

arteche



**2020
SUSTAINABILITY
REPORT**



2020
SUSTAINABILITY
REPORT



2020 SUSTAINABILITY REPORT

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WORKING TO **BRING MORE VALUE TO SOCIETY** EVERY DAY



We're at a time of challenges and opportunities and, at Arteche, we're preparing to take advantage of them and bring all the value possible to society in the process.

Once again this year, I'm sitting down to write the introduction to our Sustainability Report and trying to answer this question: Why do we publish this report? And I've come to the conclusion that it's not really about why, but rather for whom.

And the answer is "for you", the person reading these lines, because I'd like to use these pages to tell you first-hand how Arteche is much more than just a leading company in capital goods for the electric power sector. Arteche is a company where we put our hearts into everything we do, we take a real interest in what we do and, above all, how we do it.

There has been an ever stronger trend in recent years towards developing sustainability strategies within companies and it's a very positive thing because it proves the growing importance of sustainability-related values in our society. Over the past few years, it's been a real pleasure to be a part of a society in which business involvement in this area has become more and more visible. As a company and as a group of people, those of us at Arteche are by no means oblivious to the difference we can make in society and, although it would make no sense to design a strategy that's isolated from the business as such, we have decided to outline a roadmap

marking the goals on which we can collaborate in a more significant way. It's all based on the fact that sustainability was already a concept that had been integrated in the company from the very beginning.

In line with our motto **#movingtogether**, we're aware that, together, we're stronger.

Joining the Global Compact and our commitment to the Sustainable Development Goals (SDGs) somehow formalize what is currently known as "a commitment to sustainability". We talk about it like this because concepts evolve and change. However, the values, attitude, spirit and purpose with which this dream that has now become "Arteche Group" arose have always been a part of an identity that now impregnates each and every one of our activities.

We have an Annual Report and a Non-Financial Information Report yet the Sustainability Report is where we are particularly pleased to tell you about how we work day after day on initiatives and actions that come not only out of management, but through listening to many of the people who are part of the Arteche team. These initiatives and actions revolve around environmental protection, commitments to society and our ethical response to the business challenges that arise in all the countries where we're present.

We're at a time of challenges and opportunities for everyone in the sector and, at Arteche, we're preparing to take advantage of them and bring all the value possible to society in the process.

Our Strategic Plan provides for significant growth in sales and profitability, but doing so in accordance with our values. These values have been deeply-rooted for 75 years in everyone at Arteche as sustaina-

bility and doing things ethically and transparently have always been our guide.

As an essentially integrated part of our Strategic Plan, our sustainability strategy leads our actions throughout the Group from the very spirit of our purpose and in line with our mission and values.

I'd like to use this opportunity to present the logo that will accompany us throughout 2021. It's a design that plays with our brand image and is a nod to the family business: the very first trademark was drawn by the founder, my *aitite* ("grandfather" in Basque), and the 75th anniversary logo was designed by one of his grandchildren, Mikel.

When people reach the age of 75, it's a little dizzying. But that's not the case for companies. The dynamics of our company are not marked by a date of birth but rather those of us who are a part of it. And, at Arteche, we've reached 75 years with the same ambition, excitement and dedication of those who started it all yet with more experience, strength, talent and size.

This is only the beginning.

The only way to honor a legacy is by improving all while maintaining the essence. Continuing to build the future based on the values we were raised with is the secret to reaching 75, 100 and 200 years.



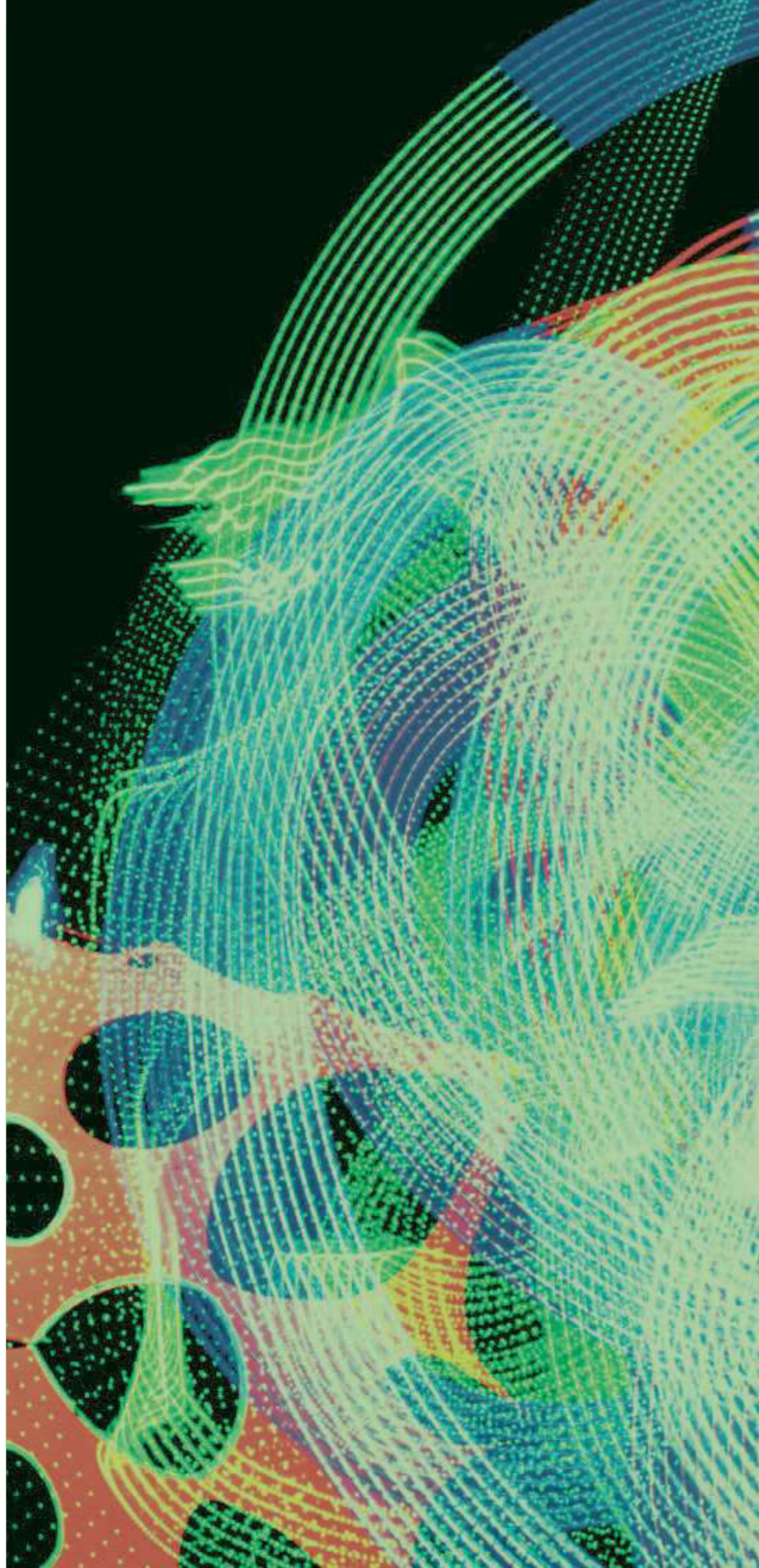
ALEXANDER ARTETXE
PRESIDENT AND CEO,
ARTECHE GROUP

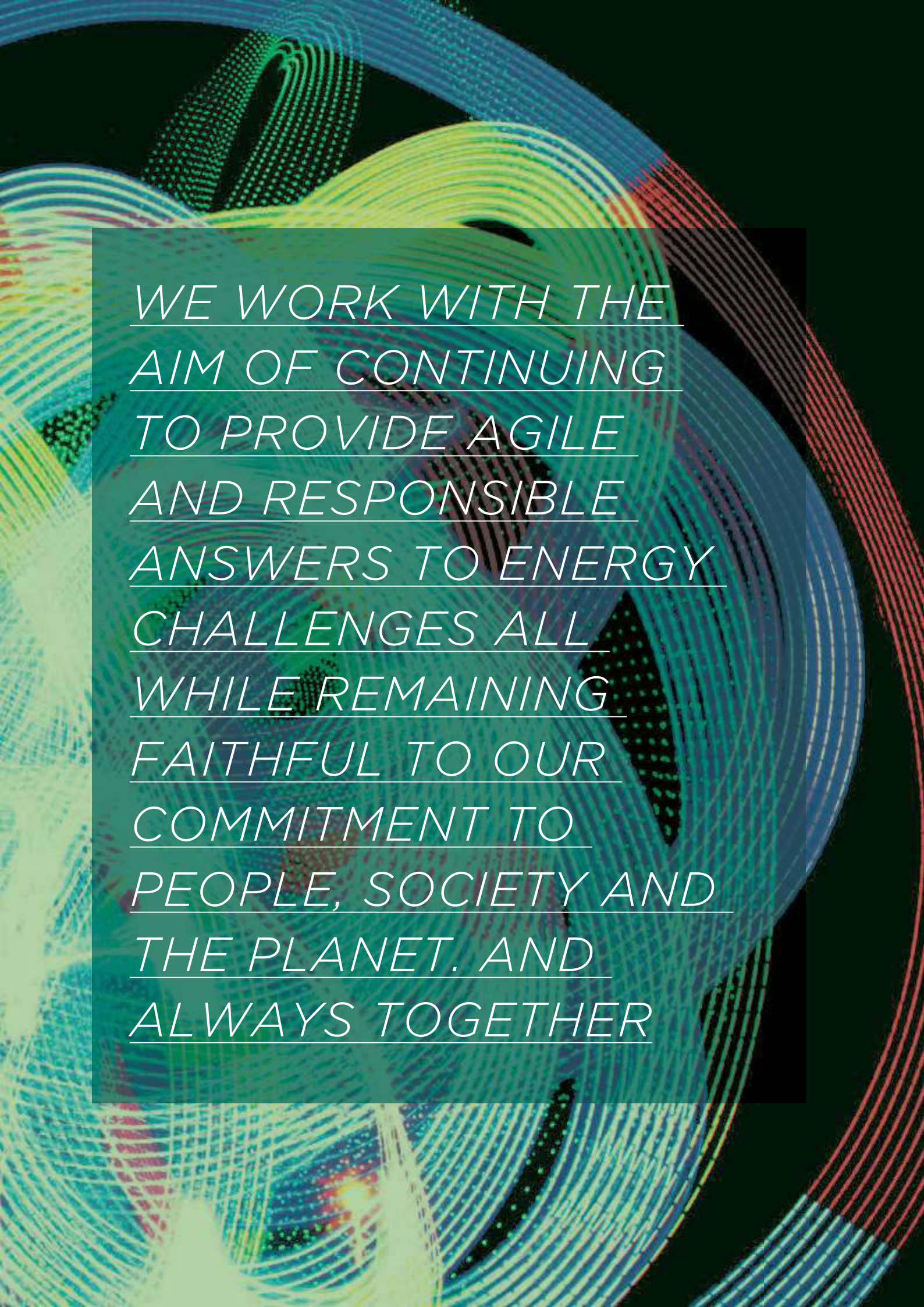


Celebrating
75 years
looking towards
the future with
all our energy

CHAPTER

SUSTAINABLY PROVIDING VALUE





*WE WORK WITH THE
AIM OF CONTINUING
TO PROVIDE AGILE
AND RESPONSIBLE
ANSWERS TO ENERGY
CHALLENGES ALL
WHILE REMAINING
FAITHFUL TO OUR
COMMITMENT TO
PEOPLE, SOCIETY AND
THE PLANET. AND
ALWAYS TOGETHER*

1 SUSTAINABLY PROVIDING VALUE

1.1. IDENTITY AND VALUES (BY ALEX ARTETXE)

This wonderful adventure known as Arteché began in 1946. It was an adventure that began in Bilbao in a shop on Gordoniz street with a small team of people filled with excitement.



“Arteché has a commitment to people, to society; to help transform their world, our world, into a better place to live”

That project would soon move to Mungia (“halfway between Bakio and Bilbao”). The seed that was sown by those pioneers is now a business group with solid roots in the land where it was born and with stronger and stronger branches that extend across four continents. And that small group of

12 people is now a team of more than two thousand professionals who carry the Arteché brand and values all around the world.

It’s something to be proud of. And I am proud. We’ve become a company that’s internationally renowned for our technology, our quality, our market leadership, our international presence and our team of professionals but also recognized for our human values, ethics, trustworthiness, closeness and commitment.

This dedication and these values have been demonstrated throughout our history by the women and men who have built Arteché and we also demonstrated them throughout 2020, which was a rather difficult year. It was likely one of the most difficult we’ve ever experienced yet, together, we came out of it successfully. Not necessarily in terms of results, but rather in terms of the decisions, projects, designs, changes, investments, etc. with which we’re laying a solid foundation for the coming years.

And it has all been thanks to your effort, professionalism and commitment.

2021 will no doubt be a special and very intense year. Our sector, the electric power sector, is in a positive period with transformation projects and great opportunities ahead. As for us, we have fascinating projects underway which are allowing us to look upon the future with enthusiasm.



PURPOSE

To continue providing agile and responsible answers to energy challenges all while remaining faithful to our commitment to people, society and the planet. And always together.

MISSION

To be an international reference in the electric power sector with a vocation for helping our customers offer the greatest possible value in order to grow together as we develop the electricity network of the future and all as a family business with roots and corporate headquarters in Biscay. Our keys are dominating technology, boosting knowledge and developing people as part of a sustainable, attractive and socially and environmentally responsible project.



