance with them on forced labour and its abolition, on freedom of association and collective bargaining, and on minimum age and the prohibition of child labour.



## 5.3 DIVERSITY, EQUALITY AND ACCESSIBILITY



GRI: 405-1, 401-3

Arteche is committed to equal opportunities in all our regions and workplaces and this translates into a global way of thinking focused on valuing diversity in all areas and especially from a gender perspective in all our processes and policies. We have set out to go beyond compliance with the law, driving real equality in our sector. In this sense, Arteche is committed to giving visibility and developing female talent.

We are committed to guaranteeing compliance with the Principle of Equal Opportunities between women and men in the development of our activity.

- Equal opportunities: a pillar of our 2030 sustainability strategy.
- Reconciliation of work, family and personal life.
- Prevention of sexual and gender-based harassment.
- Communication, inclusive use of language and images.
- And key aspects of the company's activity.

**We have Equality Committees in all the Group's regions**, which are led and coordinated from a three-dimensional perspective focused on people, sustainability and corporate culture.

We draw on the experiences of the Group's plants with the longest track record in equality. In our case, Spain is the place where we have the longest track record and where we follow the criteria of compliance with the regulations of Royal Decree-Law 6/2019 of 1 March, RD 901/2020 and RD 902/2020 of 13 October as the basis for building an egalitarian company:

- We have an Equality Plan Negotiating Committee. Formed by representatives of the company and workers (RLT)
- This committee has drawn up the diagnoses and Equality Plans for the Mungia, Vitoria-Gasteiz and Madrid plants and
- Is responsible for the implementation, monitoring and evaluation of this plan.

Some of the main equality actions carried out during 2022 were:

- Identifying the female talent that each year is positioned on the Global Talent Map
- Development plans for High Talent women, including actions such as salary reviews and promotions.
- Review of our communication materials, from the perspective of inclusive language and the use of

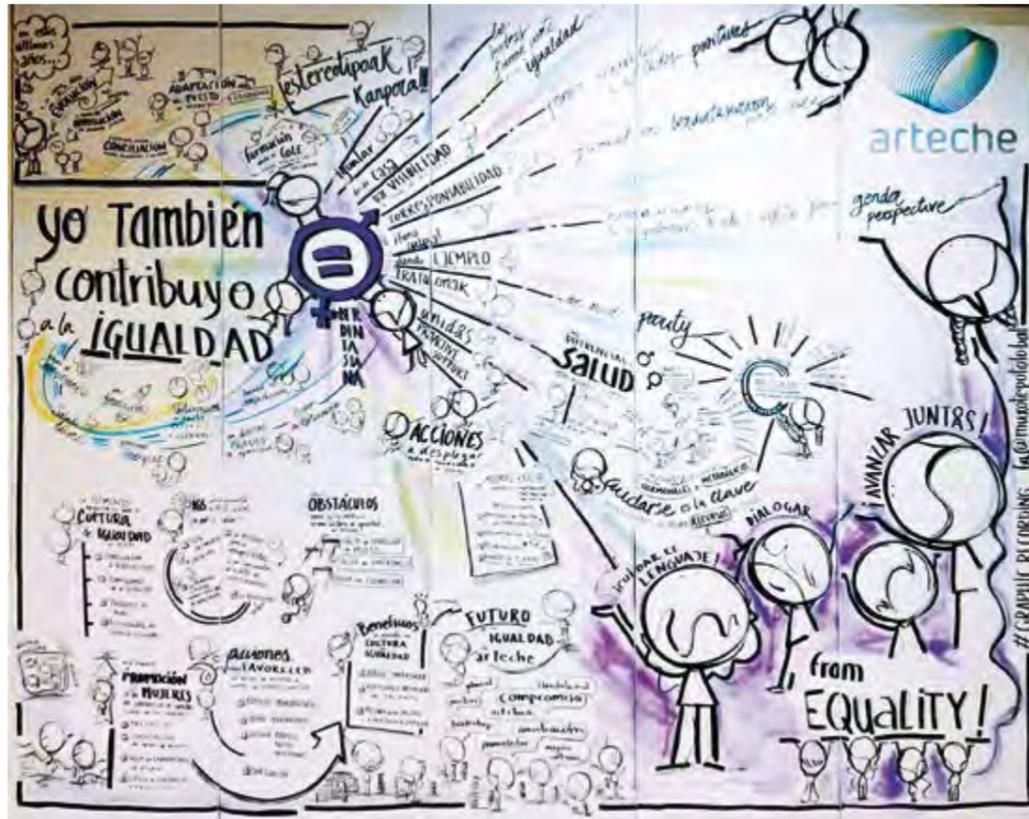


images that make our commitment to equality visible internally and externally.

- We have carried out different training and awareness-raising actions on gender equality at global level

throughout the year with special emphasis on "equality week" in March.

- We make our commitment to equality visible abroad by collaborating with different organizations and institutions.



Mural of the week "I also contribute to equality"

### WE PROMOTE EQUALITY, DIVERSITY, EDUCATION AND VALUES THROUGH OUR ACTIVE PARTNERSHIPS FOR SOCIAL ACTION

One of the main channels through which our commitment to society is realised is our partnerships for social action. We support a number of different entities and organizations, as well as sports clubs and associations so that through their actions and contribution to the environments in which we are present, we can promote social progress on issues

that Arteche promotes within and beyond the organization.

Beyond the values of teamwork, perseverance, effort and self-improvement with which we identify, we seek to go a step further and align our contribution with commitments such as the visibility of female talent.

### 75TH ANNIVERSARY CHARITY ROAD RACE CLOCKING UP THE KILOMETRES FOR THOSE WHO NEED IT MOST

As part of Arteche's 75th anniversary, the "Sumando Energías" Charity Race was held, with the aim of clocking up kilometres by running, walking or cycling to help 75 disadvantaged families in all the regions where Arteche does business, collaborating in the supply of electricity.

(equivalent to almost two round-the-world trips).

Thanks to the efforts and commitment of all the people and organizations involved, this year will see progress in the social inclusion of a greater number of families. A meaningful and collaborative action that reflects the importance of #NoDejaraNadieAtrás #SumandoEnergías.

The project managed to mobilise 738 people who covered 78,802 kilometres

#### SUMANDO ENERGÍAS



### WE CREATE OPPORTUNITIES FOR PEOPLE WITH DIFFERENT ABILITIES

We believe in equal opportunities in every sense. At the end of 2022, 25 people with disabilities are part of Arteche, twice as many as last year.

adoption of alternative measures, such as these contracts with special employment centres, although it is also working in other countries such as Mexico, as Arteche is committed to incorporating a social perspective throughout our value chain.

In addition to direct incorporation into the company, we also have additional measures such as service contracts with special employment centres. In the case of Spain, this combination is a formula accepted in the declaration of exceptional circumstances that consists of reaching 2% of the workforce with different abilities, through the

We guarantee basic accessibility requirements in all our new facilities. At our oldest facilities, the required points have been refurbished (parking, accessibility, etc.), enabling these services and meeting requirements in all of them.



### RECONCILIATION AND FAMILY LIFE



Arteche is implementing more and more flexibility and work-life balance measures.

We also support quality family time and the enjoyment of parental rights,

which in no way jeopardises the employment or development of any member of our team in any of our regions. Thus, the return to work rate is 85% in 2022 (89% in 2021) (see annex "People indicators").

### WE CELEBRATE OUR 75TH ANNIVERSARY WITH THE ARTECHE FAMILY DAY

One of the most emotional celebrations of 2022 was Arteche's first "Global Family Day" held on the same day at all the Group's plants to celebrate the 75th anniversary with our families.

More than 4000 people and 600 children in total enjoyed a day in which mothers, fathers, and friends shared their jobs with the help of 200 Arteche volunteers who participated in the coordination and running of the day.



### 5.3.1. REMUNERATION DATA AND SALARY GAP

GRI: 405-2

Equal opportunities also translate into real pay equity for all genders in our workplaces.

Our remuneration policy establishes salary levels linked to the positions in our catalogue, regardless of gender, race, religion, age, sexual orientation, nationality, marital status or other factors.

In addition to having public salary scales within the collective agreements, our job catalogue is shared with the entire organization.

Each position has associated tasks, responsibilities and a salary range so that not only the remuneration is published, but also the work that is being remunerated. The remuneration associated with this catalogue came into force in 2022 and ensures transparency and equal pay for people in the same position.

We have progressively improved in recent years, however, the average salary level of women in the Arteche Group is 15.9% lower than that of men (13.6% at the end of 2021).

#### WAGE GAP BY PROFESSIONAL CATEGORY

	Men		Women		Gap (*)	
	2022	2021	2022	2021	2022 (**)	2021 (**)
<b>Plant workers</b>	12,971	13,409	7,079	7,422	(45.4%)	(44.6%)
<b>Front line management(***)</b>	78,422	78,432	65,514	57,573	(16.5%)	(26.6%)
<b>Managers &amp; middle management</b>	60,305	62,702	56,927	59,030	(5.6%)	(5.9%)
<b>Operational &amp; administrative positions</b>	16,431	21,409	17,893	19,838	8.9%	(7.3%)
<b>Technical Positions</b>	28,527	27,908	29,802	29,077	4.5%	4.2%
<b>Total</b>	20,918	21,232	17,588	18,349	(15.9%)	(13.6%)

(\*) Calculated as Average remuneration for women/average remuneration for men -1  
 (\*\*) As of 31 December 2022, the average remuneration for the Indonesia region was included (integrated into the "global perimeter" in 2021) at 8,276 euros, and the salary gap of -19.7%.  
 (\*\*\*) Including Group Management Committee, Geographic Management Committees and Areas reporting directly to Chairman, primarily.

The biggest gap is in production positions, where new female recruits do not have established seniority. This is due to a historically high recruitment of men in production positions, now in the process of being corrected by a policy of increased recruitment of women.

The incorporation of women in this group with less accumulated seniority leads to a higher pay gap. The efforts in applying equality policies in recruitment and remuneration are being reflected in the data on the gap in Front Line Management positions (84 people in 2022), reducing the gap to 16.5%, but not in technical and middle management positions, which remain at similar levels to 2021.

In addition, the inclusion of Indonesia in the scope of the 2022 Sustainability Report has negatively affected the global indicator by contributing a wage gap of 19.7%.

Specifically, the average remuneration of the Front Line Management group was 75 thousand euros in 2022 (78 and 66 thousand euros for men and women, respectively) and 73 thousand euros in 2021 (78 and 58 thousand euros for men and women, respectively).

We have 8 directors on the Board of Directors, all of whom are men, 2 of whom have executive functions. Directors' remuneration is included in note 22.2 of the Artech Group's Consolidated Financial Statements for 2022.

### 5.3.2. GENERATING QUALITY EMPLOYMENT

GRI: 2-30

We promote the well-being of our people and contribute to this through conciliation and flexibility programmes that facilitate the balance between personal life and work responsibilities, as far as possible given the complexity, location and place where the different activities are carried out.

In this regard, in addition to applying policies and programmes for

reconciling work and family life, which are set out in internal regulations, collective agreements and contracts, we have various working timetable schemes: shift work, split shifts with flexible start and finish times, morning hours, etc. ....

In 2022, the Group approved and published the first ever policy on work disconnection.

#### ABSENTEEISM RATE (HOURS AND PERCENTAGE)

	2022		2021	
<b>Spain</b>	43,375	3.75%	83,430	4.35%
<b>China</b>	5,628	1.26%	21,166	4.39%
<b>Brazil</b>	5,340	1.93%	9,751	5.87%
<b>Mexico</b>	19,016	1.62%	133,437	13.18%
<b>Argentina</b>	16,090	6.22%	17,931	6.19%
<b>Turkey (*)</b>	5,708	0.48%	11,850	1.59%
<b>Indonesia</b>	265	0.12%	-	-

(\*) Data for Turkey 2021 annualised for comparability

Absenteeism levels have been reduced in FY2022 in most countries, as 2021 was affected by the pandemic in countries such as Mexico and China despite the strict protocols put in place to protect our people from internal contagion.

Group companies comply with the legislation in force at each location with regard to social dialogue and employee participation in occupational health and safety issues.

Similarly, at our plants we have Occupational Health and Safety Committees (CIPA, etc.) where workers' and companies' representatives put forward their suggestions and recommendations and carry out the control and monitoring of actions in this field.

100% of the Group's labour relations are based on a collective bargaining agreement, either at company or sector level.

However, in addition to the aforementioned participation mechanisms in aspects relating to the health and safety of the people who work at Artech, we also have various formulas for participation that allow for contin-

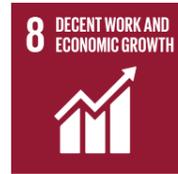
uous dialogue and direct participation of Artech's people in certain key aspects of the Company, such as, for example:

- The Annual Climate Survey
- Other ad hoc surveys to find out how staff feel about different aspects of the organization's culture
- Communication event series such as Coffee with a View, Open Talks and All Hands Meetings
- Equality and sustainability committees
- Performance appraisals where there is feedback and a development or improvement plan
- Training and development programmes
- Ethics channel
- ...

Thanks to this variety of communication groups, channels and events, a climate of openness and information is generated in which queries about different aspects of Artech are received and answered, encouraging the participation and involvement of all our employees.



