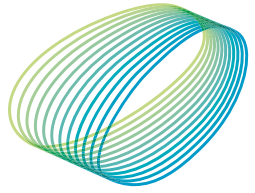




arteche



2023 SUSTAINABILITY REPORT



arteche

2023 SUSTAINABILITY REPORT

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Appendices

Letter from the Chair

Enthusiasm, commitment and confidence for a more sustainable future. A global challenge to which Arteche is committed.



With the end of a financial year, it is time to look back and take stock of how it has gone. For the sixth consecutive year, in Arteche, this accountability task is also done through the Statement of Non-Financial Information, where we transparently show all our stakeholders what we have done, through what actions and with what objectives.

At Arteche, we always walk forward knowing where we come from. With solid roots linked to our origins and, at the same time, with an international vocation, we defend the legacy of the people who, more than 77 years ago, began this adventure looking with responsibility and enthusiasm at the challenges of the energy sector, such as the energy transition, which are also the challenges of the planet.

As the latest UN report states, these are challenges we need to act on urgently. We, as signatories of the UN Global Compact, are firmly committed to the Sustainable Development Goals and the 2030 Agenda goals and realise that to be successful, companies putting “how” things are done at the heart of our strategy is essential.

At Arteche, this is how we do it. Sustainability is closely linked to our values and embedded in our purpose. Arteche was born out of the dream of setting up a company that would contribute to ensuring universal access to electricity for people and society. That dream was realised in 46, and that idea has been our purpose ever since “to ensure universal access to clean, efficient and quality electricity”. This is even more important today if we want to secure and accelerate the planet’s energy transition and decarbonisation.

And that is our goal and our commitment. ESG decisions guide Arteche’s strategy to create sustainable value for our shareholders and stakeholders.

2023 has been a year in which we have taken important steps towards the objectives defined in our sustainability roadmap to remain leaders in our sector and market niches.

It is being recognised by the market with important awards such as the Trophées Fournisseurs of RTE, the French operator, as the best supplier, the Grand Atlas Award for Export 2022 from DHL, or nominations for Innovation Star in the Small and Mid Cap Awards of the European stock exchanges, among others.

In line with our transparency policy, we continue to externally evaluate our commitment to the energy transition with the certification of our sustainability performance by two prestigious international organisations, such as CDP and Ecovadis. In both rankings, we have improved our overall score, and we remain on average in our sector and within the top 35% of the companies evaluated.

One of the main objectives of reducing our carbon footprint is to advance the development of top-quality and environmentally friendly products. In 2023, we have continued to develop innovative and sustainable solutions to further deliver value to the energy sector and society. Projects such as ZEPAS (Zero Emission Portable Auxiliary Source; a portable, emission-free alternative energy source developed together with Elewit); BIOAT (a project together with Tekniker to replace conventional mineral dielectric fluid with a biodegradable one in instrument transformers); and the development of nuclear fusion (where Arteché has positioned itself as the option of choice for the most cutting-edge research entities in the USA and Europe) would not have been possible without

continuing to invest 3% of our turnover in innovation, something we are very proud of. It is clear that innovation is imperatively sustainable and that we cannot progress in sustainability without investing in innovation. A clear example of this commitment is the market launch of the world's first transformer over 400 kV with eco gas insulation.

These milestones only confirm that our sector is full of opportunities and that it is essential to maintain our good positioning to take advantage of them. We are experiencing years of investment in renewable generation, electrification, grid digitalisation... and this will be the trend over the next few years. We have considered all this when drawing up our Strategic Plan for 2026, the new roadmap that will guide Arteché's destiny in the coming years.

A roadmap in which our contribution to the much-needed energy transition is a priority. Not only because it responds to our commitment to sustainability but also because the energy transition opens up significant opportunities associated with transforming the energy sector that Arteché, as a leading company in our industry, wants to and will take advantage of.

In 2024, we will be a listed company for three years. It was undoubtedly one of the highlights of the Strategic Plan that we closed in 2023. I am sure the new chapter we are starting towards 2026 will also be written with golden letters in Arteché's history book. Despite external

uncertainties, our order book is growing at double digits in all businesses and markets, which is the best indicator that Arteché's foundations are solid and that we are facing a project with a past, present and very, very bright future.

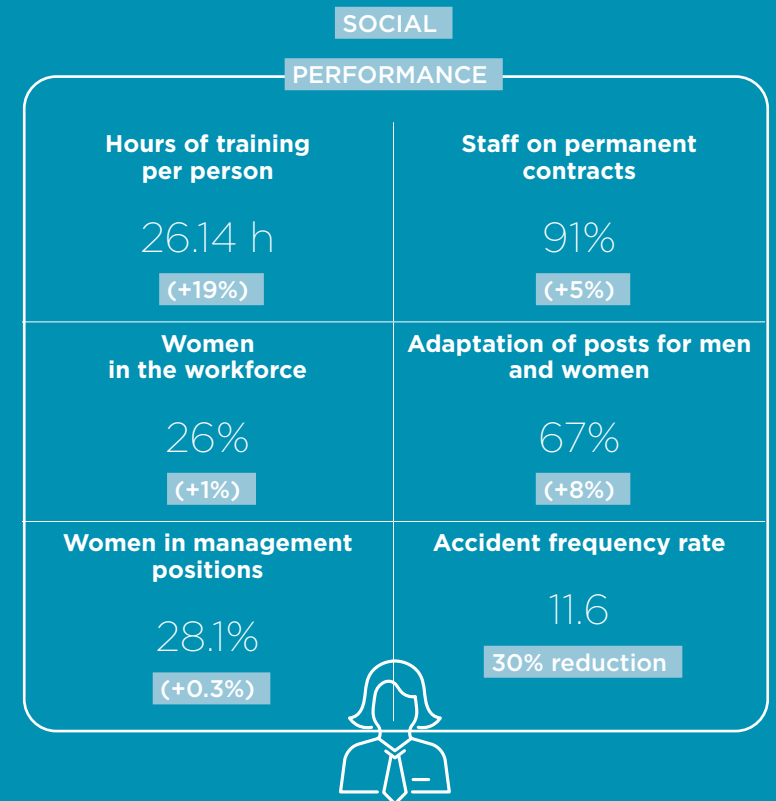
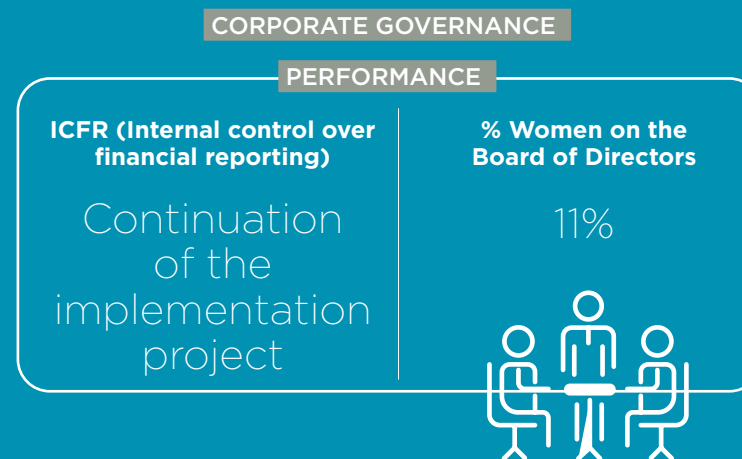
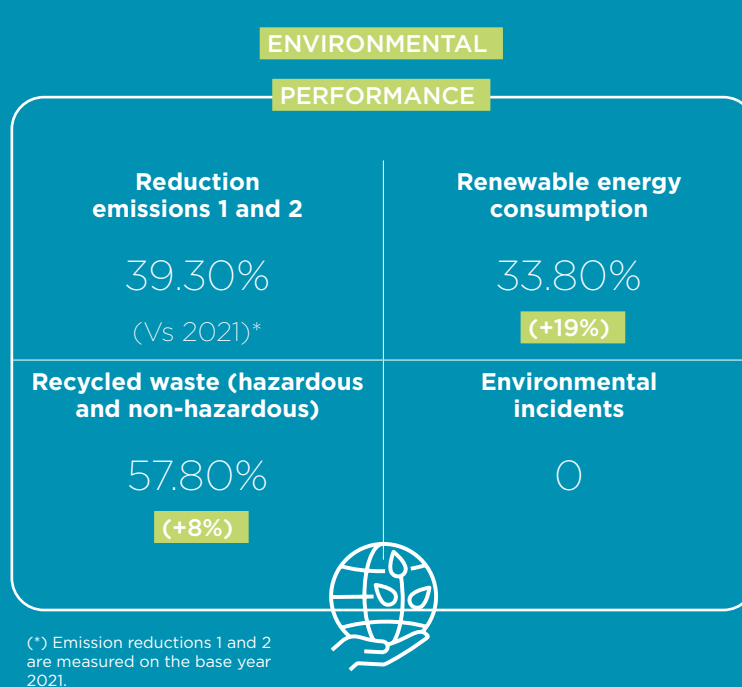
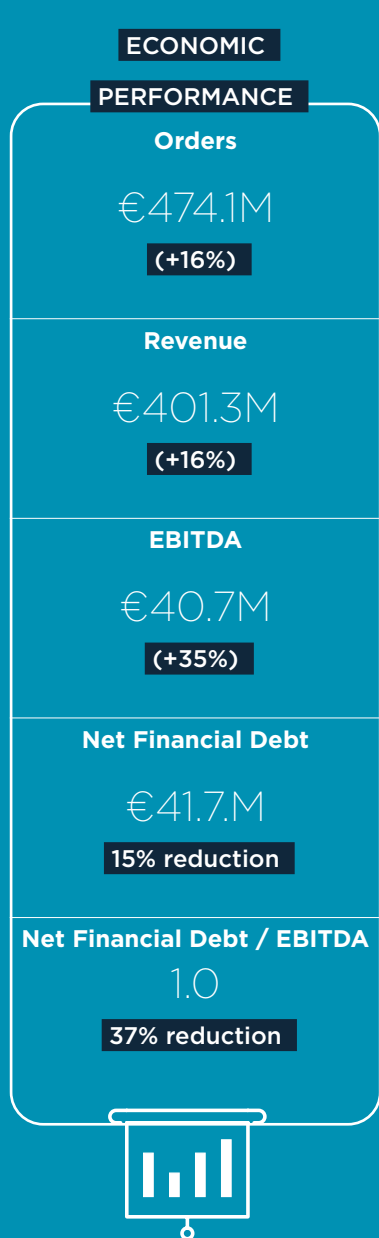
We rely on the enthusiasm and commitment of a team of more than 2,800 people spread across four continents and the trust of shareholders, customers and suppliers.

Enthusiasm, commitment and confidence for a more sustainable future. A global challenge to which Arteché is committed.



Alexander Artetxe Panera

Executive summary 2023



At Arteché we are aware of our leading role in energy transition and we are committed to the challenges of the economic, good governance, social and environmental spheres.

General Information



1. Business model

2. Governance

3. Strategy

1. Business model

1.1 Our Purpose

We were set up in Bizkaia 77 years ago and are now one of the technological companies at the global forefront of electrical energy.

We have achieved this because we work in **a culture of trust, collaboration and care for all the people we interact with and in all the** with whom we interact and in all the communities in which we are present.

A way of being in which the values of closeness, trust, commitment and constancy

proximity, trust, commitment and constancy are so internalised that they allow us to develop energy products, solutions and services that are innovative, reliable, competitive and fully adapted to any of our customers' needs.

At Artech we call it **“the energy that moves us”** because that energy is generated thanks to our passion and our vocation to always offer the best result, and explains why our first customer still trusts Artech more than 75 years later.

We are convinced that finding solutions to the urgent challenges of our society requires an open, generous and collaborative attitude so that all the agents involved innovate together.

Because driving the energy transition, achieving local and global changes, and fulfilling our purpose of ensuring universal access to clean, efficient and quality electricity is a challenge that can only be met by merging the skills, knowledge and energy of everyone.

1946
Foundation

1973
Technological independence

1979
First LATAM deployment

2004
First APAC deployment

1968
First centre R&D

1975
First international sale

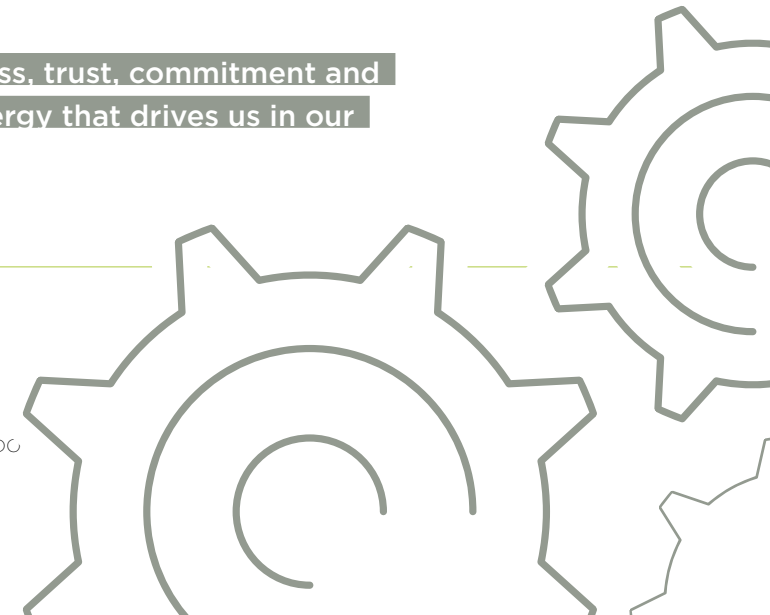
1993
First NAM deployment

2011
First Oceania deployment

2021
IPO
Purchase of Esitas JV Hitachi Energy
Complete acquisition of SDC



Our values of closeness, trust, commitment and constancy are the energy that drives us in our business model.



1.2 Arteche and sustainability

Arteche is a company that has been in the sector for more than 75 years thanks to a successful business model. However, we are aware that what has brought us this far does not necessarily lead us to where we want to be in the future.

We manufacture equipment and provide solutions and services, and we do it very well. Our products are becoming more efficient and more functional, with lower associated costs and more sustainability. However, the urgent challenges associated with the energy transition require us to accelerate to continue this successful trajectory.

In addition to the above, our equipment must be even more sustainable. We will reduce CO₂ emissions by, for example, replacing SF₆ gas, bringing our suppliers closer to our factories or introducing sensors that allow us to extend their service life through preventive maintenance.

At the same time, Arteche's human talent is changing. We are a global company with an increasingly geographically distributed innovation ecosystem that allows us to bring out the best in many people while providing them with an engaging and motivating work environment.

Finally, as a third pillar, the emphasis is on the "how" rather than the "what". In other words, to equip ourselves with a system of governance that not only ensures compliance with the strictest legal requirements, but also places us among the most advanced companies in our sector, creating long-term relationships with our customers and suppliers, based on transparency and our values: Closeness, trust, commitment and perseverance.

In short, we have natively incorporated the three pillars of the ESG philosophy into our tradition's technical, human and financial foundations. They are already intimately linked to our DNA, and we do not envisage that it would be possible to move forward without them.



Increasingly sustainable teams, talent attraction and development, and a benchmark governance system are our new challenges to drive the energy transition.



1.3 Business lines



MEASUREMENT & MONITORING SYSTEMS

Knowledge of energy measurement systems

- High Voltage Instrument Transformers
- Medium Voltage Instrument Transformers
- Digital measurement
- Voltage sensors

Transforming energy into value



AUTOMATION OF TRANSMISSION AND DISTRIBUTION NETWORKS

Solutions that guarantee the digitisation and automation of the electricity distribution grid

- SAS: Grid, substation and distribution automation systems
- Relays: Energy and Rail
- Test blocks

When reliability and safety are critical



NETWORK RELIABILITY

Services that enhance the efficiency of electricity infrastructures

- Reclosers
- Analysis, consulting and engineering services
- Power quality: capacitor banks and harmonic filters

Experience and knowledge

Turnover by business line

€277.5M in 2023

€251.6M in 2022

+10%

€77.9M in 2023

€65.1M in 2022

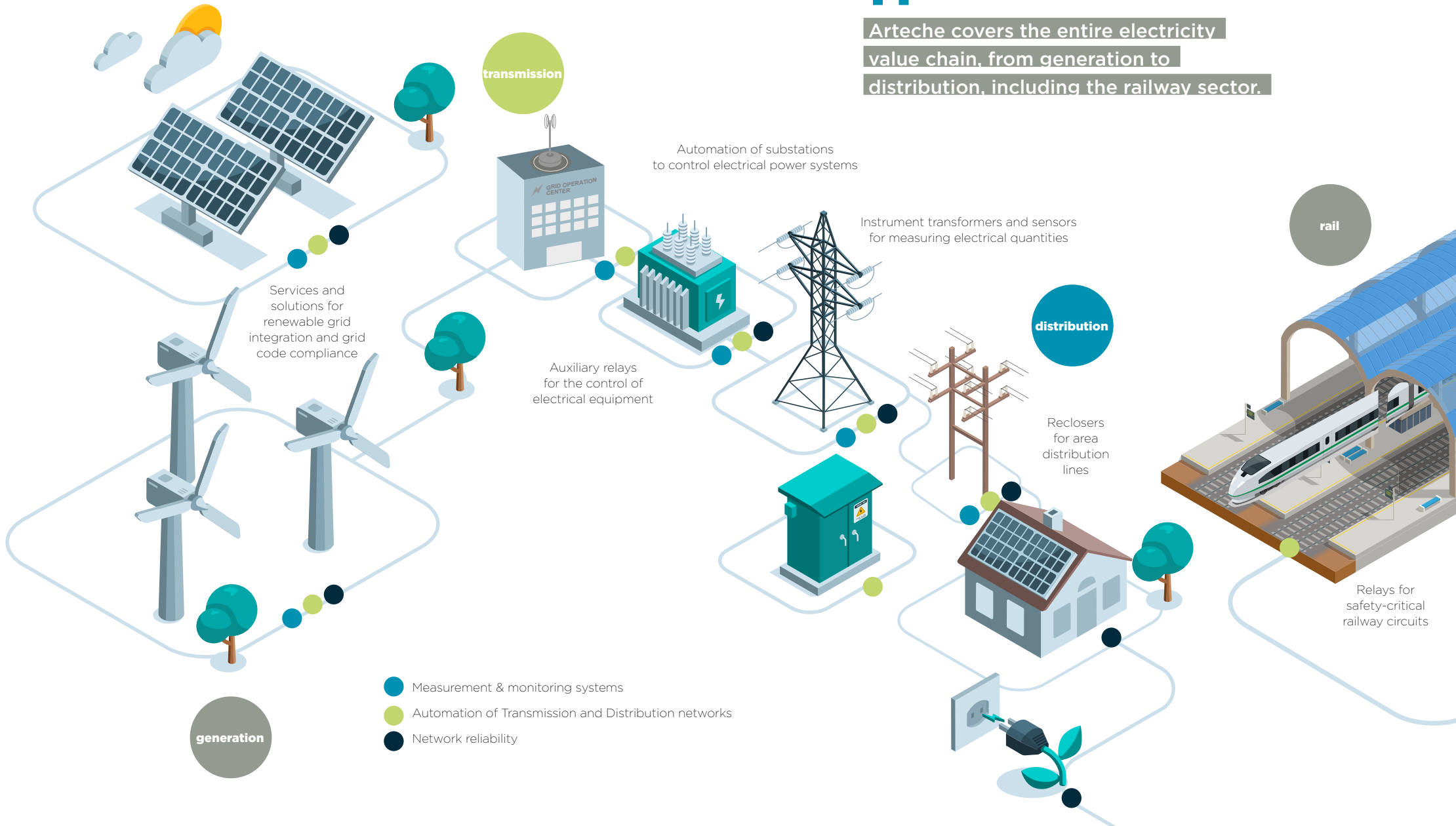
+20 %

€45.9M in 2023

€29.2M in 2022

+57 %

1.4 Arteche's presence throughout the value chain



Arteche covers the entire electricity value chain, from generation to distribution, including the railway sector.