VISION

We aspire to always be on the cutting edge of technological innovation in the sector and be internationally recognized for quality and service level in all our products and solutions for transportation systems and energy distribution.

VALUES

CUSTOMERS

We work to achieve their satisfaction

CLOSENESS AND COMMITMENT

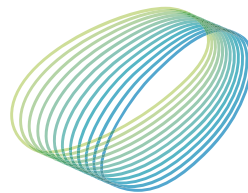
- Closeness
- A presence with our customers
- Making good on promises
- Quick responses
- Searching for solutions
- Listening, learning and bringing something to our customers

EXCELLENCE

We focus our activities towards continuous improvement

CONTINUOUS IMPROVEMENT AND EXCEEDANCE

- Doing things well the first time
- An ambition to exceed the highest standards of quality and efficiency
- Continuous improvement
- Aspiring for an excellent corporate reputation



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PEOPLE

They're at the core of our organization

PROFESSIONALISM AND A SHARED PROJECT

- A commitment to the company's project
- A commitment to people
- Sharing knowledge
- Joint efforts to achieve common goals
- Taking on challenges
- Resolving problems wherever they occur

INNOVATION

At Artech it's an attitude

AMBITION, TRANSFORMATION AND NEW CHALLENGES

- Innovative ambition
- A systematic search for opportunities
- Not conforming to the status quo and always wanting to achieve more
- Collaborating with others to transform knowledge

1.1.1. THE ARTECHE GROUP GENERAL POLICY

The involvement and leadership of our President and CEO at

Arteche Group, Alex Artetxe, in disseminating, developing and

updating the values are reflected in his 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.*
- ✓ **CREATING A TRANSPARENT ENVIRONMENT** *in which to operate and interact, focusing on the aspects outlined in our code of ethics which are heavily present in our corporate values.*
- ✓ **RESPECTING THE INDIVIDUAL AND COLLECTIVE RIGHTS** *of everyone at Arteche and fostering a policy of equality and non-discrimination.*
- ✓ **DEVELOPING AND PROMOTING A CORPORATE CULTURE** *of preventing harmful conducts 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.*
- ✓ **PROTECTING AND GUARANTEEING HUMAN RIGHTS, EMPLOYMENT SECURITY AND THE ENVIRONMENT** *and not allowing any form of forced and/or child labor.*
- ✓ **ENCOURAGING TEAMWORK,** *cooperation and collaboration on all levels.*
- ✓ **TRUSTING IN OUR EMPLOYEES' INNOVATIVE AND PROFESSIONAL ATTITUDES** *in order to enhance our products and services through our vocation for efficiency and excellence.*

July 25, 2018

ALEXANDER ARTETXE

President 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.

1.2. THE ARTECHE GROUP GLOBAL VISION

At Arteche, we focus our activities on designing, manufacturing and marketing electric equipment and solutions in the areas of generation, transportation and electricity distribution as well as industrial electric power applications, energy quality and distribution automation. Our brand is

an international reference in this sector.

We aspire to always be on the cutting edge of technological innovation in the sector and to be known for our quality and service level in all our products and solutions.

Since 2018, we've been participating in efforts to connect more than 35 GW of renewable generation throughout the world

CHARACTERISTICS THAT MAKE US STAND OUT

EXPERIENCE

75 years
of proven history

INNOVATION

Projects that evolve
to continue being
references

FLEXIBILITY

Products that adapt
to customers' needs
in less time

GEOGRAPHIC SCOPE

The capacity to operate and
distribute in order to reach the
entire world

RELIABILITY

More than
40 million units in
the last 10 years

TECHNOLOGY

Products that are officially
approved in accordance
with sector standards

PRODUCT CATALOG

We offer products
of the utmost quality
in all lines

CUSTOMER ORIENTATION

A business that is oriented at
customer satisfaction both
internally and externally

1.2.1. ACTIVITIES, BRANDS, PRODUCTS AND SERVICES

Our business model concentrates on manufacturing and distributing electrical components in the following major lines of activity:



MEASURING AND MONITORING SYSTEMS

Experts on products
for energy measurement
systems

- High-voltage transformers
- Medium-voltage transformers
- The digital network
- Medium-voltage sensors

We transform
energy into value



TRANSPORT NETWORK AND DISTRIBUTION AUTOMATION

Solutions that guarantee the
digitization and automation of the
electric power distribution network

- SAS: Substation automation systems for distribution
- Electromechanical relays for the electric power distribution, industrial and railway sectors

A focus on reliability
and safety



SYSTEM RELIABILITY

Services that reinforce the
efficiency of electric power
infrastructures

- Power restoration devices and isolators
- Analysis, consulting and engineering services
- Quality energy: capacitor banks and harmonic filters

Experience
and knowledge

We export our products and services to more than 175 countries

1.2.2. AN INTERNATIONAL VOCATION

Since our foundation in 1946, Artech Group has been demonstrating a significant international vocation and is now a multi-national technology company. We have production

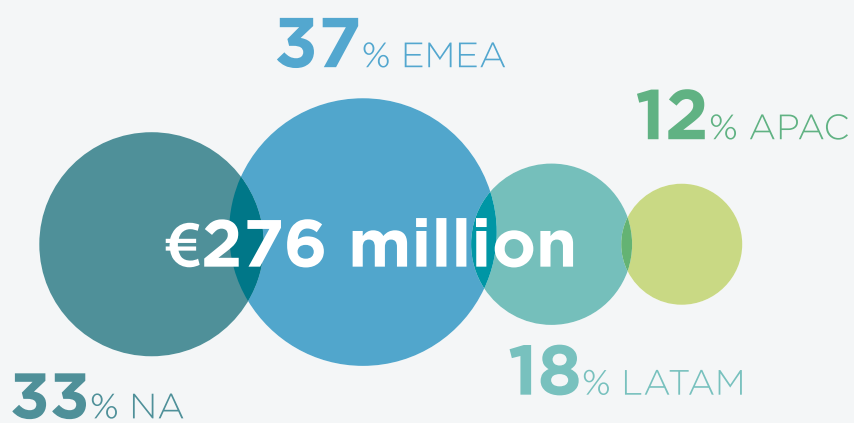
facilities in Spain, Mexico, Brazil, Argentina, China and Australia as well as offices and other group companies in the United States, France, South Africa, United Arab Emirates, India and Thailand.

ARTECHE GROUP PRODUCTION PLANT AND SALES OFFICE LOCATIONS





GEOGRAPHIC DISTRIBUTION OF CONTRACTS AWARDED TO ARTECHE GROUP IN 2020



✓ **PRODUCT DISTRIBUTION**
IN MORE THAN
175 COUNTRIES

✓ **90% OF ALL**
UTILITY
COMPANIES
BACK US AND **TRUST IN US**

The company Artech Medición y Tecnología, S.A. de C.V. was liquidated in financial year 2020.

Our contracts in financial year 2020 totaled 276 million euros with an increase of 2.8% over financial year 2019.

1.2.3. ARTECHE IN FIGURES



The 2019 data include Arteché Turnkey Solutions; the 2020 data do not.

ECONOMIC PERFORMANCE

	2019	2020
Sales (millions)	271.3	264.7
Net profit (millions)	0.9	1.0
Number of plants	12	12
Countries with a direct sales presence	14	15
Number of people	1,858	2,038
Total assets (millions)	237.8	226.3

We view economic performance as a fundamental cornerstone in achieving a sustainable business in the long-term.

From our very origins, we've grown as an organization along with the communities where we operate as we provide wealth to

all our stakeholders with a focus on generating shared value.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED AND TAX CONTRIBUTION

(in millions of euros)	2019	2020
Direct economic value generated (*)	272.8	263.8
Distributed economic value (**)	(265.5)	(243.9)
Economic value retained	7.3	19.9
Own contribution (***)	13.3	14.1
Contribution by third parties (****)	9.6	9.7
Total contribution	22.9	23.8

We've grown along with the communities where we operate

(*) Direct economic value generated means turnover plus other operating revenue.

(**) Economic value distributed means all provisions, personnel expenditure, other operating expenditure, exceptional expenditure and financial expenditure.

(***) Own contribution: business tax, Social Security tax, local taxes.

(****) Contribution by third parties: withholdings, value added tax.

THE IMPACT OF COVID-19 ON OUR FIGURES

COVID-19 has had an impact on the market and on our capacity to provide services given the repercussions on international mobility.

Since one of our worksites is in China, Arteché had early experience in managing the pandemic and quickly adapted all protocols to create COVID-free environments.





SUSTAINABLE FINANCING

In order to align our financial strategy with our sustainable goals, optimize the cost of our debt and diversify our sources of financing, we secured financing from several institutions in financial year 2020.

The 20 and 27 million euros granted by the European Investment Bank and the Official Credit Institute, respectively, back our R&D&i plan and bring it into line with European Union guidelines on Innovation and Sustainability.

The financing secured in 2020 will help us be a more sustainable company



This economic injection will allow us to cover our **plans** for the **next few years**:

- **We will develop new electronic solutions** aimed at digitizing the electricity distribution network and integrating renewable energy generation in the network.
- The **investment project** will support the company's **innovation** strategy which focuses on designing and manufacturing its range of products and solutions all while enhancing its efficiency, reliability and sustainability.
- These investments will allow us to **modernize our digital infrastructure** and **innovate** in the **electric power** sector of up to 800 kV, the segment in which very few companies worldwide are operating.

With this **Investment Plan**, we'll be helping to improve competitiveness all while fostering a recovery and **sustainable growth** model in addition to stimulating **job creation**.

THE CURRENT STATE OF THE ENERGY SECTOR BOOSTS OUR GROWTH

Our company operates in the electric power sector. We specialize in the electric equipment and component industry and under this scope, we are well-positioned in the measuring transformer and relay market.

The industry is currently in the scenario of an energy transition which is driven by three major factors, all related to each other:

- **Decarbonization**
- **Decentralization**
- **Digitization**



The energy sector is a future-looking sector in which greater consumption of environmentally-friendly energy is expected

The expectation with this change is an increase in the demand for substations deriving from a new energy model which will continue to show a trend towards greater generation and a higher demand for renewable energy

with heavy investment planned for the development thereof.

A comparison of the current situation with the estimates for the coming decades foreshadows a significant change in the type of electricity generated with the growth expected in wind and solar energy particularly standing out (4.8% and 2.1%, respectively, in 2018 versus 21.2% and 17.6%, respectively, by 2040 out of the total generated).

This growth will also be seen in electricity consumption. The increase in electrical mobility, renovations on the current plants in the most mature markets (Europe and the United States) along with the population increases in emerging markets and living standards (especially in China and India) will intensify the needs for energy in the medium and long-term.



1.2.4. INNOVATION

At Artech, we're committed to innovation as one of our primary values as we

understand this concept from two different yet complementary perspectives.

The why nots must be questioned yet the whys must be created



TRANSVERSALITY

- ✓ **Innovation is integrated** in all departments and work methods.
- ✓ It's a **change that introduces new developments** or modifies that which exists in order to improve it.
- ✓ Above all, **at Artech, it's an attitude**

The Artech senior management has been working in recent years to inspire by example and implementing improvements in already-existing processes in order to make them more efficient and participatory, thus creating an atmosphere of listening in order to come up with new ideas.

Throughout 2020, we've introduced innovative ideas in areas such as sustainability and people's health and safety with suggestions such as taking advantage of new digital platforms for actions like reforestation and others that would have had to be suspended due to the pandemic as well as managing events with the help of videos and apps.

TECHNOLOGY

- ✓ More than an aspiration, **innovation**, has become an essential condition for **staying competitive**.
- ✓ It helps us stand out in **the value we offer our customers**.

Our priorities are oriented towards achieving an **energy transportation and distribution system that can efficiently, reliably and sustainably integrate the new realities associated with the energy transition** (renewable energy, interconnections, electric cars, storage...).