## 5.4 HEALTH AND SAFETY



GRI: 403-2, 403-3, 403-8

Arteche is an organization totally committed to the continuous improvement of safety and Occupational Risk Prevention, with the aim of achieving and maintaining a healthy working environment, focused both on the people who make up the Arteche Group and the collaborators who use our products and services.

To develop the health and safety management model, a global Health and Safety Division was created in 2018 to standardise health and safety processes across the Group. In 2022, once the exceptional situation caused by the pandemic has stabilised, we have additionally integrated the environmental part into the area of occupational risk prevention, with the aim of establishing a solid foundation to face the future with maximum guarantees and consolidate our position as one of the safest and most environmentally aware companies. Along this path, the function has continued to be strengthened locally, adjusting each organizational modality, as a minimum, to the legal requirements of each country, sharing the good practices of all the companies.

An Environment, Health and Security (EHS) Action Plan for the years 2022 and 2023 was also approved in 2022 for a unified EHS follow-up.

Involvement of the entire organization is encouraged, with health and safety forums in all Group companies. The basic function of these forums is to have two-way and continuous communication on prevention, to ensure compliance with occupational and environmental risk prevention provisions (both legal

and internal to the Group) and to propose the necessary actions for the continuous improvement of working conditions. These forums collaborate with the company's management in continuous improvement, promoting and encouraging the cooperation of all persons in complying with the regulations and carrying out monitoring and control work.

During the year 2022, the implementation of monthly talks to workshop personnel, given by their managers, has continued in the plants. In this continuous training, safety rules and actions to be taken to prevent significant incidents occurring in a plant from recurring are recalled.

- Approval and regular monitoring of established health and safety objectives.
- Monitoring and continuous improvement of health and safety management and performance, as well as indicators for improvement in Health and Safety.
- Promote the development, continuous improvement and compliance with the procedures that support the health and safety processes defined in the model.
- Ensure that the integrity of the system is maintained when changes are made to the system.

In 2022, a specific Occupational Health and Safety policy has been approved, called EHS Policy, which has been deployed in several processes and

procedures with the aim of achieving a safe and stable working environment. This year we also carried out the follow-

up audits to the ISO 45001 standard with positive results, maintaining the certificates at all sites.



**INCIDENT TYPES AND ACCIDENT RATES (\*\*\*)**

Typology	Total Arteche Group	Total without Turkey and Indonesia	
	2022	2022	2021
<b>Frequency index with absence</b>	16.57	11.91	6.98
<b>Men</b>	17.6	11.7	7.84
<b>Women</b>	13.7	12.16	4.35
<b>Index of severity (*)</b>	0.22	0.22	0.08
<b>Men</b>	0.26	0.24	0.09
<b>Women</b>	0.13	0.15	0.06
<b>Incidents with absence</b>	87	47	26
<b>Men</b>	68	35	22
<b>Women</b>	19	12	4
<b>Incidents without absence and first aid</b>	108	90	65
<b>Men</b>	82	69	52
<b>Women</b>	26	21	13

Typology	Total Arteche Group	Total without Turkey and Indonesia	
	2022	2022	2021
<b>Material accidents + near misses</b>	117	115	67
<b>Men</b>	80	78	60
<b>Women</b>	20	20	7
<b>Incidents in transit</b>	19	16	27
<b>Men</b>	14	12	17
<b>Women</b>	5	4	10
<b>Days lost</b>	1,169	867	310
<b>Men</b>	991	723	258
<b>Women</b>	178	144	52
<b>Diseases detected in the year</b>	4	4	5
<b>Men</b>	4	4	4
<b>Women</b>	-	-	1

(\*) Calculated as no. of days lost\*1000/no. hours worked.

(\*\*\*) The 2022 data includes the regions of Turkey and Indonesia, but not the 2021 data because this information was not traceable prior to its acquisition. The severity index contributed by Turkey and Indonesia in 2022 amounts to 0.26 and 0.05, respectively. The low frequency rate contributed by Turkey and Indonesia in 2022 amounts to 34.34 and 10.04 respectively. For comparability purposes, Arteche Group data are included without both regions in 2022. All accident rate data relate to both own employees and subcontractors.



The increase in the levels of low frequency and severity, mainly focused on the Mexico region, is basically due to an increase in pressure from management to report any accident that occurs in the Group, especially in that region, a practice that we consider essential to correctly understand the levels of accident rates and to be able to design the corresponding action plans. In the case of Turkey, the group has been promoting its health and

safety policies, procedures and protocols in the region since its integration, but the recent incorporation of the plant to the perimeter has not allowed the results of these to be reflected in 2022

At the Arteche Group we also consider that, in general, there are no risk situations that could generate a high incidence of occupational illnesses or their seriousness.

# 6 OUR COMMITMENT TO THE PLANET



**WE BELIEVE IN SUSTAINABLE GROWTH. THAT IS WHY OUR COMMITMENT TO CARING FOR THE PLANET ALSO GROWS EVERY YEAR, SETTING OURSELVES EVER MORE AMBITIOUS CHALLENGES TO MINIMISE THE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES.**

**WE HAVE REDUCED MORE THAN HALF OF OUR DIESEL CONSUMPTION.**

**WE HAVE REDUCED WATER CONSUMPTION BY 10.3%.**

**WE HAVE REDUCED THE AMOUNT OF HAZARDOUS WASTE GENERATED BY 21.9% AND RECYCLED 62.6% OF THAT SAME HAZARDOUS WASTE.**

**WE RECYCLE 64.4% OF NON-HAZARDOUS WASTE.**

**CDP SER (SUPPLIER ENGAGEMENT RATING) ASSESSMENT WITH A-RATING, WELL ABOVE THE SECTOR AND GLOBAL AVERAGE.**

**CDP EVALUATION WITH A RESULT EQUAL TO THE AVERAGE FOR OUR SECTOR AND TO THE TOTAL NUMBER OF DISCLOSURES MADE.**

**START OF PHYSICAL CLIMATE CHANGE RISK ASSESSMENT BASED ON TCFD.**



MATERIAL TOPIC	RELATED SDG
Management of legal and regulatory environment	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Carbon footprint and decarbonization	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Mitigation of, and adaptation to, climate change	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Hazardous materials	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Physical impacts of climate change	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Innovation and sustainable products	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

**GRI: 3-3**

Our Code of Ethical Behaviour, our Integrated Management Model, our values and our 2030 Sustainability Strategic Plan reflect the commitments

we have made to the environment, which is required by our stakeholders, but also what we have committed to by signing up to the United Nations Global Compact.

## 6.1 MANAGEMENT APPROACH AND THE ENVIRONMENT

GRI: 3-3

### 6.1.1. ENVIRONMENTAL POLICIES

It is our vocation to foster and integrate a culture of environmental responsibility. We have defined, formalised and published our sustainability policy, we ensure compliance with environmental regulations and propose the necessary actions for continuous improvement and prevention of environmental risks. We enhance preventive action by exceeding the standards of applicable regulations, minimising the environmental impact of our activities, making efficient use of resources and preserving biodiversity, in accordance with our 2030 Sustainability Strategic Plan (see Chapter 2).

Arteche Group's commitment to the environment continues to grow in 2022 with the commitment defined in our Sustainability Policy approved by the Board of Directors, whose basic principles in relation to the environment are:

- Acting to prevent climate change
- Carbon footprint neutrality
- Energy efficiency and use of renewable energy
- Circular economy: reuse and recycle the waste generated
- Minimising waste and pollution
- Eco-design of products and packaging
- Prevent any type of environmental incident

### 6.1.2. MANAGEMENT APPROACH

The continuous improvement indicators at our sites relating to the environment are mainly the following GRI:

- 302-1 Energy consumption within the organization
- 303-5 Water consumption

- Conserve natural resources
- Completion and sponsorship of research and development projects that promote environmental protection.

We also pass on this commitment to our suppliers, customers and partners.

We apply the precautionary approach in the development of new products and activities of the company, in order to avoid any negative repercussions that such a product or service may have on environmental performance, completing an environmental analysis of the product life cycle.

General Management assumes the following functions as part of its responsibilities:

- Approval and regular monitoring of environmental objectives.
- Monitoring and continuous improvement of indicators for environmental improvement.
- To promote the development and continuous improvement of, and compliance with, procedures that support the environmental processes defined in the management model.
- Analysis and management of climate change risks

- 305-1 Direct (Scope 1) GHG emissions
- 305-2 Energy indirect (Scope 2) GHG emissions
- 306-2 Waste by type and disposal method
- 306-3 Significant spills

- 307-1 Non-compliance with environmental legislation and regulations

And the management indicator:

- No. of instances of non-compliance in audits (internal and external)

Our choice of suppliers includes environmental criteria and we monitor the evolution of their environmental performance. 100% of suppliers have been assessed against these criteria.

We regularly carry out audits, both internal and external, to assess

the degree of compliance with the standards.

- Internal audits (annual audits of all Group plants).
- All plants are S/ISO14001:2015 certified.
- Audits of our clients.
- Audits of our suppliers.

In addition, we have tools for immediate awareness of new environmental and fiscal legislation, allowing us to keep abreast of the financial implications and other risks and opportunities arising from climate change.



### 6.1.3. PRECAUTIONARY PRINCIPLE OR APPROACH

GRI: 2-23

In the development of new products and company activities we apply the precautionary approach in order to avoid any negative impact on the environment. In this regard, within our new product development process, one of the steps to be carried out is the environmental analysis of the product's life cycle, evaluating the potential impact on the environment of a product and its production process during all stages of its existence, by quantifying the use of resources (inputs: such as energy, raw materials, water, etc.) and environmental emissions (outputs: to air, water and soil). In view of the expected growth of the business, we have analysed the poten-

tial impact on the environment and reached the conclusion that, as no major changes in production processes or product design are planned, we do not expect any potential environmental impacts other than those already considered and analysed in our environmental impact assessment, which we update annually at all of the Group's plants. We also identified and assessed all applicable environmental legislation at all sites.

Due to the nature of our activity, there are no significant impacts in terms of light or noise pollution, and we ensure the identification, management and compliance with applicable legislation

in both cases. This is also reflected in the materiality defined for environmental performance.

As part of our management system, we have integrated, implemented and certified all the points required by the standard ISO14001:2015, including the corresponding procedures for the prevention of environmental impacts:

- Control, monitor, measure and evaluate legal compliance in health and safety, environment and quality.

- Identify, record, update and evaluate environmental aspects.
- Health and safety and environmental emergency plans.
- Operational environmental monitoring.
- Coordination of business activities in health and safety and environmental matters.
- Environmental analysis of the product life cycle.

## 6.2 WORKING FOR A BETTER WORLD

GRI: 307-1

We have a Group-wide standard procedure for identifying, recording, updating and evaluating environmental aspects on an annual basis, describing how to proceed with the identification, evaluation and implementation of a work plan for the environmental aspects of all the Group's production sites.

Since 2018, no significant environmental aspects have been identified in the Group:

- No sanction or communication has been received for non-compliance with environmental regulations
- No negative environmental impacts have been detected in the supply chain
- No provisions for environmental risks

We carry out the environmental assessment of the main products we manufacture, through the procedure of environmental analysis of the product life cycle, and we manage the necessary measures to

reduce international indicators that affect the environment, such as: environmental incidents, electricity consumption, water consumption, waste generation, etc.

To this end, we take into account the most suitable designs and technologies in terms of environmental and product quality, with preventive criteria.

At all the Group's plants, we carry out the measurements required by applicable legislation regarding emissions, environmental noise, etc. And in all of them we have implemented the physical risk assessment of climate change based on TFCD (Task Force on Climate-Related Financial Disclosures).

As of financial year 2022, within the framework of the EU Climate Taxonomy, although we are not obliged to comply with Law 21/2013, we carry out environmental impact analyses at all our plants, despite not being specifically required to do so under environmental regulations.

These assessments are based on the identification of potential impacts on the environment in a number of areas:

ENVIRONMENTAL ASPECTS	ENVIRONMENTAL IMPACTS
Hazardous waste	<ul style="list-style-type: none"> <li>• Groundwater contamination</li> <li>• Surface water contamination</li> <li>• Soil contamination</li> <li>• Risks to human health</li> </ul>
Non-hazardous waste	
Refuse assimilable to municipal waste	
Sanitary waste	
Atmospheric emissions	<ul style="list-style-type: none"> <li>• Atmospheric pollution</li> <li>• Depletion of the ozone layer</li> <li>• Increase in the greenhouse effect</li> <li>• Acid rain</li> <li>• Smog</li> </ul>
Dumping	<ul style="list-style-type: none"> <li>• Water contamination</li> <li>• Eutrophication</li> <li>• Decrease in aquatic biodiversity</li> <li>• Death of aquatic species</li> </ul>
Soil contamination	<ul style="list-style-type: none"> <li>• Soil contamination</li> <li>• Groundwater contamination</li> </ul>
Water consumption	<ul style="list-style-type: none"> <li>• Depletion of natural resources</li> </ul>
Energy consumption	<ul style="list-style-type: none"> <li>• Depletion of natural resources</li> </ul>
Consumption of raw materials	<ul style="list-style-type: none"> <li>• Depletion of natural resources</li> </ul>
Consumption of other natural resources	<ul style="list-style-type: none"> <li>• Depletion of natural resources</li> </ul>
Noise	<ul style="list-style-type: none"> <li>• Harmful effects on human beings</li> <li>• Harmful effects on other species</li> </ul>
Odours	<ul style="list-style-type: none"> <li>• Harmful effects on humans</li> </ul>
Visual impact	<ul style="list-style-type: none"> <li>• Harmful effects on humans</li> <li>• Local Effects</li> </ul>

Environmental impact risk assessments are carried out considering:

- Frequency of occurrence of the risk
- Relative magnitude of the risk

- Possible consequences of risk

Arising from this analysis, the plants develop action plans to mitigate impacts, including emergency action plans.