1.5 Arteche's presence in the world

PRESENCE

175
countries

PRODUCTION SITES

13

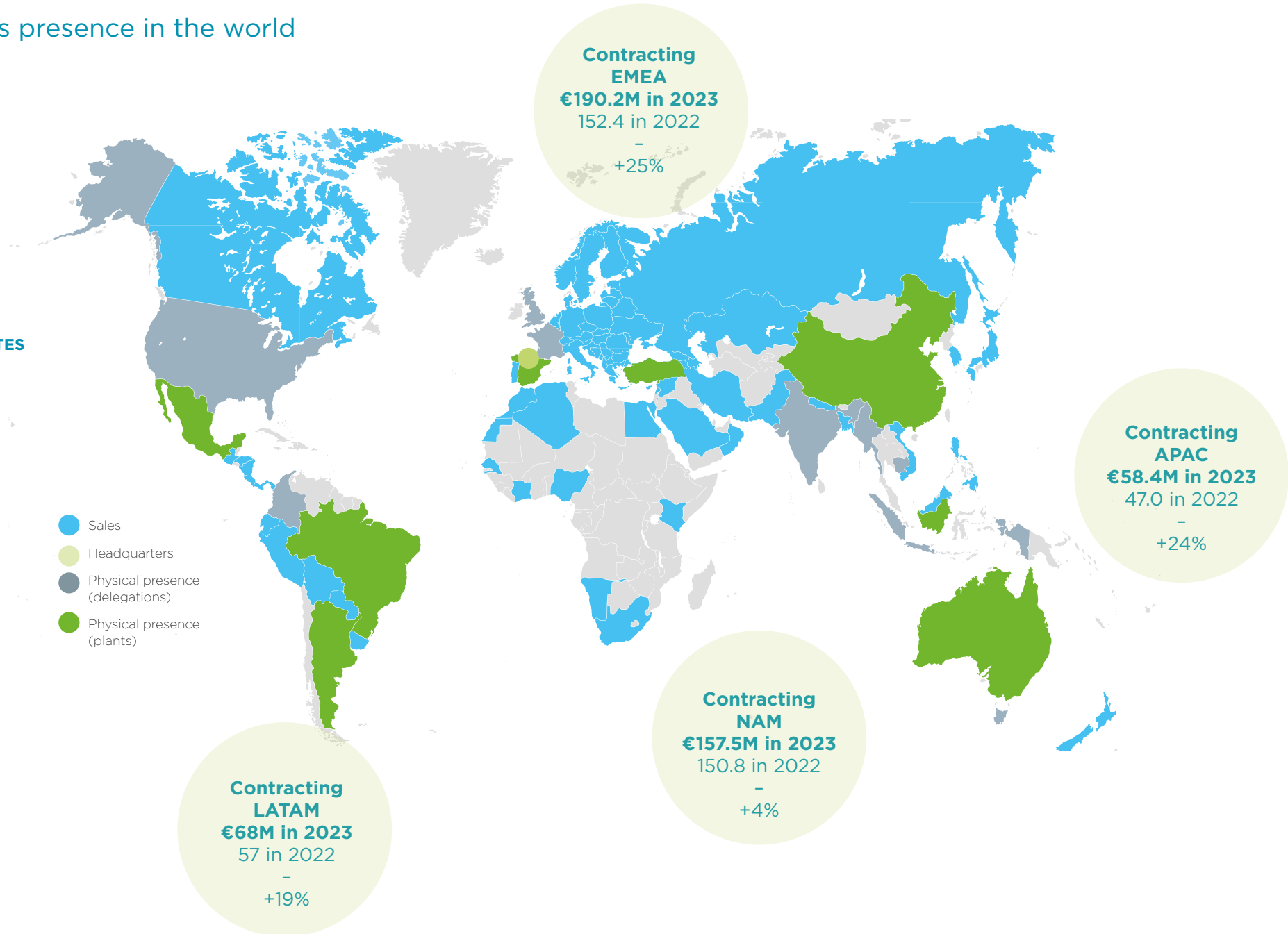
R&D CENTRES

7

BUSINESS DELEGATIONS

17

- Sales
- Headquarters
- Physical presence (delegations)
- Physical presence (plants)



2. Governance

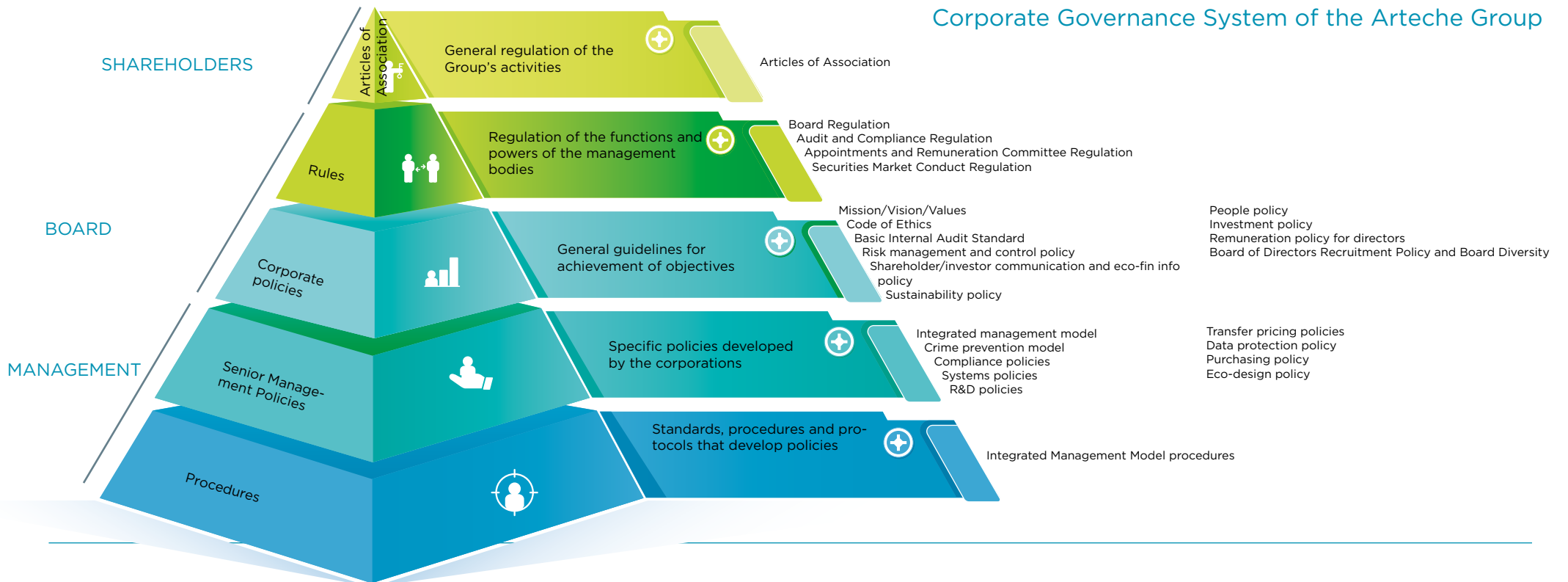
2.1 Administrative, management and supervisory bodies

CORPORATE GOVERNANCE SYSTEM

At Arteche, we have set up a corporate governance system to guarantee the company’s long-term sustainability, providing confidence and generating value for our stakeholders. This model, inspired by ethical principles and

committed to transparency, is built around our regulatory framework, which regulates and controls the actions of our Governing Bodies, establishes mechanisms to mitigate potential risks and frames our relations with our stakeholders.

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



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 critical aspects in the sustainability of our business model.

The Corporate Governance Roadmap approved by the Board of Directors in 2021 and reviewed annually, which is the result of a diagnosis of best corporate governance practices and laws applied to listed companies carried out by the Group, establishes a timetable for the implementation of recommendations on matters 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 IPO of BME Growth, we adapted our corporate governance system to the new regulatory environment and best practices in matters such as the composition of Board committees, updating of Board and committee regulations and approval of corporate policies.

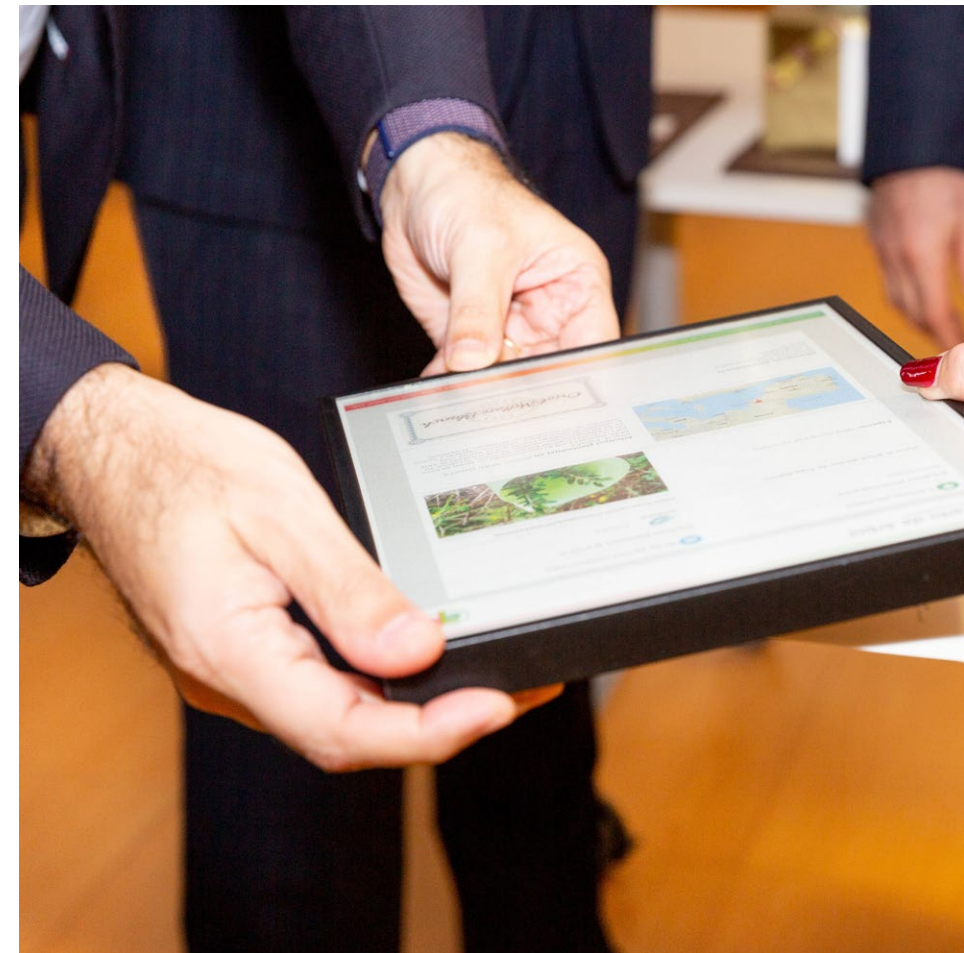
In 2023, Arteche has made progress in the diversity of the Board of Directors by incorporating a new independent director. We have revised our internal regulations, approving an Investment Policy, a Directors' Remuneration Policy and a Policy for the recruitment of

directors and diversity on the Board of Directors, all of which are published on our corporate website.

And we have also continued the trend of previous years:

- Continuation of the multi-year project to implement the Internal Control over Financial Reporting System (ICFR)
- Continuation of the multi-year climate change risk assessment project, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Annual self-assessment of the performance of the Board of Directors and all Advisory Committees
- Deployment of risk management system to regions and management of risk indicators
- Updating of the Board's skills and knowledge matrix by the Appointments and Remuneration Committee
- Monitoring of the corporate governance roadmap approved by the Board in 2021
- Gap analysis on the Corporate Sustainability Reporting Directive (CSRD), which will apply to Arteche in the year ending 2024
- Update of the stakeholder analysis and double materiality based on the EFRAG (European Financial Reporting Advisory Group) materiality guide

The Group's Management Committee has also integrated the Compliance & Sustainability Officer figure, incorporating a new directive and forming a new transversal functional area to face the challenges derived from the sustainability strategy and the new regulatory risks and opportunities of the CSRD and other global regulations.



GOVERNANCE

Shareholder Relations Model

From 11 June 2021, the shares of Arteché Lantegi Elkarteá, S.A., parent company of the Arteché Group, will be listed on the BME Growth trading segment of BME MTF Equity (multilateral trading facility).

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. On 31 December 2023, the list of shareholders with a direct or indirect position of 5% or more in Arteché Lantegi Elkarteá, S.A. is shown in the chart.

Our shareholder relations model is developed based on 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.

Arteché’s shareholding composition



	2023	2022
Ziskua Ber, S.L.	52.45%	52.45%
ECN Cable Group	20.21%	20.21%
Basque Fondo de Capital Riesgo	6.40%	6.40%
Onchena S.L.	5.64%	5.63%
Free float*	15.30%	15.31%

*Free float includes 0.25% of treasury stock (0.24% in 2022).

Arteché’s share price performance

In comparative percentage terms, base year 2021





Corporate and governance structure

The corporate and governance structure of our Group is reflected in the following diagram.

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.

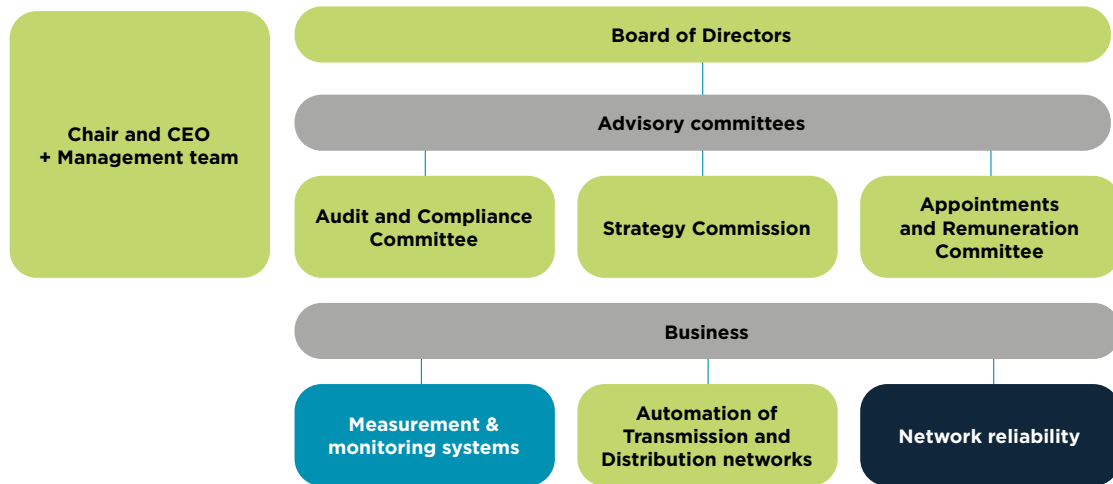
General Meeting of Shareholders

The 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 before the meeting are entitled to attend. This body is responsible for the approval of the Sustainability Report.

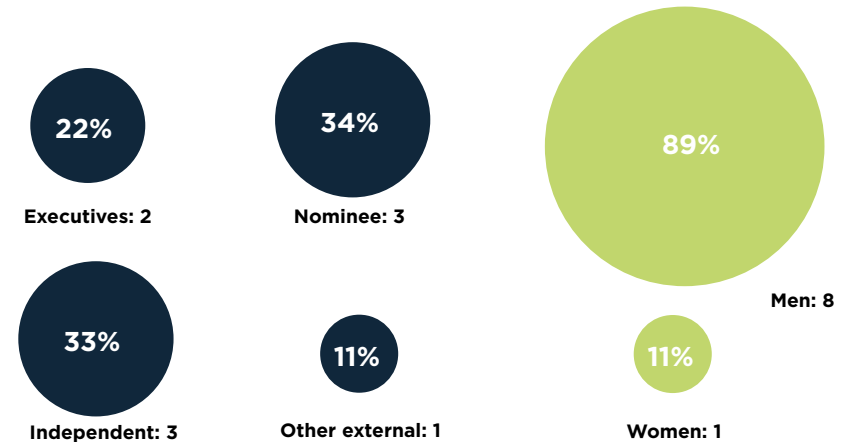
Board of Directors

The Board of Directors of Arteché 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 organisation required for its implementation, and 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 9 directors (8 men and 1 woman).

Corporate and governance structure of the Arteché Group

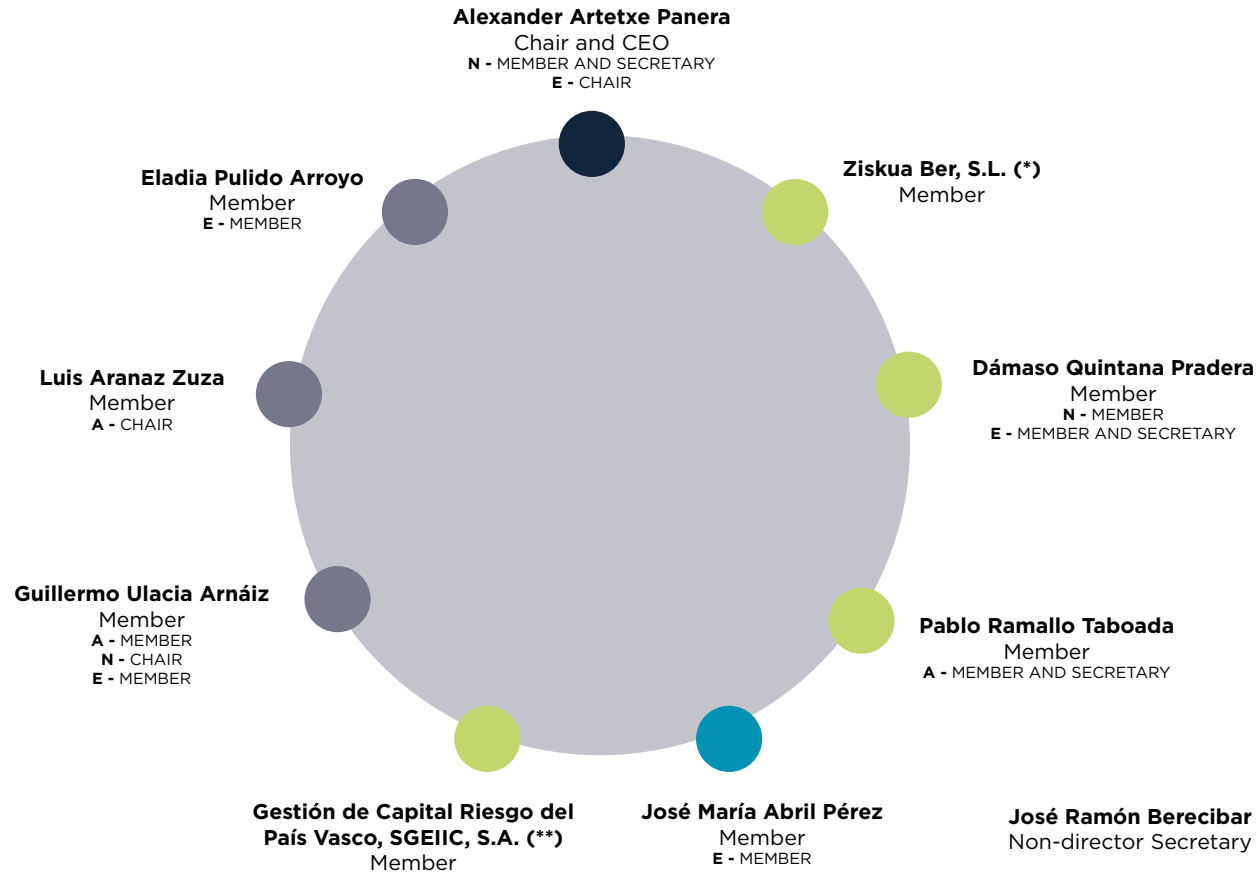


Composition of the Board of Directors



Composition of the Board of Directors

- EXECUTIVE
 - NOMINEE
 - OTHER EXTERNAL
 - INDEPENDENT
- A** Audit and Compliance Committee
N Appointments and Remuneration Committee
E Strategy Committee



(*) Its legal representative is Lander Artech 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.

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

In 2023, at the proposal of the Board of Directors, endorsing the proposal submitted by the Appointments and Remuneration Committee, the General Meeting of Shareholders appointed Ms Eladia Pulido Arroyo as director for the statutory term of four years, with the category of independent director.

Chair and CEO

The Chair and CEO, responsible for the management and proper functioning of the Board of Directors, is in charge of supervising the management, the institutional representation of the Group and the leadership and promotion of the Group's strategy and transformation process.

Advisory committees

The Commissions have no executive functions and act as permanent bodies of an informative, advisory and consultative nature, making proposals on matters within their competence. They are governed by the provisions of the Articles of Association and their internal regulations (except for the Strategy Committee, which the Board Regulations regulate).

Recruitment and appointment

The 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. We work to ensure a diversity of skills, knowledge, experience, backgrounds and genders on the Board.

The members of the Board of Directors, as a whole, have the relevant technical knowledge for the performance of their duties concerning the sector of activity to which Arteché belongs, to the extent that the competences of each of its members contribute to the field of listed companies and other relevant areas. Their CVs

are available on the [Arteché's corporate website](#) and they show a wide range of expertise: in finance, risk and internal control, the electricity sector, strategy design, management of multinational companies, and information technology, among others.

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. Directors in such a position 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.



Access the curricula vitae of the members of the Board of Directors

Committees of the Board of Directors

Audit and Compliance Committee (CAC)

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.

Appointments and Remuneration Committee

It is the body responsible for good corporate governance. 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, and approving annual management remuneration and management policy related to training, promotion and recruitment.

Strategy Commission

It is a consultative body specialising in developing the Group's strategy, focusing on corporate development and inorganic growth.

In the financial year 2022, the Board of Directors approved an internal procedure for related-party transactions adapted to the regulatory requirements for listed companies. The Audit and Compliance Committee has supervisory functions over related party transactions. Finally, the annual accounts include transactions with related parties known to all directors and shareholders.

Information on sustainability issues and internal control

The Group Management Committee, through the Compliance & Sustainability Department, receives regular information on the evolution of the sustainability scorecard.

Once analysed by the Management Committee, the main actions and plans relating to the sustainability strategy are submitted annually to the Board of Directors for approval of the specific sustainability plan and its integration into the Group's overall strategy.

The Board of Directors, in accordance with its duties and responsibilities, monitors the objectives and roadmap of the sustainability plan at least twice a year following the Board's annual content planning.

The Audit and Compliance Committee monitors the accuracy of non-financial information and performs the following activities on a regular basis:

- Annually analyses the planning of the review of the Sustainability Report by the **external verifier**.
- Analyses the **review of the Sustainability Report** prior to its formulation by the Board of Directors
- Analyses the **memorandums of internal control recommendations** resulting from the Sustainability Report and continuously monitors, together with the Compliance & Sustainability Officer and the Internal Audit Director, the implementation of these recommendations.
- **Updates new developments and reporting requirements** information requirements related to the entry into force of new reporting regulations (European Corporate Sustainability Reporting Directive (CSRD) and changes in the EU Taxonomy, among others)
- **Oversees the group's risk map**, including ESG risks

Integrating sustainability performance into the incentive system

Arteche has a Remuneration Policy included in the People Policy, which applies to all employees of the Group, including Arteche's Senior Management, and a Remuneration Policy for Arteche's Directors, both approved by the Group's Board of Directors.

The Remuneration Policies are part of the elements designed by the Board of Directors as part of Arteche's Corporate Governance System to promote an adequate management and supervision of the Group, and are based on the following principles: **(a)** to favour the attraction, recruitment and development of the best professionals; **(b)** to keep coherence with the strategic positioning of the Group and with our development, with our international and multicultural reality and with our target

of excellence; **(c)** recognise and reward the dedication, responsibility, performance and

contribution of our professionals; **(d)** adapt to the different local realities in which the different

companies of the Group operate; and **(e)** be at the forefront of the market in line with the position achieved by the Group.



Arteche's generally applicable remuneration model consists of:

- **Fixed remuneration** constituting a relevant part of the total compensation, which takes into account the level of responsibility, the functions performed and the career path of each employee, the principles of internal equity and the value of the function in the market.
- **Variable remuneration** consisting of payments or benefits in addition to the fixed remuneration, which are based on variable parameters. This remuneration should generally be linked to the achievement of previously established objectives. For all of them, financial and non-financial indicators are defined for the Group, which are aligned with the strategic priorities and serve as management parameters to determine the payment of variable remuneration based on compliance with Arteche's strategy. The strategic financial objectives are growth, profitability, economic sustainability and inorganic growth objectives, which are linked the strategic sustainability objectives with the indicators of Equality, CO₂ emissions and energy efficiency. These objectives are assessed annually to determine the overall variable remuneration to be distributed. The reference indicators for the variable remuneration of the executive board, management and, therefore, the rest of the Group's employees are set each year by the Board of Directors at the proposal of the Appointments and Remuneration Committee.



We have
corporate
governance
aimed at
guaranteeing
long-term
sustainability.

ORGANISATION AND STRUCTURE

Our organisational structure is based on functional areas supporting all production companies with hierarchical management mechanisms.

The Managing Director is responsible for the operational management of the group, reporting directly to the Chair and CEO. It is supported by the Group Management Committee, an executive body of the Directors of the functional areas, except for the functions of Internal Audit and Compliance & Sustainability Officer, with supervisory and assurance tasks. The control model of our structure is based on the three-line model of the *Committee of Sponsoring Organisations of the Treadway* (COSO II), which aims to make the risk management and internal control system more robust in its different dimensions, and to improve the supervisory mechanisms of the governing bodies. This model reinforces the independence of supervisory and assurance areas such as *Compliance & Sustainability Officer* responsible for the supervision and control of regulatory compliance in the Group, and Internal Audit, which reports both hierarchically to the CEO and functionally to the Audit and Compliance Committee.

Organisation chart



2.2 Risk management and internal control

The activities carried out by the Arteche Group are subject to different contingencies which, if they were to materialise, would prevent or hinder the achievement of the objectives set, the latter being measured through the measurement 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 risk management model, established in the Arteche Group's General 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.