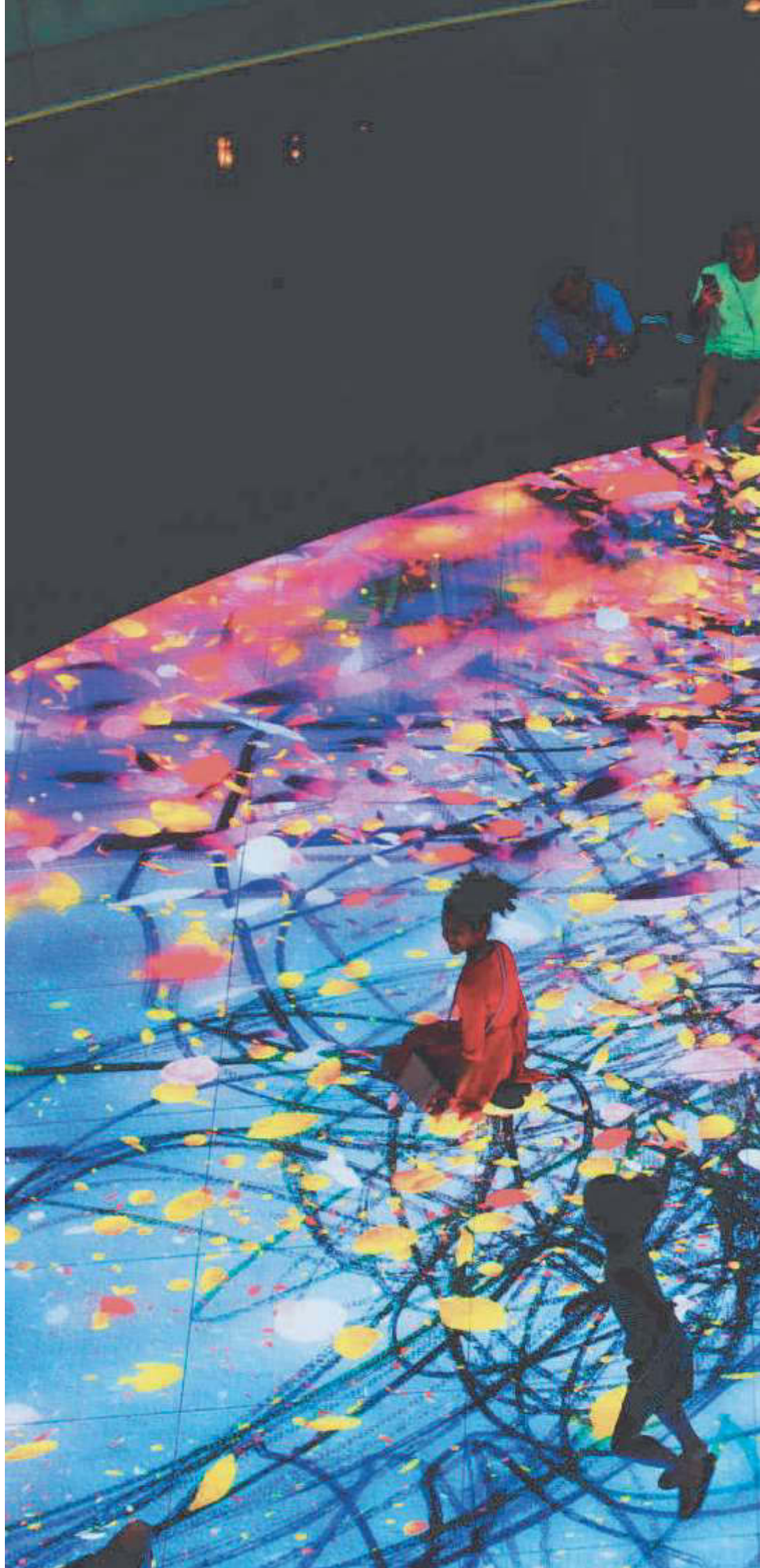
In particular, we are focusing on **digitizing** the electricity distribution network, on solutions that facilitate an efficient interconnection for **renewable generation**, on equipping devices in the network with the necessary **intelligence** to determine their status and predict their behavior and on redesigning equipment to exclusively use **sustainable materials**.

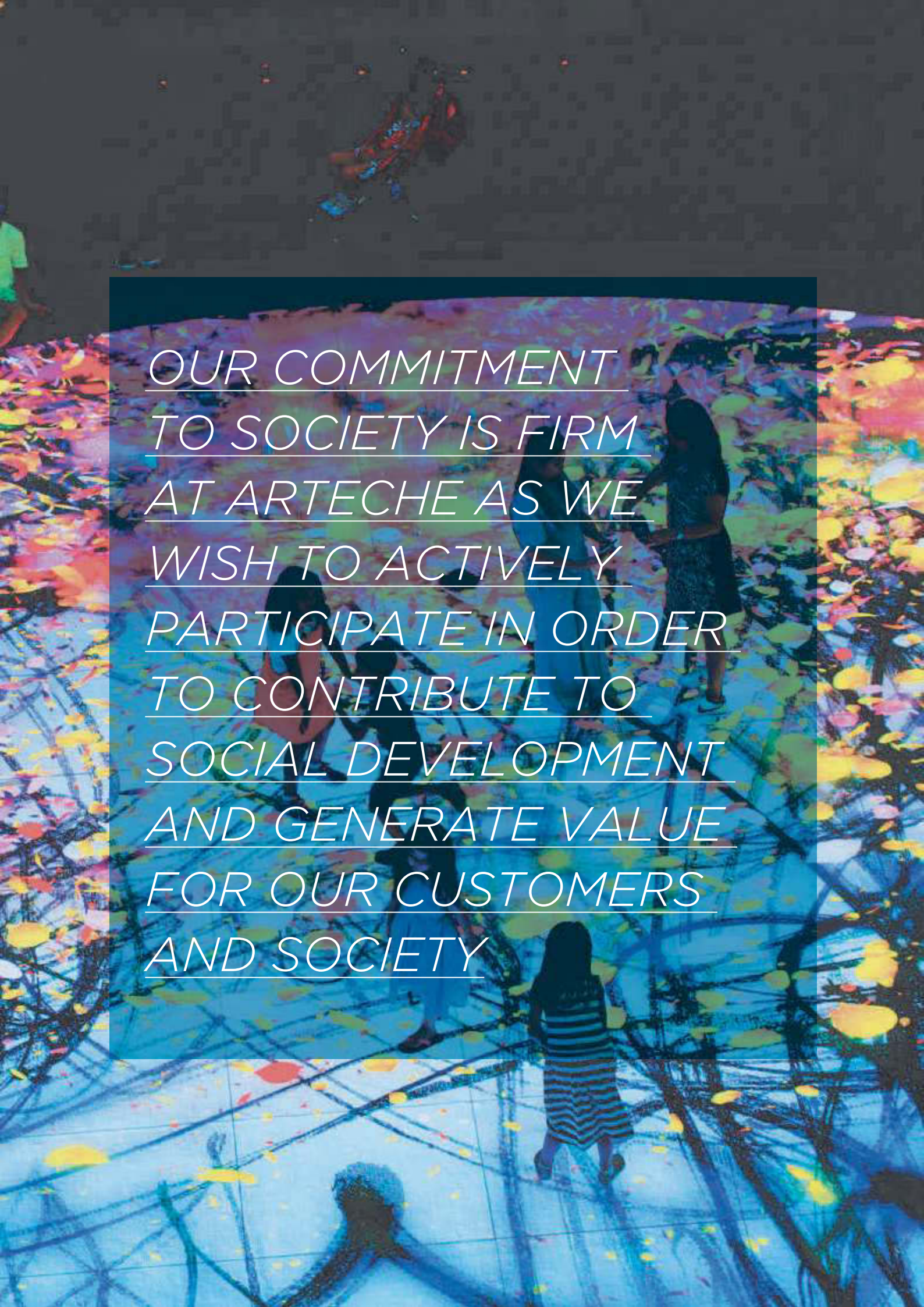
In order to make progress in each of these lines, Artech Group has nearly **150 people dedicated to R&D&i**, divided among **eight development centers** in **five countries**.

ARTECHE GROUP ORGANIZATION



SUSTAINABILITY IN OUR DNA





*OUR COMMITMENT
TO SOCIETY IS FIRM
AT ARTECHE AS WE
WISH TO ACTIVELY
PARTICIPATE IN ORDER
TO CONTRIBUTE TO
SOCIAL DEVELOPMENT
AND GENERATE VALUE
FOR OUR CUSTOMERS
AND SOCIETY*

2 SUSTAINABILITY IN OUR DNA



“Our commitment is to move forward together, *#MOVINGTOGETHER*”



2.1. OUR SUSTAINABILITY STRATEGY

Arteche is a project that's shared by all the people who are a part of the Group, our customers, our suppliers and all of society everywhere we operate.

system in place at several of them in order to foster economic and social benefits for the local communities.

Our aim is to develop innovative projects that can implement the sustainability concept in each and every activity undertaken by our company.

Ethics, honesty, solidarity and transparency are the principles comprising our philosophy and which govern our actions as we constantly seek excellence in quality and service. Our commitment to society is firm and everyone at Arteche wishes to actively participate in order to contribute to social development and generate value for our customers and society.

Our companies have been recognized for our socially responsible management. In fact, **we've implemented the ISO 26000 standard** in our integrated and multi-site management

To this end, the very Arteche Group Code of Ethics sets forth a clear guideline related to non-financial performance: “We undertake our commitment to society as the fundamental basis for Arteche's sustainable development. Each employee must contribute to achieving the sustainability goals, supporting economic progress, caring for the environment and social development”. Likewise, it establishes a concise objective for the entire Group: “To offer our customers quality services responsibly and efficiently. To encourage support for charity, educational and community service activities”.

We focus our **corporate Social Responsibility** on:

- Creating quality jobs
- People development and talent attraction management plans
- Advanced knowledge management development
- The environment
- Customer-oriented service
- Respect for human rights
- Fair practices throughout the production process

2.2. THE SUSTAINABILITY COMMITTEE

As a result of our commitment to sustainable development and the 2030 Agenda, we constituted an Artech Sustainability Committee in late 2019. The **purpose** behind the establishment of this Committee was:



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

The **functioning** of the Sustainability Committee is based on:

- | | | |
|--|---|----------------------|
| a) leadership and coordination of sustainability goals and actions | b) delocalization into regional sustainability sub-committees | c) monthly meetings. |
|--|---|----------------------|

The work of our sustainability committee is determined by the following **basic principles**:

COMPOSITION:

- Our President, Alex Artetxe, is personally involved in the meetings and projects.
- People with different professional backgrounds, of different genders, from different places and with different positions of responsibility participate.

MANAGEMENT:

- Regional autonomy and decentralization.
- Adhoc sustainability plans by region.
- The allocation of an annual budget.
- Coordination of initiatives by the global committee.
- Diverse channels of communication with stakeholders.

REPORTING:

- Quarterly calculation of GRI indicators and quarterly internal reporting.
- Quarterly internal communication with the entire organization.
- Non-financial reporting manual.
- Annual sustainability report.

SUPERVISION:

- Progress supervised by Senior Management on the Auditing and Compliance Committee.
- Internal auditing for internal control.

A LOOK BACK AT THE FIRST YEAR OF ACTIVITY



In terms of management, we've focused throughout financial year 2020 on defining the group's sustainability strategy, establishing sustainability plans for all regions and improving internal controls of non-financial information and indicators.

Nobody can do everything, but we can all do something

An assessment of the sustainability committee in numbers

5
Sustainability plans

6
ARTECHE SDG

65
Actions identified

25
People comprising our Sustainability Committees

ACTIONS BY SDG



DID YOU KNOW?

ARTECHE is one of the companies that has joined the Global Compact Spanish Network

SUSTAINABILITY INITIATIVES DEVELOPED THANKS TO INTERNAL SUGGESTIONS

As part of the Arteché Management System, we've integrated the full scope of Sustainability and the functioning of the group's Sustainability Committee and the different regional Committees into our various processes and procedures. The roadmap, which follows all suggestions from the time they are received until they are assessed and implemented, is always accessible.

Enabling channels for listening and responding to all concerns and initiatives that reach the Committee through our people at Arteché is essential to the strategy being shared and ensuring the greatest possible implication and commitment from all of us at the company.

Of the 65 actions implemented, particularly noteworthy out of so many are internal suggestions related to energy efficiency such as those proposed by our facilities in China and Argentina, volunteer activities supporting the underprivileged in Mexico and Brazil, and the creation of the Arteché Forest which was an idea that came from one of our workers in the EMEA region.

Moreover, we implemented various internal activities during the year through which people from all the Arteché regions became involved on important dates such as the International Day Against Breast Cancer and World Prostate Cancer Day.

We enable channels for listening and respond to internal initiatives because we want our sustainability strategy to be shared



2.3. A COMMITMENT TO THE UNITED NATIONS GLOBAL COMPACT SINCE 2014

Through a letter sent to the United Nations Secretary General, we manifested our commitment and connection to human and labor rights as recognized in national and international laws and to the principles of the UN Global Compact.

Reaffirming our commitment to the Global Compact, we became a **'signatory'** in 2020.

As members of the United Nations Global Compact since the approval of the 2030 Agenda, we've been working to promote the Ten Principles in addition to aligning our corporate management with the Sustainable Development Goals (SDGs) through which we find new business opportunities, enhance our relations with stakeholders and foster innovation.



We've joined the **#WesupporttheSDGs** campaign upon its 5th anniversary



2.4. THE VOICE OF OUR STAKEHOLDERS

2.4.1. STAKEHOLDER IDENTIFICATION AND SELECTION

At Artech, we consider everyone who feels an impact from our decisions and the group's activities as stakeholders in addition to those who are relevant

to the operation and sustainability of our business. We identify our stakeholders each year and take them into account when devising the company's Strategic Plans.



ARTECHE GROUP STAKEHOLDERS

Internal

- Employees and their family members
- Works councils and unions
- Shareholders and the Board of Directors

External

- Customers
- Suppliers
- Governance and Public Administrations
- Training and knowledge centers
- R&D centers and alliances
- Financial institutions
- Sector associations
- The environment
- Society

2.4.2. CHANNELS OF COMMUNICATION WITH STAKEHOLDERS

Having agile, reliable and transparent information on the issues that affect us as a company and as a team and knowing how to effectively transmit it to our stakeholders is no doubt a competitive advantage. That's why we make an effort to encourage and enhance our internal and external communication and align it with the Artech Group's Strategic Plan objectives.

Thus, we maintain different communication strategies with

each one of our stakeholders based on transparency by offering precise, reliable, understandable and relevant information and always in an honest manner as reflected in our Code of Ethics.

Knowing our stakeholder's expectations of Artech is fundamental and that's why we maintain fluid, two-way communication with them.