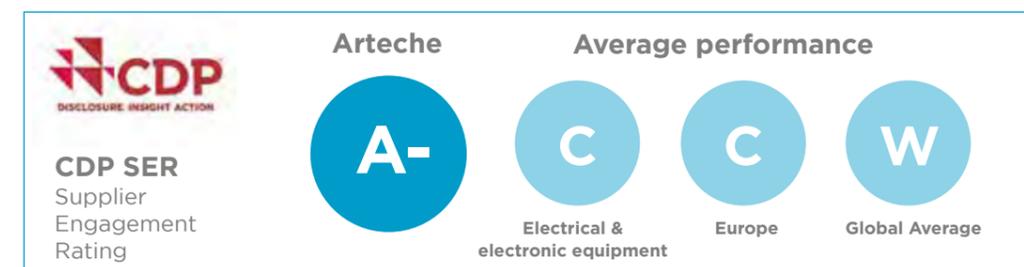
### ENVIRONMENTAL PERFORMANCE

In order to measure our environmental performance and benchmark ourselves against industry best practice in climate change, in 2022 we were assessed by CDP (Carbon Disclosure Project), obtaining the same rating as the average company in our sector and the global average (C), **but excelling in the value chain engagement index (SER: Supplier Engagement Rating)**, a rating within

the highest level of evaluation, far ahead of the sector and global average.



We have also formalised our commitment to the Science Based Targets Initiative (SBTI), with the development and implementation of our science-based targets.



**KEY ENVIRONMENTAL INDICATORS**

Category	Indicators	Unit	Total Arteche Group	Total excluding Turkey and Indonesia(**)		Var. Arteche Group without Turkey and Indonesia	Var. Arteche Group without Turkey and Indonesia Vs Production (****)
			2022	2022	2021		
Sustainable use of resources	Diesel C	Litres	1,872	1,872	3,832	-104.7%	-57.14%
	Diesel B	Litres	81,882	79,681	77,000	3.48%	-8.25%
	Petrol	Litres	184.297**	177.778**	155,521	14.31%	0%
	Natural gas	M <sup>3</sup>	22,139	22,125	22,951	-3.6%	-13.79%
	LPG/GLP	Litres	1,317,612	1,285,186	1,112,683	15.5%	+1.42%
	Electricity	KWh	20,719,415	17,870,833	17,386,929	2.78%	-9.58%
	Water consumption	M <sup>3</sup>	26,351	22,834	25,460	-10.31%	-21.87%
Circular economy and waste prevention and management	Hazardous waste	Tn.	432.36	407.07	521.17	-21.89%	-31.21%
	Recycled + recovered hazardous waste	Tn.	254.76	254.76	282.44	8.38%	n/a
	Non-hazardous waste	Tn.	2,318.08	1,682.66	1,730.4	-2.76%	-9.10%
	Recycled + recovered hazardous waste	Tn.	1,113.93	1,113.93	1,146.65	-0.05%	n/a
Climate change	Scope 1 emissions(*)	Kg CO <sub>2</sub> E	2,892,962.89**	2,786,542.89**	2,450,331.14	13.72%	0%
	Scope 2 emissions(*)	Kg CO <sub>2</sub> E	8,909,162.32	7,684,464.32	7,476,379.69	2.78%	-9.56%
	Scope 3 emissions(*)	Kg CO <sub>2</sub> E	208,754,309	208,754,309	211,201,127	-1.16%	-13.70%

(\*) Emission factors used are MAPAMA (April 2018 - Version 10)

(\*\*) The petrol consumption and Scope 1 emissions data in 2022 incorporate petrol consumption and emissions due to company cars.  
 (\*\*\*) The 2022 data includes the regions of Turkey and Indonesia, but not the 2021 data because this information was not traceable prior to its acquisition. For comparability purposes, Arteche Group data are included without both regions in 2022.

(\*\*\*\*) Variation of the indicator (2022 Vs 2021) relative to the total amount of equipment produced each year, i.e. variation of the impact of each indicator for each product manufactured

## 6.2.1. CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT

GRI: 306-2

We carry out waste management plans at all our plants and annual studies on the minimization of hazardous waste and packaging placed on the market. We have also implemented product environmental life cycle analysis within our product development procedure.

Excluding the regions of Turkey and Indonesia, we reduced hazardous waste generation by 21.9% in 2022 compared to 2021, of which 62.6% was recycled, representing an increase in recycled waste of >8% compared to the previous year. We have also reduced the generation of non-hazardous waste by 2.8% compared to 2021, of which 64.4% has been recycled and 2% recovered, maintaining the same levels as the previous year. In terms

of production, which has increased by 13.67%, we have also reduced the generation of hazardous and non-hazardous waste by 31% and 9%, respectively.

Notably, we have improved in all regions (except Brazil, due to the move to a larger plant), thanks to the improvement actions implemented in our production processes, focused on reducing the volume of defective products, and our waste management processes.

In Turkey and Indonesia, because there are no data from the previous year, we cannot assess this trend. We will do so and establish the corresponding objectives next year.

	China	Brazil	Argentina	Mexico	Spain
<b>Hazardous waste</b>	-39.05%	31.20%	-15.13%	-26.10%	-16.35%

We want to continue to improve, which is why we have defined the following objectives in our **"Sustainability Plan**

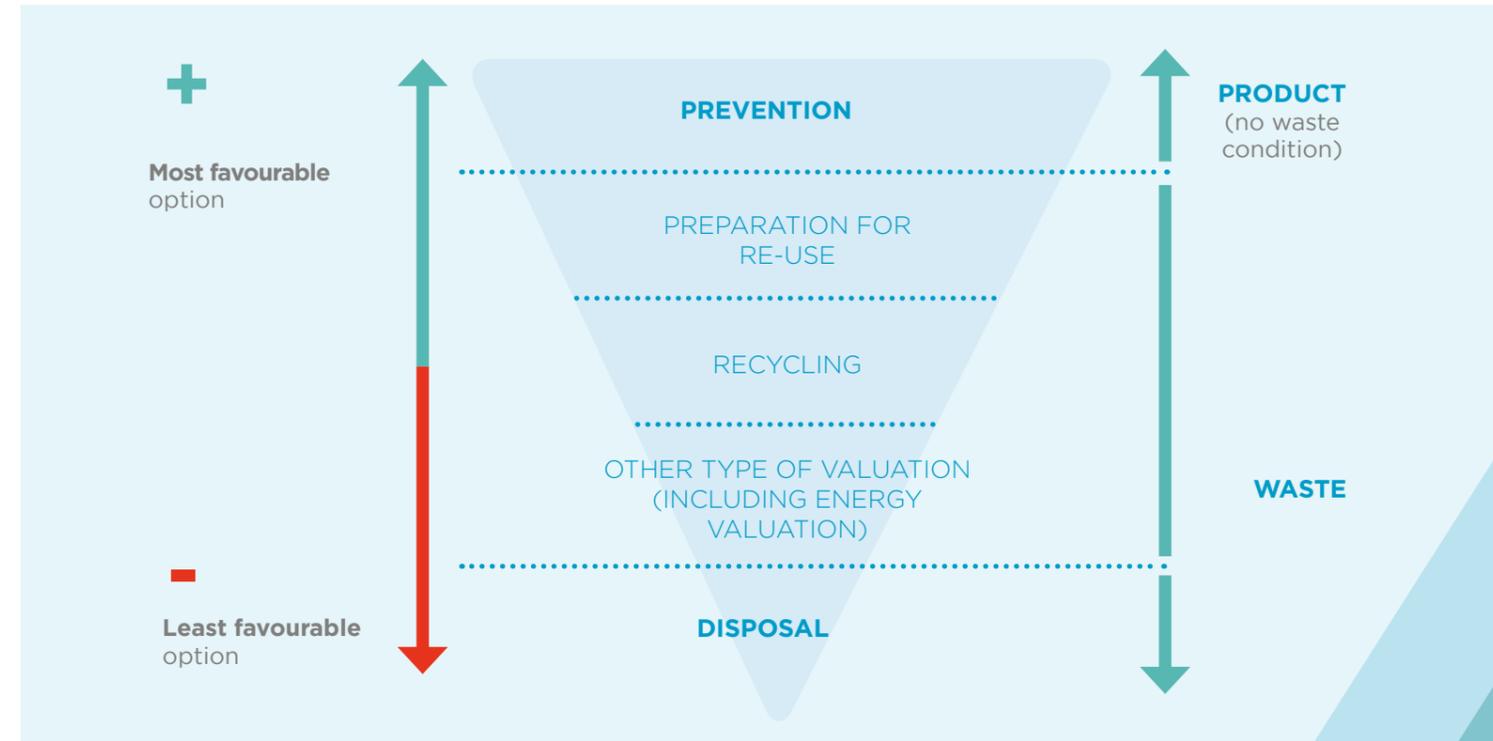
**2023"**, adapted to the particularities of each region:



2023 Plan Objectives	China	Brazil	Argentina	Mexico	Spain	Global
<b>Generation of hazardous waste</b>	-5%	-5%	-5%	-5%	-5%	-5%
<b>Recycled and recovered hazardous waste</b>	50%	50%	50%	50%	50%	50%
<b>Generation of non-hazardous waste</b>	-5%	-5%	-5%	-5%	-5%	-5%
<b>Recycled and recovered hazardous waste</b>	90%	90%	90%	90%	90%	90%

From 2022 onwards, we will implement waste management plans at all sites within the framework of the EU Climate Taxonomy. We thus comply

with the principle of hierarchy in the production and management of waste, which is outlined in the following pyramid:



This way, waste control actions are focused on prevention, preparation for re-use, recycling or other forms of recovery, including energy recovery.

For this purpose, we follow the following steps throughout the waste management process:

1. Prevention and minimization of waste
2. Separation of waste

3. Waste storage
4. Removal and management of the waste by an authorised waste handler
5. Registration and traceability

Thus, each plant draws up a Waste Management Plan describing the specific actions to be taken in order to correctly manage the waste generated at Arteche's facilities.

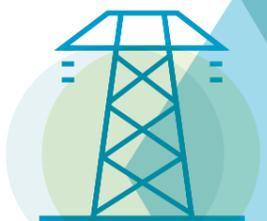
## 6.2.2. SUSTAINABLE USE OF RESOURCES

GRI: 302-4

### ELECTRICITY CONSUMPTION

In absolute terms, we have consumed 2.78% more electricity than the previous year, but if we take into account that electricity consumption is directly related to production and

that we have produced 13.67% more than the previous year, we can show that in real terms we have made substantial energy savings (-9.58%) compared to 2021.





In Turkey and Indonesia, as we do not have the previous year's data, we cannot assess the trend, so we will make this assessment and set the relevant targets in 2023. We can see, thanks to the certificate of our electricity distributor, that 100% of our electricity consumption in Turkey (2,848,133 kWh) is from renewable sources, which represents 13.75% of the total electricity consumed in 2022.

We continue to work to raise peoples' awareness of the need to reduce electricity consumption. We have developed several initiatives at all our sites:

- Air conditioning system replacements
- Change of all light bulbs to LED
- Improvements to compressors
- Motion sensors for bathroom lights

- Working teams to define and launch awareness-raising actions on energy saving
- Changes of lighting systems to more efficient systems
- Efficiency improvements in production facilities

In 2023, we will focus on increasing renewable energy consumption in Brazil, Spain, Mexico and Argentina.

In addition, as part of the measures to reduce energy consumption, energy audits have been updated in all production plants. The resulting actions have been implemented within the Sustainability Plan 2023.

After these results, we have defined the following targets for 2023:

2023 Plan Objectives	China	Brazil	Argentina	Mexico	Spain	Global
Electricity consumption with respect to production	-10%	-5%	-5%	-5%	-5%	-5%
Renewable energy consumption	-	70%	5%	5%	5%	-

### WATER CONSUMPTION



Without considering the regions of Turkey and Indonesia in absolute terms, we have consumed 10.31% less water than the previous year, thanks to measures to raise awareness among employees. Water consumption is primarily for sanitary use, therefore even increased production does have an effect (higher number of persons/hours worked), the relationship is not as direct as electricity consumption.

For Turkey and Indonesia, because there are no data from the previous year, we cannot assess this trend. We will do so and establish the corre-

sponding objectives in 2023. With respect to consumption of recycled water, water is supplied from the different municipal networks where the different companies of Artech Group are located and is primarily for personal use and, to a lesser extent, other secondary uses such as irrigation of gardens and cleaning of buildings, therefore the possibility of consumption of reused/recycled water is not within our scope.