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

From 2022, climate change risk assessments and financial reporting risks were expressly 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.

Risk management and control policy

Integrating the vision of risk in management

Maintain a tight segregation of duties between the taking and supervising areas.

Transparent reporting of the risks

Securing the compliance of the policies government corporate

Ensuring the compliance with the laws

Categorisation of risks

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

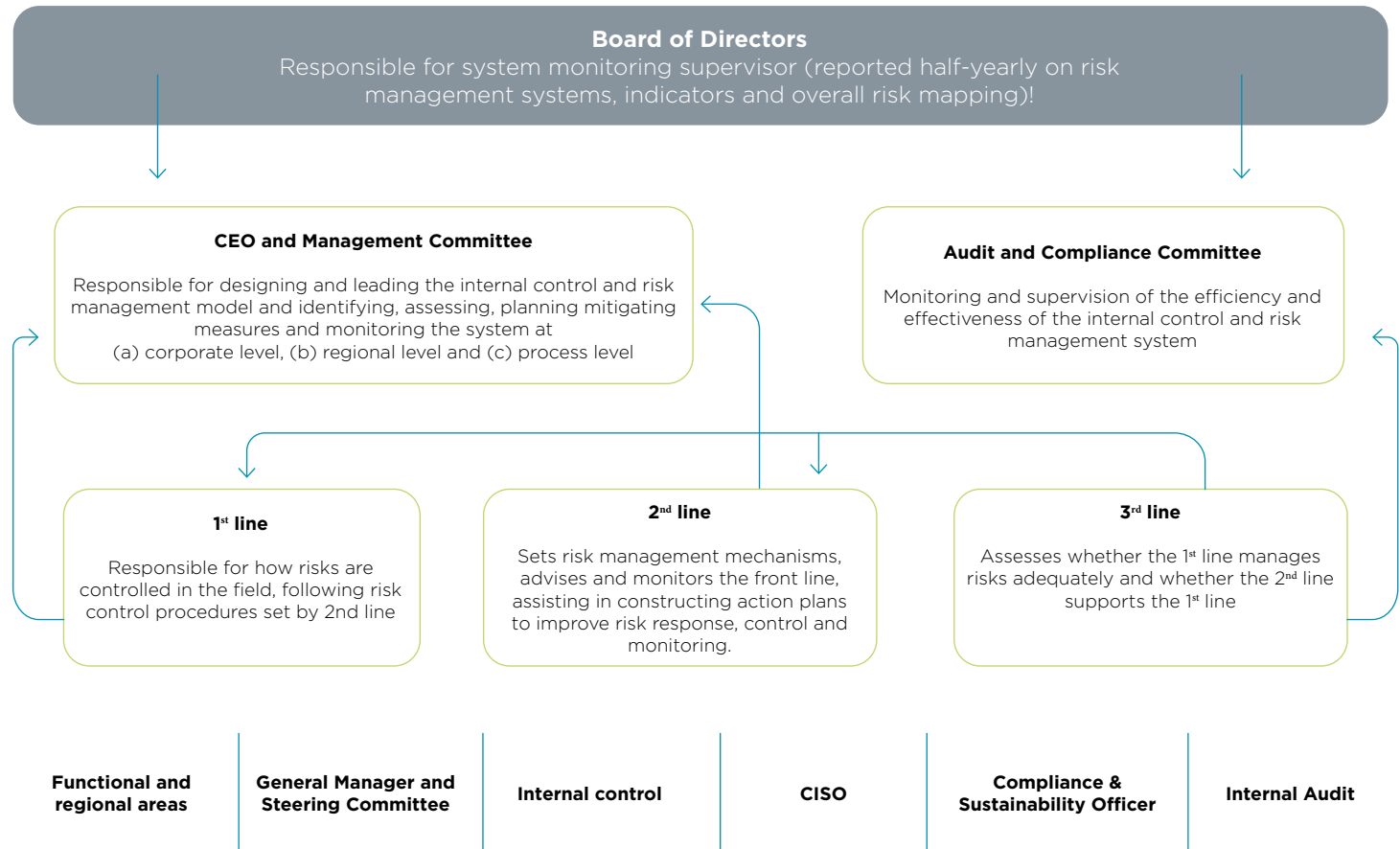
These risk categories also include ESG risks related to the environment, people, remuneration and equal opportunities.



RESPONSIBILITY FOR RISK MANAGEMENT IN THE ARTECHE GROUP

Arteche uses a hybrid risk management system based on the 3-line model, with central functions in critical areas such as compliance, internal control and cybersecurity establishing control mechanisms, policies and other activities. In contrast, the functional areas and regions are the risk takers and responsible for implementing control measures.

Risk management system



ESG RISK MANAGEMENT

ESG risk management is included in the overall risk management system of the Arteche Group.

Like all other risks, ESG risks are identified and assessed through interviews with management and subject matter experts, but they are also evaluated with external reports and specific regulations with which the Group must comply. These risks are monitored by the Sustainability team once a year as part of the materiality analysis and IRO (impacts, risks and opportunities) detection exercise, with the advice of Internal Audit and General Management. They are then discussed and endorsed by the Group's Management Committee.

Risk assessments cover market, reputational, physical, transition and even emerging regulatory risks. In 2023, this ESG risk analysis involved key stakeholders (see materiality analysis), the Management Committee, each area manager, the Sustainability Committee, Internal Audit, the Audit and Compliance Committee and the Board of Directors.

The Compliance & Sustainability Officer leads the ESG strategy of Grupo Arteche, the Sustainability Committees, and the actions for mitigating risks and opportunities derived from ESG issues. Its sustainability team participates in corporate-level risk assessments.

ELABORATION AND SCOPE

The whole process is led by the General Management, which involves the Management Committee and the Regional Committees and is supervised by Internal Audit. It reports semi-annually to the Audit and Compliance Committee and the Board of Directors.

A complete evaluation is carried out during the strategic reflection process and reviewed at the beginning of the year. In the 2023 financial year, 86 people were involved in the two risk assessments.

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

In the case of ESG risks, in addition to the steps discussed above, a double materiality analysis is performed annually, and material IROs related to sustainability issues are analysed.



Risk assessments cover market, reputational, physical, transitional risks and also risks arising from emerging regulations.

Main aspects of our risk system

CORPORATE RISK MAP

Aligned with the 2022 Strategic Plan is integrated annually in the strategic thinking process.

RISK INDICATORS AND ACTION PLANS

The main risks have periodic monitoring indicators and plans assigned to figures in the Steering Committee.

THREE DEFENCE LINE MODEL

Three separate lines ensure the good operation of the system.

SUPERVISION AND REPORTING

The governing bodies periodically receive the status of the plans and monitoring of indicators

INTERNAL AUDIT PLANS

The annual internal audit plan is fully focused on the main group risks in the medium and long term.

RISKS ASSESSED IN 2023

The 2023 Risk Map confirms the current risks of the sector and its evolution, such as the change in market trends towards more sustainable products, and another risk specific to Arteche’s track record, which is managing the impact of organic and inorganic growth on the supply chain and operations.

It also shows us the growing concern about the impact of geopolitical risks on supply chains and material costs. This has translated into financial risks in an environment of high interest rates and risks in certain hyper-inflationary economies, which could impact achieving strategic objectives.

Regulatory risks from sustainability regulations in the jurisdictions where we manufacture or sell our products are significant, especially concerning greenhouse gas regulations or pollutants.

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

In addition, it also raises concerns about cybersecurity and compliance and the potential economic harm that could be caused by not managing both well.

On the other hand, we note that the actions taken and controls implemented during the 2023 financial year have mitigated certain risks prioritised in 2022 and are no longer among the main risks. The measures and controls developed by the Group and related training have a clear deterrent effect.

Risks assessed in 2023



MARKET

- Changing customer trends
- Ability to adapt to new regulatory developments in environmental and sustainability issues



PEOPLE

- Succession planning for key personnel
- Capacity to attract and develop talent
- Increased levels of turnover



FINANCIAL RISKS

- Increase in interest rates
- Ability to generate cash flow in a turbulent macroeconomic environment
- Inflation levels in certain economies



GROWTH

- Supply chain capabilities in a growth environment
- Level of service



CYBERSECURITY

- Compliance

ESG risks assessed in 2023

MARKET

- Increased demand for SF6-free products

PEOPLE

- Attracting and developing talent

TRANSITIONAL REGULATIONS

- Compliance with regulations related to polluting substances

3. Strategy

3.1 Innovation

INNOVATION STRATEGY

For Arteche, innovation is a strategic variable, a corporate value and, above all, an internal commitment and a commitment to our customers.

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

We firmly believe that investment in R&D&I is essential for growth, sustainability and maintaining a competitive leadership position in the market.

Electric, innovative and sustainable technology trends

In our contribution to driving a Future with Energy in Motion, we are aware that there are a number of factors that we need to consider when working on Innovation:



The **Electrification**, offering solutions for efficient mobility and reliable interconnection of renewable generation.



The **Decarbonisation** as an essential part of the Circular Economy, EcoDesign and the use of more sustainable materials in our equipment and infrastructures.



The **Digitalisation** of the Electricity Grid, monitored, automated, predictive, secure and intelligent, Smart Grids.



The **Decentralisation** supported by Industry 4.0 to provide the teams and infrastructures operating in the grid with remote tools and predictive systems that support decision making.



The **Democratisation** of knowledge to support the necessary talent and offer innovative, convenient and functional solutions to our customers.

Our Purpose

To drive the energy transition by ensuring universal access to clean, efficient, and quality electricity by working in a culture of trust, collaboration, and care for all the people with whom we interact and in all the communities in which we are present.

At Arteche we call it **“the energy that moves us”**.

Pillars of Growth and innovation framework

In the challenge full of opportunities that the energy transition opens up for us, we are aware that one of our greatest contributions of value lies in focusing our innovative know-how on the following actions:

1. **Extending the product portfolio** offering high added-value solutions.
2. **To increase the competitiveness** of our solutions, products and services.
3. **Implement new tools and products** and products in line with the sustainability of the business.
4. **Reducing time to market** through the development of innovative technologies.
5. **Generate new business** by introducing the concept of service associated with the product.

Key figures

7

R&D centres

TURKEY will be added to the six other R&D centres in 2023

3%

of turnover dedicated to R&D activities

10% growth in real terms in R&D investment is diluted by a higher percentage growth in turnover

75%

of effort on products < 10 years old

and we continue to grow

198,700

hours spent in the R&D team

100

active partnerships in our ecosystem

197

R&D people and STEAM talent

18.8% of the R&D team are women in 2023 (19.4% in 2022)

there has been an increase in the number of people and women, but a greater increase in the number of staff dilutes the figure



Main projects

Our priorities are geared towards developing actions focused on achieving an energy transmission and distribution grid that can efficiently, reliably and sustainably integrate the new realities associated with the energy transition: digital technologies, such as cybersecurity, asset management and data monitoring or digital twins, design and development of innovative equipment and product sustainability; and the development of other relevant specific electrical technologies, such as direct current, internal arc or harmonics measurement.

Inventions and patents

Since 2023, the Arteche Group has also had a patent procedure that sets out globally how to identify, file and maintain a possible invention.

Competitive Intelligence and Technology Watch

We have created a Competitive Intelligence and Technology Watch procedure in our commitment to excellence, quality and innovation. We have a tool (commercial SW) that allows us to carry out this innovative systematic and capture external and internal information in an automated way to identify changes in the environment and take measures to be at the forefront.

Innovation Ecosystem

At Arteche, we rely on continuously evaluating opportunities that reinforce our competitive positioning and technological leadership to respond to future challenges in energy and society.

In addition to the cross-cutting innovation ecosystem, we are also creating an ecosystem for each disruptive project we are working on. Such is the case for the Intelligent Data Management Ecosystem and the ecosystem we create around product sustainability.

In short, the Arteche Group's Innovation Ecosystem aims to strengthen the current relationships with the different agents with whom we collaborate in different R&D&I projects and innovative initiatives and, at the same time, it will allow us to build new alliances to be able

to join in new R&D&I proposals that require cooperation.

- **Active participation in technical and policy.**

Our presence in leading technology forums in the sector, such as CIRED and CIGRE, reflects our commitment to R&D&I, excellence and constant updating. In addition, our participation in international standards bodies such as IEC and IEEE, and our contribution to the formulation of standards in the main national and international standards and pre-normative forums, is evidence of our global view of regulations and ensure that our products comply with globally recognised standards.

- **Projects in collaboration** with technology centres, research centres and universities.



The Arteche Group's Innovation Ecosystem intends to strengthen the current relations with the different agents we collaborate with

- **Presence at congresses and in specialised specialised publications.**

- **Open and collaborative innovation dynamics.**

We promote the realisation of collective experiences to create value together. For example, we participated in the Weetbe Hackathon 2023 with a proposal on EcoDesign to promote the circularity of the components that form part of electrical equipment throughout its life cycle, from its definition and design during its production and duration until the end of its operation. Or also in the B Global Talent hackathon and boot camp coordinated by the University of Mondragon. As well as in dual training formats, international exchanges, etc.

- **Startup and entrepreneurship spaces.** In 2022, we cooperated with five Startups and seven in 2023. So far, in 2023, we have analysed more than 185 Startups - including Spin-off Technology Centres - related to our focus on clean energy, Industry 4.0, digitalisation, and sustainability. We have participated in different initiatives with the B Accelerator Tower | BAT (workshop, 1:1 meetings, Startup pitching, missions, talk,...), BIND 4.0 and other entrepreneurship and innovation forums, which has allowed us to find Startup based on the innovative challenges we have in our backlog, to find new Startup with disruptive solutions for our challenges, connect with new talent and be part of a first-class innovative community where we can collaborate and also invest.
- **A driving force for Basque innovation.** We are featured in the INNOBASQUE innovation case study bank, where we showcase our High Voltage transformer sensing and monitoring system in the Electricity Sector to manage the asset in real-time - presenting it in turn in a webinar, and also the High Voltage Transformer Smart Management Platform. Likewise, we are presenting a project for the sustainability category in which we are working on new biodegradable liquids for application in High Voltage. In short, we share good practices or aspects of interest with the other entities promoting business R&D&I.

In addition, we contribute our expertise in the sustainability best practice platform “COMparte” to the UN 2030 Agenda to support the building of resilient infrastructure, foster inclusive and sustainable industrialisation and promote innovation, in line with SDG 9.

- **Innovating hand in hand with our customers, suppliers and other corporations.** We join forces with numerous entities, academia, the public sector, our customers and suppliers, and even our traditional competitors, who are now becoming partners and collaborators, sharing vision, technology, and developments to tackle new electrical transformations successfully.

- We are a collaborating company of IBERDROLA's Global Smart Grids Innovation Hub (GSGIH), where we carry out R&D&I projects related to the electricity grids of the future.
- We are part of REDEIA's ELEWIT ecosystem.
- We cooperate with our customers in measuring and reducing the environmental impact of our products
- RTE awards Arteché for its mixed line protection solution based on optical transformers.



3.2 Strategic sustainability plan

In a world increasingly aware of environmental, social and governance challenges, Artech is responsible for operating sustainably and contributing to the well-being of current and future generations. As part of our commitment to business excellence and long-term value creation, we presented our 2023 Strategic Sustainability Plan approved by the Board of Directors. This Plan bases its strategy on three important pillars: the dual materiality analysis, where we involve all stakeholders, the 2030 agenda, where we have set objectives, and the company's values: Closeness, commitment, collaboration and perseverance.

With the creation of the strategic Sustainability function and the integration of the Sustainability & Compliance Directorate into the Management Committee, this plan represents an essential milestone in our sustainability journey, with a clear vision of integrating responsible practices in all areas, operations and business relationships. By addressing environmental, social and governance challenges, we are committed to fostering innovation and creating shared value for all stakeholders.

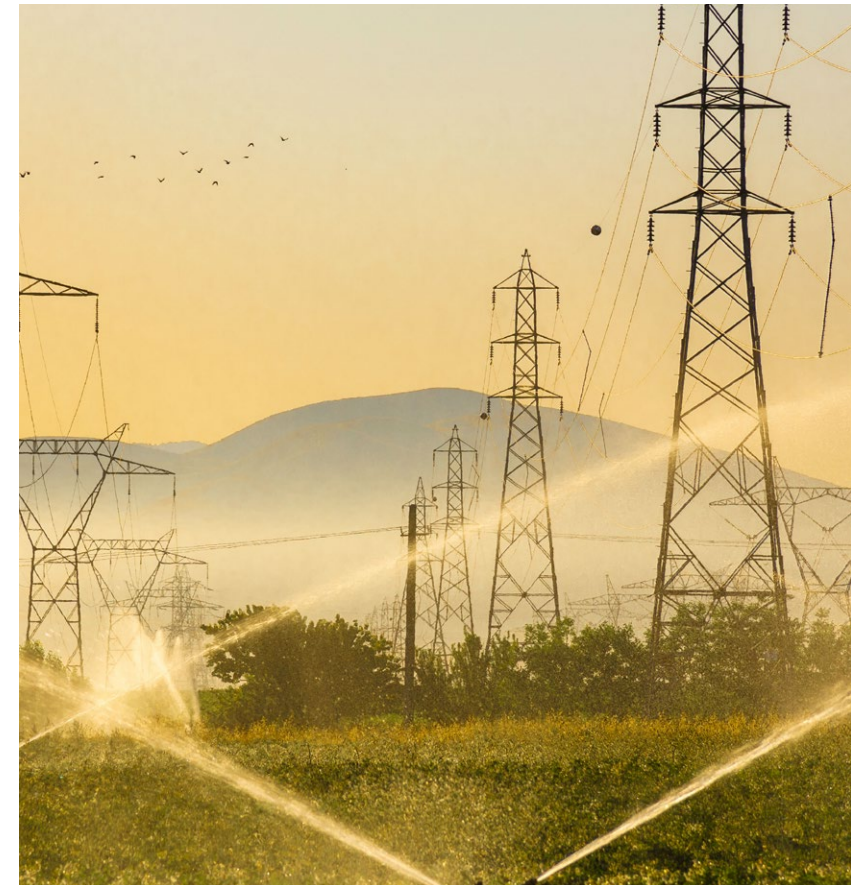
This plan is based on transparency, collaboration, and value creation. It reflects our commitment to engaging stakeholders, including employees, customers, suppliers, local communities, investors, and shareholders, in our sustainability journey.

Throughout this plan, we have identified the priorities, objectives and specific actions we will take to achieve our goals. Successful sustainability requires a shared effort and strong collaboration across functions and the value chain.

As such, our Strategic Sustainability Plan is a guide to help us continue to lead by example and work in harmony with the environment and the communities in which we operate. As we move forward, we are committed to regularly reporting on our progress, celebrating our achievements and learning from our challenges to continue to improve and grow as a sustainable business dedicated to the planet and society.



This Plan bases its strategy on three important pillars: dual materiality analysis, where we involve all stakeholders, the 2030 agenda, where we have set targets and the company's values: Proximity, commitment, collaboration and perseverance.



PRIORITIES 2023-2026

We have defined a set of medium-term priorities to help us achieve our 2030 targets. These priorities aim at value creation and internal and external collaboration, and are based on four pillars:

VALUE CREATION + COLLABORATION

SOCIAL & GOVERNANCE
Leadership model
Cultural transformation
Ethics and transparency

ROADMAP
Sustainability Plan
New regulations (CSRD)
Short, medium and long-term objectives

ACTIVE LISTENING
Dual materiality analysis
Openness to new opportunities

INVESTMENT
Training and awareness-raising
Data management / indicators
Innovation



In 2023, we participated in the Ecovadis Scorecard. We obtained a score of 58/100, with a Bronze medal and in the top 35% of the best companies in the sector. Our goal for 2024 is to focus on the areas of improvement indicated to us to continue our plan for continuous improvement and commitment to sustainability.

OBJECTIVES AND ACTION PLAN

Based on the pillars above, our strategic plan for the coming years establishes medium-term objectives and actions centred on three axes: accelerating decarbonisation, promoting diversity and equal opportunities in the organisation and achieving excellence in corporate governance.

Ambition	Target 2030	2023	Target 23-26	Action plan
Accelerating the transition to Net Zero Carbon	50% carbon footprint reduction (scope 1 & 2)	39.3% carbon footprint reduction (scope 1 & 2)	40% carbon footprint reduction (scope 1 & 2)	Removal of SF6 in MVIT Reuse, recycle and recover Focus on eco-design Recycled cardboard and plastic Improving energy efficiency Commitment to the value chain Innovative ecosystem Basic sustainability training (ESG)
	100% renewable energy consumption	33.8% renewable energy consumption	60% renewable energy consumption	
Promoting an Equal and Equal and Diverse	40% women in management positions	28% women in management positions	33% women in management positions	Equality training Culture Project: Leadership model At least 1 woman in recruitment and promotion processes Diversity in the Board Identifying women Internal referents Fostering STEAM vocations
	100% posts designed for men and women	67% posts designed for men and for women	90% posts designed for men and for women	
Excellence in Corporate Governance	Recognised as "Best place to Work" Recognised for best practice in corporate governance on the Continuous Market		Corporate Governance Roadmap to the Continuous Market Climate change risk implemented in all regions	Code of conduct and policy training New EU regulations (CSRD) ISO 45001, 37301, 19600 Standards New standards ISO 53800, 20400 Social taxonomy SCIINF (Internal Control over Non-Financial Reporting) and SCIINF implemented



SCORECARD 2030

We understand sustainability as a change in how we operate to ensure long-term value creation. That is why our Strategic Sustainability Plan is framed by a series of environmental, social and governance objectives that reflect our aspirations in each area for 2030.



STRATEGIC TARGET	INDICATOR	Results 2022	Results 2023	Target 2030
100% of our products are designed with environmentally friendly and biodegradable fluid insulation	Product ranges with environmentally friendly fluid insulation solution - biodegradable / Total product ranges (%)	73.5%	73.5%	100%
Reduce our carbon footprint by >50%	Total emissions (Scope 1+2) / Total emissions (Scope 1+2) base year (2021) (%)	17.4%	39.3%	-50%
100% Renewable electricity consumption	Total renewable electrical energy consumption / Total electrical energy consumption (%)	14.8%	33.8%	100%
Reuse/recycle 100% of generated waste	Total P+NP waste (reused + recycled) / Total P+NP waste generated (%)	49.7%	57.8%	100%
Paperless/digitisation of all processes	total number of digitised processes / total number of processes (%)	65%	65%	100%
Use of 100% recycled cardboard	Total number of suppliers using 100% recycled cardboard in our product packaging / Total number of suppliers using cardboard in our product packaging (%)	39%	42%	100%
100% of our packaging is free of single-use plastic	Total number of suppliers using 100% single-use free plastic in our product packaging / Total number of suppliers using plastic in our product packaging (%)	30%	33%	100%



Promote an inclusive organisation in which all people have equal development opportunities.	Women in managerial positions/ Total number of persons in managerial positions	27.8%	28.1%	40%
	Hours of training per person	21.9%	26.14h	40h
0 days lost due to accidents at the workplace	Accident frequency rate	16.57	11.56	0
	Accident severity rate	0.22	0.18	0



Diversity in management bodies	Percentage of women on the Board of Directors	0%*	11%	40%
SCIIF (Internal Control over Financial Reporting) Implementation Project	External auditor's report on SCIIF	Diagnosis and planning	14/70	Certification
Risk Management System	% of risk models integrated in the MGS	1/6	2/6	6/6
Recognition of best corporate governance practices in the continuing marketplace	Evaluation and certification	N/A	N/A	Certification

* 12.5% until June 2022



3.3 Stakeholder management

Identifying our effect on our stakeholders and the risks and opportunities that may arise from our relationships with them is crucial to guide our corporate governance decision-making, the design of strategic plans and the definition of content in corporate reporting processes.