Communication with our various stakeholders is based on transparency and honesty

Internal channels



- Internal newsletters
- All Hands Meeting
- Intranet
- Internal news
- Performance evaluations
- Deployment of strategic goals
- Information panels
- Internal Committees



External channels



- Artech Website
- Contact forms
- Annual Report
- Social Media
- Email



We maintain an attitude of continuous listening with all our stakeholders

2.5. OUR CONTRIBUTION TO THE 2030 AGENDA

As a result of our continuous dialogue with our stakeholders, Arteché frames all of our business activity within our

commitment to our mission and our values and within a context of respect for human rights. Likewise, we focus our efforts

on the six SDGs where our contributions are most relevant and can make a difference.

SDG 11

Make cities and human settlements inclusive

SDG 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 9

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 12

Ensure sustainable consumption and production patterns

SDG 5

Achieve gender equality and empower all women and girls

ACHIEVEMENTS WITH OUR SUSTAINABILITY PLANS

At the Sustainability Committee meeting in November 2020, we assessed, analyzed and closed the sustainability plan defined for 2020. We also defined the new 2021 sustainability plan based on said analysis and new suggestions for improvement received. The governance of the sustainability committee was updated and officialized by fully integrating the scope thereof throughout the organization starting with the group's Management Committee.

The overall assessment of 2020 is generally quite good, both as concerns the management, stability and results of the Sustainability Committee as well as the progress of the sustainability plans launched which is further reflected in the good findings using the indicators of improvement defined for the six SDGs and even more so considering the impact of COVID-19.

The overall assessment of 2020 is generally quite good, both as concerns the management as well as the progress of the sustainability plans

The most outstanding achievements in the year 2020 for each of the six SDGs selected and the main challenges we've decided to work on in 2021:

Achievements in 2020	Challenges for 2021
<div data-bbox="129 472 242 584">  </div> <ul style="list-style-type: none"> • 35,000 training hours (28.5% for women, who represent 22% of the team) • An annual training plan, which includes subjects such as compliance, sustainability, equality... • The new STREAM channel (a library with training pills and other training options) • A Management Development Program Plan • Education grants 	<ul style="list-style-type: none"> • Internal training plans and education support for employees and their families • Active collaboration with schools and training centers to foster technical vocations
<div data-bbox="129 775 242 887">  </div> <ul style="list-style-type: none"> • Equality committees that work in all of the group's regions • Equality surveys/diagnostics • 25% women in management positions • Female talent visibility and development • More than 20% of all structural new hires in 2020 were women 	<ul style="list-style-type: none"> • Boost equality plans at all companies • Work on parity through new hires and define goals in internal promotion plans
<div data-bbox="129 1032 242 1144">  </div> <ul style="list-style-type: none"> • Revised and updated Health & Safety incident management procedures • Health and safety awareness actions for all staff • 60% of new hires under the age of 30, thereby fostering youth employability and their inclusion in the job market • Digitization of processes to reduce the use of paper 	<ul style="list-style-type: none"> • Reinforce internal Health and Safety training • Extend the Code of Ethics to suppliers and other collaborators • Development projects in needy areas
<div data-bbox="129 1301 242 1413">  </div> <ul style="list-style-type: none"> • Research into cybersecurity technologies for a more secure electric distribution network • Substation eco-design • The use of birefringent crystals to measure electrical voltage • Research into the use of biodegradable oil for high-voltage transformers • The reduction and replacement of plastic in our processes 	<ul style="list-style-type: none"> • Less consumption of plastic in all packaging • Projects for the sustainable improvement of our products • The digitization of production processes
<div data-bbox="129 1626 242 1738">  </div> <ul style="list-style-type: none"> • Energy efficiency studies for all our plants • Our Procurement Policy requires a sustainability commitment from suppliers • The Arteche Forest reforestation project has compensated more than 33 tons of CO₂ • Sustainability projects in the local communities where we're present 	<ul style="list-style-type: none"> • The development of local initiatives aimed at compensating our energy footprint and supporting local communities
<div data-bbox="129 1895 242 2007">  </div> <ul style="list-style-type: none"> • Lower emissions from our plants • The application of measures to optimize our energy consumption • Efficient use and lower consumption of water • Recycling more than 30% of all hazardous waste and enhanced waste management overall 	<ul style="list-style-type: none"> • Promoting the consumption of renewable energy • Reducing non-recyclable/non-reusable waste • Reducing consumption in comparison to 2020 indicators

CHAPTER

3

GOOD GOVERNANCE, ETHICS AND RISK MANAGEMENT



A person in a black shirt and pants stands with hands on hips on a rocky, vegetated hilltop. Below them is a vast, dense urban landscape with numerous high-rise buildings and green spaces. The sky is filled with large, dramatic clouds. The entire scene is overlaid with a semi-transparent yellow-green rectangular box containing white text.

*IN 2020, WE CONTINUED
PROGRESSING
TOWARDS BEST
PRACTICES IN
OUR CORPORATE
GOVERNANCE SYSTEM*

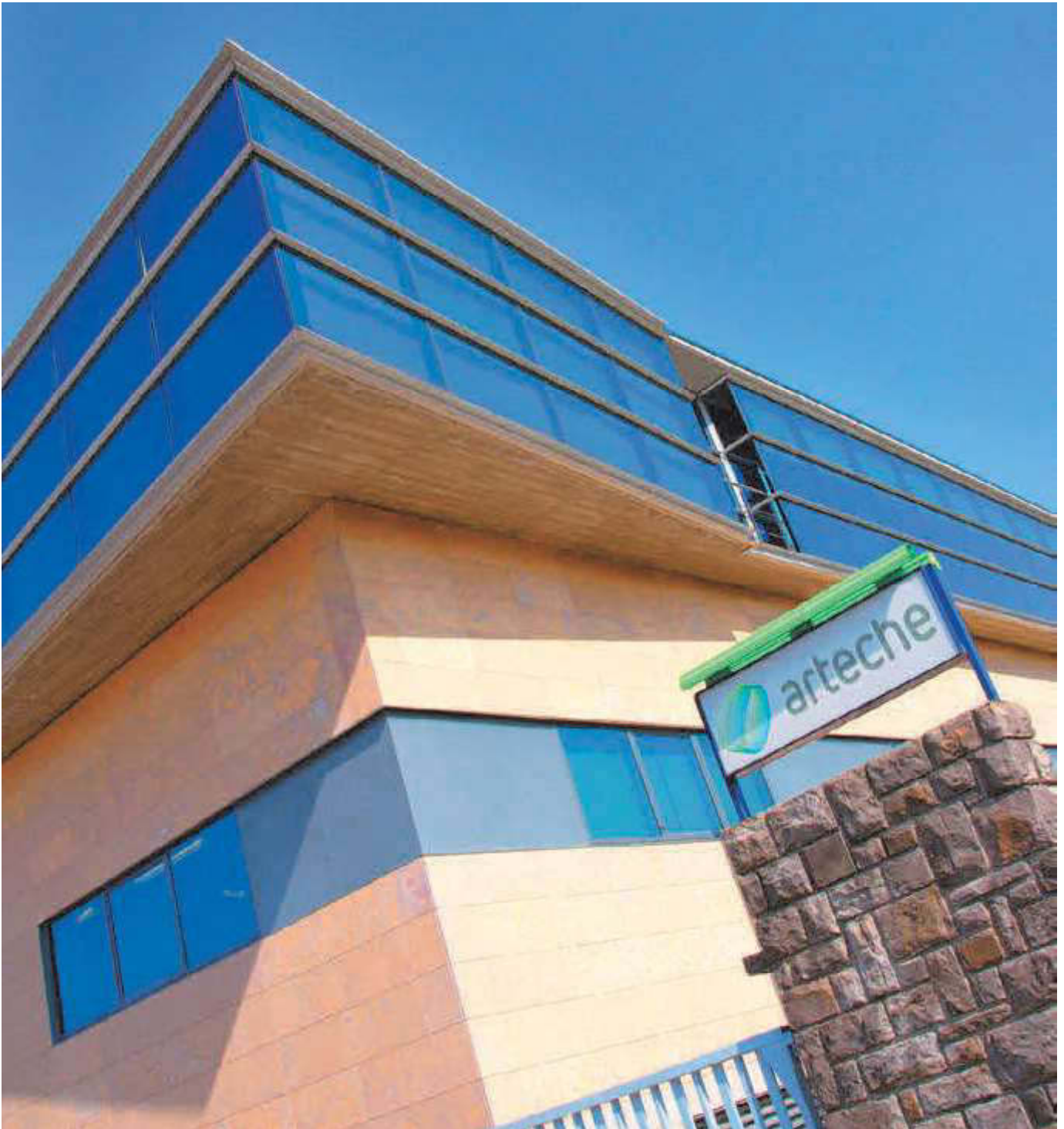
3 GOOD GOVERNANCE, ETHICS AND RISK MANAGEMENT

3.1. CORPORATE GOVERNANCE SYSTEM



The **Arteche Corporate Governance System** is mainly made up of:

Shareholders	Bylaws	General regulations for the group's activities	CORPORATE BYLAWS
	Rules	Rules on the duties and competencies of the governance bodies	RULES: <ul style="list-style-type: none"> • Board of Directors • Audit and Compliance Committee • Appointment and Compensation Committee
Board	Corporate Policies	Policies and standards passed by the Board of Directors	<ul style="list-style-type: none"> • Mission, Vision and Values • Code of Ethics • Sustainability • Basic Internal Auditing Standards • Corporate risk map
	Senior Management Policies	Policies and standards passed by the Management Team	<ul style="list-style-type: none"> • Integrated management model • Crime prevention model • Specific policies
Management	Procedures	Standards, procedures and protocols to implement the policies	<ul style="list-style-type: none"> • Integrated management model procedures



In **2020**, we included these **new developments** in our System:

- Approval of the Appointment and Compensation Committee Rules
- Performance assessment of the Board of Directors and delegated committees
- A boost to the three lines of defense model with ISO 27001 and the new role of Chief Information Security Officer (CISO)
- Continuous updating to corporate policies
- Definition of the cornerstones of the group's risk management system

3.2. ETHICS

3.2.1. VALUES, PRINCIPLES, STANDARDS AND RULES OF CONDUCT

Compliance objectives are a part of our strategy and are reflected along with the group's values, principles, standards and rules of conduct in the Arteche Code of Ethics. It declares our commitment and connection to human and labor rights as recognized by national and international laws and to the principles of the United Nations Global Compact, standards on the responsibilities of transnational companies and other trading companies as concerns the United Nations

human rights, the OECD guidelines for multinational companies, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the ILO social and political policies as well as the documents and texts that may replace or complement all of the foregoing.

The Code is a fundamental part of the group's corporate governance system and is fully respectful of the principles of corporate organization established in it.

Through the Arteche Code of Ethics, we manifest our commitment to human and labor rights

These are the **15 general principles of our Code of Ethics**, which are applicable to everyone at Arteche Group:



- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Respect for the law • Professional conduct reflecting integrity • Conflicts of interest • Measures against corruption • Fair hiring practices: equal opportunities and non-discrimination | <ul style="list-style-type: none"> • Defense of competition • Information transparency • Relations with customers and suppliers • Health and safety • Protection for own and third-party assets • The environment | <ul style="list-style-type: none"> • Use of the company's goods and services • Confidential information • Trade secrets • Sustainable development • Financial control • Relations with authorities and public entities |
|---|---|--|



ETHICS CHANNEL

We have an Ethics Channel where people can get answers to any questions related to the Code, professional standards and, in general, all of our internal policies. Likewise, it provides a way to report any conduct that differs from such policies.

Queries and complaints received through this channel are handled

with the utmost confidentiality by the Ethics Committee and are managed impartially and independently with the company adopting a specific commitment to prohibiting any retaliation against anyone who files a query or complaint.

The Arteche Code of Ethics and Ethics Channel are available at the **website www.arteche.com**.

As a complement to the Code, the Arteche **"Crime Prevention Program"** is also integrated into the Corporate Compliance Program.

Our commitment to ethics and good governance is also transmitted to third parties with which the group works on different initiatives.

3.3. RISK MANAGEMENT SYSTEM

3.3.1. ARTECHE GROUP INTEGRATED MANAGEMENT MODEL

At Arteche, we work to achieve satisfactory results that guarantee short and long-term company competitiveness and sustainability. We aim to satisfy our stakeholders and achieve balanced results.

To do so, we have an Arteche Integrated Management Model which was approved by senior management and includes a global vision and standard for

how we wish to manage the group. Based on our mission, vision and values, we mark the proper direction by establishing a strategy and annual objectives, we enhance the efficiency of our processes by orienting them towards our customers, we get everyone within the group to contribute and we attain satisfactory economic and societal contribution results.

We aim to satisfy our stakeholders and achieve balanced results



This model is based on the following **STANDARDS:**



- **ISO 45001:2018**
"Occupational Health and Safety Management Systems"
- **ISO 14001:2015**
"Environmental Management Systems"
- **ISO 9001:2015**
"Quality Management Systems"
- **ISO 26000:2010**
"Guidance on Social Responsibility"
- **ISO 19001:2017**
"Management System for Criminal Compliance"
- **ISO 27001:2013**
"Information Security Management"

As part of this model, we've developed a system for measuring and evaluating the

results in a view to detecting incidents and deviations in processes as well as a system

for monitoring, controlling and improving in order to accomplish the goals set.

3.3.2. RISK MANAGEMENT SYSTEM

The activities performed by the various Arteche companies are subject to different contin-

gencies which, if materialized, could hinder the achievement of the objectives established

(which we measure through our Integrated Model systems).



THE PRIMARY CORNERSTONES OF OUR RISK MANAGEMENT SYSTEM ARE:

- **A CORPORATE RISK MAP:**

In line with the 2022 Strategic Plan, this risk map is integrated annually in the strategic reflection process.