After these results, we have defined the following targets In the Sustainability Plan 2023:

2023 Plan Objectives	China	Brazil	Argentina	Mexico	Spain	Global
Water consumption	-2%	-2%	-2%	-2%	-2%	-2%

### RAW MATERIALS CONSUMED

The consumption of raw materials (see table in the annex) has varied in comparison with the prior year due to:

- The general increases in procurement prices as a result of the global supply crisis
- The product mix
- Increased production

Principal raw materials consumed\_(in thousands of euro)

Raw material	2022	2021	Variation
Aluminium	21,415	17,413	23%
Steel	12,544	10,487	20%
Stainless steel	11,403	9,186	24%
Copper	17,386	15,018	16%
Magnetic sheet metal	12,065	10,139	19%
Mineral oil	5,083	3,174	60%
Resin	8,475	7,188	18%
Paper	6,525	4,481	46%
Plastic	2,654	2,494	6%
	97,549	79,580	23%

Artech is in the process of developing systems to obtain figures for the consumption of raw materials in kilograms.

### 6.2.3. GREENHOUSE GAS EMISSIONS

GRI: 305-1, 305-2

#### EMISSION RATES

- **Scope 1:** direct GHG emissions. Emissions from combustion in boilers, furnaces, vehicles, etc. which are owned by or are controlled by the entity in question.
- **Scope 2:** indirect GHG emissions associated with the generation of electricity purchased and consumed by the organization.

Without considering the regions Turkey and Indonesia, in absolute terms, we have seen an increase of 13.72% in scope 1 emissions on the previous year but we must also

consider that reporting for 2022 included consumption of gasoline and emissions from company vehicles and also, if we take into account the fact that consumption is directly related





to production and we have produced 13.67% more than the previous year, we see that we have maintained the scope 1 emission levels of 2021.

To minimize scope 1 emissions we are making important changes in all regions (Heating equipment, pallet trucks)

With respect to emissions from company vehicles, we have installed electric car charging facilities at

our headquarters in Mungia, thus facilitating the transition from combustion engine vehicles to electric and hybrid vehicles. And we have initiated the replacement of the company cars of Management with hybrid vehicles.

For Turkey and Indonesia, because there are no data from the previous year, we cannot assess this trend. We will do so and establish the corresponding objectives in 2023.

The objectives we have established in our Sustainability Plan 2023 are:

2023 Plan Objectives	China	Brazil	Argentina	Mexico	Spain	Global
Scope 1 emissions	-5%	-5%	-5%	-5%	-5%	-5%
Diesel consumption	-5%	-5%	-5%	n/a	n/a	-5%
Gasoline consumption	n/a	-5%	n/a	-5%	n/a	-5%
LPG consumption	n/a	-5%	-5%	-5%	n/a	-5%

With respect to scope 2 emissions, the data obtained show the same trend as the data for electricity consumption, with the analysis the same as that for said indicator.

We can conclude that if we evaluate GHG emissions with respect to production, we have seen a considerable improvement on the previous year, thanks to the implementation and monitoring of the sustainability plan 2022.

In 2022 we started using a new tool to assess the environmental impact of the products manufactured in the

group, which we also use to calculate Scope 3 emissions.

In measurement scope 3 we have included:

**Upstream:**

- Assets acquired for manufacturing of products in the year in question. This scope considers emissions from the extraction of raw materials, manufacture of parts and transport to the company
- Fuel and energy-related activities (not including scopes 1 and 2) necessary for the equipment manufacturing process
- Waste generated in the manufacturing process

**Downstream:**

- Transport of products to client's facilities
- Use of product
- Processing of products and the end of their use life

We have defined the most representative products of the group, in order to use the data of these products as a basis for the calculation of Scope 3 emissions.

The calculation method used is that established and officially confirmed in our management system.

The results obtained from this measurement were the following:

Kg CO <sub>2</sub> E	2022	2021
<b>Upstream</b>	<b>160,903,225</b>	<b>159,849,834</b>
Materials	160,859,652	159,804,558
Manufacturing waste	43,573	45,276
<b>Downstream</b>	<b>47,851,083</b>	<b>51,351,292</b>
Transport	4,515,857	4,697,957
Use	35,746,633	38,591,084
End of life	7,588,592	8,062,250
<b>TOTAL SCOPE 3</b>	<b>208,754,309</b>	<b>211,201,127</b>

The difference in emissions as currently estimated emissions compared to the total reported last year is mainly based on the change in the calculation method and tool, as well as the change of the representative products.

As this is the first year we have used this tool, the number of representative products we have been able to assess has been limited. In the coming years, we will be expanding the list of representative models in order to make the estimate more diverse and therefore closer to the products manufactured.

To improve these Scope 3 emissions, we will focus on two lines of action:

- Our manufacturing facilities and processes:
  - Use of renewable energies: we have embarked a plan to install

photovoltaic solar panels for self-consumption at several plants, along with supply guarantee agreements to make sure the electricity we consume is from renewable sources

- Continue to reduce the waste generated in manufacturing and the alternative management thereof

- The design of our products, incorporating practical design in our Ecodesign process which allows for the incorporation of the environmental variable as another factor in decision making

With respect to ozone depleting substances (ODSs), none of our processes use these substances and, therefore, our ODS impact is zero. We maintain this indicator within our sustainability indicators to ensure that if we have any changes that affect the outcome of this indicator, we monitor, report and manage them.

**6.2.4. PROTECTION OF BIODIVERSITY**

GRI: 304-1

Arteche's industrial activity does not take place in protected areas and respects its natural environment.



# 7 SOCIALLY RESPONSIBLE

**EVERY DAY WE GIVE SOMETHING OF OURSELVES FOR THE BENEFIT OF EVERYONE. AND WHEN WE TALK ABOUT EVERYONE WE'RE NOT JUST TALKING ABOUT THE PEOPLE WHO MAKE UP ARTECHE; WE'RE TALKING ABOUT THE WHOLE PLANET.**



**WE FOCUS OUR SOCIAL ACTION ON THREE PILLARS: EQUALITY, EDUCATION AND SOLIDARITY WITH THOSE MOST IN NEED.**

**WE CONTRIBUTE TO ELECTRIFICATION FOR THE BENEFIT OF COMMUNITIES.**

**80% OF OUR PURCHASES ARE MADE FROM LOCAL SUPPLIERS.**



GRI: 3-3

We are involved in the development of the regions in which we are present through our commitment to social action and collaboration with different entities that are committed to the same transversal axes to which Arteche is committed on a social level: equality, education

and solidarity with those most in need. Furthermore, our commitment is present throughout our value chain with a special emphasis on our supply chain, comprising both local suppliers and suppliers with a global presence.

In relation to its **social performance**, Arteche considers the following material aspects:

MATERIAL TOPIC	RELATED SDGS
Customer satisfaction	
Fiscally responsible	
Responsible supply chain	
Development and local commitment	

# 7.1 WORKING TOGETHER WITH SOCIETY

GRI: 102-12, 102-13



We are committed to society and the environment in which we operate, contributing to the well-being and

economic and social progress of the communities in which we operate through different actions.

## 7.1.1. ECONOMIC VALUE CONTRIBUTED TO SOCIETY

Economic performance is a fundamental pillar of long-term sustainable business in all ESG areas.

From our origins as a family-owned company, we have grown together with the communities in which we operate, bringing wealth to all our stakeholders, with a focus on generating shared value.

For this reason, at Arteche we consider ourselves a key stakeholder in the social development of our environment, contributing to numerous programmes and activities that seek to improve employment and technological opportunities in the territories where we operate.

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

(in millions of euros)	2022	2021
Economic value generated(*)	346.2	283.6
Economic value distributed(**)	(332.1)	(274.8)
Economic value retained	14.1	8.8

(\*) By direct economic value generated, turnover and other operating income have been considered  
 (\*\*) The economic value distributed includes all supplies, personnel expenses, other operating expenses, exceptional expenses and financial expenses, excluding allocations to provisions.

In addition to the economic value generated through our activity, as a result of the monetary flows generated, we also induce other indirect economic impacts, described throughout this report. The main impacts are on indirect employment

of local communities, contractors, our supply chain, the redistribution of taxes we generate, the improvement of quality of life in the communities where we contribute to their electrification and the training of professionals.

## 7.1.2. CONFERENCES AND EVENTS WE HAVE PARTICIPATED IN

We are committed to sharing knowledge and collaborating with events that contribute to the dissemination of knowledge.

We have participated in a total of 12 events on all continents, maintaining close contact with our customers through meetings and a dynamic commercial activity.



In addition, we have shared our knowledge by participating in conferences, technical seminars, webinars and forums in our sector where topics of interest are shared. For Arteche, this is a common practice that fosters collaborative partnerships. In 2022 we have participated in the following forums and events:



- 5th Conference on the Opportunities and Challenges of the Electricity Sector
- Women in Industry Forum in collaboration with PWN
- 5th Edition of the BIND 4.0 Demo Day
- Different sessions and local employment days at global level
- Industry, Innovation and Resilience Forum
- Intergune Forum 2022
- International talent forums
- Égida Project Cybersecurity Forum
- Presentation of the Competitiveness Report

### 7.1.3. WE PROMOTE QUALITY EDUCATION

This year, we welcomed 47 young people to different departments across Arteche Group as part of their university and vocational training internships (11 more than in 2021).

We collaborate with 16 Universities and Vocational Training Centres in the areas where we are based.

In 2022 we consolidated our collaboration with the University Master's Degree in Internationalization of Organization and Dual Master's Degree in Entrepreneurship in Action programmes.

Internally, we support the training of Arteche people who want to further their academic development. In this sense, throughout 2022 we have supported Arteche people globally and through their individual development plans in their desire to continue their development in higher and regulated training.

In addition, we regularly collaborate to provide school supplies to the children of the Arteche Argentina team, and in Mexico we provide scholarships for our workers' children.



“ We collaborate with 16 Universities and Training Centres, as well as with different University Master's Degrees ”



### 7.1.4. SOLIDARITY WITH THOSE MOST IN NEED

In 2022 we have focused our efforts on the **Arteche Solidarity Race** that we have mentioned in the framework of our 75th anniversary.

Thanks to the involvement of everyone who contributed kilometres, 75 disadvantaged families will be

helped to have energy supply for a year.

This action has materialised thanks to the collaboration with Caritas, a non-profit organization with which we have signed agreements activating this aid in all our geographies.

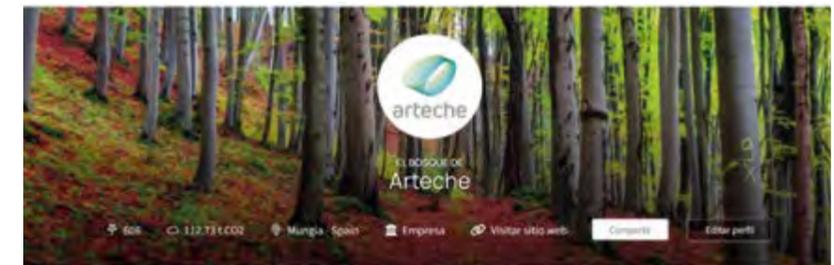


- **Children's Day in Argentina:** Our volunteers collected food, sweets and toys to bring happiness to disadvantaged children in the community.
- In **Mexico**, campaigns are carried out annually to support homes for the elderly, regular visits to hospitals of the Social Institute and toy donation

- campaigns for different groups. We also deliver tons of wood, tools and other materials to different groups and associations in the region.
- In all our regions and especially in **Brazil**, every year we support the fight against various diseases by supporting early awareness and prevention.



- In **Spain** we participate in different initiatives, mainly with the aim of promoting STEAM vocations among young people, such as Industria Erronka, and in equality promotion and environmental initiatives. In the latter area, we have offset 112 tonnes of CO<sub>2</sub> by planting more than 600 trees in collaboration with Tree Nation.



“ We develop social initiatives in all the countries in which we operate, focusing on children, the elderly, health and the most disadvantaged groups ”



Another of Arteche's most important collaborations is the **#sumarenergías (#UniteEnergies)** campaign with the non-profit organization Ukraine SOS. As an organization with a

global presence, we could not fail to collaborate in this humanitarian crisis with terrible consequences for the population of the territories affected by the war.

### 7.1.5. PROMOTING SOLIDARITY AND VALUES THROUGH SPORT

Through our collaboration on social action, we support sporting activities that promote solidarity and values in the areas where we operate. Examples include the following:

- We are members of the **Athletic Club Foundation**, a non-profit organization that uses football and the values and social dimension of Athletic Club to promote sport and help improve the quality of life of people and disadvantaged groups in Bizkaia.
- Once again this year we took part in the **Bilbao Business Run**, with around 30 people joining in. Once again Arteché won a place on the podium for both the men's and women's teams.
- At our facilities in Madrid, we offer **Pilates** sessions to those who wish to improve their flexibility and postural well-being.
- And on a global level thanks to the **solidarity run**, all regions got involved by running, walking or cycling to support the solidarity cause of providing energy to 75 underprivileged families.



### WE INVEST IN CULTURE

We take part in different socio-cultural activities in the surrounding area, aid for the promotion of the Basque language and local heritage events in the counties where we have a presence



Once again this year, more than **500 photographs were submitted from 15 different countries for the 8th edition of the artPhoto competition, more than 100 per category**. This competition is free to enter and open to people from Arteché and anyone interested in participating.