At Arteche, we are committed to close collaboration with our stakeholders, both internal and external, as a key strategy for success.

We are committed to meeting the expectations of our key stakeholders, and to achieve this, we strive to establish ongoing communication that fosters long-lasting relationships based on trust and mutual respect. We implement two-way communication strategies focused on transparency, providing honest, accurate and reliable information.

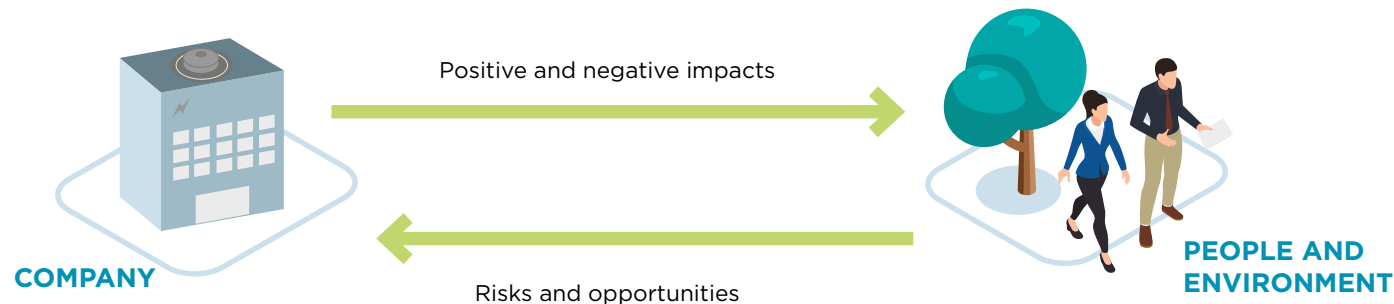
The Management Committee, in its annual strategic reflection process, updates the Group's stakeholders, their expectations and the main channels of communication

Interest group	Channels of communication
Employees and family members	Surveys, internal newsletter "arteche together", "all hands meeting", "cafés with a view", "open talks" Intranet, performance evaluations, information panels, equality commissions, employee portal, ethics channel, sustainability channel...
Workers Committee and trade unions	Committees, monitoring sessions, Intranet, employee portal.
Customers	Satisfaction surveys, visits, fairs, social networks.
Suppliers	Visits, fairs, regular evaluations, ethics channel, social networks.
Shareholders, analysts and investors	General shareholders' meeting, annual reports, investor space on the arteche website, specialised forums, investor relations officer.
Financial institutions	Contracts signed with sustainability KPIs, documentation received
Government and public authorities	Scheduled visits, legal requirements, surveys, web arteche.
Society	Scheduled visits, open days, sustainability reporting
R&D and training centres	Open days, scheduled visits, joint projects, sectoral forums, Arteche website, innovation ecosystem manager.
Environment	Benchmarking and scientific reports.

3.4 Impact, risk and opportunity management

The European Commission's Corporate Sustainability Reporting Directive (CSRD) requires entities to report on sustainability consistently and comparably, per the EU taxonomy, and carry out a dual materiality assessment. The Task Force on Climate-Related Financial Disclosures (TCFD) and Global Reporting Initiative (GRI) standards also include this dual materiality requirement. At Artech, we started working with this approach in 2022 and have continued to improve the methodology during 2023, as a key element of our sustainability strategy, with a dual perspective:

- Assess impacts on our stakeholders (“environmental and social impact materiality” or “outward impacts”).
- Assess the impact on enterprise value (“financial materiality” or “inward impacts”).



MATERIALITY OF THE IMPACT

The materiality analysis helps us identify those impacts that may arise from our activities, which we will prioritise in our roadmap, thereby integrating business and sustainability objectives in developing our strategy.

Identification of potential impacts: At this stage, we have identified various social and environmental impacts that could be relevant to our business. These include using natural resources, greenhouse gas emissions, labour practices, community relations, and supply chain.

Information gathering: A survey was carried out with broad participation among the main stakeholders, and we asked them about all the issues identified in the previous phase as relevant.

Assessment of relevance and scope: In this phase, we analysed the results obtained by assessing stakeholder perceptions and the company's ability to influence impact. We also complemented the analysis with the new applicable regulations and sectoral reports.

Prioritisation of key impacts: Based on our assessment, we have prioritised the impacts that we consider most significant in terms of their influence on value creation and strategic decision-making. These key impacts have the most significant potential to affect the company's ability to achieve its objectives and meet stakeholder expectations.

Development of strategies and actions: Once key impacts have been identified and prioritised, we will develop strategies and actions to effectively address them by implementing policies and procedures, allocating resources, engaging in collaborative initiatives, and other measures to mitigate negative impacts and maximise positive impacts.

FINANCIAL MATERIALITY

To carry out this analysis, we have identified and assessed the relevant short-, medium and long-term risks and opportunities from a financial point of view, which may arise both from the impacts analysed above and from the dependencies we have on our stakeholders.

Identification of risks and opportunities: based on the Group's risk map and material impact analysis, we have identified the risks and opportunities for our business from the main material sustainability-related issues.

Risk and opportunity assessment: assessment by the functional areas and the Group Managing Director of each of them, indicating the likelihood of occurrence and the impact on the company.

Prioritisation of key risks and opportunities: we have prioritised risks and opportunities based on the results of the previous assessment.

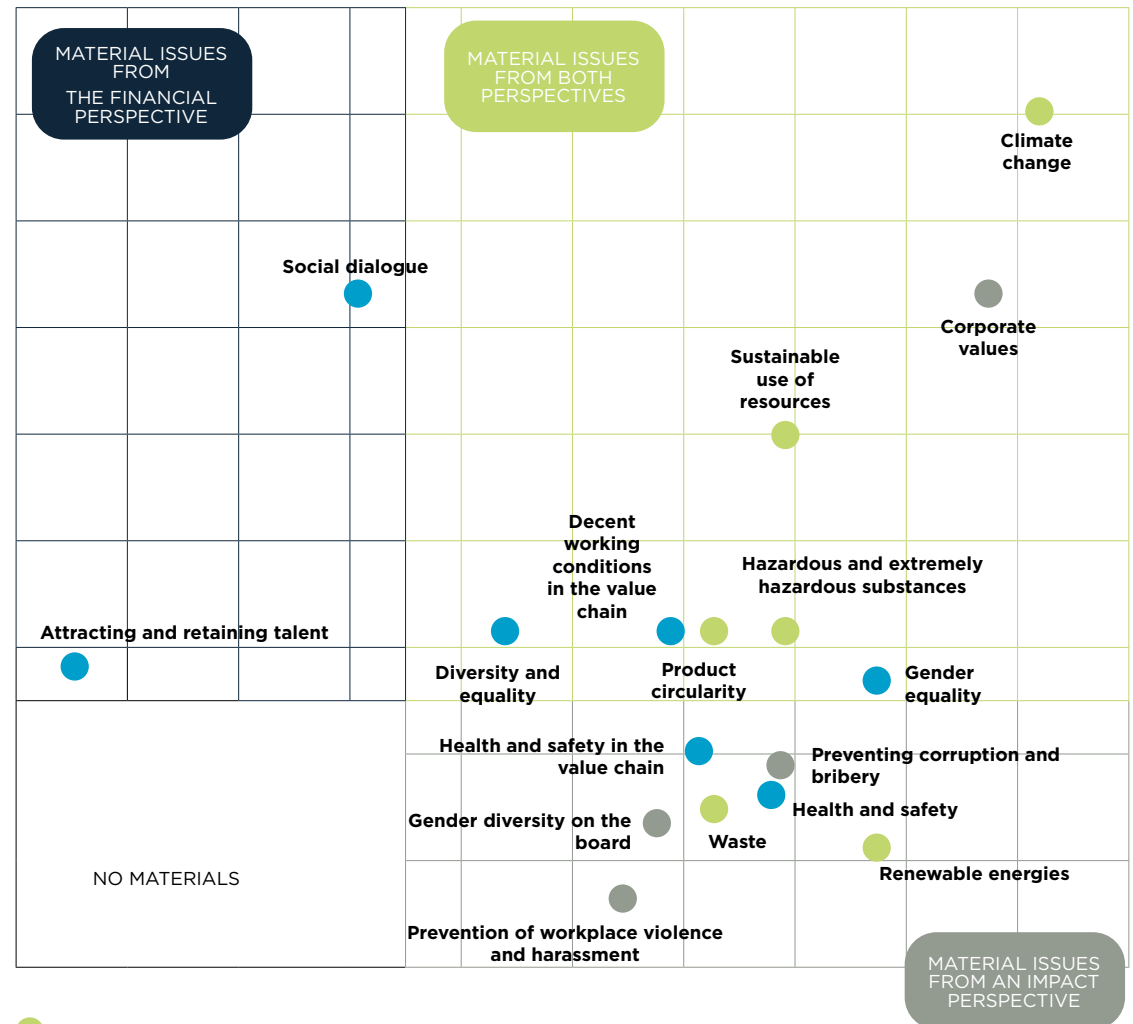
DUAL MATERIALITY MATRIX

Understanding that all issues included in the matrix are material, we have divided them into three levels: the most strategic problems with materiality and financial impact, the relevant matters with materiality impact, and the relevant issues with economic implications.

The main negative impacts identified as material are greenhouse gas (GHG) emissions, potential effects of the use of hazardous substances and inadequate management of materials and waste, occupational accidents and illnesses, potential incidents in relation to working conditions in the value chain and possible impacts from non-compliance with responsible business conduct. On the other hand, the positive impacts considered material are the contribution to the development of products that increase the resilience of the electricity grid, the increase in the use of renewable energies and the awareness of the principles of ethics and integrity in business conduct.

As for the principal risks related to sustainability, in addition to those identified through the Risk Management System (specified in section 2.2), the following have been identified as material risks: scarcity and volatility of resource prices, the difficulty of adapting to increasingly stricter environmental regulations, loss of competitiveness in the market due to lower than expected sustainability performance, and reputational risks due to incidents related to human and labour rights in the value chain.

Finally, we see material opportunities related to access to sustainable financing, differentiation resulting from strong corporate values, and entry into new markets by developing products that contribute to climate change mitigation and adaptation through their impact on the electricity sector.



- ENVIRONMENTAL ISSUES
- COMPANY MATTERS
- GOVERNANCE ISSUES

Environment

4. EU Taxonomy

5. Climate change

6. Pollution

7. Resource use and circular economy



4. EU Taxonomy



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Climate change mitigation and adaptation	✓	✓
Circularity of supplied products	✓	✓

4.1 Regulatory context

The European Union (EU) Taxonomy of Sustainable Activities is a regulatory framework developed by the EU to classify economic activities according to their contribution to particular environmental objectives.

This system is a central component of the European Green Pact, which aims to promote transparency, define what is considered “sustainable”, and, in particular, direct investments towards projects and activities aligned with the EU’s environmental objectives.

The conditions that an activity must fulfil to be considered as contributing to one of these objectives have been detailed in four Delegated Regulations (DR):

- DR 2021/2178 on Disclosure
- DR 2021/2139 on Climate
- DR 2023/2485 amending the DR on Climate
- DR 2023/2486 on the Environment

Six environmental objectives



CLIMATE CHANGE MITIGATION



ADAPTATION TO THE CLIMATE CHANGE



SUSTAINABLE USE AND PROTECTION OF WATER RESOURCES



TRANSITION TO A CIRCULAR ECONOMY



POLLUTION PREVENTION AND CONTROL

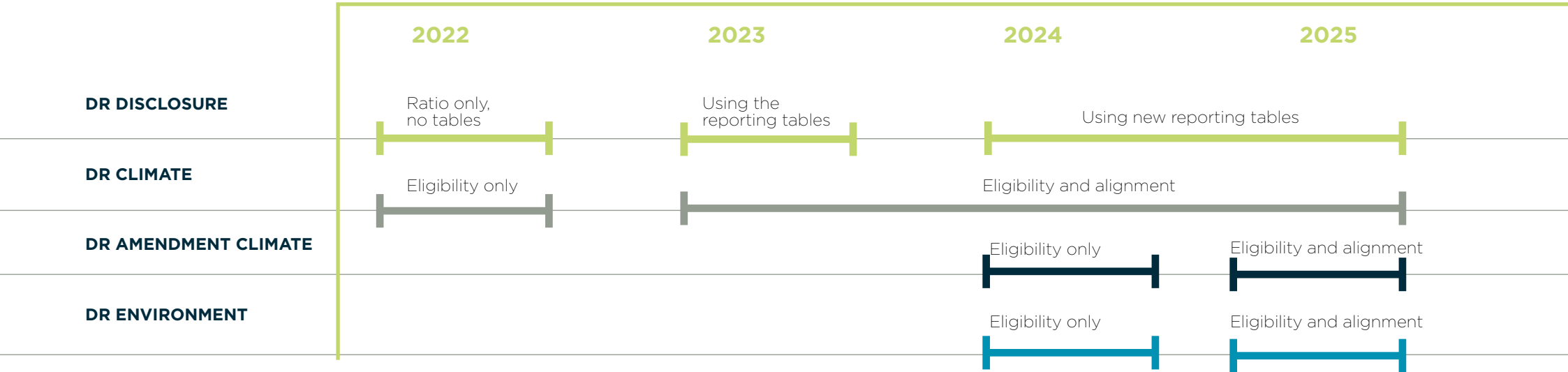


BIODIVERSITY AND ECOSYSTEM PROTECTION

In this context, a distinction is made between the following concepts

- **Eligible activity:** all activities listed in the above regulations. An activity is considered eligible when it has the potential to contribute substantially to one or more climate objectives.
- **Aligned activity:** an activity that meets all the conditions for being environmentally sustainable, i.e. it meets the technical criteria of substantial contribution to a given target, do no significant harm to other objectives and ensures compliance with minimum social safeguards.

Reporting Dates (In the case of disclosures for non-financial entities)



“

The EU Taxonomy has been implemented in a way that has been the aim is to facilitate the reporting to the entities and, thus, meet regulatory developments.

4.2 Scope

In applying the EU Taxonomy, Arteche has considered the “global perimeter”, i.e. the activity of Arteche Lantegi Elkartea, S.A. and all the subsidiaries that comprise the consolidated Group. Thus, the same scope is maintained in the 2022 report and financial statements.

4.3 Eligibility analysis




The products we manufacture at Arteche are required at all interconnection points in the electricity grid, from generation to the transmission and distribution grid. The grid has become more complex with the entry of renewable and offshore generation, increasing the number of interconnections and expanding our market potential. In addition, we have products and solutions aimed at developing and integrating renewable energies. For all these reasons, we are a key player in developing the electricity sector and transitioning towards a circular and decarbonised economy.

The activities of the Arteche Group do not correspond to any other activity in the rest of the environmental objectives, so they are only considered eligible in terms of climate change mitigation and circular economy.

Summary of eligibility analysis



We are a key player in the sector development electric and in the transition towards a circular economy and decarbonised.

	 arteche Activity of the Group Arteche	 Climate change mitigation	 Transition to a circular economy
Measurement and monitoring of systems	High and medium voltage instrument transformers	3.20. Manufacture, installation and maintenance of high, medium and low voltage electrical equipment for electricity transmission and distribution resulting in or facilitating a substantial contribution to climate change mitigation*	1.2. Manufacture of electrical and electronic equipment*
	Digital high-voltage measurement solutions		
	Medium voltage and current sensors		
Network reliability	Power quality	4.9. Transmission and distribution of electricity	Not eligible
	Reclosers	3.20. Manufacture, installation and maintenance of high, medium and low voltage electrical equipment for electricity transmission and distribution resulting in or facilitating a substantial contribution to climate change mitigation*	1.2. Manufacture of electrical and electronic equipment*
	Specialised Services		
Automation of Transmission and Distribution networks	Substation and distribution automation systems	4.9. Transmission and distribution of electricity	Not eligible
	Auxiliary relays	3.20. Manufacture, installation and maintenance of high, medium and low voltage electrical equipment for electricity transmission and distribution resulting in or facilitating a substantial contribution to climate change mitigation*	1.2. Manufacture of electrical and electronic equipment*
	Railway relays		

*Activities introduced by the new Delegated Regulations in 2023.

CLIMATE CHANGE MITIGATION (CCM)

Activity 4.9. Transmission and distribution of electricity

The activities of the Substation and Distribution Automation Systems (SAS) and Power Quality businesses coincide with the following business definitions:

- Construction and operation of transmission systems transporting electricity in very high- and high-voltage interconnected systems.
- Construction and operation of distribution systems transporting electricity in high, medium and low voltage distribution systems.

Therefore, the businesses mentioned above are eligible for substantial contribution to climate change mitigation under activity 4.9.

Activity 3.20. Manufacture, installation and maintenance of high, medium and low voltage electrical equipment for electricity transmission and distribution, resulting in or facilitating a substantial contribution to the mitigation of climate change

As expected last year, the EU has recognised the importance of electrical equipment for decarbonisation and electrification by introducing the new activity 3.20. Thus, the ability of manufacturing, which is part of the energy sector value chain, can contribute to climate change mitigation. This activity is defined as follows:

- The economic activity develops, manufactures, installs, maintains or services electrical products to substantially reduce greenhouse gas emissions in high, medium and low voltage electricity transmission and distribution systems through electrification, energy efficiency, integration of renewable energies or efficient energy conversion.
- Economic activity includes systems to integrate renewable energy sources into the electricity grid, interconnect or increase grid automation, flexibility and stability, manage demand response, develop low-carbon transport or heat, or deploy smart metering technologies to improve energy efficiency substantially.

This description corresponds to our entire manufacturing activity, except for the businesses that manufacture railway relays, as they are not part of the electricity grid and those of the electricity transmission and distribution activity 4.9. Therefore, the business segments that manufacture high- and medium-voltage instrument transformers, high-voltage digital measurement solutions, medium-voltage sensors, reclosers and associated services, and auxiliary relays are eligible for this activity.

CIRCULAR ECONOMY (CE)

Activity 1.2. Manufacture of electrical and electronic equipment

The description of activity 1.2. includes, in general, the manufacture of electrical and electronic equipment for industrial, professional and consumer use. All products manufactured in Arteché are qualified as electrical and electronic equipment; therefore, all equipment manufacturing businesses are eligible under this activity.

The power quality and substation automation systems businesses have been identified with the description of activity 4.9, i.e., equipment installation. Therefore, and in keeping with the most literal interpretation of the standard, they are not considered eligible under the definition of manufacturing.



4.4 Alignment analysis

In line with the progressive implementation of the EU Taxonomy regulatory framework, by 2023, only the alignment analysis for activities already established by the DR on Climate applies. Therefore, only activity 4.9 is included in this section.

CLIMATE CHANGE MITIGATION (CCM)

Criteria for substantial contribution

Activity 4.9

Criterion






The activity is one of the following:
(e) installation of equipment to increase the control and observation capacity of the electricity system and to enable the development and integration of renewable energy sources, among others, the following:
I. sensors and measuring instruments (including meteorological sensors for predicting renewable energy production)
II. communication and control (such as advanced software and control rooms, substation or power line automation, and voltage regulation capabilities for adaptation to a more decentralised renewable energy supply)

Application for Arteche

Internally, we have carried out an analysis of the activities carried out in each Group company, identifying the following businesses as strictly meeting the technical criteria of substantial contribution of the activity 4.9:

- Substation and distribution automation systems
- Power quality

Criteria for do no significant harm (DNSH)

Related environmental target	Criterion	Application for Arteche
 Adaptation to climate change	Appendix A of the DR on Climate	All our plants comply with Appendix A of the EU taxonomy, which is related to climate risk analysis, linked to the TCFD (Task force on Climate-related Financial Disclosures) analysis. In 2023, Arteche updated its physical risk analysis. A semi-quantitative methodology has been applied to carry out this long-term analysis. The global warming scenarios described by the Intergovernmental Panel on Climate Change (IPCC) RCP 8.5 and RCP 4.5 have been considered, with the temporal scope up to the year 2050. Following this analysis of physical risks, no significant risks have been identified that would require adaptation measures.
 Sustainable use and protection of water and marine resources	Not applicable	
 Transition to a circular economy	Waste management plan	All our plants have a developed waste management plan that ensures maximum reuse or recycling at end-of-life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, incorporation in financial projections or official project documentation.
 Pollution prevention and control	Criteria for high-voltage overhead lines	Not applicable, as Arteche does not install high voltage overhead lines
 Protection and restoration of biodiversity and ecosystems	Appendix D of the DR on Climate	Our activity is not subject to an environmental impact assessment according to Law 21/2013, nor does it occur near areas relevant to biodiversity, such as the Natura 2000 Network, UNESCO World Heritage areas and other protected areas. In addition, we have analysed the main environmental impacts for all our plants and regularly monitor the possible effects of our activities on the environment.

MINIMUM SOCIAL SAFEGUARDS

At Arteche, we follow the most demanding international standards in this field, and we are committed to their compliance in our Code of Conduct: the OECD Guidelines for Multinational Enterprises, the guiding principles of the United Nations Global Compact, the International Bill of Human Rights, the Tripartite Declaration of Principles Concerning Multinational Enterprises and the social policy of the International Labour Organisation.

In accordance with the requirements of the taxonomy, to assess whether Arteche's activities are carried out in accordance with minimum social safeguards, we have conducted an analysis with regard to management and performance in the following four areas:

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

To prevent and adequately manage the risks associated with the areas mentioned above and to guarantee an adequate performance in full compliance with the law and our principles and values, Arteche has a fully operational Compliance System designed according to the best national and international practices. The Group's Compliance System is based on the ISO19601:2017 standard. Chapter 10 (Business Conduct) sets out the main elements of this system and how the Group conducts our

business in these management areas. Chapters 8 (Our people) and 9 (Value chain) set out our commitment to supporting, respecting and protecting human rights to the fullest extent and the mechanisms we have to ensure that all our activities are conducted under these principles.

Furthermore, the fiscally responsible behaviour of all Arteche Group companies forms part of the general corporate responsibility policy, which includes the basic principles of action. Further details can be found in Chapter 10 (Business Conduct).

Finally, fair competition is one of the basic principles enshrined in our Code of Conduct.

Neither Arteche Lantegi Elkartea, S.A. nor any of our subsidiaries have been convicted during the 2023 financial year for any offence relating to tax evasion or human rights. Similarly, neither Arteche Lantegi Elkartea, S.A. nor our subsidiaries or management team have been convicted of corruption, bribery or violation of laws related to free competition.