- **SUPERVISION AND REPORTING:**

Our governing bodies periodically receive the statuses of our plans and monitoring indicators.

- **RISK INDICATORS AND ACTION PLANS:**

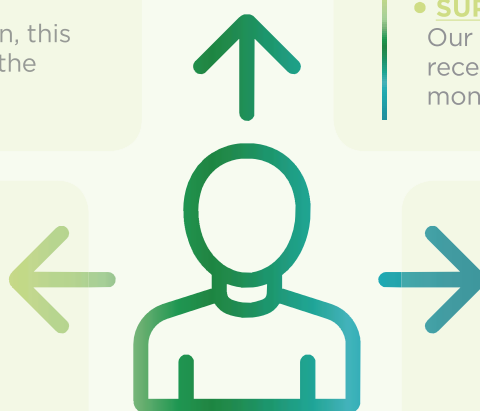
The main risks are assigned periodical monitoring indicators as well as plans naming the responsible parties on the Management Committee.

- **INTERNAL AUDITING PLANS:**

The annual internal auditing plan is entirely focused on the group's primary medium and long-term risks.

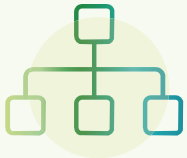
- **A THREE LINES OF DEFENSE MODEL:**

Three independent lines with varying functional dependence ensure the system works properly.



3.3.3. LONG-TERM RISKS AND OPPORTUNITIES

The **main risks identified** within the group are classified as follows:



• **STRATEGIC RISKS**

Deriving from the uncertainty of macroeconomic and geopolitical conditions as well as the very characteristics of the sector and markets in which the group operates in addition to the strategy planning and technological decisions made.



• **FINANCIAL RISKS**

From all the fluctuations in the markets, contractual relations with third parties and counterparties related to investments in financial assets and liabilities.



• **OPERATIONAL AND TECHNICAL RISKS**

Inherent to all of the group's activities, products, systems and processes that cause an economic/reputational impact due to human/technological errors, an inadequate organizational structure, weak internal processes or the intervention of external agents.



• **TECHNOLOGICAL RISKS**

Related to the group's information security, the normal development of daily communications, all supported by IT applications, operating systems, databases, software... as well as all assets that store, process or transmit data.



• **COMPLIANCE AND REGULATORY RISK**

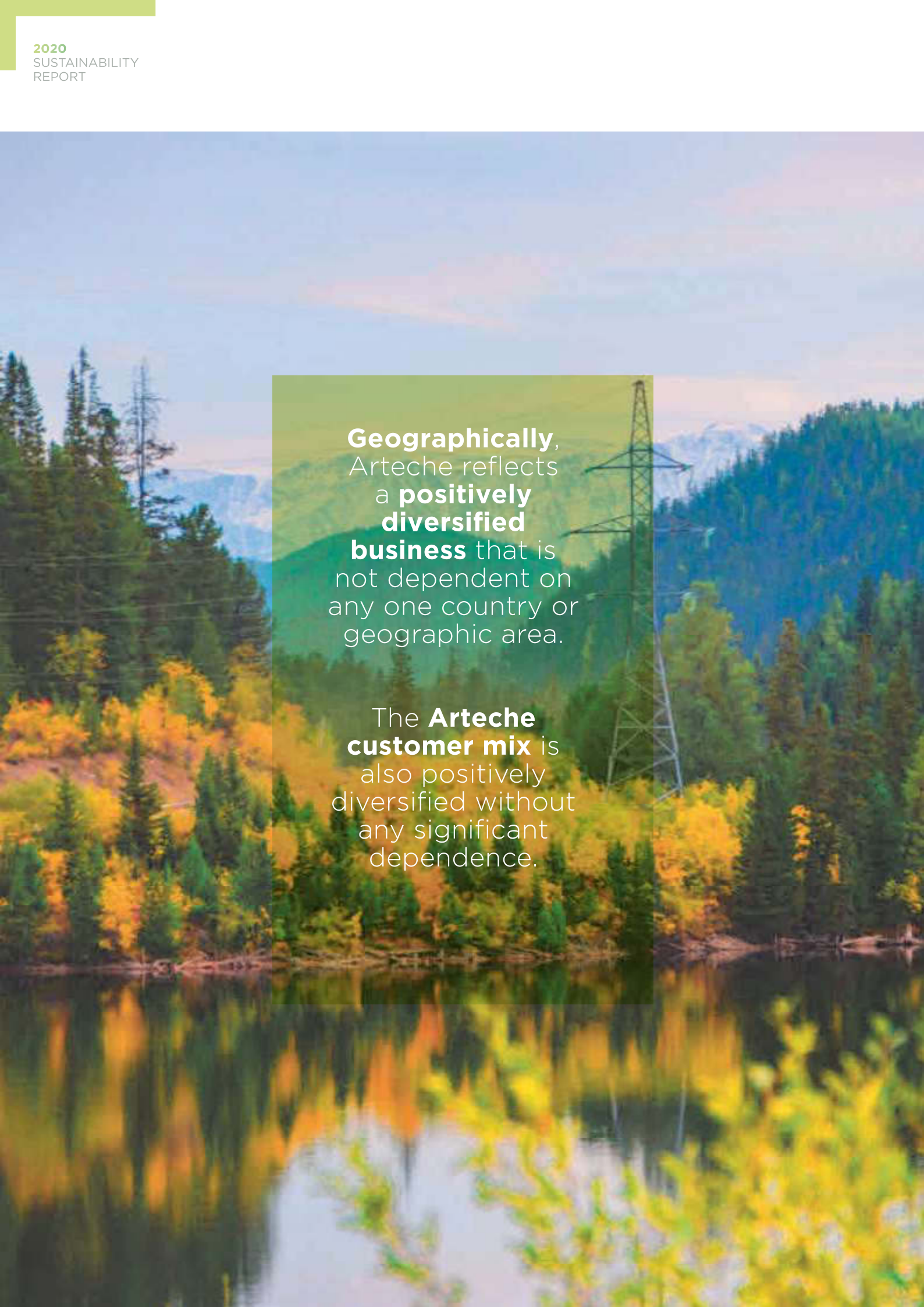
Deriving from a breach of internal and external rules and regulations applicable to the group by Management or staff.



• **CORPORATE GOVERNANCE RISKS**

Deriving from non-compliance with the Group Corporate Governance System which regulates the functioning of all governing bodies and their relations with stakeholders, the commitment to ethical principles, best practices and transparency, all in a view to defending corporate interests and creating sustainable value.





Geographically, Arteche reflects a **positively diversified business** that is not dependent on any one country or geographic area.

The **Arteche customer mix** is also positively diversified without any significant dependence.

3.4. 'ZERO' TOLERANCE FOR CORRUPTION AND BRIBERY



The fight against corruption and bribery is a part of our basic sustainability and good governance objectives. This has led us to

establishing preventive measures to ensure compliance with the most demanding standards set forth in our Code of Ethics.

The fight against corruption and bribery is a part of our basic sustainability and good governance objectives



• RISKS AND CRIME PREVENTION PROGRAM

We have a Crime Prevention Program aimed at preventing any conducts by anyone at Arteche acting in their own name and on their own behalf which may lead to possible criminal liability for the company.

The program, which includes a commitment by Management, was reviewed by the Compliance Department in order to implement ongoing improvement actions in the system. This review included the participation of professionals who are responsible for all areas and processes that are relevant to the Group.



• MEASURES TO PREVENT CORRUPTION

At Arteche, we firmly believe the best way to keep on growing and developing our business is by doing things well and with integrity. Our Code of Ethics establishes clear guidelines against corruption. Some of them focus on aspects such as:

- Commitments and principles of action
- Gifts and courtesies
- Conflicts of interest
- Relations with customers and suppliers
- Donations and sponsorships
- Facilitation payments
- Financial control



• MEASURES TO PREVENT MONEY LAUNDERING

We establish and apply payables and receivables control measures to prevent any use thereof for money laundering and we maintain the principle of precaution in our relations with customers and suppliers as well as in asset and business operations. To date, we have not detected any suspicious transactions as concerns money laundering or corruption.

• ECONOMIC CONTRIBUTIONS

Arteche did not make any economic contributions to political parties in 2019 or 2020.

4

OUR ENERGY: PEOPLE. #MOVINGTOGETHER










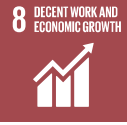
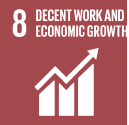



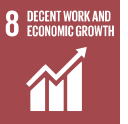



*“THERE ARE NOW
MORE THAN 2,000 OF
US COMBINING OUR
ENERGY TO BRING
VALUE TO SOCIETY
THROUGH THE
ARTECHE PROJECT”*

4 OUR ENERGY: PEOPLE. #MOVINGTOGETHER

*We want to make
Arteche the best
place to work*

Our excitement, experience and knowledge are reflected in everything we do. We are dedicated to maintaining and implementing initiatives that make our organization an attractive

place to work where people can acquire and share knowledge as well as grow professionally in a context of innovation where high demand co-exists with the ability to balance work and family.

Material aspect	Related SDG	Material aspect	Related SDG
Employment	 	Education	 
Health and Safety	 	Human Rights	 
Management	  	Equality	 
Social Relations			

WE BECOME **EDUCATED**
IN ORDER TO **DEVELOP**

WE ARE COMMITTED TO
DIVERSITY AND FEMALE TALENT

WE CREATE OPPORTUNITIES
THROUGH JOBS

OUR OBJECTIVE:

To create an attractive work environment where we not only incorporate talent but are also capable of identifying and boosting the talent of the people already with us. We aim for a shared project in which everyone feels as though they are an essential part of the achievements attained.



4.1. OUR TEAM

THERE ARE MORE THAN
2,000 OF US AT ARTECHE

MORE THAN **75%** OF OUR
WORKFORCE HAS AN **INDEFINITE
EMPLOYMENT CONTRACT**

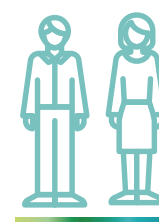


THE **AVERAGE AGE** OF OUR
WORKFORCE IS **39**, BOTH FOR
WOMEN AND MEN

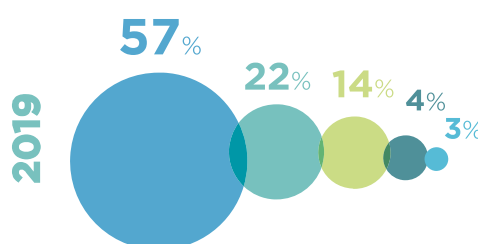
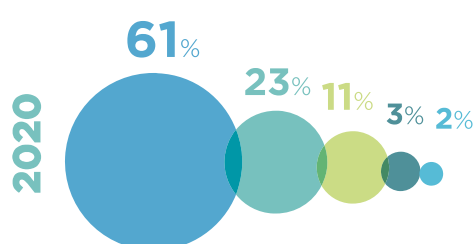
IN 2020, WE CREATED 550 **JOB
OPPORTUNITIES**

TOTAL NUMBER OF EMPLOYEES

Number of employees	2019	2020
Total	1,858	2,038
Men	1,432 (77%)	1,591 (78%)
Women	426 (23%)	447 (22%)

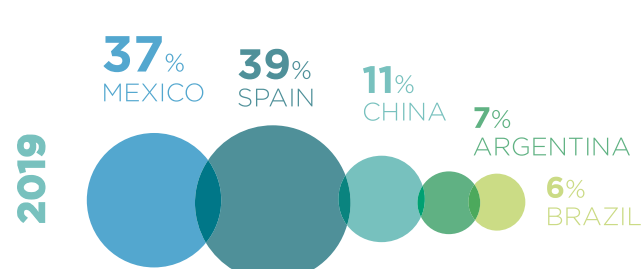
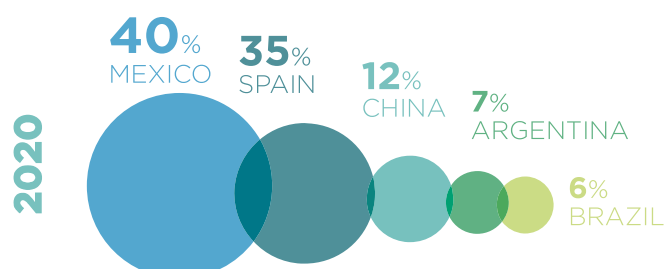


PROFESSIONAL CATEGORY



- OPERATORS
- HIGHER EDUCATION GRADUATES
- TECHNICIANS AND ADMINISTRATIVE STAFF
- SPECIALISTS AND SUPERVISORS
- MANAGEMENT

COUNTRY



NEW HIRES WITH DEGREES (ARTECHE GROUP)

At Arteche Group, we
view diversity as value

Men	Women
36 (55%)	30 (45%)

4.2. EDUCATION TO KEEP GROWING

People have made Arteché the company it currently is thanks to their professionalism, knowledge and commitment to this shared project.

To this end, we seek the most qualified and well-prepared people and that's why we've developed a talent recruitment, development

reinforcement and leadership promotion model that allows us to hire the most adequate professionals and accompany them as they grow.

A CIRCULAR MODEL

1. RECRUITING TALENT

- We want to attract the best and that means we must prove ourselves as **the best possible choice for future talent**.
- On this road, **we work to position ourselves as 'an employer brand of reference'** and achieve a unique "employee experience".



2. BOOSTING DEVELOPMENT

- We foster **internal knowledge management** taking advantage of the experience and **know-how** of all of our professionals at Arteché.