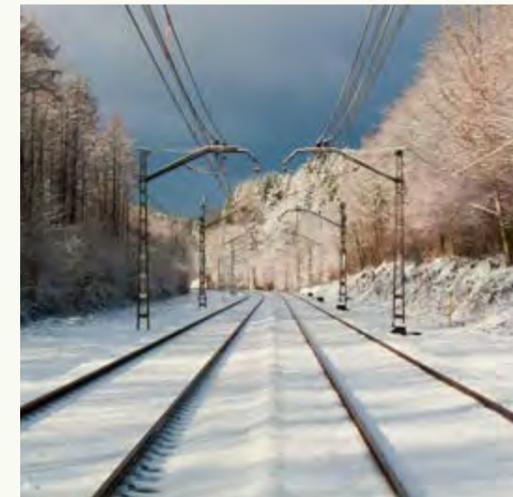
- **Life and electricity**  
**ILLUMINATED AMPHITHEATRE**  
Óscar Saavedra Romero



- **Electrical work**  
**AT HEIGHTS**  
José Venegas



- **Electrical infrastructure and equipment**  
**TRENBIDEA**  
Felix Urrutia



- **Arteche products**  
**LABORATORY**  
Bruno Sans



## 7.2 COLLABORATION WITH ASSOCIATIONS AND EXTERNAL INSTITUTIONS

GRI: 102-12 GRI 102-13

Arteche collaborates with numerous associations related to our activity, with the aim of being an agent of change in the different sectors in which we carry out our activities.

In addition to the innovation ecosystem we are creating, we participate in different initiatives related to equality, talent, innovation, technology and digital transformation.



“ We participate in initiatives related to equality, talent, innovation, technology and digital transformation ”

## 7.3 SHARED VALUES: A REQUIREMENT OF OUR VALUE CHAIN

GRI: 102-9 GRI 204-1

### DESCRIPTION OF THE SUPPLY CHAIN



Our supply chain provides us with materials or sub-assemblies to be manufactured in compliance with the established requirements in terms of quality, cost, deadline, etc.

- Selection and negotiation with Arteche's suppliers. The supply chain encompasses the following tasks, which are executed by the different areas (purchasing, operations, excellence).
- Procurement, negotiation with suppliers.
- Purchasing.
- Quality of suppliers.
- Reception of materials.
- Storage of materials.
- Internal and external logistics.

Mainly raw materials and sub-assemblies are purchased. Raw materials are procured from both local suppliers, for each production centre, and global suppliers, global procurement and local sourcing. In the case of sub-assemblies the purchase is local. In both cases the supplier must be evaluated/ approved according to the criteria of the technical department and the area of excellence before being awarded the contract.

Purchases of sub-assemblies, in number of cases, are made from special employment centres and occupational centres.

Channels of communication with suppliers providing the largest

volumes require communication matrices that identify the liaisons from both companies for issues of quality, deliveries, new projects, prices and logistics so as to facilitate relations for day-to-day provisions as well as for any incidents, corrective actions and improvement projects.

- Compliance with all laws and regulations applicable in the country where the activities take place unless they are less demanding than international ethical behaviour standards in which case the latter shall apply. All suppliers are required to make a commitment to comply with the following aspects.
- Respect for human rights. No employee shall suffer harassment, physical or mental punishment or any other form of abuse.
- Wages and working hours shall comply with the laws, rules and regulations applicable in the country concerned, including minimum wage, overtime and maximum working hours.
- No use of forced or compulsory labour, and employees shall be free to leave employment providing sufficient notice.
- No use of child labour. Specifically, ILO standards shall be complied with and employees shall be free to leave employment once they have provided sufficient notice.
- Respect for the right of employees to freedom of association.

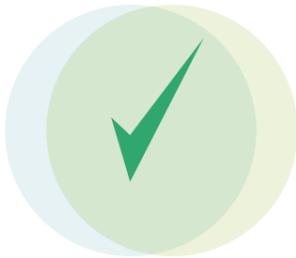
- Provision of adequate workplace health and safety conditions for employees.
- Respect for the environment and compliance with all laws applicable in the country concerned with the use of sustainable resources.
- The supply of products and services in compliance with the quality and safety criteria specified in contractual documents, ensuring they are safe for the intended use.
- The non-use of fraudulent means, such as payment of bribes in the knowledge of their intended purpose
- The use of wood from sustainably managed forests respecting the environment, thus fighting climate change efficiently
- Ensuring Assurance that the conflictive minerals acquired (tantalum, gold, tungsten and tin) are sourced exclusively from smelters and mines listed as 'conflict-free'.
- No use of fraudulent methods to guarantee the correct results, records

of materials and functional testing required.

For new approvals, we apply the standard supplier qualification and approval procedure, which includes the evaluation of the points indicated above relating to: Environment, safety and social responsibility.

During visits, audits and performance evaluation of Grupo Artech's suppliers, no supplier has been detected with forced labour or child labour operations. In these audits, not only aspects related to the quality of production processes are checked, but also aspects related to the environment, occupational health and safety and human rights.

**We have been awarded an A- rating in the EL Index of Commitment to the Value Chain (SER: Supplier Engagement Rating) for climate change 2022 from CDP**, a rating that is within the highest level of evaluations, above the average for the sector and overall.



We make a high percentage of purchases of goods and services from domestic companies for our activities:

**PROPORTION OF SPENDING ON LOCAL SUPPLIERS**

Country	2022	2021
Spain	90%	89%
Mexico	71%	70%
Argentina	18%	9%
China	92%	96%
Brazil	54%	42%
Turkey	n/a	n/a
Indonesia	n/a	n/a
<b>Total</b>	<b>80%</b>	<b>78%</b>

“ In order to carry out our activity, we prioritise purchases from national suppliers of goods and services, always approved according to Artech's standards ”

## 7.4 WE ADD VALUE FOR OUR CUSTOMERS

### POLICIES AND RESULTS

At Artech, we value our close relationships or capacity for local service as a competitive advantage which we reinforce by adding new remote monitoring and predictive data analysis technologies so that we can not only offer local services but also isolated services by identifying possible defects before they occur.

Along with local service teams located in the areas of our primary users around the world, we have added a top-level technical engineering team.

Innovation and high-value proposals allow us to be part of the transformation of the electricity distribution and transportation network sector as pioneers in the development of optical metering solutions that allow our customers to improve in the continuity and quality of their services.

Artech is proud to be a part of the transformation of the electric power sector, remaining close to our customers, providing them with value and accompanying them through the

development of electrical grids in more than 175 countries, always standing out for our vocation to service and closeness.

When designing our products, we guarantee compliance with applicable safety regulations (CE marking and the equivalent systems around the world) concerning the products themselves and their use by users. All of our products are labelled appropriately in accordance with the regulations in place in each country.

We have a customer communication procedure in place to manage complaints and queries to ensure they are all handled properly. All aspects of their handling are recorded in our ERP according to the requirements established in our protocols. Artech has a specific and exclusive Customer Support area to deal with these communications and their management.

Our process establishes a minimum period of satisfaction evaluations every two years.



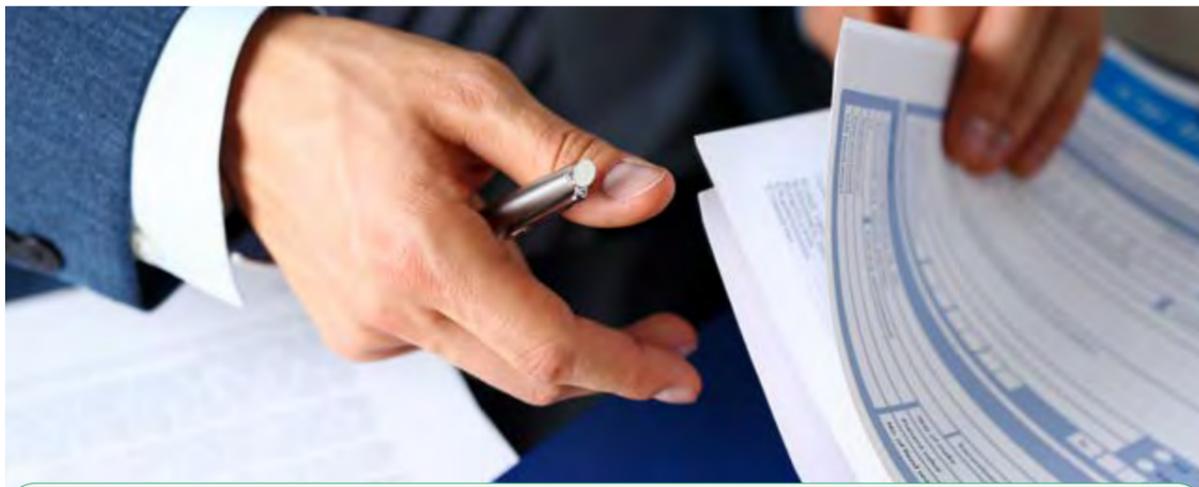
## INCIDENTS REPORTED AND RESOLUTION

Our management processes include indicators for monitoring and improving customer complaints.

In the same way, with the aim of continuously improving the efficiency

of our service and our communication with the customer, for the resolution of incidents and complaints, we have implemented the following service policies of the Customer Support process:

- In the event of receiving a complaint, we undertake to send the customer confirmation of receipt of the complaint and its internal handling within 48 hours.
- Once a complaint is received from a customer, we undertake to send them confirmation of receipt of the complaint and process it within 48 hours.
- If field intervention is required, we undertake to complete it in less than three weeks following a preliminary analysis provided the customer makes such work possible.
- For factory equipment analyses, we undertake to have an analysis report and a proposal with the corresponding actions in less than two weeks after receiving the equipment (and sending it to the Customer).
- We keep the client up to date at all times of the progress, dates, deadlines, etc., relating to the complaint, until the it is definitively closed.



We continue to continuously improve agreed campaign policies and trade concessions. We also strictly monitor the quality of our product by controlling the following rates:

**Complaint rate = No. of units resulting in complaint / No. of units Sent**

**Warranty failure rate = No. Units Claimed under warranty / No. of Units Sent**

**Functional failure rate = No. of functional complaints / No. of units submitted**

All ratios have improved compared to the previous year thanks to the corrective and preventive actions of our Excellence and Quality department: (test protocols, stickers, plate data, packaging markings, etc.)

In 2022, complaints and claims received from customers have amounted to 1772 (in 2021 we had 1726). All of them have been handled according to our standard procedure and as we can see from the results of the customer satisfaction surveys regarding our customer support service (average service rating of 4.8/5 and 98% satisfaction), the satisfaction levels of our customers are very positive. In addition to achieving higher customer satisfaction, we confirm the

good implementation of all after-sales procedures, which are well established throughout the organization.

100% of complaints are accepted within a maximum of 48 hours and are accompanied by immediate solutions to resolve the customer's problem, which are recorded in our ERP, within quality notifications. In all cases of customer complaints considered serious or important, immediate actions are taken and a corrective action is opened meaning a multidisciplinary team analyzes the root causes and defines and implements containment or corrective actions to avoid any repetition of the problem.



There have been no cases of non-compliance relating to the health and safety impacts of product and service

categories or complaints relating to breaches of privacy and loss of customer data.



# 8

## ZERO TOLERANCE FOR CORRUPTION AND BRIBERY

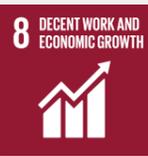
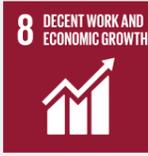


**TRANSPARENCY IN CORPORATE GOVERNANCE AND THE FIGHT AGAINST CORRUPTION AND BRIBERY ARE THE MAIN PILLARS OF THE COMPANY'S SUSTAINABILITY POLICY.**



**ZERO CASES OF MONEY LAUNDERING**

**100% OF LOCATIONS ASSESSED IN CORRUPTION**

MATERIAL TOPIC	RELATED SDGS
Good governance and risk management	  
Ethics and transparency	  

**GRI: 3-3**

In Arteche, the fight against corruption and bribery is part of our basic objectives in terms of sustainability and good governance, and has led to the establishment of preventive measures to ensure both strict

compliance with the current legal system in the territories where we carry out our activities, as well as the most demanding standards set out in our Code of Ethical Behaviour.

## 8.1 RISKS AND PROGRAMME FOR CRIME PREVENTION



**GRI: 3-3, 205-1**

Our criminal risk management model, as established in our company's crime prevention program, is aimed at preventing or reducing the risk of crime in response to the different legal systems where we have implemented it: mainly in Spain and Mexico. Spain and Mexico.

Our crime prevention program aims to prevent any conduct by management, staff, partners and, in general, anyone that must report in some way to Arteche acting in its name and on its behalf or who may create criminal liability for the group.

This program includes a promise by management, the organizational model that assigns professionals to certain tasks as well as descriptions of those responsibility tasks under the crime prevention program in addition to various policies and procedures.