4.5 Calculation methodology

From the Group's consolidated information and based on the corporate management control criteria relating to turnover, CapEx and OpEx, we have identified the items of these indicators that correspond to the different activities contemplated by the EU Taxonomy. Intercompany transactions have not been taken into account in the calculations.

Throughout the process, we have taken into account the necessary considerations to avoid double-entry bookkeeping:

- **Reconciliation with accounting information** reconciliation with accounting information, which ensures proper consideration of eliminations and adjustments made during the consolidation process.
- **Use of consistent sources of information** use of consistent sources of information, which avoids considering the same item in two different indicators or twice within the same indicator.
- **Verification of data completeness and accuracy.**

Since the analysis has been carried out based on Artech's different business lines, identified in our accounting systems, the reconciliation with the financial information is direct and ensures the traceability of the amounts assigned to each activity.

TURNOVER

The key indicators referring to turnover are calculated as the eligible or aligned activities turnover ratio as appropriate (numerator) over the total turnover of the Artech Group (denominator).

This income corresponds to the income recognised under Royal Decree 1514/2007, of 20 November, approving the General Accounting Plan, and Royal Decree 1159/2010, of 17 September, approving the rules for the preparation of the Consolidated Annual Accounts and its subsequent amendments (including ROYAL DECREE 602/2016) (General Accounting Plan - accounting accounts of group 70), once the corresponding consolidation adjustments have been made. Therefore, the denominator corresponds to the net turnover of the Artech Group's Consolidated Annual Accounts for 2023.

For the eligibility calculation, the numerator corresponds to the net turnover of the Consolidated Annual Accounts of the eligible activities in the taxonomy, as explained above. For the calculation of the alignment, only the amount corresponding to the business lines that meet the substantial contribution criteria and those of the DNSH of activity 4.9 under the climate change mitigation target have been taken for the numerator. In accordance with the legislation, the alignment of the new activities (3.20 under the mitigation target and 1.2 under the circular economy target) has not been analysed, as their consideration for KPIs is indicated only from next year onwards.



Reconciliation with the financial information is direct and ensures the traceability of amounts allocated to each activity.

CAPEX

This indicator is the ratio of fixed assets invested by the activities considered eligible or aligned (numerator) concerning the total assets acquired during the year (denominator).

The denominator (total CapEx) is the additions to tangible and intangible assets before depreciation, amortisation, revaluations and impairments, excluding changes in fair value. It also includes additions resulting from business combinations. They thus correspond to costs capitalised on tangible and intangible assets in accordance with the chart of accounts (NRV 2, 5 and 19). Therefore, the denominator corresponds to the total additions in cost during 2023 of property, plant equipment and intangible assets, as reflected in the movement in property, plant and equipment in the Consolidated Financial Statements.

For the eligibility calculation, the numerator corresponds to the amount of additions in cost in tangible fixed assets and intangible fixed assets of the activities considered eligible in the taxonomy. For the calculation of the alignment, as explained in the Methodology for calculating turnover, only the amount corresponding to the business lines that meet the substantial contribution and DNSH criteria of activity 4.9 has been taken for the numerator. In contrast, the alignment of the new activities will be included from next year onwards.

OPEX

This indicator is obtained as the ratio of the OpEx of activities considered eligible or aligned (numerator) to the total taxonomic OpEx (denominator).

This denominator narrows the total operating expenses to non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, and other direct costs associated with the day-to-day maintenance of property, plant and equipment by the company or by a third party to whom activities are outsourced and that are necessary to ensure the continued efficient operation of these assets. Therefore, the denominator corresponds to the consolidated operating expense accounts for 2023 associated with R&D expenses, short-term leases, and repairs and maintenance, mainly, thus corresponding to the costs mentioned above included under the heading "External services" in the consolidated income statement.

For the eligibility calculation, the numerator corresponds to R&D, short-term leases and repairs and maintenance costs associated with the activities considered eligible in the taxonomy. For the calculation of the alignment, as explained in the methodology for calculating turnover, only the amount corresponding to the business lines that meet the substantial contribution criteria and those of the DNSH of activity 4.9 has been taken for the numerator. In contrast, the alignment of the new activities will be included from next year onwards.

“The number of the monitoring only includes the aligned business lines of activity 4.9, while the alignment of the new activities will be analysed based on of the next financial year.”



4.6 Results

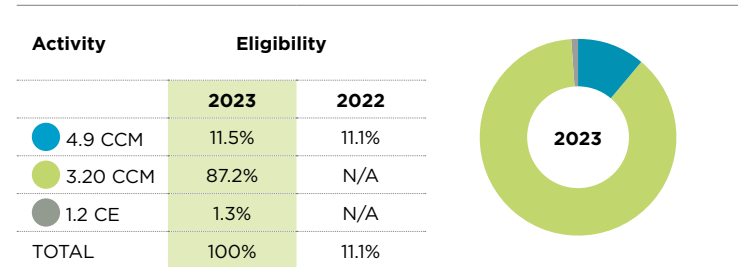
It is important to note that the results are not strictly comparable with those obtained in 2022 due to the introduction of new activities whose eligibility was not contemplated in the last exercise. Furthermore, under the regulations, new activities have not been incorporated into the scope of the KPIs in terms of alignment. Therefore, the figures obtained for eligibility and alignment are also not comparable.

Due to considering the energy sector value chain, its valuable potential to contribute to climate change mitigation, and the importance of electrical and electronic equipment manufacturing for the circular economy, Arteche Group's eligibility for the 2023 financial year is 100% for all three KPIs. As the energy transmission and distribution activity (4.9) was the only one in force last year, it is the only activity incorporated into the alignment KPIs scope and analysed comparatively with 2022.

TURNOVER

According to the taxonomy in 2023, 100% of turnover corresponds to eligible activities (11.1% in 2022). The variation from last year is due to the inclusion of new activities and new objectives. This comprises 11.5% eligible for activity 4.9, and 87.2% for activity 3.20, both belonging to the climate change mitigation target and 1.3% for activity 1.2 of the circular economy target, corresponding to the rail relay business segment. Segments eligible for activity 3.20 are also eligible for activity 1.2; however, to avoid double-entry bookkeeping, they are considered only once under the climate change mitigation target. The eligible ratio for each separate target is detailed in the appendix.

The alignment of activity is 4.9 (11.5%), slightly higher than last year (11.1%) because the weight of the power quality and substation automation and systems businesses has increased in revenues. Therefore, of the eligible percentage, 100% of the turnover analysed for alignment in 2023 is aligned, the same as in 2022.



Activity 4.9					
Eligibility		Alignment		Alignment on eligibility	
2023	2022	2023	2022	2023	2022
11.5%	11.1%	11.5%	11.1%	100%	100%



Of the eligible percentage, 100% of the turnover analysed for alignment in 2023 is aligned, as in 2022.

CAPEX

With the inclusion of the new activities, the eligible CapEx rises from 17.5% in 2022 to 100% this year. As the rail relay segment has had no investment this year, the eligibility, in this case, is 12.1% for activity 4.9 and 87.9% for activity 3.20 of the mitigation target, with no separate contributions to the circular economy target. Similar to the case of turnover, investments made for equipment manufacturing under activity 3.20 are also eligible under the circular economy target but are only counted once. The separate eligibility indicator by target is in the appendix.

CapEx aligned under activity 4.9 is 12.1%, down from 17.5% last year due to fluctuations in investment in the various businesses. All eligible CapEx in this activity is aligned.

“
With the inclusion of the new activities, eligible CapEx goes from 17.5% in 2022 to the 100% of this year.”

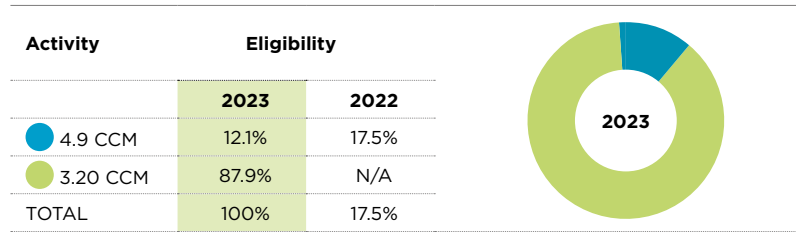
“
Eligible OpEx goes from 7.7% to 100%.”

“
In CapEx and in Opex, 100% of the activities analysed for the alignment in 2023 are aligned in a similar way as in 2022.”

OPEX

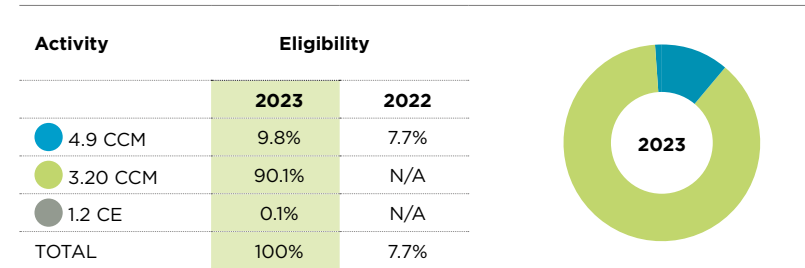
Eligible OpEx increases from 7.7% to 100%, similar to the other performance indicators, due to the inclusion of new activities. Eligible OpEx is distributed 9.8% in the climate change mitigation activity 4.9, 90.1% in activity 3.20 of the same target and 0.1% for the circular economy target. OpEx eligible under activity 3.20 is also eligible for circular economy OpEx. Still, as in the previous cases, only one target is used to avoid double-entry bookkeeping.

For activity 4.9, the eligible and aligned OpEx increases from 7.7% to 9.8%. The variation is again due to the different shares of the business lines in the expenditure structure. All eligible OpEx in this activity is aligned.



Activity 4.9

Eligibility		Alignment		Alignment on eligibility	
2023	2022	2023	2022	2023	2022
12.1%	17.5%	12.1%	17.5%	100%	100%



Activity 4.9

Eligibility		Alignment		Alignment on eligibility	
2023	2022	2023	2022	2023	2022
9.8%	7.7%	9.8%	7.7%	100%	100%

5. Climate change



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Climate change mitigation and adaptation	✓	✓
Renewable energies	✓	×

5.1 Strategy

In a context where awareness of the urgency of climate change is intensifying, we recognise the responsibility we have as part of the electricity sector to lead the way towards a sustainable transition, aligning our strategy with the Paris Agreement and the goal of achieving climate neutrality by 2050, while driving innovation towards a more circular and resilient industry.

Our climate change mitigation strategy is framed by our sustainability strategy's medium- and long-term greenhouse gas (GHG) reduction targets.



Our strategy for the mitigation of climate change is part of the objectives of reduction of greenhouse gases greenhouse (GHG) medium and long term of our strategy for sustainability.

In 2022, we formalised a commitment to adopt SBTI-aligned targets for 2030 and 2050 so that our business contributes to limiting global warming to 1.5 °C and achieving climate neutrality. In addition, we have initiated a project to develop a plan to decarbonise our Scope 3 emissions.

To examine our impact and align ourselves with leading industry practices on climate change, in 2023, we have continued with the assessment conducted by the Carbon Disclosure Project (CDP). The performance rating has been maintained, aligning with the companies' average in our sector and the overall average (C). This drives us to advance our commitment to sustainability further and reduce our impact on climate change.



5.2 Impact, risk and opportunity management

POLICIES

Our vocation is to promote and integrate a responsible culture with the environment through our EHS policy, in which we are committed to ensuring compliance with environmental regulations and proposing the necessary actions for continuous improvement and prevention of environmental risks. We promote preventive action, exceeding the standards of the applicable regulations, minimising the environmental impact of our activities, making efficient use of resources and preserving biodiversity under our Strategic Sustainability Plan 2030.

We apply the precautionary approach in developing new products and activities for the company to avoid any negative repercussions that the product or service may have on the environment, carrying out a complete environmental analysis of the product's life cycle.



Basic principles in relation to the environment

- Acting to prevent climate change.
- Carbon footprint neutrality.
- Energy efficiency and use of renewable energy.
- Circular economy, reuse and recycle the waste generated.
- Minimise waste and pollution.
- Ecodesign of our products and packaging.
- Prevent any type of environmental incident.
- Conserve natural resources.
- To carry out research and development projects that promote environmental protection.

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

Functions of the Directorate General

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



**Our commitment
with the environment
continues to grow in 2023.**

ACTIONS

ACTIONS

GHG emission reduction actions

During 2023, the following actions were carried out in terms of measuring and reducing emissions:

- Independent verification of Scope 1 and 2 emissions for 2022.
- Fuel substitution at the Turkey plant.
- Installation of photovoltaic generation plants in Mexico, which will come on stream in 2024.
- Procurement of renewable energy certificates.
- Creation of the Energy Efficiency Committee at the Mungia plant.
- Installation of a high-efficiency compressor in Mexico.

During 2024, we will measure Scope 3 emissions using the GHG Protocol methodology in all categories considered relevant to Artech's activity. In addition, the result will be subject to independent verification, allowing us to validate our decarbonisation targets with the Science Based Target initiative.



Product Sustainability (Product Carbon Footprint) actions

Measuring the actual impact of our products is the first step towards environmental improvement. Science-based information and collaboration with our innovation ecosystem are essential to effectively moving towards sustainable development.

By 2023, we have achieved the following milestones in relation to product carbon footprint:

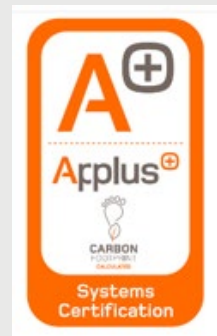
- We globally implement the procedure and tool for the environmental impact assessment of our products.
- We train our R&D teams in Life Cycle Assessment (LCA) or Carbon Footprint (CF) measurement for Artech products.
- We train our R&D teams on Environmental Product Declaration (EPD) and Product Carbon Footprint (PCF) certification.

- We carry out several certified Product Carbon Footprints (PCF):

- CABINET UCS DUAL GNF WITHOUT MV.
- Smart RC Plus 27 Recloser complete solution.

With these new tools and knowledge, we are evaluating the different product ranges to identify hot spots and implement Eco-Design projects, aiming, among other things, to reduce the Carbon Footprint.

An example of this is a new model of high-voltage current transformer from the AC series, with oil-paper insulation, in which, while maintaining its performance, we achieved a 14% reduction in the Carbon Footprint.



NOTE ON THE METHODOLOGY USED AND THE DATABASE. Environmental impact measurements have been carried out following ISO 14040:2006 [1], ISO 14044:2006 [2], ISO 14067:2018 [3] (for CF), and the methodology UNE-EN-50693:2020 [4]. In addition, the Product Category Rules for Electrical, Electronic and HVAC-R Products [5] and the Product Specific Rules PSR-005-ed2-2016 for electrical switchgear and control equipment solutions [6] have been used as reference. Method EN 15804 was used with the Ecoinvent 3.8 database. IPCC 100 (2021) emission factors were considered.



Reducing the carbon footprint of our high-voltage current transformers

On the other hand, Arteche is working on the elimination of SF₆ (sulphur hexafluoride) from our operations and products. Therefore, in collaboration with our AHIT (Arteche Hitachi Instrument Transformers) partner Hitachi Energy, we have worked on the development of the world's first 420 kV SF₆-free inductive voltage transformer for GIS. The solution has a gas mix that achieves a 97% reduction in the contribution to the greenhouse effect.

This achievement is an important milestone, as it will allow the further development of other GIS models manufactured at AHIT, including models from 72.5 kV upwards, to be extended.

In addition, the measurement tool allows us to perform technical and comparative analyses on the environmental impacts of the solutions. In November 2023, we presented a study carried out at the CIGRE Spain Technical Conferences, within the New more sustainable infrastructures section: "Carbon footprint comparison of metering solutions in high voltage substations".

In it, we compare conventional current metering solutions with digital measurement. Even though these solutions are at different stages of maturity and have different fields of application today, Arteche is positioned as a leader in both technologies. This has enabled us to participate in innovative projects, offering the most appropriate technology in each situation, for example, as a support component for research projects in a new clean energy generation, nuclear fusion.



**External
publication on
the paper**

Arteche and its fibre optics are critical elements in cutting-edge nuclear fusion projects in the United States and Europe.

Finally, we are collaborating with Red Eléctrica (ELEWIT and Redeia) to develop the ZEPAS solution: an alternative energy source to generators that avoids the CO₂ emissions they generate. Based on Arteche's auxiliary service transformers (SSVT Service Station Voltage Transformer), it provides power supply for any substation's auxiliary services directly from a high voltage line (up to 550 kV). ZEPAS has several applications, such as supplying low-voltage power to small rural villages with a high-voltage power line nearby and in construction sites or mitigating the effects of natural disasters, provided they are located near a high-voltage transmission line. In addition, it also offers us the possibility to contribute to climate change adaptation.

Sustainable financing actions

To promote and raise the visibility of our ESG commitment throughout 2023, we have continued to incorporate annual targets on specific sustainability indices in the financial agreements negotiated during this period. Below, we highlight those related to climate change mitigation and renewable energy consumption:

- **Targets on two environmental KPIs were included in a syndicated factoring facility**, with the participation of Banco Santander (sustainability agent), BBVA and CaixaBank, and in a bilateral loan signed with CaixaBank. These objectives aim to: (i) that electricity consumption comes from renewable sources, and (ii) to promote the reuse of waste generated in the production process. In this way, meeting the annual targets set will enable this line to be classified as “sustainable” while at the same time benefiting from an improvement in economic conditions.
- **We also signed two loans with COFIDES for a total of 9.8 million euros**, in which we have included commitments to comply with KPIs aimed at ensuring 100% use of electricity from renewable sources at the new production centre in Turkey and reducing CO₂ emissions at the Artech North America factory.





Climate change adaptation actions

Continuing with the climate risk analysis exercise initiated in 2022, progress has been made in progressively incorporating the Task Force on Climate-related Financial Disclosures (TCFD) recommendations into our risk assessment and management system.

To this end, we have updated the physical climate risk assessment. In this analysis, we have applied a semi-quantitative methodology and considered the global warming scenarios described by the Intergovernmental Panel on Climate Change (IPCC) RCP 8.5 and RCP 4.5, with a time horizon to 2050. For each type of risk, possible sources were identified, assessing their probability of occurrence, the potential impact on the business and the time frame for their realisation:

- **Acute physical hazards:** sudden events that can generate severe and immediate impacts, such as storms, floods, fires or heat waves.
- **Chronic physical risks:** are long-term changes in weather patterns, such as sea level rise, reduced water availability, loss of biodiversity or changes in land and soil productivity.

We considered turnover, production, EBITDA, and CapEx for the financial impact assessment. It has been concluded that there are no physical climate risks that would warrant the implementation of additional adaptation measures in the short term.

Concerning transition risks, in 2023, we have made progress in the periodic assessment of our management model of the most relevant risks, particularly regarding regulatory and market risks, which have been considered as additional input for determining materiality. In the coming years, we will continue with the project to develop the quantification of the financial impact of these risks under the regulations in force.



5.3 Parameters and targets



In Arteché we have established targets of reduction of our emissions GHG in both the medium and long term.

MITIGATION TARGETS

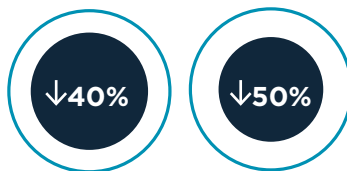
At Arteché, we have set targets to reduce our GHG emissions in the medium and long term. In addition, we have a target for using electricity from renewable sources. These targets are approved at the highest level of management, the Group Management Committee, reflecting our commitment to climate change mitigation.

Targets



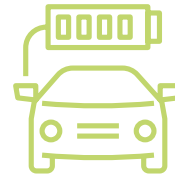
Scope 1 and 2 emission reductions

(on base year 2021)



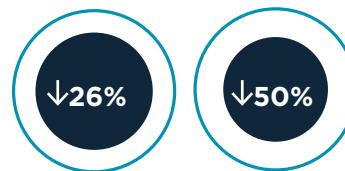
2026

2030



Scope 3 emission reductions

(on base year 2021)



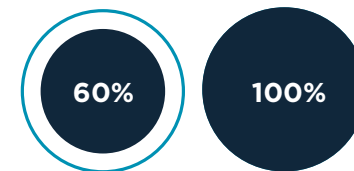
2026

2030



Renewable energy consumption

(based on base year 2021)



2026

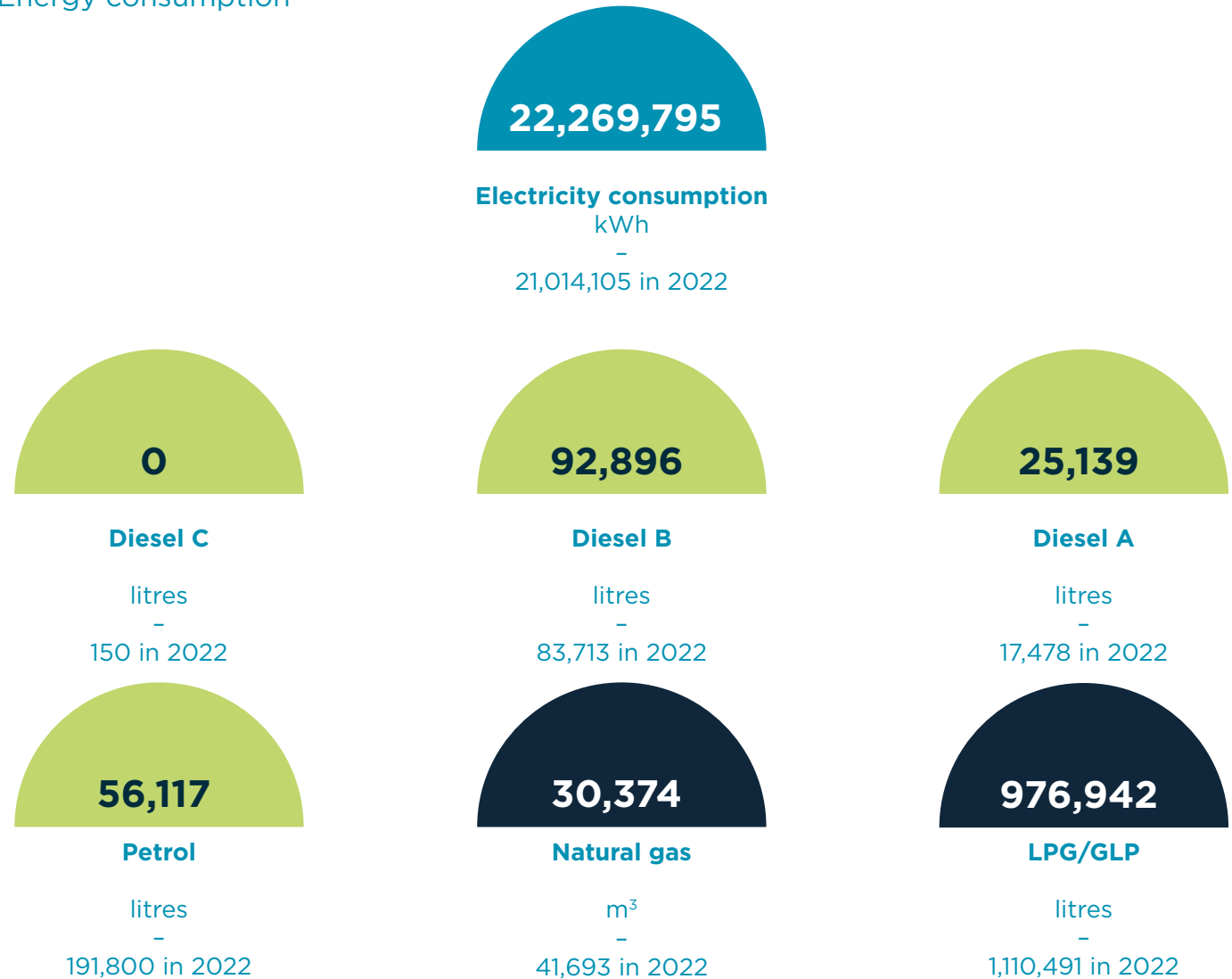
2030

ENERGY CONSUMPTION

In absolute terms, we consumed 7.5% more electricity than the previous year, mainly due to the increase in production in most of the group's plants and business lines. In the same way, the increase in the consumption of Diesel A and B is justified.