3. PROMOTING LEADERSHIP

- **We have a Leadership Model based on 15 behavioral principles.** It encourages aspects such as:

- TRANSPARENCY
- MERITOCRACY
- ADEQUATE TEAM MANAGEMENT
- COMMUNICATION ABILITIES
- A LONG-TERM BUSINESS VISION

arteché

We invest the necessary resources in developing and motivating the people who are a part of the company. By doing so, we aim

to create the ideal climate where all tasks can be done efficiently and our work and customer service are always of the highest

quality. Thus, we can achieve the greatest possible development in our team and get the best possible results for the company.



MAIN TRAINING AREAS:

- Sustainability and Sustainable Development Goals
- Occupational Health and Safety
- Products and Processes
- Information Security
- Languages and Specific Training



Nearly 35,000
training hours in 2020
(16 hours/person)



An all-new video channel
called STREAM to
disseminate training pills and
other internal training options

MORE DIGITIZED TRAINING

We made progress in 2020 on digitizing our Training Management System with the global implementation of a new platform that is accessible to everyone at Arteché anywhere in the world.

4.2.2. A SHARED PROJECT, COMMITMENT AND COMMUNICATION

Communication is an essential and transversal tool in all of the organization's processes which also has a direct impact on the climate and people's performance.

Throughout 2020, we worked on an external and internal communication strategy. How? By listening to the people who are a part of Arteche as well as other stakeholders.

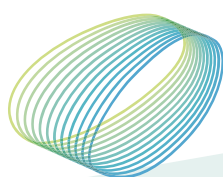
Internally, this listening process was carried out using channels such as surveys, interviews and suggestion boxes. Likewise, with collaboration from and the implication of management, we create a new transparent, open and trustworthy communication style.

Proof of this lies in the fact that General Management is leading

two of the major internal Arteche communication channels - quarterly meetings (All Hands) and an internal newsletter.

We hope to continue generating new forums for listening which drive effective communication in all departments so it can be a lever for aligning the Arteche purpose with our values and day-to-day concerns.

THE OBJECTIVES OF OUR INTERNAL COMMUNICATION



arteche *EMPLOYEE EXPERIENCE*

4.3. WE DEFEND HUMAN RIGHTS

We're committed to defending human rights so that the people at Arteché may freely exercise their rights of association and collective bargaining. And we reject child labor, forced or mandatory labor, the assignment of hazardous work as well as violations of the rights of minorities and indigenous peoples in the places where we operate.

We expressly manifest this commitment in our Code of Ethics. This declaration not only formalizes our public commitment, but it also sends our stakeholders a clear message that the company firmly believes

in respecting human and labor rights as recognized by national and international laws.

To this end, we demand our suppliers undertake to comply with aspects related to human rights in addition to evaluating them on environmental, safety and social responsibility criteria.

As concerns fundamental ILO conventions, we ensure compliance with them as concerns forced labor and the abolition thereof, freedom of union and collective bargaining and the minimum working age and ban on child labor.

The Ethics Committee did not receive any complaints in 2020 relating to this area at any of the group's companies



4.4. DIVERSE, EQUAL, ACCESSIBLE

We are committed to developing female talent and making it visible

Fostering progress in gender equality is a common commitment that we have for all our regions and worksites at Artech Group.

It's a part of our corporate culture and has become a global school of thought that focuses on emphasizing diversity from a gender perspective in all our processes and policies.

We don't limit ourselves to following the law. We go

beyond it by being an example of real equality in our sector and promoting real equality policies and concerns treatment and opportunities.

To this end, we are committed to developing female talent and making it visible by working globally and in each of our regions. To do so, we have Equality Committees that work globally and in each region to make consistent progress in gender equality.

ACTIONS TAKEN IN 2020 GROUP-WIDE:

- The **creation of Surveys** aimed at diagnosing the starting point on gender equality at our worksites.
- A **review of all the various materials and communication channels** to work on implementing inclusive language with representative images of both sexes.
- **Support for the UN campaign** to eradicate violence against women.



- The **development of a talent map**, placing particular attention on identifying female talent at Artech.

- Work on **visibility for female talent** by focusing on them in our Internal Newsletter.

- The **promotion of telework** as a result of the pandemic which has made it easier for many people to achieve a work/family balance.



- **In 2020, we hope to implement many actions:** Equality Plans, a Talent Development Plan from a gender perspective, awareness actions for all of the workforce, specific communication plans on this topic...

- **Development Plans for women** known as 'High Talent' after identifying them.

- **Reinforcement of training** on SDG 5 Gender Equality.

Besides dedicating a great deal of effort to gender equality, we've also continued working on our diversity. We're present in different countries and hire people of various nationalities, predominantly Spanish, Mexican, Brazilian, Argentinian and Chinese. Appropriate management of

our cultural diversity amounts to tangible competitive edges related to an openness to knowledge and pluralistic points of view, contributions to talent attraction and retention, a stronger Arteche culture, and an increase in innovation, creativity and productivity.

Diversity does not only strengthen our culture, but it also increases our innovation and creativity

THE SAME OPPORTUNITIES FOR EACH AND EVERY ONE OF US



At Arteche Group, we believe in equal opportunities in all ways. In 2020, nine people with different capacities were a part of our workforce, three more than the year before.

Plus, we collaborate with special employment centers to foster job inclusion and help with the personal development of the most underprivileged. Some of the most outstanding examples in 2020 were:



CREATING QUALITY JOBS

At Arteche Group, we seek the wellbeing of the people who work with us and we want to contribute to it by promoting work/life balance and flexibility programs that better facilitate a balance between people's personal lives and their job responsibilities to the extent possible given the complex nature, locations and places where all the different activities are performed.

The group's companies comply with all laws in effect in each location with respect to social dialog and staff participation in

occupational health and safety matters.

We have works councils or the equivalent (union committees, trade representatives, etc.) at all manufacturing plants and corporate offices which is where most of our workforce is located.

At the same time, these plants have occupational health and safety committees (CIPA, etc.) where employee representatives and the companies discuss suggestions and recommendations and control and monitor all actions in this area.





4.5. HEALTH AND SAFETY

Arteche is an organization that is fully committed to ongoing improvement in Occupational Risk Prevention in order to achieve and maintain a healthy work environment focusing on both the people who work for the group as well as those who collaborate or use our products and services.

The basic purpose of these forums is maintaining two-way and continuous communication on prevention, ensuring compliance with occupational risk prevention policies (legal regulations as well as internal rules) and proposing the necessary actions for the continuous improvement of the

work conditions and prevention of occupational risks. There is great collaboration with the company's management on continuous improvement by promoting and fostering cooperation among everyone to execute and comply with standards and ensure surveillance and control.

Aware of the importance of good occupational risk prevention planning, General Management **does the following as part of its responsibilities:**

- **APPROVAL** and periodic monitoring of the **HEALTH AND SAFETY OBJECTIVES ESTABLISHED**.

- **THE INTEGRITY OF THE SYSTEM IS MAINTAINED** when changes are made.

- **TRACKING AND CONTINUOUSLY IMPROVING MANAGEMENT OF HEALTH AND SAFETY AND RELATED PERFORMANCE** as well as indicators of improvement in Health and Safety.

- **ENCOURAGING DEVELOPMENT**, ongoing improvement and compliance with the procedures that support health and safety processes as defined in the model.



We maintained ISO 45001 certification at all sites in 2020





MANAGEMENT OF THE COVID-19 PANDEMIC AND OUR PEOPLE

Ever since the beginning of the pandemic, we've been working on people's safety at Arteche

in order to prevent and minimize the spread of COVID-19 internally at all of the group's

plants by carrying out the following actions, among others:

- The preparation of a protocol to prevent the spread of COVID-19.
- The creation of a Coronavirus Committee.
- Periodic Coronavirus Committee meetings.
- Ongoing information for personnel on the situation and rules to follow.
- Temperature taking for all personnel.
- Disinfection of common areas, the installation of hand sanitizer dispensers.
- Periodic delivery of masks.
- Signage with the rules to follow.
- Monitoring of all personnel with symptoms or who have been in close contact with the virus.
- Serological and antigen screenings and tests for personnel as per medial criteria.
- The establishment of capacities in different rooms. The closing and safe re-opening of dining halls.
- Safety rounds to verify compliance with the measures.



5

COMMITTED TO THE PLANET





WE HAVE A VOCATION
FOR PROMOTING
AND INTEGRATING AN
ENVIRONMENTALLY
RESPONSIBLE
CULTURE SO AS TO
FOSTER SUSTAINABLE
DEVELOPMENT

5 COMMITTED TO THE PLANET



Our Code of Ethics, our Integrated Management Model and our values reflect the commitments we have undertaken with regard to the environment. It's something our stakeholders demand but also something

we've promised upon signing the United Nations Global Compact.

In relation to environmental performance, we consider the following as material aspects:

We have assumed responsibility for the United Nations Global Compact as if our own

Material aspects

Related SDGs

- Energy
 - 7 AFFORDABLE AND CLEAN ENERGY
 -
- Hazardous and non-hazardous waste
 - 11 SUSTAINABLE CITIES AND COMMUNITIES
 -
- Emissions
 - 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
 -
- Resource consumption
 - 13 CLIMATE ACTION
 -



ACHIEVEMENTS:



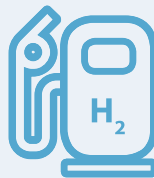
32%
reduction
in **water**
consumption



10%
reduction
in **natural gas**
consumption



0
environmental
incidents



31%
reduction
in **gasoline**
consumption

11%
reduction
in **diesel B**
consumption

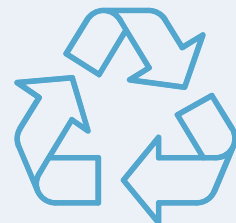
6%
reduction
in **diesel C**
consumption



35%
reduction
in the generation
of **hazardous**
waste



20%
reduction
in the generation
of **non-hazardous**
waste



15%
increase
in
recycled hazardous
waste

5.1. ENVIRONMENTAL POLICIES

As part of the Arteché commitment to sustainable development, we have a vocation for promoting and integrating a culture of environmental responsibility. To do so, we ensure compliance with environmental provisions and propose the necessary actions for continuous improvement and prevention of environmental risks.

Aware of the importance of good environmental planning, General Management handles the following tasks as part of its responsibilities:

- Approval and periodic monitoring of environmental objectives.
- Monitoring and continuous improvement of indicators for environmental improvement.
- Encouragement for development, continuous improvement and compliance with procedures that support the environmental processes as defined in the management model.

As a part of our Management System, we have integrated, implemented and certified all points required by ISO 14001:2015, including those corresponding

to procedures for preventing environmental impacts.

Considering that environmental management is one of the cornerstones of our work in sustainability and, therefore, a fundamental part of our objectives in this area, we guide our environmental actions towards compliance with SDG 11 (Sustainable Cities and Communities) and SDG 12 (Responsible Consumption and Production).

It's worth noting that our industrial activity is operated with complete respect for the natural environments in which our operations are located.

BEHAVIORAL GUIDELINES

In line with our **Code of Ethics**, the people who are a part of the Arteché project undertake to:

- Minimize waste and pollution
- Conserve our natural resources
- Promote energy savings
- Create and sponsor research and development projects that foster environmental protection.

We also transfer this commitment to our **suppliers, customers** and **collaborating companies** by demanding their compliance.



A GLOBAL APPROACH

At Arteche, we have a Global Quality and Environmental Affairs Department which focuses its work on the company's environmental management. Likewise, each plant has their own technical team who ensures compliance with our environmental commitments.

To this end, our worksites have environmental objectives that seek ongoing improvement in their behavior by measuring indicators as relevant as:

- Energy consumption within the organization
- Water consumption
- Direct and indirect emissions
- Waste by type and removal method
- Significant spills
- Non-compliance with environmental laws and regulations



All of our plants are ISO 14001:2015 certified as part of our Multi-Site Integrated Management System



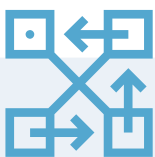
We periodically conduct internal and external audits to evaluate the degree of compliance with these standards. In addition, we have tools to immediately understand applicable new laws relating to the environment and taxation so we can be up-to-date on all financial implications and other risks and opportunities deriving from climate change.

Moreover, we have internal and external communication channels to collect suggestions and opinions

from stakeholders in order to adequately manage them.

Also with suppliers

As part of our supplier approval and evaluation process, we have implemented a new classification system which includes environmental criteria. Their environmental performance is also monitored. In 2018, 2019 and 2020, 100% of our qualified suppliers were evaluated based on environmental criteria.



SUSTAINABILITY FROM START TO FINISH

We develop our own products thinking about the long term. That's why we conduct environmental analyses of the complete product lifecycle to

assess the potential impact thereof on the environment starting with the production process and including all phases of their existence. The aim is to

quantify the use of resources (energy, raw materials, water...) and environmental emissions generated (into the air, water and soil).

5.2. WORKING FOR A BETTER WORLD

5.2.1. A CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT

By defining a 2020 Sustainability Plan and monitoring it throughout the year, we achieved significant improvement in our waste generation and management at all of our plants, even considering that production levels remained at similar levels as the year before

and that some planned actions had to be delayed due to the consequences of COVID-19.

We'd also like to highlight the fact that we implemented the '0 Plastic Cups' action at all of the group's plants.