Throughout the 2022 financial year, within the framework of the periodic verification and continuous improvement to which it must necessarily be subject, the following actions have been carried out as part of the programme:

- **Globally:** Standardization of the methodology of criminal risk assessments throughout the Arteche Group, by integrating it into the Model:

- A procedure for the identification and assessment of criminal risks.
- A procedure for managing controls of the criminal risk management system.
- A procedure to identify, control, monitor, and measure legal and criminal requirements.

- **At plants in Spain:** A full review of criminal risk assessments has been carried out.

- Assessment of risks that have undergone changes to confirm their implementation or discard them. Evaluation of the adequacy of the assigned preventive measures and, if necessary, implementation of new or reinforced controls.

- Standardization and regrouping of controls to improve the efficiency of the model.

- Of new crimes: how they affect the organization and functional areas, and what measures can be taken to minimize risk (controls).

- **At plants in Mexico:** Training in this area has been provided at all levels of the organization

There have been no incidents relating to the contravention of regulations applicable to the Group in the last 3 years (2022, 2021 and 2020)



### 8.1.1. MEASURES TO PREVENT CORRUPTION

GRI: 205-1, 205-2



At Arteche we always bear in mind that the best way to continue growing and developing our business is to do things well, with integrity and setting an example to society, in line with our values. In addition to strict compliance with the legal regulations in place where we do business, we set ourselves the highest ethical standards.

The Code of Ethical Behaviour sets out clear anti-corruption guidelines, expressing zero tolerance for business corruption in all its forms, which takes precedence over obtaining any benefit for the Group or its professionals. In order to develop and implement this commitment, our management model includes the following mandatory policies for all Group employees:

Corruption, fraud and bribery prevention policy
Policy on gifts, marketing and promotional items and gestures of hospitality and courtesy
Donation and sponsorship policy
Policy on relations with civil servants and public authorities
Conflict of interest policy
Subsidies and public aid policy
Travel policy

In the 2022 financial year, 100% of the material locations have been assessed for corruption-related risks. Similarly, 100% of Arteche's people have been informed and 1,381 have received specific training.

During the year 2022, there was one case of corrupt practices by a person

employed by the Group. This action led to the immediate termination of the employment relationship of the person involved following the corresponding investigation by the Compliance Officer and analysis by the Ethics Committee (in 2021 this situation occurred on 2 occasions).

### 8.1.2. ANTI-MONEY LAUNDERING MEASURES

GRI: 205-3

Although the Group's companies are not subject to Spanish Law 10/2010 on the prevention of money laundering and terrorist financing, and even considering that Arteche is barely exposed to such risk, our criminal risk prevention management model evaluates it nonetheless. We have established and apply control measures for receipts and payments

to prevent these from being used to trigger money laundering, and we maintain the precautionary principle in our relations with customers and suppliers, as well as in asset and corporate transactions.

No suspicious money laundering transactions have been detected in 2022 or in 2021.



## 8.2 CONTRIBUTIONS TO FOUNDATIONS AND NON-PROFITS

GRI: 415-1

Our commitment goes hand in hand with sustainability, business ethics and improving the communities and environments in which we work. We get involved in the social development of the regions where we operate by collaborating with local associations and NGOs through financial contributions and, in some cases, advising them on business management issues and fostering contacts and relations with other companies. All of these actions are aligned with the group's sustainability strategy, its Code of Ethical Behaviour and its crime prevention program, especially with regard to risk of corruption.

These collaborations are linked to Arteche's commitment to social action, and following joint assessment of an application procedure, our Group social action strategy and positioning functions are responsible for receiving the communications and channelling the approvals of financial contributions to promote social action. Some of the decision criteria include:

- Bans on financial contributions that have the purpose or can be interpreted as an attempt to condition legal relations, business, contract bidding or any other benefit in favour of Arteche.
- Bans on donations to political parties either directly or indirectly.
- No donations or sponsorships in cash or any other equivalent payment method such as gift cards.
- Bans on donations and sponsorships to organizations that have been involved in corruption or other conducts contrary to the Arteche Code of Ethical Behaviour.
- Bans on donations and sponsorships to organizations or individuals that

discriminate due to race, sex, creed, national origin, sexual orientation or any other personal attribute

- Donations to government entities and/or politically affiliated entities or persons related to them except when they are emergency donations to victims of a recognized disaster with an impact on a wide spectrum of the population (natural disasters, terrorist attacks, etc.) are also banned.
- Financial contributions must be recorded in writing, and the sums must be delivered or transferred directly to the recipient entity or event, with no third-party intermediary involvement.
- It is necessary to sign an agreement, specifying the destination of the contribution, for a maximum duration of 12 months in order to review the scope of the added value obtained for society and to allow certain projects not to be perpetuated over time once the initial objectives have been achieved, thus making room for more opportunities for the area.

Contributions to foundations and non-profit organizations amounted to a sum of 48,470 euros in 2022 (28,080 euros in 2021). No contributions were made to political parties in 2022 or 2021.

Chapter 7 "Socially Responsible", details partnership and sponsorship actions in which we collaborate with the aim of contributing to the improvement of the societies in which we are operate. The total sum for sponsorship in 2022 was 25,750 thousand euros (23,250 thousand euros in 2021). In 2021 sponsorships and contributions to foundations were not reported separately.



# 9 ABOUT THIS REPORT



artech  
Moving together

AT ARTECHE, WE ARE FIRMLY COMMITTED TO SUSTAINABILITY AND THIS IS REFLECTED IN HOW WE REPORT OUR ACTIVITY. AND SO THIS REPORT PROVIDES A COMPREHENSIVE RESPONSE TO THE ESG ISSUES OF CONCERN TO US.

Arteche Group has prepared the Non-Financial Information Statement and Sustainability Report in accordance with the requirements established in Spanish Law 11/2018 of 28 December. In drafting the report, the European Commission guidelines on non-financial reporting (2017/C 215/01) arising from Directive 2014/95/EU have also been taken into

account and the Global Reporting Initiative (GRI standards) have been used as a reference, for which a series of standards have been selected based on the materiality analysis carried out. These standards have made it possible to cover the most most important aspects for stakeholders in this report, including comprehensive information on ESG aspects.

## 9.1 SUSTAINABILITY REPORT INFORMATION PERIMETER

### 9.1.1. TEMPORAL AND CORPORATE SCOPE

GRI: 2-2, 2-3

Following the GRI recommendation, the information in this report is structured by country. The scope of this report refers to the information relating to the financial year 2022 of the companies over which Arteche has the capacity to control. However, in accordance with GRI Standards, companies in countries that do not have production facilities (India, Indonesia, Germany, United Arab Emirates, the United Kingdom, Chile and Australia), marketing companies (United States), corporate offices and holding companies that merely hold shares have been excluded from the scope of this report, as they are not considered relevant in terms of relative importance in relation to sustainability performance. The inclusion of these locations

would represent an immaterial sum (less than 2%) in terms of social, environmental and governance sustainability.

In investee companies, but without effective control, we promote the Group's approved sustainability policies through the governing bodies of these companies.

The consolidated annual accounts of the Arteche Group for the financial year 2022 list all the companies in which Arteche has a direct or indirect shareholding. Consequently, the list of subsidiaries, all of which are fully consolidated as they all have a majority shareholding or control of the company, included in the scope of this report is as follows:



### SUSTAINABILITY-RELEVANT COMPANIES AND COUNTRIES INCLUDED IN THE REPORTING SCOPE 2022

SOCIETY	Country	%
Arteche Lantegi Elkartea, S.A.	Spain	100%
Electrotécnica Arteche Hermanos, S.L.	Spain	100%
Electrotécnica Arteche Smart Grid, S.L.U.	Spain	100%
Arteche Centro De Tecnología, A.I.E.	Spain	100%
Arteche Hitachi Energy Instrument Transformers, S.L.	Spain	51%
SAC Maker, S.A.U.	Spain	100%
AIT, S.A.	Argentina	100%
Arteche EDC Equipamientos e Sistemas, S.A.	Brazil	100%
Arteche DYH Electric Co. Ltd	China	60%
Arteche North America, S.A. de C.V.	Mexico	100%
Arteche ACP, S.A. de C.V.	Mexico	100%
Esitaş Elektrik Sanayi ve Ticaret Anonim Şirketi	Turkey	100%
PT Esitas Pacific	Indonesia	100%

### 9.1.2. FACTORS CONDITIONING SECURITY

GRI: 2-2

In accordance with the previous section, the scope of this report is reduced to the relevant companies for sustainability purposes.

In this respect, the presentation of the information in this report is subject to the following conditions:

- The financial information included in this report results from the Group's consolidated financial statements for the financial year 2022 ("global scope").
- The non-financial information included in this report covers the relevant

companies for sustainability purposes ("perimeter of this report").

Based on the above criteria, Arteche considers that this report provides a reasonable and balanced reflection of the Group's economic, environmental and social performance. The limitations and differences identified between the two perimeters have an immaterial influence on the overall aggregate data, which in the Group's opinion does not affect the assessment that can be made of the Group's performance.

## 9.2 COMPARABILITY AND SIGNIFICANT CHANGES IN THE ORGANIZATION, CAPITAL STRUCTURE AND SUPPLY CHAIN

GRI: 2-6, 2-4, 2-3

### COMPARABILITY AND SIGNIFICANT ORGANIZATIONAL CHANGES

For the purposes of the obligation set out in Law 11/2018, and for the purposes of the comparability requirement, this report expresses both the figures for the current year and those for the year ending 31 December 2021. The Non-Financial Information Statement for the financial year 2021 was prepared by Arteche's Board of Directors on 28 March 2022. The reporting cycle for this information is annual.

During the months of July, August and December 2021, Arteche Group took control of the companies Esitaş Elektrik Sanayi ve Ticaret Anonim Şirketi (Turkey), PT Esitaş Pacific (Indonesia) and Smart Digital Optics (Australia), respectively. To facilitate comparability of data, information on persons from Turkey for the financial year 2021 has been included in this report on an annualised basis. However, the environmental and health and safety information of this Turkish company for 2021 is not included, as no reliable data is available for that year. Sustainability information from Australia is not considered relevant in terms of materiality. Sustainability data for Indonesia (except for training hours) are incorporated for the first time in 2022, as there is no traceability for 2021. Explanatory notes are added to the tables to facilitate the comparability of the information concerned in this report.

In May 2022, the Arteche Group effectively sold 49% of Arteche Hitachi Energy Instrument Transformers, S.L. (previously Arteche Gas Insulated Transformers, S.L.U.) to Hitachi Energy Ltd, thus gaining joint control. To facilitate comparability of data, the information for this company has been included on an annualised and 100% basis.

Furthermore, in line with GRI standards, the group has adapted the professional categories on which it reports people data, in order to adapt them to the effective management system of the human resources area. Comparative information for 2021 has also been adapted to these definitions. The reporting categories are as follows:

- Plant workers
- Front line management
- Managers & middle management
- Technical positions
- Operational & administrative positions

It should be noted that the following amendments have been made to the information contained in the formulated and approved Non-Financial Information Statement for the financial year 2021:

	Amended information as of 31/12/2022	Information as of 31/12/2021
<b>Scope 3 emissions (Kg of CO<sub>2</sub>) (*)</b>	211,201,127	75,704,912.19
<b>Spend on local providers (**)</b>	78%	80%
<b>Total tax contribution(***)</b>	28,630	28,076

(\*) Expansion of scope to a wider range of marketed products.  
 (\*\*) Inclusion of inter-company transactions and inclusion of aluminium from capacitors.  
 (\*\*\*) Inclusion of USA mainly

The European Commission has also recently published clarifications regarding the interpretation of certain aspects of Article 8 of the Delegated Taxonomy Regulation concerning the reporting of eligible economic activities. Under that publication, the European Commission recently clarified that "the information on eligible activities according to the taxonomy does not imply an assessment of the value chain of a company [...] For the purposes of notification of turnover, assets and processes of the value chain of an activity are only eligible if they

explicitly include the description of the activity". The description of activity 4.9, which included most of the activities carried out by the Arteche Group in 2021, considers only the activities of "construction and operation" of electricity transmission systems, but not manufacturing, which is the core business of the group. Based on a strict and prudent interpretation of the aforementioned regulation, the Arteche Group has restated the 2021 taxonomy data:



Thousands of euros	Amended information as of 31/12/2022			Information as of 31/12/2021		
	Turnover	Investments (Capex)	Operating expenses (Opex)	Turnover	Investments (Capex)	Operating expenses (Opex)
<b>Total eligible activities</b>	34,138	2,894	672	281,361	14,079	10,202
<b>Total Arteche Group</b>	282,033	14,100	10,242	282,033	14,100	10,242
<b>% eligibility</b>	12.1%	20.5%	6.6%	99.9%	99.8%	99.6%

For more information, see "Climate taxonomy".

### SIGNIFICANT CHANGES IN CAPITAL STRUCTURE

There have been no significant changes in the capital structure of the Arteche Group in 2022.

### SIGNIFICANT CHANGES IN THE SUPPLY CHAIN

During the year there have been no significant changes in the Arteche Group's supply chain.

## 9.3 INDEPENDENT EXTERNAL VERIFICATION

GRI: 2-5

Arteche has carried out an independent external verification of the Non-Financial Information Statement and Sustainability

Report for the financial year 2022 through Ernst & Young, S.L., which is included in Annex A3 of this report.