It is important to note that the petrol consumption data is not fully comparable with the previous year, as the calculation criteria have been changed. In previous years, in-kind benefits to employees have been included in this indicator, but as these are not vehicles under the operational control of the organisation, they should not be considered as part of our energy consumption, and this will be the criterion that will be maintained in the coming years. This concept is included so that it will be comparable with the figure for the financial year 2022; the petrol consumption indicator would be 186,515 litres. LPG consumption has decreased mainly due to the substitution of LPG in Turkey for natural gas, the use of which has also reduced at the Group level.

Energy consumption



(*) This year, a new fuel type has been included compared to last year, the consumption of which has been detected based on the energy audit.

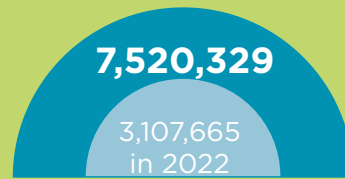
During 2023, we have increased the percentage of renewable electricity from 15% of renewable energy consumed in 2022 to 34% in 2023 due to contributions from the plants in Mungia, Brazil and Turkey.

We continue to work to raise awareness of the need to reduce energy consumption. We have developed several initiatives at all our sites, among others:

- Replacement of air-conditioning systems.
- Change of light fixtures to LEDs.
- Presence sensors.
- Window replacement.
- Improving efficiency in production facilities.

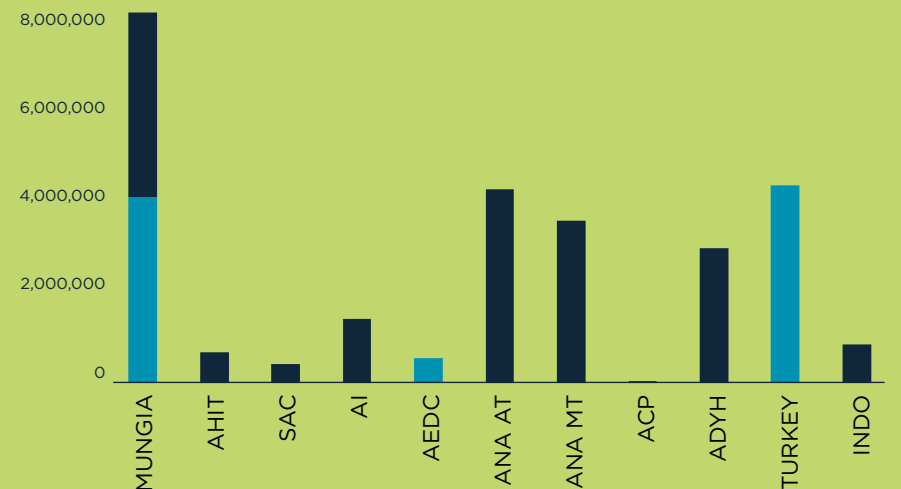
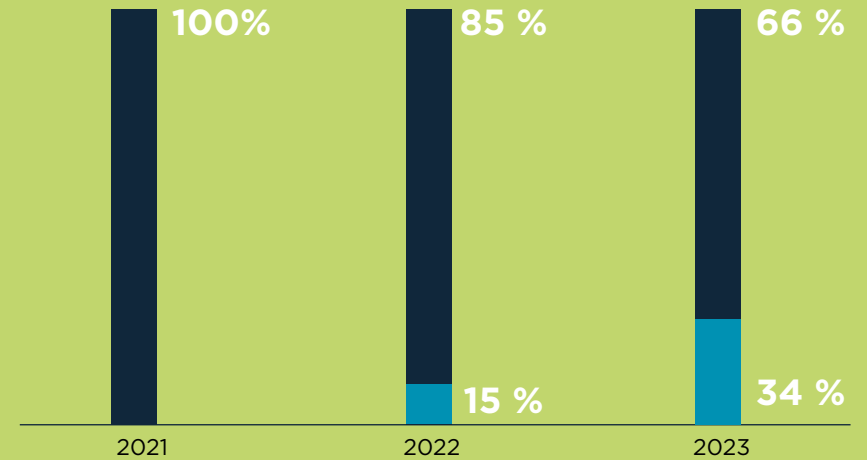
In 2024, we will continue to focus on increasing renewable energy consumption to reach 40% by the end of the year and move closer to the target set for 2030: 100% of the electricity consumed will be renewable. We have already obtained the Iberdrola certificate certifying that 100% of the energy contracted at the Mungia plants comes from renewable energy sources or high-efficiency cogeneration.

Renewable and non-renewable electricity consumption



Renewable electricity consumption
kWh

Non-renewable electricity consumption
kWh



GREENHOUSE GAS EMISSIONS (GHG)

Scope 1: Direct GHG emissions correspond to emissions from combustion in boilers, furnaces, vehicles, etc., owned or controlled by us.

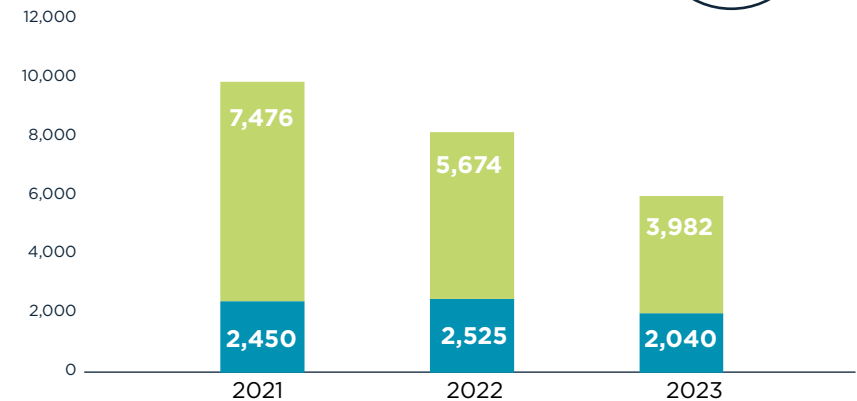
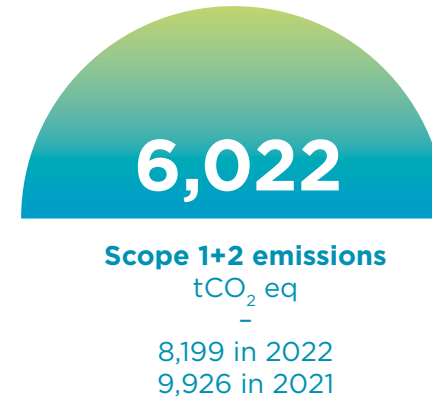
Due to the above-mentioned change in the petrol consumption criterion, emissions are not directly comparable with those of 2022. Using last year's criteria, Scope 1 emissions would result in 2,330 tCO₂ eq, a reduction of 8% in absolute terms, despite the increase in production. This reduction is mainly due to the change of fuel used in the new plant in Turkey from LPG to natural gas, which has a much lower emission factor.

Scope 2: indirect emissions associated with the generation of electricity purchased and consumed by the organisation.

We achieved a 30% improvement over the previous year, mainly driven by the purchase of renewable energy in the plants located in Mungia and Turkey.

To minimise Scope 2 emissions, we are procuring renewable energy and evaluating the installation of photovoltaic panels at various plants. In 2024, the Iberdrola certificate was obtained, guaranteeing the origin of renewable energy sources and/or high-efficiency cogeneration for 100% of the energy contracted for the companies in Mungia. Solar panels are also planned for these plants.

We have, therefore, reduced emissions from our operations by 27% in absolute terms by 2023 compared to 2022 and by 39% compared to 2021. With the target set for 2030 to reduce our carbon footprint by 50% by 2021, we have made significant progress this year in terms of our decarbonisation.



Scope 3: those indirectly generated by our activities, but which are outside our operational control, such as emissions from our suppliers, customers or the dismantling of our products.

We have defined the most representative products of the group based on the carbon footprint data of these products and the total units produced to calculate our scope 3 emissions.

During 2023, we have updated the methodology for calculating the product's carbon footprint, as discussed in this chapter's "Actions" section. This update has meant varying the models used to represent each business line, mainly those with certified product footprints and extending the process improvements to the rest of the models.

The concepts considered in Scope 3 are the following:

Upstream:

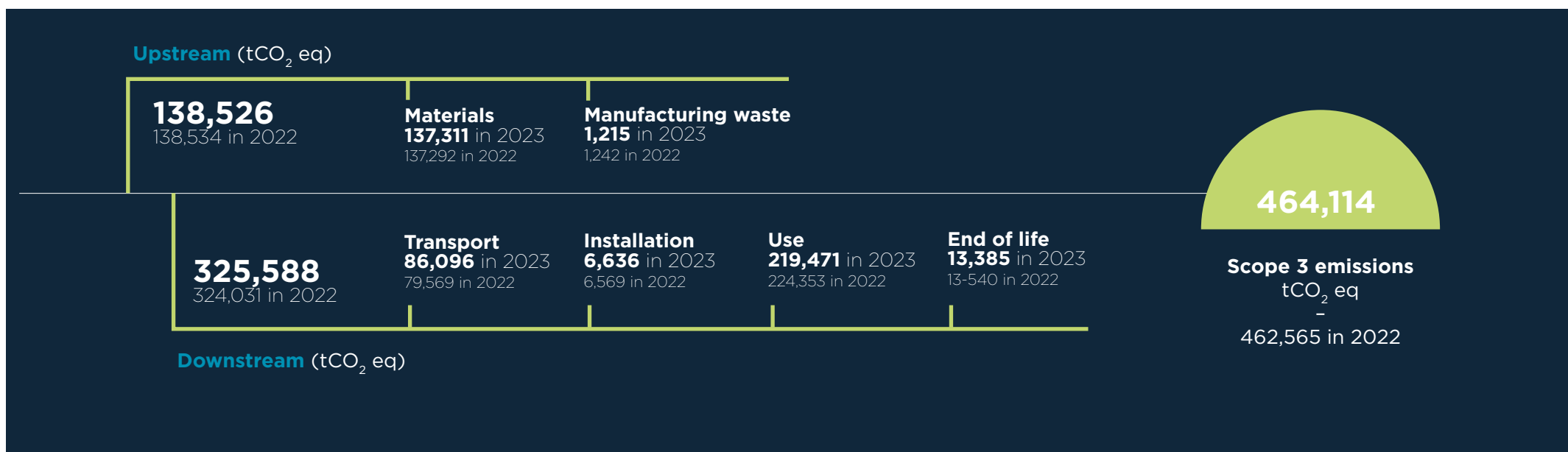
- Goods purchased for the production of the products in the reference year. In this scope, emissions are considered from the extraction of raw materials, manufacture of parts and transport to the company.
- Waste generated in the manufacturing process.

Downstream:

- Transport of the products to the customer's premises.
- Product use.
- Treatment of end-of-life products.

Emissions show minimal variation from last year. This is due to the product mix sold in 2023, where there is an increase in sales of transport-intensive equipment (transported by air).

Starting next year, we plan to identify decarbonisation levers through more detailed measurement of the above categories and the design of a quantified roadmap to reach our scope 3 emission reduction targets in the medium to long term.



6. Pollution



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Use of hazardous and extremely hazardous substances	✓	✓

6.1 Impact, risk and opportunity management

Throughout the manufacturing sector, we face increasing scrutiny of pollution, primarily due to the use of substances. Understanding the effects of an increasing number of substances on nature and people drives us to adopt material and waste management strategies to minimise the use and impact of these substances.

POLICIES

Management policies are similar to those described under point 2, “Climate change”. At the Group’s plants, we carry out the measurements required by applicable legislation on emissions, environmental noise, etc.

During 2023:

- No sanction or communication for non-compliance with environmental regulations has been received.
- There are no provisions for environmental risks.



ACTIONS

We have a Group-wide standard procedure to identify, record, update and evaluate environmental aspects annually. This procedure describes how to identify, evaluate and implement a work plan for the environmental aspects of all the Group's production sites.

We carry out the environmental assessment of the main products we manufacture, using the product life cycle environmental analysis procedure, and we manage the necessary measures to reduce the international indicators that affect the environment, such as:

- environmental incidents
- electricity consumption
- water consumption
- waste generation
- etc.

Environmental impact risk assessments are carried out considering:

- the frequency of occurrence of the risk
- the relative magnitude of the risk
- the possible consequences of the risk

Derived from this analysis, the plants develop action plans to mitigate impacts and emergency action plans.

As part of our management system, we have integrated, implemented and certified all the points required by ISO 14001-2015, including the corresponding procedures for the prevention of environmental impacts:

- Monitor, track, measure and evaluate legal compliance.
- Identify, record, update and evaluate environmental aspects.
- Operational environmental monitoring.
- Coordination of business activities in environmental matters.
- Environmental analysis of the product life cycle.



We carry out the environmental assessment of the main products we manufacture environmentally analysing the life cycle of the product, and we manage the measures needed to reduce international indicators affecting the environment.

These assessments are based on the identification of potential impacts on the environment in several domains.

ENVIRONMENTAL ASPECTS	ENVIRONMENTAL IMPACTS
Hazardous waste	
Non-hazardous waste	Groundwater contamination
Refuse assimilated to municipal waste	Surface water contamination Soil contamination Risks to human health
Sanitary waste	
Atmospheric emissions	Atmospheric pollution Ozone layer depletion Increase in the greenhouse effect Acid rain Smog
Dumping	Water pollution Eutrophication Decrease in aquatic biodiversity Death of aquatic species
Soil contamination	Soil contamination Groundwater contamination
Water consumption	
Energy consumption	
Raw material consumption	Depletion of natural resources
Consumption of natural resources	
Noise	Harmful effects on humans Harmful effects on other species
Odours	Harmful effects on humans
Visual impact	Harmful effects on humans Local effects



6.2 Parameters and targets



AIR EMISSIONS AND OTHER POLLUTANTS

Due to the nature of our activity, there are no significant impacts on light or noise pollution. We ensure the identification, management and compliance with applicable legislation in both cases. With regard to emissions of ozone-depleting substances (ODS), we do not use any ozone-depleting substances in any of our processes. Therefore, our impact is 0 ODS emissions. We maintain this indicator within our sustainability parameters to ensure that, should we have any changes that affect the outcome of this indicator, they are monitored, reported and managed.

CHEMICALS

Regulatory requirements and advances in understanding the effects of various substances on the environment and health have intensified the need to monitor the substances used in our production process. Although all materials comply with the respective legislation and use restrictions in force, a tightening of regulations is expected. In addition, to demonstrate our commitment to our environmental values, we choose to go beyond the regulations set in the different countries in which we operate, minimising the use of substances that can cause harmful effects as part of our focus on sustainability. Therefore, in 2024, we plan to implement a global project focusing on hazardous and extremely hazardous substances, with two courses of action:

- **Carry out an exhaustive analysis** of the entire list of substances that may be present at any stage of our production process (from sourcing to delivery to the customer). Substances evaluated will include those identified as substances of concern by the REACH Directive and those required by the EU Taxonomy to do no significant harm to the environmental target of pollution prevention, among others.
- **Close collaboration with our supply chain** to assess the materials and manufacturing of procured raw materials.

Based on this diagnosis, we will draw up an action plan incorporating the following measures:

- **Establish actions for the elimination of materials falling into these categories**, e.g. search for alternative suppliers, substitution of materials, changes in the manufacturing process, etc.
- **Continuous monitoring and follow-up** to update the list of substances.
- **Research efforts** to adopt sustainable solutions.
- **Training and communication** within the company and throughout our value chain.
- **Study of the regulations and standards in force in each country to ensure** compliance with legal requirements and to keep information on regulatory compliance up to date.



In 2024 we have planned implementation of a global project focused on hazardous and extremely hazardous substances.

7. Resource use and circular economy



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Sustainable use of resources	✓	✓
Circularity of supplied products	✓	✓
Waste	✓	×

7.1 Impact, risk and opportunity management

At Artech, we are aware of the effects of our activities on the environment, from the extraction of raw materials to waste management. The use of materials in manufacturing can cause effects on the degradation of ecosystems or water and air pollution. In addition, improper handling of end-of-life products can cause environmental contamination and risks to human health. Therefore, responsible raw material management, implementing sustainable design practices and adopting efficient waste management systems are crucial to minimise our environmental impact. On the other hand,

circular economy practices offer multiple and varied opportunities, from generating new sources of revenue and strengthening customer relationships through more durable and efficient solutions to reducing dependency on raw materials and lowering operating costs. We therefore believe that the circular economy offers an advantage in contributing to environmental sustainability while generating long-term economic and social value.



POLICIES

The management policies are those already described in section 2 above. Climate change. During 2023, we had no fines or penalties for waste management.

ACTIONS

ACTIONS

Use of materials

From Arteche's purchasing function, we ask our suppliers to use -whenever possible- recycled or biodegradable cardboard and plastic in their packaging. At this point, our main challenge is finding alternatives that can provide the same mechanical performance as virgin plastics to reach the goal of fully using these materials by 2030. Similarly, an important constraint is the current availability of recycled materials on the local market.

“

Our main challenge is to find alternatives that can provide the same mechanical properties as virgin plastics to build up to the target level of the full use of these materials in 2030.



Product circularity and eco-design

ACTIONS

Eco-design has been a priority in the R&D area in 2023. Therefore, We have focused on implementing eco-design criteria in R&D teams and have worked on several outreach development projects in our innovation ecosystem.



Some projects and achievements are presented below:

- **New eco-design policy, N_IDEA_6:** Eco-design criteria have been implemented in the development of new products and the optimisation of the existing portfolio. With a Circular Economy approach. We know that product redesign that considers all stages of a product's life is crucial to reducing environmental impacts.
- **New internal tool for eco-design,** based on a check-list of eco-design guidelines, an Eco-indicator 99' and LCA measurement using the newly implemented tool (MOBIUS). Our commitment to circularity is based on scientific criteria, so the first step in making improvements is to use the right tools to measure, identify improvement points and compare alternative solutions.
- **Development of the ZEPAS solution** introduced in chapter 5, "Climate change". By design, it is versatile, portable, and emission-free during operation, and it also contributes to the advancement of the circular economy.
- **Development of new AC current transformer.** The project mentioned in the section on actions in Chapter 5 (Climate Change), in addition to reducing the equipment's footprint by 14%, presents substantial improvements in terms of circularity. While maintaining the performance of the equipment, a reduction in the amount of material used has been achieved, the separability of materials has been improved, and logistics have been standardised to enable more efficient manufacturing management.



BIOAT project, continuation of the FLECO project. We understand the importance of improving our equipment's recyclability and end-of-life management. That is why we have been working on replacing our mineral oils with biodegradable oils since 2021. In 2023, we closed the BIOAT project, which was carried out in collaboration with the Tekniker Technology Centre. In this project, we have characterised alternative biodegradable dielectric fluids for the replacement of mineral oil in high-voltage transformers, and we have also carried out the first tests with biodegradable oil in prototypes equivalent to 145 kV. With the closure of the project, a new project, FLECO, for the commercial development of the product with biodegradable oil, again in collaboration with Tekniker, is launched.

NEWS



Innobasque,
innovation cases



Arteché



ELKARTEK of the
public funding
project

Asset and Data Management. Some of the most important principles of the circular economy are durability and reliability. In this respect, Arteché products are already recognised in the market for their excellent longevity. Even so, we are aware that new sensor technologies, artificial intelligence and Big Data can contribute to improving this feature even further, allowing us to have more accurate information on the real state of each piece of equipment and adapting maintenance needs to extend its use until the end of its useful life. The pilot projects and collaborations we are carrying out will be the first step towards intelligent predictive maintenance management based on technical and statistical knowledge of asset conditions.

Among the actions for 2023, following the closure of the MORETAT project in 2022, culminating in the first pilot of 245 kV combined instrument transformers monitored, we have carried out the first proof of concept of a Big Data system for data storage and the first basic Artificial Intelligence (AI) algorithms for status prediction. Tecnalia, the University of Deusto, Devoteams (Google partner) and Iberdrola have collaborated on the project.

NEWS



Innobasque,
innovation cases



LinkedIn



LinkedIn

ACTIONS

Collaboration with different entities is crucial to the transition towards the circular economy. These projects are a sample of the work done with our innovation ecosystem. For more information, see chapter 3.1 (Innovation)

Arteche promotes awareness-raising actions throughout our industrial and social environment. Some of the R&D team's involvement in the disclosure of these projects has included:

- **Go Green Project.** Sustainability training from a vocational education and training (VET) perspective. [Link](#)
- **First Lego League.** Sustainability training in schools, promoting STEAM careers in early education and Project BIOAT. [Link](#)
- **Active collaboration with customers for the assessment of the environmental impact** of products. Example: EDP customer, collaborate on defining its Green Purchasing Tool for Instrument Transformers. Sharing knowledge.
- **Weetbe Hackathon.** The eco-design challenge for a relay. [Link](#)



Waste management

ACTIONS

As explained in Chapter 6 (Pollution), we have a group-wide procedure for operational control of the different environmental aspects: waste, emissions, discharges, environmental noise, energy and water consumption.