We've reduced the generation of hazardous waste by 35% with respect to 2019



5.2.2. THE SUSTAINABLE USE OF RESOURCES

REDUCING THE USE OF ELECTRICITY

In order to improve our indicators, we have continued working on spreading awareness and

sensitizing all personnel at our plants and offices to reducing the use of electricity. In order to

do so, we've developed various initiatives at all our plants:

- Replacements of air conditioning system
- Changing all lights to LED
- Implementing motion detectors in some rooms
- Energy savings awareness teams
- Changes in lighting systems for more efficient systems
- Improvements to production facilities to become more efficient
- Renewable energy use studies



The priority objective of the 2021 Sustainability Plan: to reduce our use of electricity by 1.5% globally

REDUCING WATER CONSUMPTION

By complying with and exceeding our objective, **we reduced our water**

consumption by 32% across the board thanks to the impact of actions undertaken

at our plants. For **2021, we aim to reduce our water consumption by a further 3%.**





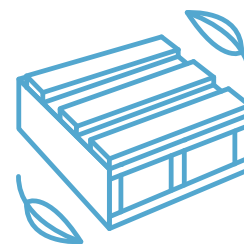
5.2.3. GREENHOUSE GAS EMISSIONS

Two of our indicators implemented in our Management System are related to scope 1 and 2 direct and indirect greenhouse gas emissions:

- **Scope 1:** direct greenhouse gas (GHG) emissions. Emissions from combustion in boilers, furnaces, vehicles, etc. which are owned or controlled by the reporting company.

- **Scope 2:** indirect GHG emissions associated with the generation of electricity acquired and consumed by the organization.

The objective for 2021 is to reduce our overall direct emissions by 2%



5.2.4. MAIN ENVIRONMENTAL INDICATORS

SUSTAINABLE USE OF RESOURCES

(CONSUMPTION OF FUEL, ELECTRICITY, WATER AND RAW MATERIALS)

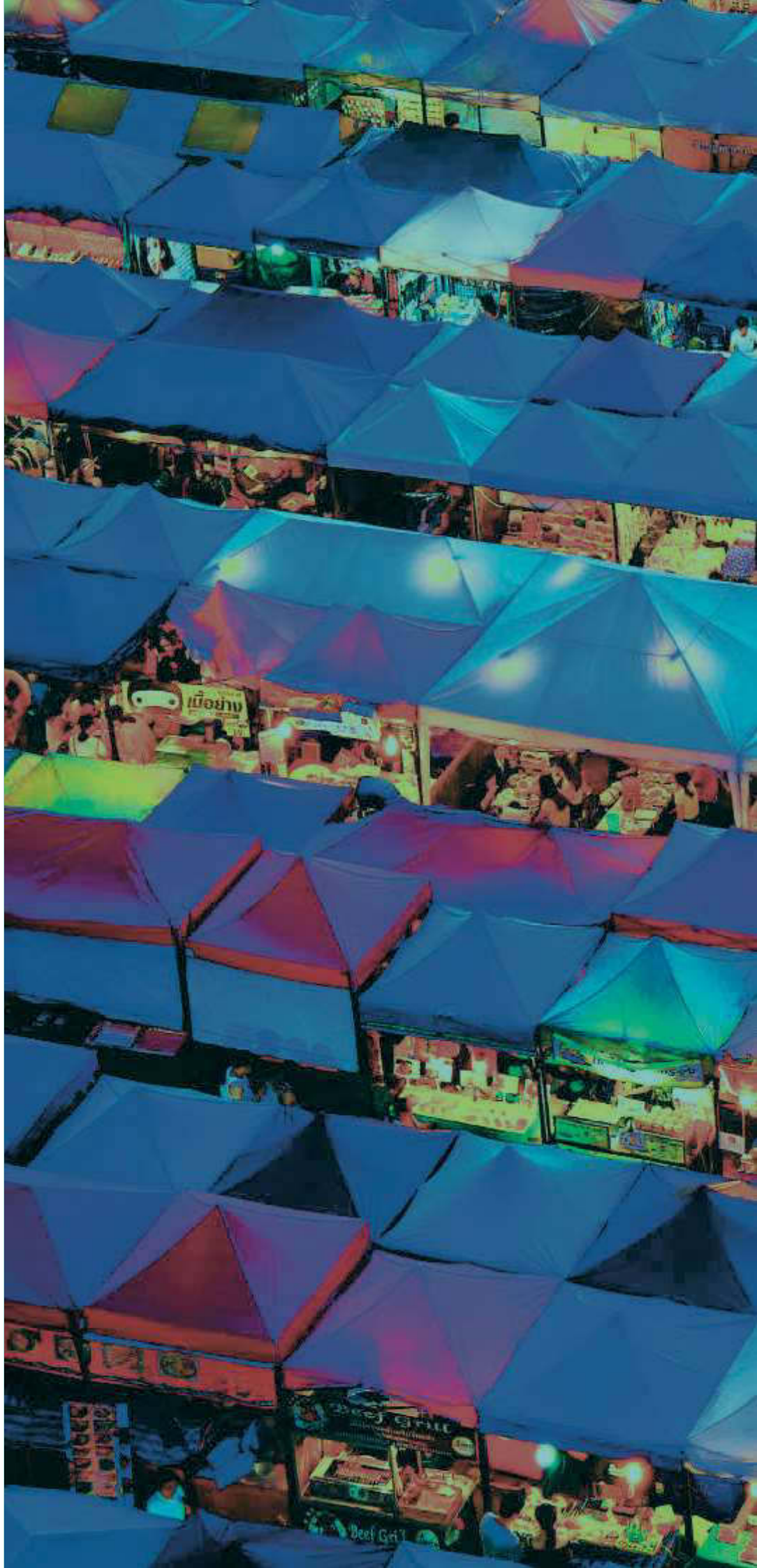
Category	Indicators	Unit	2019	2020
Sustainable use of resources (consumption of fuel, electricity, water, and raw materials)	Diesel C	Liters	2,768	2,600
	Diesel B	Liters	71,660	63,500
	Gasoline	Liters	11,542	7,984
	Natural gas	m ³	20,992	18,981
	LPG	Liters	1,091,148	1,198,397
	Electricity	kWh	16,208,533	17,777,240
	Water consumption	m ³	32,885	22,220
Circular economy and waste management	Hazardous waste	Tn	885	573
	Recycled hazardous waste	Tn	356	409
	Non - hazardous waste	Tn	1,525	1,213
	Recycled non - hazardous waste	Tn	662	583
Climate change	Direct emissions (*)	Kg CO ₂ e	2,079,953	2,226,249
	Indirect emissions (*)	Kg CO ₂ e	6,969,669	7,644,213


(*) The emissions factors used are from the Spanish Ministry of Agriculture, Fisheries and the Environment.



6

SOCIALLY RESPONSIBLE



An aerial photograph of a bustling outdoor market. The scene is filled with numerous colorful tents in shades of blue, red, yellow, and green. People are seen walking between the tents and sitting at tables under them. The overall atmosphere is vibrant and busy.

WITH OUR WORK,
WE CONTRIBUTE TO
WELLBEING AND
ECONOMIC AND SOCIAL
PROGRESS IN THE
COMMUNITIES WHERE
WE'RE PRESENT

6 SOCIALLY RESPONSIBLE

Our strategy is aimed at improving competitiveness through the supply chain

At Arteche, we want to be part of the community and make a positive impact on the territories where we're present.

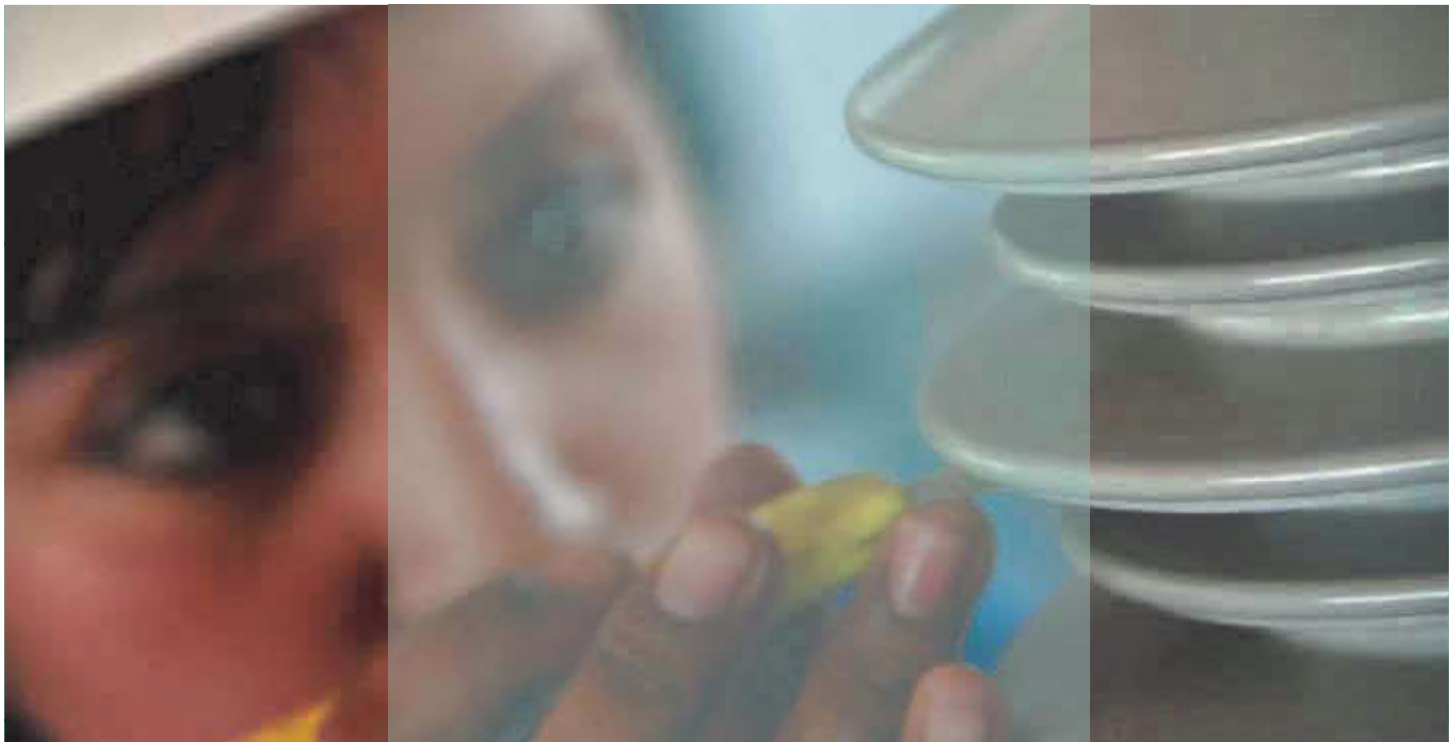
That's why we get involved in the social development of these regions through collaboration

and economic aid with local associations and NGOs.

Likewise, our strategy is aimed at improving competitiveness through the supply chain by relying on local suppliers as well as suppliers with a global presence.

In relation to our social performance, we consider the following as material aspects:

Material aspect		Related SDG		
<ul style="list-style-type: none">• Collaboration• Suppliers• Customers• External support		4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH
		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION



6.1. OUR COLLABORATION WITH SOCIETY

We are committed to society and the places where we operate and, as a result, we declare that our vocation is to work responsibly and honestly to contribute to

the wellbeing and economic and social progress of the communities where we do business.

We promote support for charity,

educational and community service activities so as to contribute to the improvement of the societies in which we are present through different actions.

6.1.1. SPECIAL DAYS AND EVENTS

We have a vocation for sharing knowledge and, therefore, we participate and sponsor events that contribute the dissemination thereof.

In 2020, due to the global pandemic, many of the events Arteche Group habitually

participates in were suspended or postponed for health and safety reasons. Of the 23 planned events, only Distributech (Texas, United States) went ahead as normal while all the others were cancelled, delayed or held online.

On the other hand, CIGRE, one

of the sector's main international events, was delayed until 2021; however, some of the technical sessions still took place and for the fourth consecutive year, we presented a paper (A3 - 210) at the 2020 e-session: 'Online Monitoring of Paper-Oil Insulated Current Transformers'.

DIGITAL EVENTS ADAPTED TO THE RESTRICTIONS



Likewise, during the year we **COLLABORATED WITH SOCIETY** through various activities:

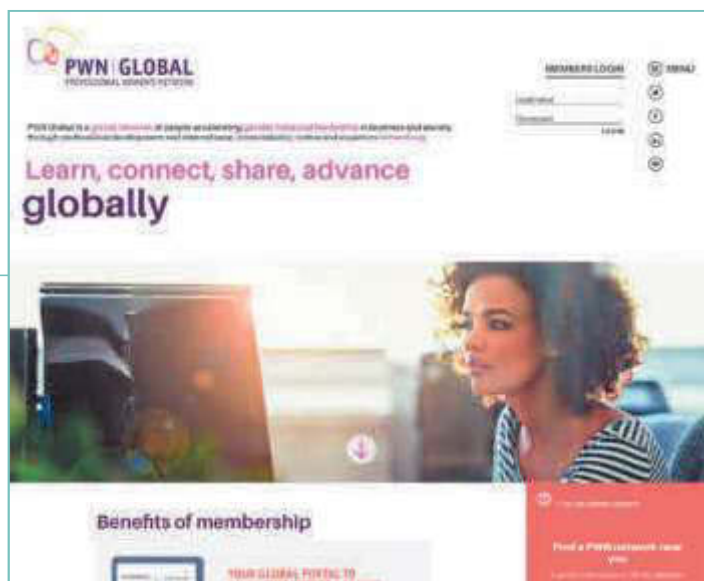
DAY OF THE WOMAN AND INDUSTRY, organized by FVEM (Biscay Federation of Metal Enterprises) to spread awareness for female talent in the sector.