# ANNEXES

## Annexes

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## ANNEX A.1 GRI AND SPANISH LAW 11/2018 CONTENT INDEX

The following table includes the GRI content index and the contents required under Spanish Law 11/2018 on non-financial information and diversity:

### GENERAL SCOPE

Scope	Reporting framework	Reference (page)	Comments/reason for omission
<b>Business model</b> Description of <b>business model</b> : - Entrepreneurial environment - Organization and structure - Markets operating in - Objectives and strategies - Principal factors and trends that may affect future evolution	GRI 2-1 Organizational details GRI 2-2 Entities included in the organization's sustainability reporting GRI 2-6 Reporting period, frequency and contact point GRI 2-9 Governance structure and composition GRI 2-23 Policy commitments	16-31	
<b>Policies and results of these policies</b> Description of policies applied by the group, and the results of said policies, including the key indicators of relevant non-financial results	GRI 2-23 Policy commitments GRI 2-24 Embedding policy commitments	78	
<b>Principal risks and impacts identified</b> Principal risks relating to these question and relating to group activities, including, where relevant and proportionate, commercial relations, products and services that might have a negative effect on these areas.	GRI 3-3 Management of material topics	89-92	

### ENVIRONMENTAL QUESTIONS

Scope	Reporting framework	Reference (page)	Comments/reason for omission
<b>Environmental management</b> Current and foreseeable effects of company activities Procedures for evaluation and environmental certification Resources dedicated to workplace risk prevention Application of precautionary principle Quantity and provisions and guarantees for environmental risks	GRI 3-3 Management of material topics Internal criteria/GRI 201-2 Financial implications and other risks and opportunities arising from climate change (Accounting criteria) GRI 2-23 Policy commitments Spanish Law 26/2007 on Environmental Responsibility (if applicable)	128-131	

### ENVIRONMENTAL QUESTIONS (CONTINUATION)

Scope	Reporting framework	Reference (page)	Comments/reason for omission
<b>Pollution</b> Measures to prevent, reduce and repair carbon emissions (including also noise and light pollution)	GRI 3-3 Management of material topics	130 y 139	
<b>Circular economy and waste prevention and management</b> Measures of prevention, recycling, reuse, other forms of recovery and elimination of waste Actions to combat food waste	GRI 3-3 Management of material topics GRI 3-3 Management of material topics	81-83 and 89 n/a	Not a material topic
<b>Sustainable use of resources</b> Water consumption and water supply in accordance with local limitations Consumption of raw materials Direct or indirect consumption of energy Measures taken to improve energy efficiency Use of renewable energies	GRI 3-3 Management of material topics GRI 303-3 Water withdrawal GRI 3-3 Management of material topics GRI 301-1 Materials used by weight or volume GRI 302-1 Energy consumption within the organization GRI 3-3 Management of material topics GRI 302-1 Energy consumption within the organization	135-137	
<b>Climate change</b> Important elements of the greenhouse gas emissions generated Measures adopted to adapt to climate change consequences Voluntarily established reduction targets	GRI 305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions If applicable: GRI 305-3 Indirect (Scope 3) GHG emissions GRI 3-3 Management of material topics GRI 3-3 Management of material topics	137-139 59 y 129 138	
<b>Protection of biodiversity</b> Measures taken to preserve or restore biodiversity Impacts caused by activities or operations in protected areas	GRI 3-3 Management of material topics	139	

**SOCIAL QUESTIONS AND QUESTIONS RELATING TO PERSONNEL**

	Scope	Reporting framework	Reference (page)	Comments/reason for omission
<b>Employees</b>	Total number and distribution of employees by sex, age, country and professional category	GRI 2-7 Employees GRI 405-1 Diversity of governance bodies and employees	111 and 179	
	Total number and distribution of employment contract types		180 and 182	
	Annual average permanent, temporary and part-time contracts by sex, age and professional category	GRI 2-7 Employees	180	
	Number of dismissals of sex, age and professional category	401-1 New employee hires and employee turnover	181	
	Salary gap	Internal framework: calculation done with the following formula: (Average Salary Women - Average Salary Men)/Average Salary Men	117	
	Average remuneration by sex, age and professional category	Internal framework: Average remuneration (includes total remuneration per year, fixed salary plus all variables (expenses, allowances, pension payments, etc.) obtained during the year.	183	
	Average remuneration of Directors by sex		118	
	Average remuneration of Managers by sex		118	
	Implementation of work disconnection policies	GRI 3-3 Management of material topics	118	
	Employees with disabilities	GRI 405-1 Diversity of governance bodies and employees	182	
<b>Work organization</b>	Organization of working time	GRI 3-3 Management of material topics	118	
	Number of hours of absenteeism	Internal framework: absenteeism rate	118	
	Measures allocated to facilitating enjoyment and reconciliation and fostering the co-responsible exercise of these measures on the part of both parents	GRI 3-3 Management of material topics	116	
<b>Health and safety</b>	Health and safety conditions at work	GRI 403-1 Health and safety management system in the workplace	120	

**SOCIAL QUESTIONS AND QUESTIONS RELATING TO PERSONNEL (CONTINUATION)**

	Scope	Reporting framework	Reference (page)	Comments/reason for omission
<b>Health and safety</b>	Number of workplace accidents and illnesses by sex, rate of frequency and seriousness by sex	403-9 Work-related injuries Rate of frequency = No. of accidents with absence x 1,000,000/no. of hours worked (excluding accidents in transit)	122-123	
		Rate of frequency = No. of accidents with absence x 1,000,000/no. of hours worked (excluding accidents in transit)		
<b>Social relations</b>	Organization of social dialogue	GRI 3-3 Management of material topics	118-119	
	Percentage of staff covered by collective bargaining agreements per country	2-30 Collective bargaining agreements		
	Balance of collective bargaining agreements, particularly in the field of health and safety in the workplace	GRI 3-3 Management of material topics		
	Mechanisms and procedures of the company to promote the involvement of workers in the management of the company, in terms of information, consultation and participation.	GRI 2-29 Approach to stakeholder engagement	119	
<b>Training</b>	Training policies implemented	GRI 404-2 Programmes to improve employees' skills and programmes to assist transition.	106-109 and 179	
	Total quantity of hours' training by professional categories	Internal framework		
<b>Universal accessibility of persons with disabilities</b>		GRI 3-3 Management of material topics	115	
<b>Equality</b>	Measures adopted to promote equality of treatment and opportunity between women and men	GRI 3-3 Management of material topics	112-115	
	Tailored equality plans adopted to promote employment, protocols to combat sexual and gender-based harassment	GRI 3-3 Management of material topics GRI 2-23 Policy commitments		
	Integration and universal accessibility for persons with disabilities	GRI 3-3 Management of material topics		
	Policies to combat discrimination and, where applicable, manage diversity	GRI 3-3 Management of material topics GRI 2-23 Policy commitments		

**INFORMATION ON RESPECT FOR HUMAN RIGHTS**

Scope	Reporting framework	Reference (page)	Comments/reason for omission
Application of due diligence procedures in relation to human rights	GRI 2-26 Mechanisms for seeking advice and raising concerns GRI 3-3 Management of material topics	60, 87-92 and 153	
Prevention of risks of violation of human rights and, where applicable, measures to mitigate, manage and remediate any possible abuses committed	GRI 3-3 Management of material topics GRI 2-23 Policy commitments GRI 2-26 Mechanisms for seeking advice and raising concerns	60, 87 -92	
Reports of violation of human rights	Internal framework: quantitative information on the number of reports.	88	
Promotion and delivery of provisions of the basic collective bargaining agreements of the ILO relating to respect for freedom of association and the right to collective bargaining, the eradication of discrimination in the workplace and in employment, the eradication of forced or compulsory labour and the effective eradication of child labour.	GRI 3-3 Management of material topics GRI 2-23 Policy commitments	112	

**INFORMATION RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY**

Scope	Reporting framework	Reference (page)	Comments/reason for omission
Measures adopted to prevent corruption and bribery	GRI 2-25 Processes to remediate negative impacts GRI 2-23 Policy commitments GRI 2-26 Mechanisms for seeking advice and raising concerns	160-162	
Measures to combat money laundering	GRI 2-25 Processes to remediate negative impacts GRI 2-23 Policy commitments GRI 2-26 Mechanisms for seeking advice and raising concerns	160-162	
Contributions to non-profit foundation and entities	GRI 201-1 Direct economic value generated and distributed	163	

**INFORMATION ON THE COMPANY**

Scope	Reporting framework	Reference (page)	Comments/reason for omission
<b>Company's commitments to sustainable development</b>	Impact of the company's activity on employment and local development	GRI 3-3 Management of material topics	144-150
	Impact of the company's activity on local population centres and territories	GRI 3-3 Management of material topics	148-151
	Relations maintained with stakeholders of local communities and forms of dialogues with them	GRI 3-3 Management of material topics	144-146
	Partnership or sponsorship actions	GRI 3-3 Management of material topics GRI 2-28 Membership associations Internal framework: description of partnership or sponsorship actions	163
<b>Subcontracting and providers</b>	Inclusion of social, gender equality and environmental matters in procurement policy	GRI 3-3 Management of material topics	153-154
	Consideration of social and environmental responsibility in relation to suppliers and subcontractors	GRI 2-6 Reporting period, frequency and contact point GRI 2-24 Embedding policy commitments	
	Supervision and audit systems and results thereof		
<b>Consumers</b>	Health and safety measures for consumers	GRI 3-3 Management of material topics	155-157
	Complaint systems	GRI 2-16 2-16 Communication of critical concerns GRI 2-25 Processes to remediate negative impacts	
	Complaints received and resolution of same	GRI 2-25 Processes to remediate negative impacts Internal framework: information on complaints and opportunities to improve	
<b>Tax information</b>	Profits obtained country by country	GRI 207-4 Presentation of country reports per country	99-101
	Taxes on benefits paid	GRI 207-4 Presentation of country reports per country	
	Public subsidies received	GRI 201-4 Financial assistance received from government	

## ANNEX A.2 CONTACT CHANNELS

GRI 2-1, 2-3

Any result relating to this report can be made through the following channels:

- On the Group website: [www.arteche.com](http://www.arteche.com)
- To the Group sustainability mailbox: [sostenibilidad@arteche.com](mailto:sostenibilidad@arteche.com)
- In person at our head office  
**Arteche Lantegi Elkarte, S.A.: Derio Bidea 28 48100 Mungia (Bizkaia) T.: (34) 94 601 12 00**

## ANNEX A.3 INDEPENDENT EXTERNAL VERIFICATION

GRI 2-5

## ANNEX A.4 PARTICIPATION IN R&D PROJECTS WITH PUBLIC FINANCING

### R&D&I FINANCING PROJECTS IN PUBLIC-PRIVATE PARTNERSHIP

- Basque Government



#### HAZITEK

- **SEC2GRID (ZE-2022/00036):** New smart electronic devices for a more secure electrical distribution network in the face of cyberattacks.
- **MORETAT (ZL-2021/00744, ZL-2022/00830):** Advanced remote monitoring and asset management system • Medium and high voltage instrument transformers (2021-2023).

#### ELKARTEK

- **BIOAT (KK-2021/00102):** Analysis of new biodegradable liquid for application in high voltage insulation (2021-2022)

#### MONETIZATION OF TAX DEDUCTIONS

- **CAPACITATIVE:** Development of new family of high performance capacitive transformers.

- **LPIT (LOW POWER INSTRUMENT TRANSFORMERS):** Development of Low Voltage Instrument Transformers for Electrical Substations.

**DIGITAL TWIN:** Development of a Digital Twin for the new IEDs of the **PROVINCIAL AUTHORITY OF BIZKAIA.**

**PICOGA:** Artech Group Collaborative Innovation Plan. Project subsidized by the Department of Economic Promotion of the Provincial Authority of Bizkaia, Innovative Companies Creation Programme - Area 3: Stimulation of the dynamics of the entrepreneurship ecosystem. Artech Lantegi Elkarte Berrikuntza Plana. Bizkaiko Foru Aldundiko Ekonomia Sustapen Sailaren diru-laguntzaz egindako proiektua, Enpresa Berritzaileak Sortzeko Programa - 3. Arloa: Ekosistemaren dinamizazioa.

## ANNEX A.5 PEOPLE INDICATORS

HOURS OF TRAINING PER YEAR PER PROFESSIONAL CATEGORY(*)	2022	2021
Plant workers	22,503	31,600
Front line management	3,276	1,459
Managers & middle management	7,591	9,404
Operational & administrative positions	5,777	3,664
Technical Positions	18,639	1,049
<b>Total</b>	<b>57,786</b>	<b>49,061</b>

(\*) Information delivered to interns included.