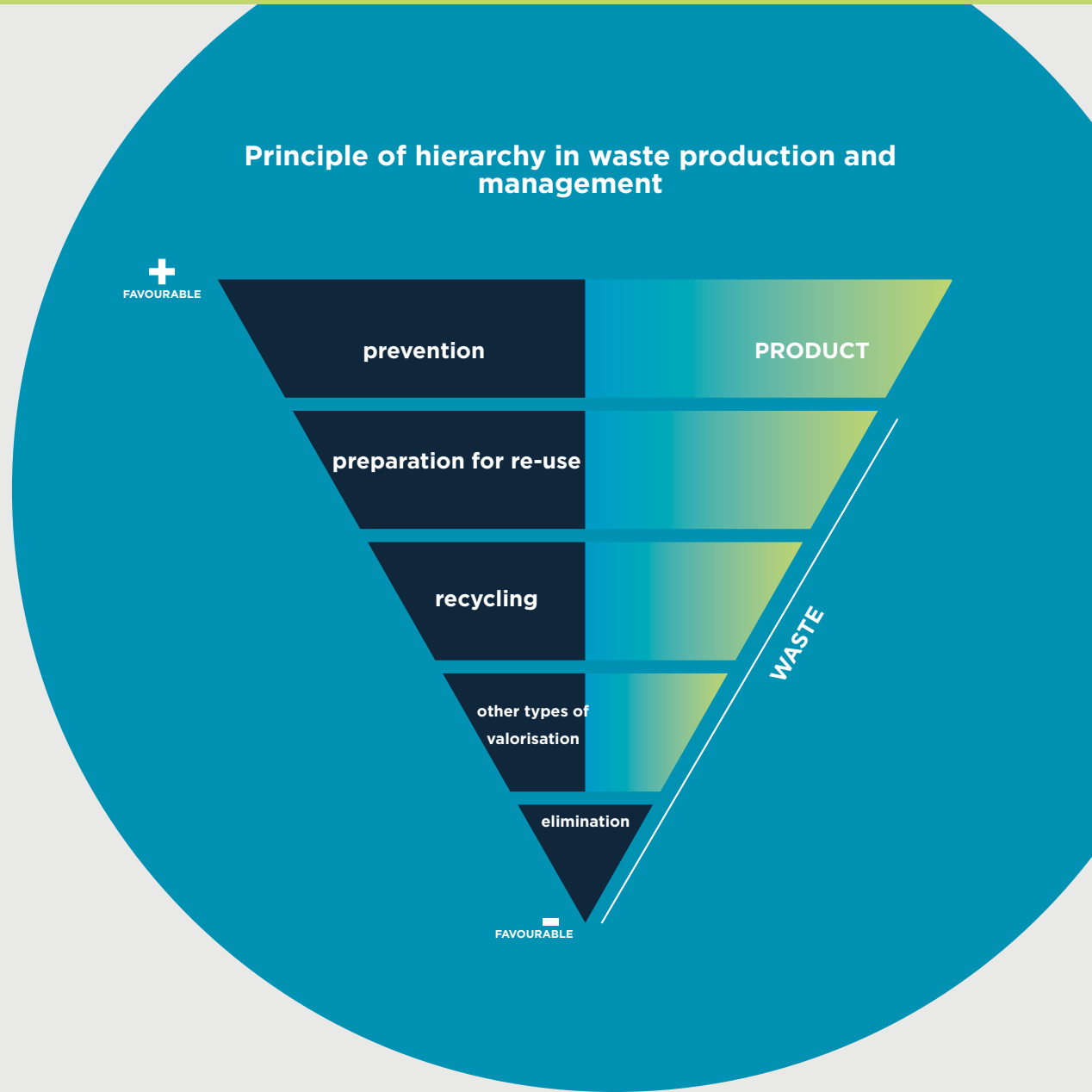
In terms of waste generation, we carry out waste management plans at all our plants, in addition to annual studies on the minimisation of hazardous waste and packaging placed on the market. We have also implemented product environmental life cycle analysis within our product development procedure.

Thus, waste control actions focus on prevention, preparation for reuse, recycling or other forms of recovery, including energy recovery.

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

1. Prevention and minimisation.
2. Segregation.
3. Storage.
4. Removal and management by an authorised waste manager.
5. Registration and traceability.

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



Sustainable financing projects

In addition to those already mentioned in Chapter 5, “Climate change”, we have financial agreements with annual targets specifically related to using resources and materials.

- At the beginning of 2023, we started to use the sustainable reverse factoring line with IDB Invest, formalised at the end of the previous year and aimed at providing suppliers of our companies in Mexico with access to financing on very competitive terms. The agreed environmental requirements encourage working under circular economy protocols so that suppliers who achieve the targets set for sustainable packaging will receive a rebate on the interest rate applicable to the discount on their invoices issued to Artech.
- Finally, it is worth mentioning that the syndicated loan and a new loan arranged with Unicaja in 2023 are also linked to ESG objectives.



We have started to use the sustainable reverse factoring facility with BID Invest, aimed at facilitating the suppliers of our companies in Mexico access to financing with highly competitive conditions.



7.2 Parameters and targets

TARGETS

To formalise our ambition to implement circular economy measures, we have long-term targets for our 2030 sustainability strategy. These goals focus on implementing packaging systems that reduce the pressure on natural resources, designing products with a lower environmental impact, and efficient waste management. Having established the different areas of the circular economy as relevant topics, we are developing additional indicators and targets for the short and medium term.

RESOURCE ENTRIES

With regard to raw materials consumed, the table below shows the evolution of expenditure, in k€, in 2023 vs 2022. The variations are due to the product mix and increased hiring.

In addition, we are developing parameters to measure the amount of reused and recycled material incorporated into our products.

	2023 vs 2022	2023	2022
Aluminium	3%	22,087	21,415
Copper	10%	19,192	17,386
Steel	20%	15,098	12,544
Magnetic Plate	6%	12,817	12,065
Mineral Oil	1%	5,131	5,083
Resin	-4%	8,159	8,475
Stainless Steel	13%	12,881	11,403
Plastic	12%	2,959	2,654
Paper	12%	7,284	6,525
	8%	105,608	97,550

Plastic packaging free of single-use plastics

Recycled cardboard packaging

Products designed with biodegradable dielectric fluids

Ratio of waste reused or recycled

100%

in 2030



RESOURCE OUTPUTS

Durability and repairability of products

As part of our commitment to excellence and sustainability, we are working on defining parameters to assess the durability and repairability of our products. Our commitment to eco-design, based on circularity criteria, is firm, including in our development programme projects such as monitoring and asset management (already mentioned in the section detailing the actions) that seek to extend the useful life of the equipment and the grid's reliability.

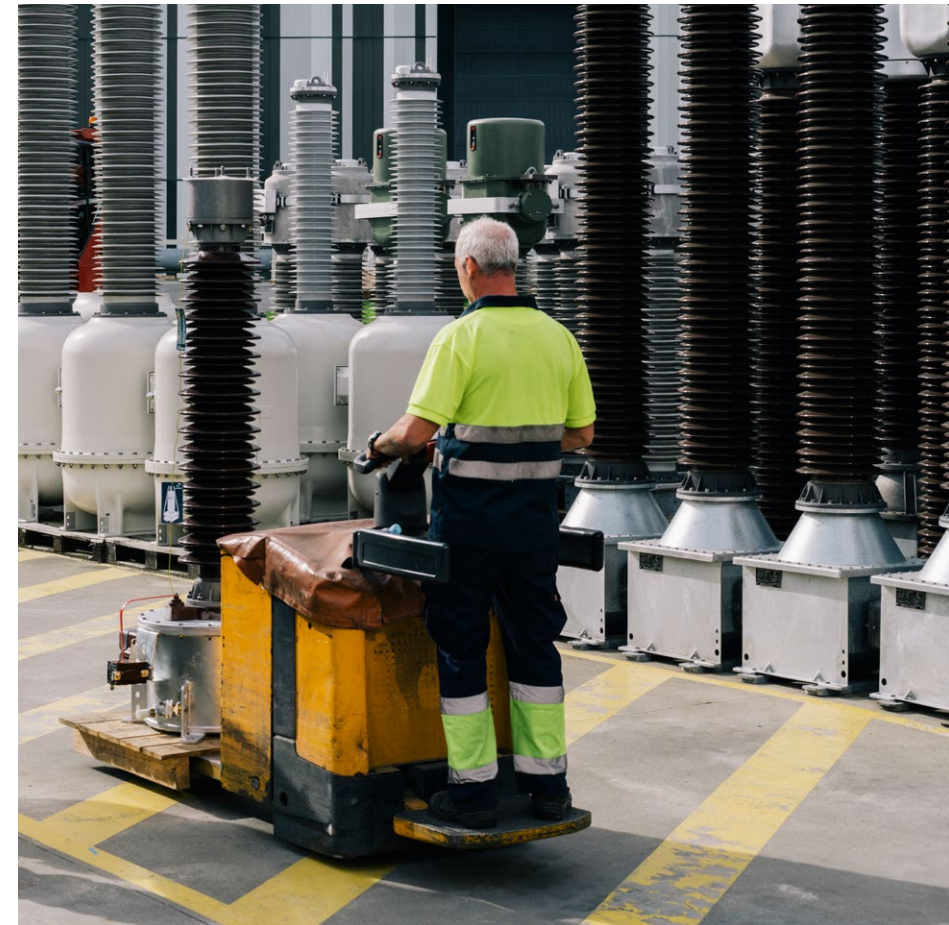
The durability of our products is already recognised as one of our distinguishing features, with equipment histories that have remained in service well beyond the expected average life. However, we recognise the importance of improving in this area, building on our accumulated experience.

We have implemented new internal tools and specific training to strengthen our capacity in this area further. In particular, we have invested in reliability training for our R&D team, deepening the understanding of our products lifetime and assessing our designs' durability. This process has been guided by statistical engineering experts from AVANCEX+i, who have provided us with the necessary tools and guidance to analyse relevant data and make informed decisions.

During these training sessions, held at our facilities, we have acquired skills to understand and strategically use data and to design tests that provide us with crucial information about the reliability of our products. We aim to move towards continuous improvement, using the interpretation of real data as the basis for our decisions. This investment in training and tools enables us to be better prepared to meet future challenges and to deliver on our commitment to long-lasting and sustainable products.



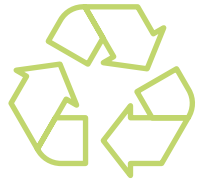
[Linkedin news](#)



Recycled material in packaging

In 2023, the objectives we had set ourselves did not materialise as planned. In plastics, there was a lack of alternatives on the market that could replace cling film, while in cardboard, mechanical tests were needed to validate the strength of recycled cardboard compared to virgin cardboard.

% achieved in 2023

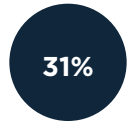


Suppliers switching from virgin board to recycled board in their packaging



2023
Target +22 (45%)
Achieved +14 (42%)

Suppliers switching from single-use plastic to recycled plastic in their packaging



2023
Target +19 (35%)
Achieved +10 (33%)

Waste

The sharp increase in production during 2023 has led to an increase in total waste generated of 11% compared to the previous year.

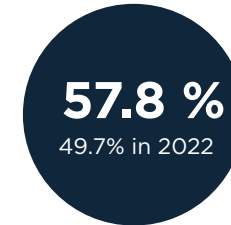
However, the percentage of hazardous and non-hazardous waste we have managed to reuse, recycle and revalue has increased by a higher rate, reaching 57.8% of the total waste generated.

In 2024, the percentage of each waste with its final destination will be calculated for each plant to establish actions aimed at achieving the target set for 2030, i.e. to reduce the waste going to disposal as far as possible.

Waste generated by type of destination

	Kg	%
Reused	38,747	1
Recycled	1,656,387	54
Composting	2,328	0
Recovery (including energy recovery)	70,678	2
Incinerated	79,125	3
Injected into deep wells	20,547	1
Landfill dumping	1,190,552	39
TOTAL Waste	3,058,364	100

% Waste for reuse, recycling or recovery*



Waste generated



Total waste
kg
-
2,750,116 in 2022



Hazardous waste
kg
-
432,036 in 2022



Non-Hazardous Waste
kg
-
2,318,080 in 2022

*Note: this year is calculated considering ESITAS for 2022 and 2023.

Social

8. People

9. Value chain

S



8. People



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Diversity and equality	✓	✓
Gender equality and equal pay for work of equal value	✓	✓
Social dialogue	×	✓
Attracting and retaining talent	×	✓
Health and safety	✓	×

8.1 Impact, risk and opportunity management

POLICIES

At Artech, we are firmly committed to the development and well-being of people, who are our greatest energy source. Our values, enthusiasm, and trust in the team of professionals with whom we work are the driving forces behind our continuous improvement, innovation, and success.

We aim to positively impact society on all the people with whom we interact: our employees, customers, suppliers, students, the local communities in which we operate, etc. We encourage dialogue with our stakeholders, seeking to contribute to their development, promoting a healthy and environmentally friendly environment, contributing to equality and diversity, and fostering a culture of integrity and values where everyone has the same opportunities.

The challenge we face at Artech is to continue working to find solutions to our social challenges. One of our main equality objectives is to encourage the incorporation and promotion of women in positions of responsibility and Management. We have a low number of women in technical and business positions. Therefore, we must continue to focus on recruiting female technical talent, raising awareness of a culture of equality and continuing to encourage STEAM vocations in schools and universities, supporting the development and growth of teams, making each person feel that their contribution is unique and essential to the success of the company and leading by example, honesty and transparency that characterises us.

We carry it in our DNA, and we have materialised it over time through different actions.

PEOPLE POLICY

Since 2021, the Board of Directors has approved the People Policy, which focuses on the following areas:

1. Diversity, equity and equality.
2. Recruitment and talent.
3. Performance measurement and talent management.
4. Training and talent development.
5. Compensation and benefits (remuneration policy).
6. Work ethics.



At Artech, we are firmly committed to the development and well-being of the people who are our main source of energy.

ACTIONS

Diversity and equality actions

At Arteché, we have adopted a proactive approach to developing female talent. We seek to increase the presence of women in technical and industrial positions. We promote their professional development by training women to be future leaders. We work to empower women's technical vocations by providing them with opportunities and resources to explore and excel in technological fields. We also encourage diversity, being aware of its importance as a source of competitiveness and value creation within the company.

- **We implement policies that promote equal opportunities** and a balanced gender balance at all levels of the organisation, from recruitment to career development and leadership.
- **We promote training programmes and development plans** for everybody, focusing on the development of female talent.
- **We recognise that gender diversity** not only enriches our corporate culture, but also drives innovation and business growth
- **We seek to adapt jobs** so that they can be carried out by anybody, regardless of gender. Currently, women represent 26.27% of our total

workforce. During 2023, 113 new recruitments were made. Of these, 36 were women, or 32% of the total. In the same period, 38 internal promotions were carried out, of which 25 were women (66% of the total).

These data indicate that we have made significant progress, and our commitment is to continue working together to accelerate our goal of achieving an equal and diverse culture. We see this as a strategic and fundamental target and therefore prioritise continuing to foster a supportive and equitable environment in our company, providing equal opportunities for all people.



Action on social dialogue and working conditions

At Arteche, we go beyond strict compliance with the legislation in force in the territories where we carry out our activities. We are firmly committed to the defence of human rights. We reject child, forced or compulsory labour, the assignment of hazardous work, and the violation of the rights of ethnic minorities and indigenous peoples in the places where we operate.

This commitment is expressly set out in our Code of Conduct, which must be complied with by all Group employees, regardless of where they carry out their activities.

We promote the well-being of our people and contribute to this through work-life balance and flexibility programmes that facilitate a balance between personal life and work responsibilities, depending on the complexity, location and place where the different activities are carried out. In this regard, in addition to applying these work-life balance policies and programmes, which are set out in internal regulations, agreements and collective bargaining agreements, we have various working time schemes: shift work, split shifts with flexible start and finish times, morning working hours, etc. We also have a Digital Disconnection Policy in all our companies from 2022.

Multidirectional communication and listening spaces are essential for a healthy and productive working environment.

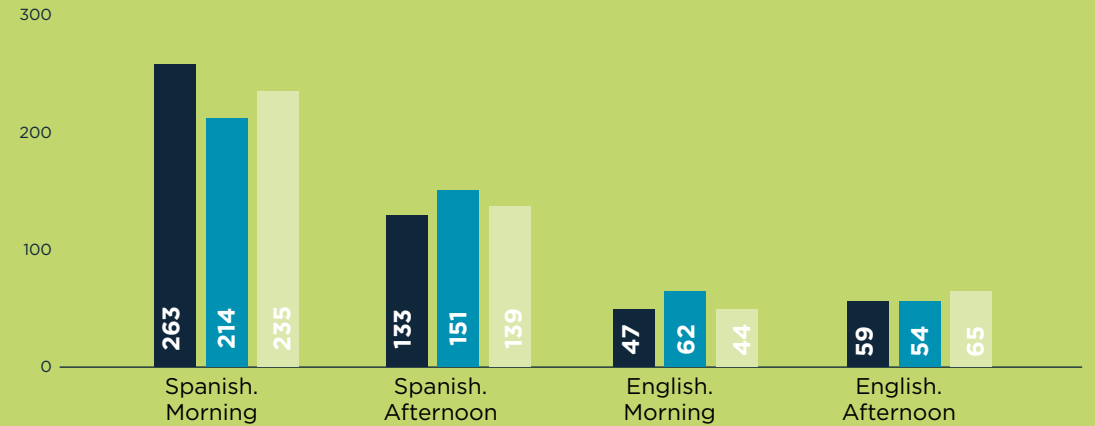
“ We contribute to our people’s well being through reconciliation and flexibility programs and promote multidirectional communication and spaces for listening. ”

SPACES FOR DIALOGUE: ALL HANDS

Quarterly meetings in which the Managing Director shares the main business data and Arteche’s current affairs in different languages and time zones, stressing the importance of people’s safety and the teams’ achievements and answering all the questions that arise live in an open microphone.

The success of this activity is measured in terms of participation in terms of connections (an average of 489 individual and room connections per month) and team participation. The main topics of interest are security, financial statement developments, key strategic challenges, and sustainability. This format is replicated by different regional directorates that have incorporated it as a good communication practice and use it to translate these more global messages to the local realities of each region.

Attendance at All Hands 2023 dialogues



	2023	2022	2021
1Q	502	519	493
2Q	N/A	473	523
3Q	481	793	462
4Q	483	N/A	515

SPACES FOR DIALOGUE: CAFÉS WITH A VIEW

Informal meetings in coffee format with small groups in which the main target is to generate an open and trusting atmosphere in which different topics and concerns are discussed directly with our Chair and CEO and are answered first-hand by the figure with the greatest strategic vision of the company.

These heterogeneous groups that meet periodically in each region with our CEO include diverse profiles, generating a rich dialogue between people from different manufacturing and office positions, different generations and complementary visions of Arteché's operations.

Since this initiative began, these sessions have already reached >30% of Arteché's workforce in groups of 10-12 people, and the aim is to continue until 100% of the workforce is given this opportunity.

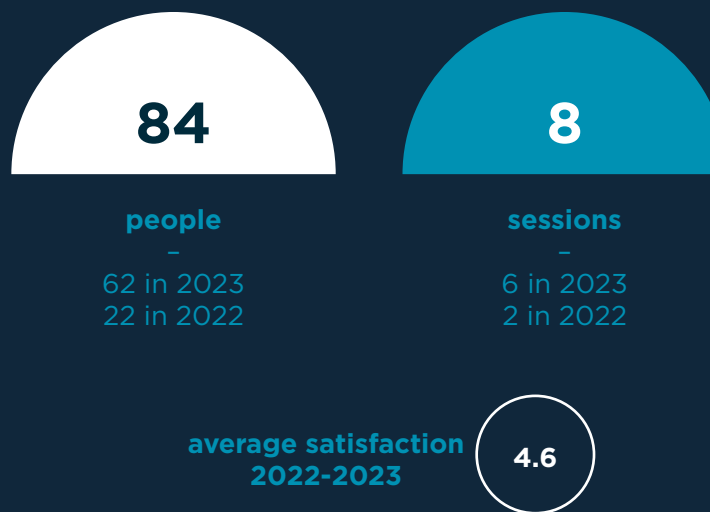


average satisfaction
2021-2023

4.7

SPACES FOR DIALOGUE: OPEN TALKS

Following the model of the Cafés with a view and at the request of its participants in the satisfaction surveys, a similar space has been generated in which different management profiles and project leaders communicate transparently with different teams, sharing updates, achievements and challenges and receiving first-hand feedback on their concerns and considerations. During 2023, the functions that led these meetings were operations and R&D. Since this initiative began, 8 sessions have been held with a scope of 84 people in Mexico, Brazil, and Mungia.



All plants hold equality, sustainability, safety and security committees monthly. These committees are also spaces for sharing information from different angles. In addition, we strictly comply with the applicable laws and regulations. We have a team specialised in internal and external communication dedicated to active listening, the deployment of transparent and truthful communication, and the promotion of social dialogue to build solid relationships based on closeness and trust.

Actions on talent attraction and development

We aim to excel in employer branding, being aware of the importance of our employer brand in attracting and retaining talent worldwide. With a strategic focus on people development and creating an equal and stimulating work environment, we are committed to providing opportunities for professional growth, ongoing training programmes and a working environment that fosters diversity and mutual respect. In addition, our commitment to sustainability and social impact, both locally and globally, is fundamental. With these initiatives, we aspire to be a leader in technological innovation and a benchmark for those seeking meaningful and rewarding work in the industrial electrical sector.

At Artech, we focus on our teams' personal and professional development through talent programmes. These actions are designed to provide individualised guidance and growth opportunities. These programmes identify and nurture internal leadership potential, offering resources and specialised training to cultivate key skills and prepare Artech professionals for roles of greater responsibility within the company. In addition to technical and developmental training, we also create opportunities for personal growth through mentoring and coaching programmes.

These initiatives not only drive individual growth but also strengthen our organisational culture and contribute to the company's long-term success.

PARTNERSHIPS DURING 2023

- We participate in different initiatives, mainly to awaken STEAM vocations in young people, such as Industria Erronka (FVEM).
- Continuous collaboration with vocational training centres, universities and schools in the areas where we are present, such as the UCC Job and Professional Development Fair
- We participated in a panel organised to analyse existing challenges and push for innovative policies.
- We participate in different spaces to share experiences, ideas and concerns, such as Gazte up (El Correo).



Health and safety actions

At Arteche, we are committed to continuously improving safety and occupational risk prevention and maintaining a healthy working environment focused on the people who make up the Arteche Group and the collaborators of our products and services.

Our EHS (Environment, Health & Safety) function has been further strengthened locally, bringing each organisational modality at least in line with the legal requirements of each country and sharing best practices across all companies.

In addition, progress has been made in implementing and monitoring the EHS2022-2023 Action Plan, with 84% compliance. The main milestones of this plan are: compliance with the EHS management system, the implementation of the 5S to improve order and cleanliness, and documentation control of all staff on prevention.

At Arteche, we have a low accident rate and focus on reducing minor injuries. In this way, during 2023, we created a specific action plan to reduce minor incidents with eye injuries by 54% without serious incidents.

On the other hand, the implementation continues with monthly talks in the plants for the workshop staff, given by their managers, reaching an attendance rate of 86%. In this continuous training, safety rules and actions to be taken to prevent significant incidents occurring in a plant from recurring are recalled.

As a new feature for the 2023 financial year, audiovisual training content is being produced in the local languages in which we work, aiming to improve the quality of EHS training, unifying content and facilitating understanding for all Arteche staff, new and existing. In addition, we have produced a video for external personnel accessing the facilities with general occupational health and safety and environmental standards.

We encourage the entire organisation's participation, 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 to improve working conditions continuously. 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.

This year, we also conducted the ISO 45001 recertification audits with positive results, maintaining the certificates at all sites.