EQUAL OPPORTUNITIES COMPANY DAY, ORGANIZED BY SEA-Enterprises of Alava, during which we shared our experience in the area of equality.

We have a vocation for sharing knowledge and participate in and sponsor events that contribute to the dissemination thereof

SIGNING OF A COLLABORATION AGREEMENT AND MANIFESTO WITH THE PWN ASSOCIATION (Professional Women's Network) as participants in the "Men Onboard" project, the aim of which is to promote gender-balanced leadership and develop strategies that foster equal work/family balance and co-responsibility (Biscay).



TRANSOCEANIC FORUM OF EXPERT LEADERS during which we explained the practices implemented with regard to our people and the COVID-19 crisis.



INTERNATIONAL MOBILITY DAY 'Challenges in Times of Crisis', during which we demonstrated our commitment to mobility, even in times of a pandemic.

MOVILIDAD INTERNACIONAL
RETOS EN TIEMPO DE CRISIS

6.1.2. R&D TO BOOST OUR INNOVATION

In line with our mission of always being on the cutting edge of technological innovation in the sector and with one of our values (Innovation), we collaborate on research and development projects with various entities.

Thus, we have participated in projects related to HVDC trans-

mission for the evacuation of marine energy, new cybersecurity technologies and data analytics for electricity substations, the efficiency and sustainability of eco-designed electricity substations and the development of two environmentally, energetically and economically optimized eco-measuring transformers, among other projects.

We also participated in the major international forums for knowledge development, technology and innovation along with entities of the likes of the European SmartGrids platform, the Futured platform and T&D Europe as well as technical forums for standardization and sector standard and regulation updating.

We were also involved in **LOCAL R&D INITIATIVES** in collaboration with entities such as:



- Txorierri Politeknika Ikastegia
- The Basque Agency for Innovation (Innobasque)
- The Energy Cluster
- GAIA Board Members
- Euskalit Advanced Management
- Management and Finance Forum
- Association for Management Progress
- IRAM Argentina

Also worth highlighting are the alliances we maintain with Basque Electrical Laboratories Alliance (BELA), the Tecnalia Board and CADIEEL (Argentine Chamber of Electric Industries).



6.1.3. PROMOTING QUALITY EDUCATION

Recruiting and retaining talent is a priority for us. Therefore, we believe promoting education and collaboration with various academic institutions is essential to the inclusion and transfer of technical

talent and knowledge. This also helps us foster the development of the societies around us.

Just as we've adapted to digital environments in other types of activi-

ties, talent recruiting is no different. Thus, we participated in a Virtual Job Fair during which we spoke with people interested in us via different platforms such as emails or instant messaging.





Each year we undertake actions to help entities that work for others

RIGHT BY THOSE MOST IN NEED

Based on the needs that arise in the societies around us, we undertake isolated or periodic

actions each year to help entities that work for others. In 2020, we collaborated with:

- Collaboration with the Roadside Assistance Association
- Collaboration with Firefighters Without Borders
- The NGO Creating Future
- Food banks
- Spanish Association Against Cancer (AECC)
- Associations that work for the disabled



Moreover, we engage in campaigns each year in **Mexico** supporting senior citizen homes, making Social Institute hospital visits, and planting trees as well as donating toys

to various groups. We also deliver tons of wood, tools and other materials to different groups and associations in the region such as a charity gift campaign in **Brazil** for the

Parque Arvoredo II de Araucaria Neighborhood Association to which we donated more than 100 presents for Christmas so the children benefitting could be a little happier.





6.1.4. PROMOTING HEALTHY LIVES THROUGH SPORT

At Arteché, we promote and participate in social competitions related to companies and other local entities.

We also sponsor various teams and sports activities in the areas where we operate.

- We're members of the **Athletic Club Foundation**, a non-profit

organization that uses football and the values and social dimension of the Athletic Club to encourage sport and help enhance the quality of life of underprivileged people and groups in Biscay.

- In **Mexico**, we participate in the Tepeji del Rio Tournament as well as different sports events

in competition with other companies.

- We participate in the **Biscay Corporate Run** and in the **inter-company football league**.
- **We sponsor** football, basketball, cycling, rugby and Basque pelota teams from Mungia as well as Raket Mateo, a local elite Paralympic athlete.



6.1.5. INVESTING IN CULTURE

Every year, we promote various sociocultural activities with donations to encourage learning the Basque language and the development of local events, for example.

Another outstanding initiative is our ArtPhoto photography contest which focuses on the use and impact of electricity in four categories. The event, which features more and more

participants each year, is open to our employees as well as anyone anywhere. Prizes are awarded in each category.



WINNING PHOTOS IN 2020:

- **Electricity and life: 'Priya studing'**, by Abdul Momin (Bangladesh).
- **Infrastructure and electrical equipment: 'Enciende el Universo'**, by Begoña Villanueva Pérez (Spain).
- **Arteché Product: 'Winding elec'**, by José Alejandro González Agüero (Mexico).
- **Electrical work:** Luis Henry Agudelo Cano (Colombia).



In 2020, we again surpassed the record of participation with 700 photographs from 50 countries on five continents

6.2. PARTICIPATION IN EXTERNAL INSTITUTIONS

We collaborate
worldwide with
technology and
social associations

Arteche is a member of many
associations related to its area
of action in a view to being an

agent of change in the various
sectors in which it develops its
business.

SOME EXAMPLES OF OUR COLLABORATION

With them
for them



WE COLLABORATE
WORLDWIDE WITH
TECHNOLOGY AND
SOCIAL ASSOCIATIONS

#MovingTogether

6.3. SHARED VALUES WITH OUR VALUE CHAIN

Our supply chain, which aims to fulfill the established requirements in terms of quality, cost and deadlines, covers the following main tasks:

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> ● Selection and negotiation with suppliers. Contract awards. ● Supplies | <ul style="list-style-type: none"> ● Supplier quality ● Receipt of materials ● Storage of materials | <ul style="list-style-type: none"> ● Internal logistics ● External logistics |
|--|--|--|

We mainly purchase raw materials and sub-assemblies. As for raw materials, contracts are awarded to local suppliers for each production center as well as to global suppliers with global contracts and local provisions.

As for our sub-assemblies, we buy local. In both cases, suppliers must be evaluated/approved as per the technical department's and excellence department's criteria before being awarded a contract.

At Arteche, we evaluate our suppliers considering environmental, security and social responsibility criteria, demanding a commitment to the following aspects:



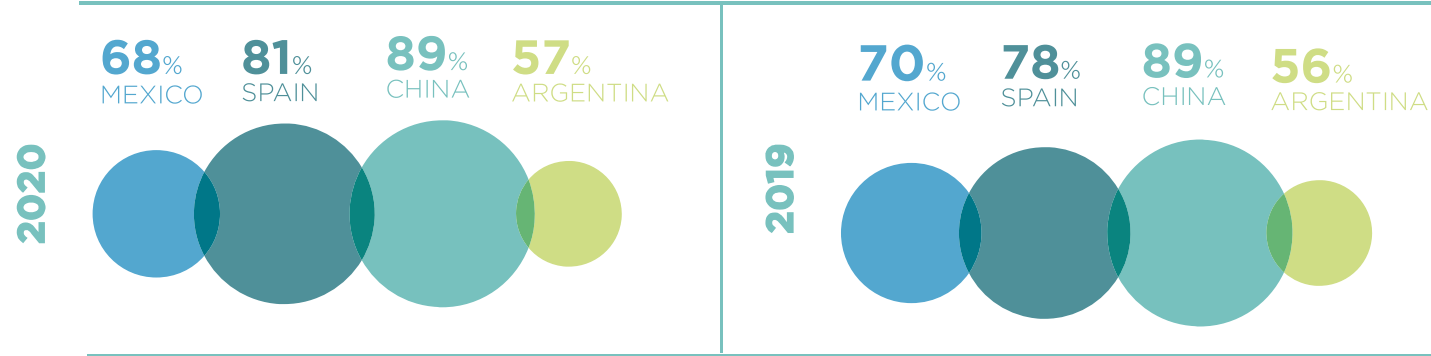
- **Compliance with applicable laws and regulations** in the country where activities are undertaken except when less demanding than international ethical conduct in which cases, the latter are followed.
- **Respect for human rights.** Any type of harassment, physical or mental punishment or any other type of abuse is rejected.
- **Compliance with labor laws,** rules and standards applicable in each country.
- **A total rejection of forced or mandatory labor** or child labor.
- Respect for employees' right to **freely organize**.
- Providing good **workplace safety and hygiene conditions** at all sites.

- **Respect for the environment** and all pertinent laws in the country concerned through the sustainable use of resources.
- The supply of products and services in a way that complies with the **quality and safety criteria** specified in pertinent contracts and that they are safe for the intended use.
- **The non-use of fraudulent means** such as bribery payments.
- The use of **wood** from **sustainably managed forests** that respect the environment and fight climate change.
- The use of **minerals** only classified as **"free of conflict"**.
- **The non-use of fraudulent methods** to guarantee proper results and records of materials and functional tests required.





PROPORTION OF EXPENDITURE ON LOCAL SUPPLIERS



6.4. CUSTOMER-ORIENTED

At Artech, we value our capacity for local service as a competitive advantage which we reinforce by adding new remote monitoring and predictive data analysis technologies. This helps us offer local services as well as occasional services by identifying possible defects before they occur.

Along with local service teams located near our primary users throughout the world, we added a top-quality technical engineering team.

Innovation and high-value suggestions allow us to be a part of transforming the sector of electric transport and distribution networks as pioneers in the development of optical measuring solutions which allow our customers to improve service continuity and quality.

We're proud at Artech of being a part of the transformation of the electric power distribution sector, of being close to our customers, of bringing them

value and accompanying them through the development of electric networks in **more than 175 countries, always standing out due to our vocation for service and proximity.**

In order to manage complaints and claims or queries, we have a communication procedure with our customers that guarantees their attention. All related processes are recorded based on the requirements established in our protocols. There is a specific and exclusive Customer Support Department at Artech to handle these communications and manage them.

Likewise, we've taken on the commitment of evaluating customer satisfaction every two years as per the procedure established internally.

Reported incidents and resolution

As part of our customer claims management processes, indicators have been defined to control and enhance the process.

By engaging in ever stricter controls and monitoring the customer claims process, we created a global Customer Support structure in 2020 comprised of a global representative, managers, administrative staff and service technicians in various manufacturing entities and geographic regions. Policies have also been implemented for planned campaigns and commercial concessions.

In all cases where customer complaints were due to serious or important issues, immediate actions were taken in addition to corrective actions through which a multidisciplinary team analyzes the root causes and defines and implements containment and corrective actions to prevent any repetition of the problem.

There were no cases of non-compliance in 2020 related to impacts on health and safety in products and services nor were there any complaints related to breaches of privacy or loss of customer data.

We offer immediate solutions to solve
100% of our customers' claims



6.5. RESPONSIBLE TAX COMPLIANCE

In 2020, we contributed 23.8 million euros in the territories where we operate

The responsible tax compliance by all Artech Group companies is a part of our general corporate responsibility policy which includes principles of basic action which must be respected.

The taxes we pay in the countries where we operate are the main contribution by the group's companies to supporting public administrations and, thus, one of its main contributions to their societies.

The tax policy we apply involves the ethical, social responsibility, transparency and institutional loyalty principles which govern Artech.

The group has an impact on the economic development of various tax jurisdictions around the globe through the taxation on its operations, thereby fulfilling a double economic and social purpose and respecting the value of transparency.



FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT

The primary R&D projects carried out in 2020 with public financial support were:

- **PLATAFORM (64 Bis):**
The development of a substation automation system based on a new hardware platform with next-generation features
- **REDELEC (CDTI - CIEN):**
Research into cybersecurity technologies for the deployment of a safer electrical network
- **NEOSUB (Basque Government - Hazitek):**
The eco-designed electric substation: efficiency and sustainability
- **CINCOSEI (Basque Government - Hazitek):**
Integrated Cybersecurity in Components and Electronic Industrial Systems
- **ARCO (Basque Government - Hazitek):** The study, modelling and validation of the internal arc phenomenon in different dielectric isolations to develop next-generation measuring transformers
- **Assets management**
(DF Bizkaia - Creation of Innovative Enterprises and Basque Government - Ekintzale): Assets (instrument transformers) management – new business in projects & services area



We received subsidies worth 835,000 euros in 2020



ABOUT THIS REPORT

This Sustainability Report is aligned with the Arteché Non-Financial Information Report in compliance with Spanish Law 11/2018. It was externally and independently verified by Ernst & Young, S.L. and may be accessed through our website **www.arteche.com**

CONTACT CHANNELS

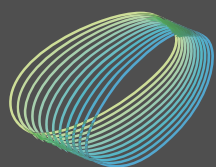
Any query related to this report may be made through the following channels:

- At the group's website: **www.arteche.com**
- By emailing the group's sustainability address **sostenibilidad@arteche.com**
- By writing to its headquarters
Arteché Lantegi Elkarteá, S.A.: Derio Bidea 28 48100 Mungia (Biscay)
T.: (34) 94 601 12 00

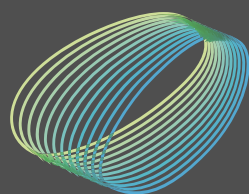
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