(\*\*) In 2021, the Turkey region (integrated into the "global perimeter" in July 2021) contributed 418 hours of training, calculated using an updated method to favour comparability. The comparative information for 2021 was adapted to new professional management categories (section 9.1.3)

### TOTAL NUMBER OF EMPLOYEES AND DISTRIBUTION BY SEX AND PROFESSIONAL CATEGORY (\*)

	Men		Women		Total		Men %		Women %	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Plant workers	1,198	1,122	372	314	1,570	1,436	76%	78%	24%	22%
Front line management	63	49	21	19	84	68	75%	72%	25%	28%
Managers & middle management	87	79	29	25	116	104	75%	76%	25%	24%
Operational & administrative positions	197	119	92	76	289	195	68%	61%	32%	39%
Technical Positions	441	401	142	145	583	546	76%	73%	24%	27%
<b>Total</b>	<b>1,986</b>	<b>1,770</b>	<b>656</b>	<b>579</b>	<b>2,642</b>	<b>2,349</b>	<b>75%</b>	<b>75%</b>	<b>25%</b>	<b>25%</b>

(\*) As of 31 December 2022, 104 employees contributed by the Indonesia region (integrated into the "global perimeter" in 2021), of which 89 were men and 15 were women. The comparative information for 2021 was adapted to new professional management categories (section 9.1.3)

**PERCENTAGE OF PEOPLE BY SEX, AGE, PROFESSIONAL CATEGORY AND EMPLOYMENT CONTRACT TYPE (\*)**

	Permanent %		Temporary %		Permanent		Temporary	
	2022	2021	2022	2021	2022	2021	2022	2021
Plant workers	79%	79%	21%	21%	1,248	1,138	322	298
Front line management	100%	100%	0%	0%	84	68	-	-
Managers & middle management	100%	100%	0%	0%	116	104	-	-
Operational & administrative positions	94%	97%	6%	3%	272	190	17	5
Technical Positions	97%	95%	3%	5%	564	518	19	28
Men	86%	86%	14%	14%	1,711	1,518	275	252
Women	86%	86%	14%	14%	566	499	90	80
<30	67%	71%	33%	29%	361	333	178	136
30-50	90%	88%	10%	12%	1,502	1,334	158	181
>50	93%	96%	7%	4%	414	350	29	15
<b>Total</b>	<b>86%</b>	<b>86%</b>	<b>14%</b>	<b>14%</b>	<b>2,284</b>	<b>2,017</b>	<b>358</b>	<b>332</b>

(\*) As of 31 December 2022 104 employees contributed by the Indonesia region are included (integrated into the "global perimeter" in 2021), of which 46 are permanent and 58 temporary. The comparative information for 2021 was adapted to new professional management categories (section 9.1.3)

**ANNUAL AVERAGE PERMANENT, TEMPORARY AND PART-TIME CONTRACTS BY SEX, AGE AND PROFESSIONAL CATEGORY**

	Permanent	Temporary	Part-time	Permanent	Temporary	Part-time
	2022 (*)			2021		
Plant workers	1,150	299	2	888	290	-
Front line management	82	0	-	68	-	-
Managers & middle management	106	1	-	104	-	3
Operational & administrative positions	269	14	1	190	5	-
Technical Positions	545	26	-	453	28	1
Men	1,597	259	2	1,301	255	3
Women	555	82	1	402	68	1
<30	325	144	-	282	142	-
30-50	1,367	165	1	1,149	165	2
>50	460	32	2	272	16	2
<b>Total</b>	<b>2,152</b>	<b>341</b>	<b>3</b>	<b>1,703</b>	<b>323</b>	<b>4</b>

(\*) Average contributions of Turkey have been calculated solely for the months of December, in the absence of recent data.

**STAFF AGE (\*)**

	Men		Women	
	2022	2021	2022	2021
<30	407	345	132	124
30-50	1,203	1,116	457	399
>50	376	309	67	56
<b>Total</b>	<b>1,986</b>	<b>1,770</b>	<b>656</b>	<b>579</b>

(\*) As of 31 December 2022, 104 employees in Indonesia region are included (integrated into the "global perimeter" in 2021), of which 39 <30, 59 between 30-50 and 6 are >50.

**STAFF TURNOVER RATE AND NEW HIRES**

	Total
Hires 2022	1,071
Hires 2021	674
Departures 2022	570
Departures 2021	425
Staff Turnover Rate 2022 (*) (**)	21.57%
Staff Turnover Rate 2021 (*) (**)	18.09%

(\*) Calculated as (Voluntary departures and collective redundancies / Total staff at the end of the year) X 100.  
 (\*\*) In 2021, the staff turnover rate for the Turkey region (integrated into the "global perimeter" in July 2021) was calculated on an annual basis (37.25%) to foster comparability. The staff turnover rate for Artech Group excluding Esitas was 14.75% for the same year.  
 (\*\*\*) As of 31 December 2022 16 hires and 14 departures in the Indonesia region were included (integrated into the "global perimeter" in 2021), with a staff turnover rate in 2022 of 13.46%.

Of the total number of departures in the Group, 53 (37 in 2021) were a result of dismissals:

**DISTRIBUTION OF DEPARTURES BY SEX, PROFESSIONAL CATEGORY, AGE AND EMPLOYMENT CONTRACT**

	Dismissals	
	2022	2021
Plant workers	23	22
Front line management	-	2
Managers & middle management	6	1
Operational & administrative positions	8	3
Technical Positions	16	9
Men	33	24
Women	20	13
<30	11	18
30-50	31	15
>50	11	4
<b>Total</b>	<b>53</b>	<b>37</b>

(\*) As of 31 December 2021, 16 dismissals in the Turkey region are included (integrated into the "global perimeter" in 2021) calculated on an annual basis to favour comparability. The comparative information for 2021 was adapted to new professional management categories (section 9.1.3)

**DISTRIBUTION OF PERSONS BY COUNTRY AND GENDER**

	Men			Women		
	2022	2021	2020	2022	2021	2020
Spain	584	552	541	188	188	169
Mexico	626	581	612	216	199	208
China	177	195	209	40	40	39
Brazil	92	90	90	25	24	23
Argentina	120	119	139	11	12	8
Turkey	298	233	-	161	116	-
Indonesia(*)	89	-	-	15	-	-
<b>Total</b>	<b>1,986</b>	<b>1,770</b>	<b>1,591</b>	<b>656</b>	<b>579</b>	<b>447</b>

(\*) As of 31 December 2022, 89 men and 15 women contributed by the Indonesia region are included (integrated into the "global perimeter" in 2021, but in the perimeter of the report in 2022).

DISTRIBUTION OF STAFF WITH DISABILITY	Men	Women	Total	Men	Women	Total
	2022			2021		
	Brazil	3	-	3	2	-
Spain	6	2	8	4	1	5
Mexico	-	-	-	-	-	-
Turkey	11	3	14	4	1	5
Argentina	-	-	-	-	-	-
China	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-
<b>Total</b>	<b>20</b>	<b>5</b>	<b>25</b>	<b>10</b>	<b>2</b>	<b>12</b>

PARENTAL LEAVE	Men	Women	Total	Men	Women	Total
	2022 (**)			2021		
	Total number of persons who have right to parental leave	50	30	80	60	21
Total number of persons who have enjoyed parental leave	50	24	74	47	36	83
No. of persons who have returned to work after completing parental leave	48	15	63	61	13	74
Return to work rate (*)	96%	63%	85%	129%	36%	89%

(\*) Calculated as no. of people who have returned\*100/no. Of those who had to return. The increase in 2021 is due to persons who went on leave in 2020 and returned in 2021. The overall rate is 100%

(\*\*) Includes 7 women in Indonesia who had the right to parental leave, took leave and have not returned. In 2021, figures for Indonesia due to absence of traceability.

DISTRIBUTION OF PART-TIME CONTRACTS BY SEX, PROFESSIONAL CATEGORY, AGE AND EMPLOYMENT CONTRACT	Part-time		
	2022	2021	2020
	Plant workers	2	-
Front line management	-	-	-
Managers & middle management	-	3	2
Operational & administrative positions	1	-	2
Technical Positions	-	1	-
Men	2	3	2
Women	1	1	2
<30	-	-	-
30-50	1	2	3
>50	2	2	1
Temporary	1	-	-
Permanent	2	4	4
<b>Total</b>	<b>3</b>	<b>4</b>	<b>4</b>

AVERAGE REMUNERATION BY SEX, AGE AND PROFESSIONAL CATEGORY (*)	2022	2021
<30	8,045	8,205
30-50	20,227	20,719
>50	34,242	35,527
Plant workers	11,575	12,100
Front line management (**)	75,195	72,604
Managers & middle management	59,461	61,819
Operational & administrative positions	16,896	20,796
Technical Positions	28,838	28,219
<b>Total average remuneration</b>	<b>20,091</b>	<b>20,522</b>

(\*) As of 31 December 2022, the average remuneration for the Indonesia region was included (integrated into the "global perimeter" in 2021) at 8,276 euros. The comparative information for 2021 was adapted to new professional management categories (section 9.1.3)

(\*\*) Including Group Management Committee, Geographic Management Committees and Areas reporting directly to Chairman, primarily.

TOTAL AVERAGE REMUNERATION AND SALARY GAP	Men		Women		Gap (*)	
	2022	2021	2022	2021	2022	2021
	Plant workers	12,971	13,409	7,079	7,422	-45.4%
Front line management (**)	78,422	78,432	65,514	57,573	-16.5%	-26.6%
Managers & middle management	60,305	62,702	56,927	59,030	-5.6%	-5.9%
Operational & administrative positions	16,431	21,409	17,893	19,838	8.9%	-7.3%
Technical Positions	28,527	27,908	29,802	29,077	4.5%	4.2%
<b>Total</b>	<b>20,918</b>	<b>21,232</b>	<b>17,588</b>	<b>18,349</b>	<b>-15.9%</b>	<b>-13.6%</b>

(\*) Calculated as Average remuneration for women/average remuneration for men -1

(\*\*) As of 31 December 2022, the average remuneration for the Indonesia region was included (integrated into the "global perimeter" in 2021) at 8,276 euros, and the salary gap of -19.7%.

(\*\*\*) Including Group Management Committee, Geographic Management Committees and Areas reporting directly to Chairman, primarily.

## ANNEX A.6 ENVIRONMENTAL INDICATORS

2022 saw a variation in the waste rate due to the direct correlation between production and waste generation:

### WASTE REDUCTION RATE BY TYPOLOGY IN 2022

	Hazardous		Hazardous recycled		Non-hazardous		Non-hazardous recycled	
	2022 (*)	2021 (**)	2022 (*)	2021 (**)	2022 (*)	2021 (**)	2022 (*)	2021 (**)
Spain	-16.35%	-38.57%	+0.73%	-39.44%	-9.15%	+25.48%	+8.16%	+4.91%
Mexico	-26.10%	-29.19%	-5.35%	-67.55%	-4.50%	+86.9%	-15.10%	+66.25%
Argentina	-15.13%	-1.43%	+19.66%	+23.2%	-24.70%	+14.76%	+21.26%	+150.68%
China	-39.05%	-18.856%	-	-	+1000%	-9.76%	+176.51%	-
Brazil	+45.35%	-27.07%	+117.83%	-59.52%	+25.72%	+209.8%	+43.62%	+0.59%
<b>Total</b>	<b>-21.89%</b>	<b>-44%</b>	<b>+8.38%</b>	<b>-53%</b>	<b>-2.76%</b>	<b>+40.83%</b>	<b>-0.37%</b>	<b>+54.33%</b> <b>-38.57%</b>

(\*) Calculated as: (tonnes country 2022 / tonnes country 2021) - 1  
 (\*\*) Calculated as: (tonnes country 2021 / tonnes country 2020) - 1

### REDUCTION RATE OF ELECTRICITY CONSUMPTION BY COUNTRY

	Rate of change of electricity consumption 2022(*)	Rate of change of electricity consumption 2021 (**)
Spain	+0.87%	-8.03%
Mexico	+10.43%	+4.49%
Argentina	+2.23%	-11.3%
China	-10.13%	-8.66%
Brazil	+15.80%	+6.76%
<b>Total</b>	<b>+2.78%</b>	<b>-4.5%</b>

(\*) Calculated as: (kWh country 2022 / kWh country 2021) - 1  
 (\*\*) Calculated as: (kWh country 2021 / kWh country 2020) - 1

### WATER CONSUMPTION REDUCTION RATE BY COUNTRY

	Rate of change in water consumption 2022(*)	Rate of change in water consumption 2021 (**)
Spain	-6.34%	+36.43%
Mexico	-17.59%	+39.56%
Argentina	+4.12%	-55.17%
China	-22.32%	+7.64%
Brazil	+317.31%	-10.7%
<b>Total</b>	<b>-10.31%</b>	<b>+10.72%</b>

(\*) Calculated as: (m<sup>3</sup> country 2022 / m<sup>3</sup> country 2021) - 1  
 (\*\*) Calculated as: (m<sup>3</sup> country 2021 / m<sup>3</sup> country 2020) - 1

### REDUCTION RATE IN DIRECT AND INDIRECT CO<sub>2</sub> EMISSIONS

	Scope 1 emissions		Scope 2 emissions	
	2022	2021	2022	2021
Spain	+3.76%	-14.77%	+0.87%	-8.03%
Mexico	+50.27%	-12.70%	+10.43%	+4.42%
Argentina	+13.14%	-7.21%	+ 2.23%	-11.3%
China	-55.06%	+47.38%	-10.13%	-8.66%
Brazil	-34.17%	+17.31%	+15.80%	-6.33%
<b>Total</b>	<b>+13.72%</b>	<b>-2.7%</b>	<b>+2.78%</b>	<b>-4.5%</b>







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