ACTIONS DURING 2023

- Approval and regular monitoring of established health and safety objectives.
- Monitoring and continuous improvement of health and safety management and performance, and indicators for improvement in Health and Safety.
- Enhancing the development, continuous improvement and compliance with the procedures that support the health and safety processes defined in the model.
- Ensuring that the integrity of the system is maintained when changes are made to the system.
- Completion of the review of the EHS management system applicable to the entire Arteche Group, integrating the environmental part.



8.2 Parameters and targets

TARGETS

Diversity and equality goals

To reaffirm our commitment to diversity and gender equality, we have set targets for short, medium and long-term indicators. On the one hand, we believe empowering female talent must translate into a greater presence of women in positions of responsibility. In addition, we have initiated a project to adapt those jobs requiring more physical strength, traditionally performed almost entirely by men in the industry, so that they are more accessible to anyone regardless of gender. Finally, we strive to include women in technical positions to encourage diversity in the industry.

	2023 Performance	Target 2024	Target 2026	Target 2030
Women in management positions	28%	30%	33%	40%
Ratio of jobs adapted for women and men	67%	80%	90%	100%
Women in technical positions	28%	30%	33%	40%

Health and safety targets

In 2023, we have managed to reduce the accident rate indicators compared to the previous year, the frequency rate by 30% and the severity rate by 20%, and our target is to continue reducing them during 2024. As these indicators are highly dependent on annual developments, we set targets only in the short term.

By 2030, we continue with our goal of zero days lost due to serious accidents, a target we track annually.

	2023 Performance	Target 2024
Frequency index with low	11.56	10.40
Severity index	0.176	0.158
Days lost due to serious accidents	0	0



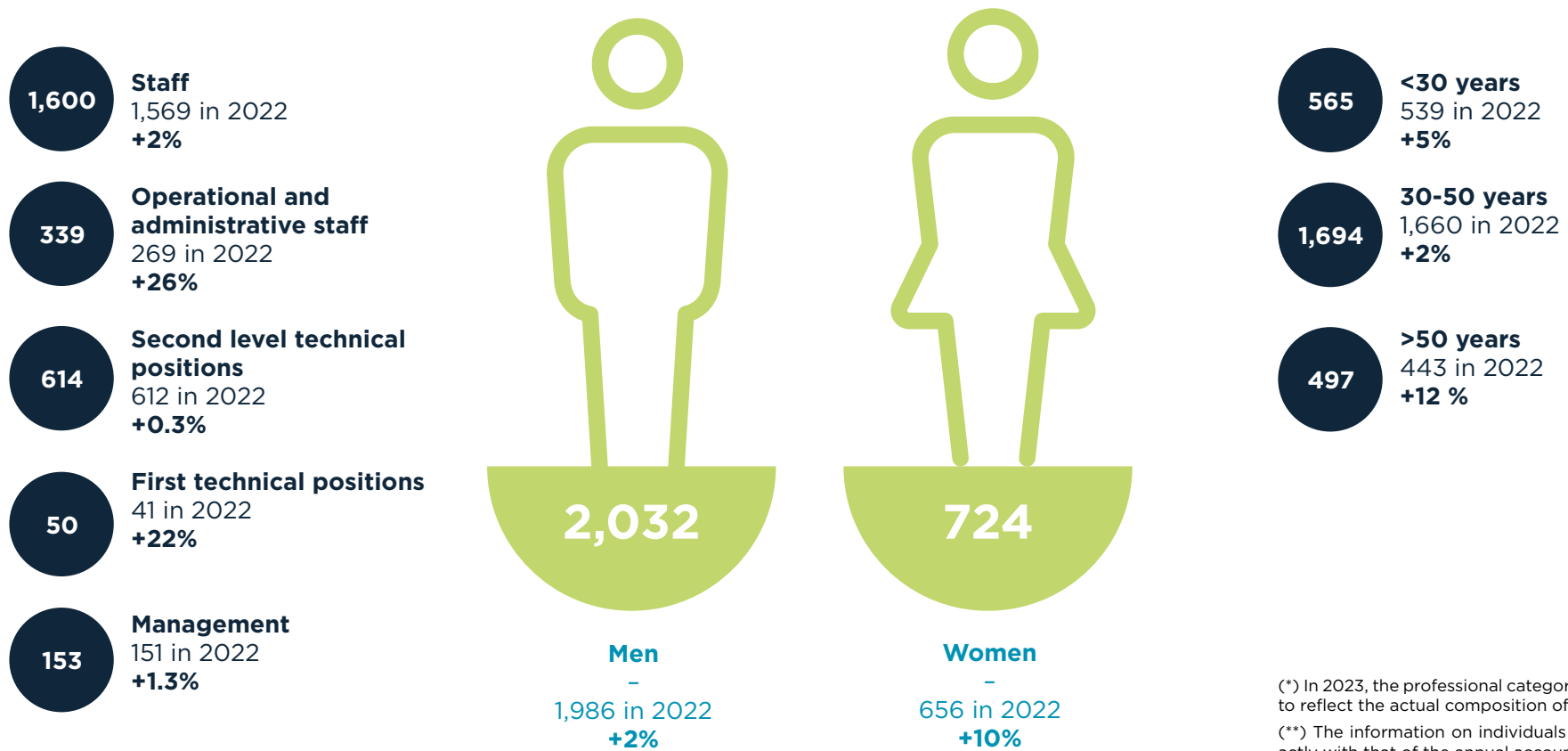
In 2023 we managed to reduce monitoring indicators and we continue to work to achieve our 2030 target

GENERAL ASPECTS

Distribution of persons by professional category*, gender and age



Staff 2023**
-
2,642 in 2022
+4%

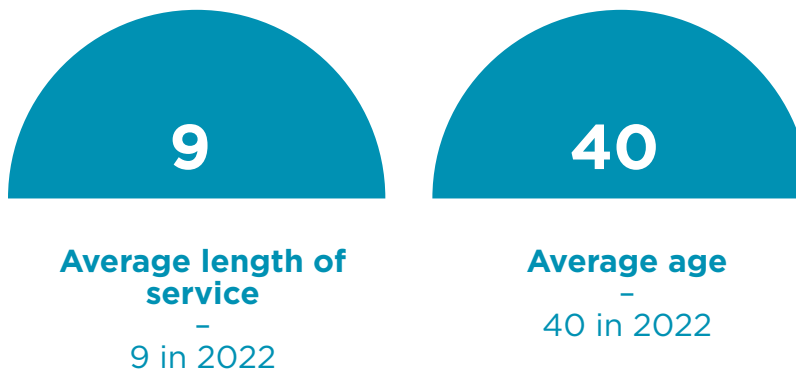


(*) In 2023, the professional categories have been adapted to reflect the actual composition of the workforce better.
(**) The information on individuals does not coincide exactly with that of the annual accounts due to the scope of the non-financial information in this report (see details in Appendix 1).

Distribution of staff by country

At Arteche, diversity is a value: present in different countries, our teams comprise people of many different nationalities. Cultural diversity results in competitive advantages related to openness to knowledge, plural points of view, strengthening Arteche's culture, and increasing innovation, creativity and productivity.

Average length of service and average age of the workforce



REMUNERATION

Total and grade pay gap

Equal opportunities also translate into tangible 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 public salary scales within the collective agreements, we have a catalogue of all defined positions within the organisation. Each has associated tasks, responsibilities and a salary range to ensure equitable salaries for people in the same position. The salary grid will come into force in 2022 and has the backing of an external consultancy that guarantees a fair and equal remuneration system for all Arteché staff.

In 2023, the average salary level of women in the Arteché Group was 18% lower than that of men (15.9% at the end of 2022). On a general level, however, we can say that our actions to accelerate equality are beginning to bear fruit. If we look at the data broken down by category, we can see that the pay gap improves in all categories except the Management and Operations/Administration category, where the positive GAP is neutralised.

In the category of regular staff, the gap concerning the year 2022 has improved by 5%. However, there is still a high gap, which is explained by the type of industrial profiles and the seniority of men in the workforce. Work is being done on incorporating women, from 371 to 414, and creating jobs to promote equality further.

We have also focused much on women's internal promotion, which accounted for 66% (25 women) of the promotions made in 2023.

The challenges we face are increasing female participation in production plants, technical positions and management, focusing on Argentina, Brazil, Mexico and Turkey.

Average remuneration of extended top management

Specifically, the average remuneration of the extended senior management group was 94 thousand euros in 2023 for men and 72 thousand euros for women (78 thousand and 66 thousand euros for men and women, respectively, in 2022). The members of the Group Management Committee, Geographical Management Committees and areas reporting directly to the Chair are mainly considered extended senior management.

Average Board remuneration

We have 9 directors on the Board of Directors (8 in 2022, all men); 8 are currently men, 1 is a woman, and 2 have executive functions. The remuneration of the Board is included in note 22.2 of the Arteché Group's consolidated annual accounts for 2023. For confidentiality reasons, as there is only one female director, the average remuneration by gender is not disclosed.

Professional category**	2023			2022		
	Women	Men	WAGE GAP*	Woman	Man	WAGE GAP*
Management	71,477	84,526	-15.44%	64,772	71,357	-9.23%
First technical positions	41,766	54,363	-23.17%	38,284	51,312	-25.39%
Second level technical positions	29,232	30,910	-5.43%	27,182	29,523	-7.93%
Operational and administrative staff	21,521	20,694	4.00%	20,359	16,380	24.29%
Plant workers	8,839	14,851	-40.49%	7,085	12,991	-45.46%
TOTAL	19,369	23,614	-17.98%	17,588	20,918	-15.92%

(*) Calculated as Average remuneration women/average remuneration men - 1

(**) In 2023, the professional categories have been adapted to reflect the actual composition of the workforce better.



FREEDOM OF ASSOCIATION AND SOCIAL DIALOGUE

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. At the plants, we have Occupational Health and Safety Committees (CIPA, etc.) where workers' and companies' representatives make suggestions and recommendations and control and monitor actions in this field.

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



EQUALITY, DIVERSITY AND INCLUSION

Equal opportunities

Arteche is committed to equal opportunities in our regions and workplaces, and this translates into a global way of thinking focused on valuing diversity in all areas, particularly from a gender perspective, in 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. When developing our activity, we guarantee compliance with the Principle of Equal Opportunities between women and men.

- **Equal opportunities:** a pillar in our 2030 sustainability strategy.
- **Reconciliation** of work, family and personal life.
- **Prevention of sexual harassment** and on grounds of gender.
- **Communication** inclusive use of language and images.
- **Other 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, Royal Decree 901/2020 and Royal Decree 902/2020 of 13 October as the basis for building an egalitarian company:

- We have a **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 plants in **Mungia, Vitoria-Gasteiz and Madrid plants** and is responsible for the implementation, monitoring and evaluation of this plan.

Diversity and inclusion

We guarantee basic accessibility requirements in all our new facilities. In the oldest ones, the required points (parking, accessibility, etc.) have been reformed to enable these services and requirements.

We believe in equal opportunities in every sense. By the end of 2023, 30 people with disabilities will be part of Arteche (25 in 2022), 20% more than last year. 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 exceptionality that consists of reaching 2% of the workforce with different abilities through the adoption of alternative measures, such as these contracts with special employment centres, as at Arteche we are committed to incorporating a social perspective throughout our value chain.

ATTRACTING AND RETAINING TALENT

Continuous training is a fundamental pillar in cultivating high-performing teams. Providing our teams with the skills and knowledge they need to excel in their roles fosters an environment of personal and professional development. These training opportunities enhance individual competencies and strengthen team cohesion by promoting a culture of shared learning. This boosts performance and productivity and Focus on quality, 4,500 hours in Masters and university degrees.

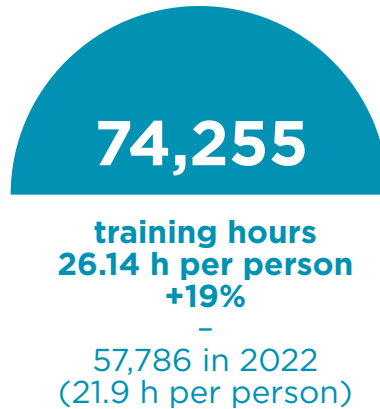
We identify and develop our internal talent. In our talent sessions, we prepare individual development plans or work on organisational succession plans.

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 Arteche. As part of this process, we identify the training needs we transfer to the Training Plans.

This approach ensures people are motivated and share a vision aligned with strategic objectives.

Seventy-four thousand two hundred fifty-five training hours were invested in 2023 (56,673 hours in 2022). An average of 26.14 hours of training per person, an increase of 22% (21.45 hours in 2022).

At Arteche, we encourage the development and growth of female talent. With a percentage of women of 26%, the training rate received was 30%. This shows that women at Arteche are committed to their professional growth and development.



HEALTH AND SAFETY

There has been a significant reduction in the Group’s accident rates as a result of the constant effort in training and prevention work for all personnel and the application of continuous improvement in the implementation of the defined management system: a 30% reduction in the sick leave frequency rate compared to the 2022 result and a 21.7% reduction in the severity rate. In particular, our plants in Mexico have significantly improved the indicators mentioned above. This is evidence of our commitment to the safety of our workforce and the effectiveness of our actions in this area.

Likewise, at Artech, we consider that, in general, there are no risk situations that could generate a high incidence of occupational diseases or their seriousness. In 2023, there were a total of 6 occupational diseases, five of which were men and one of which was a woman, while in 2022, there were four cases, all of which were men.

The increase in the accident rate for women occurs in the company in Turkey, where the number of female staff has increased due to the plant change in the first half of 2023.

Typology	Total Group 2023	Total Group 2022
frequency rate with sick leave*	11.56	16.57
Men	10.86	17.6
Women	13.75	13.7
severity index*	0.176	0.22
Men	0.178	0.26
Women	0.169	0.13
Incidents involving sick leave	70	87
Men	50	68
Women	20	19
Non-casualty incidents and first aid	168	108
Men	116	82
Women	52	26

% men: 74% % women:26%
Total hours worked: 6,056,514

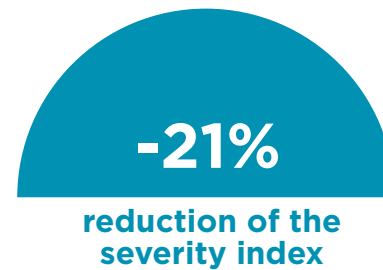
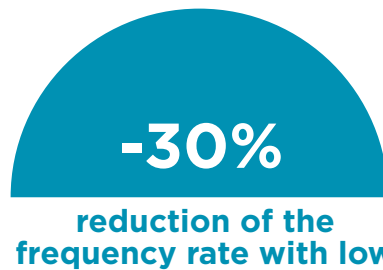
(*) Calculated as no. of incidents with sick leave * 1,000,000/no. hours worked.

(**) Calculated as no. of days lost*1,000/no. hours worked.

All accident rate data relate to both own employees and subcontractors.



Ensuring health and safety of our staff is our priority target.



9. Value chain



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Decent working conditions in the value chain	✓	✓
Health and safety in the value chain	✓	×

9.1 Suppliers

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

Arteche's Purchasing Department is fundamental in proactively managing impacts, risks and opportunities throughout our value chain. We analyse each procurement stage, identifying potential risks at all levels, including environmental, social and governance (ESG) issues. To assist us in this task, we are implementing an IT platform that analyses the responses provided by our suppliers. This results in an overall score consolidating financial, operational, geopolitical, cybersecurity, and compliance risk scores.



PROCUREMENT POLICY AND ITS APPROACH TO ESG ISSUES

Our purchasing policy goes beyond the mere acquisition of goods and services, requiring our suppliers to comply with the following fundamental points:

- **Compliance with all applicable laws and regulations** of the country where the activities are carried out, unless these are less demanding than international ethical standards, in which case the latter shall be followed, taking into account environmental, safety and social responsibility criteria.
- **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 wages, overtime and maximum working hours.
- **There shall be no forced or compulsory labour,** employees shall be free to leave employment once they have provided sufficient notice.
- **No child labour.** Specifically, International Labour Organisation (ILO) standards will be met.
- **Respect for workers right to freedom of association.**
- Provide and use appropriate adequate conditions of **health and safety at work.**
- **Respect for the environment** and compliance with the relevant legislation in each country, through the sustainable use of resources.
- Provision of products and services that meet **quality and safety criteria** specified in the relevant contracts and are safe for the intended purpose.
- Ensuring that procured conflict minerals (tantalum, gold, tungsten and tin) originate only from **smelters and mines that have been categorised as “conflict free”.**

Existing and new suppliers must expressly accept these guidelines by registering on an online platform, which analyses the risks associated with each supplier. For new approvals, we apply the standard procedure for the qualification and approval of suppliers, which includes assessing the points mentioned above relating to the environment, safety and social responsibility.

In our interactions with suppliers, we stress the importance of human rights due diligence procedures. We maintain an ongoing dialogue to ensure compliance with ethical standards and promote transparency in labour practices. In addition, we will have an IT platform for risk management to monitor the ESG score and any adverse news that may be broadcast in the media about its violation. Collaboration with suppliers committed to social justice and respect for human rights is essential to our focus on building ethical and sustainable relationships.



PARAMETERS AND TARGETS

Purchasing from local suppliers

For our activities, Arteche purchases a high percentage of goods and services from local companies:



Local purchases

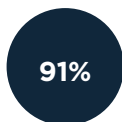
local purchases
-
80% in 2022
78% in 2021

Supplier audits

During visits, audits, and performance evaluations of Grupo Arteche's suppliers, no suppliers were detected with forced or child labour operations.

In these audits, aspects of the quality of production processes are checked, as well as aspects of the environment, occupational health and safety, and human rights.

SPAIN



2023

90% in 2022
89% in 2021

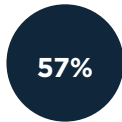
MEXICO



2023

71% in 2022
70% in 2021

ARGENTINA



2023

18% in 2022
9% in 2021

CHINA



2023

92% in 2022
96% in 2021

BRAZIL



2023

54% in 2022
42% in 2021

TURKEY



2023

n/a in 2022
n/a in 2021

INDONESIA



2023

n/a in 2022
n/a in 2021

9.2 Customers

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

At Artech, we value our proximity as a competitive advantage that we reinforce by adding new technologies for remote monitoring and predictive data analysis. This allows us to provide a local and timely service, identifying possible defects before they occur.

In addition to local service teams located close to our main users worldwide, we have a world-class technical engineering team. Innovation and high-value propositions allow us to be part of the transformation of the electricity transmission and distribution grid sector, being pioneers in the development of optical metering solutions, which allows our customers to have continuity and constantly improve the quality of service.

Artech is proud to participate in transforming the electricity sector, to be close to our customers, to add value and to accompany them in developing electricity grids in more than 175 countries, always distinguished by our vocation for service and proximity. In the design of our products, we guarantee compliance with the applicable safety regulations (CE marking and equivalents in other countries), both for the product and its use by the user. All our products are labelled according to the standards applicable in each country.

To manage complaints or queries, we have a communication procedure with customers that guarantees their correct attention. All these are managed in our ERP according to the requirements established in our protocols. Artech has a specific and exclusive Customer Support area to handle and manage these communications. Our process establishes a minimum period of satisfaction evaluations every two years.



Artech is proud to participate in the transformation of the electricity sector, to be close to our customers, add value for them and accompany them in the development of electricity grids in more than 175 countries.



PARAMETERS AND TARGETS

Complaints received and their resolution

Our management processes include indicators for monitoring and improving customer complaints. In the same way, to continuously develop our service's efficiency and communication with the customer, we have implemented the following service policies of the Customer Support process for resolving incidents and complaints.



We promptly inform the customer of all the progress, dates, deadlines, etc. relating to this complaint until the final closure of the complaint

Customer Support Process

Less than 48 h

confirmation to the customer of the receipt of the complaint and its internal handling.

Field intervention

If field intervention is required, it shall be carried out in **less than 3 weeks** after prior analysis, provided that we are authorised to do so by the customer.

Less than 1 week

proposal for immediate action to resolve the incident

Analysis of equipment in the factory

analysis report and proposal for action in **less than 2 weeks** after receiving the equipment (and sending it to the customer).

The ratios for all of them 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 2023, customer complaints and claims amounted to 1,883 (in 2022, we had 1,772). All of them have been handled according to our standard procedure and, as we can see from the customer satisfaction surveys regarding our Customer Support service, the satisfaction levels of our customers are very positive: average service rating of 4.85/5 and 98% satisfaction.

In addition to achieving higher customer satisfaction, we confirm the good implementation of all after-sales procedures, which are well-established throughout the organisation. 100% of complaints are accepted within a maximum of 48 hours and are accompanied by immediate solutions to resolve the customer’s problem; these are recorded in our ERP within quality notifications. In all complaints classified as serious or important, in addition to the immediate actions, corrective action is opened where a multidisciplinary team analyses the root causes to define and implement the containing and corrective actions, and thus prevent a problem from recurring.

There have been no non-compliance relating to health and safety impacts of product and service categories, nor complaints relating to privacy breaches and loss of customer data.

Satisfaction survey from *customer support*



9.3 Local development

Economic performance is a fundamental pillar for a business to be sustainable in the long term in all ESG areas.

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

For this reason, Arteche considers us to be a key agent 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.

In addition to the economic value distributed by our activity, resulting from the monetary flows generated, we also drive other indirect economic impacts that are manifested in the following benefits for our community: indirect employment in local communities, jobs for contractors, our supply chain, the redistribution of taxes we generate, the improvement of the quality of life in the communities where we contribute to their electrification or the training of professionals.

(EUR million)	2023	2022
Direct economic value generated (*)	403.3	348.8
Economic value distributed (*)	388.6	335.6
Economic value retained	14.7	13.2

*Turnover and other operating income have been considered for the direct economic value.
*The distributed economic value includes all supplies, personnel expenses, other operating expenses, other results and financial expenses excluding provisions.



IMPACT, RISK AND OPPORTUNITY MANAGEMENT

At Artech, we are aware of our role as a driving force for social progress in our environment to achieve the desired future. A future with global goals will undoubtedly be easier to achieve if we work with the institutions and social agents around us.

At Artech, we have a vocation to share our experience and knowledge, and we wish to collaborate in events that contribute to creating value in the societies in which we are present. In this regard, we generate, participate in, and drive different joint work ecosystems for innovation, talent, and digital transformation.

In addition, we have participated in presentations, projects, technical conferences, webinars, and forums that interest our sector. For Artech, this is a common practice that fosters collaborative alliances with institutions, associations and educational centres. In 2023, these are some of the examples in which Artech professionals have participated by making available to external agents and institutions the good practices that we develop in different areas of our expertise:

- APD Forum
- Steam Sare Euskadi
- APD Human Lives Matter
- Renewable Energies: Challenges and Opportunities
- Knowledge Week 23 Mexico
- Sustainable Taxation
- Open Basque Industry
- AUSAPE Forum
- Paradigm shift in international mobility: risk, talent and digitisation
- Artech BAT Talks
- Ministry of Employment of the Municipality of Cordoba
- Curitiba Workers' Agency (SINE)
- Public policies for women (Universidade Positivo- Brazil)
- Ambassadors for Good (Brazil)
- Ministry of Employment of the Municipality of Cordoba
- PWN meetings and videos...

We promote quality education

We have had 88 young people doing university and vocational training internships in different departments in Grupo Artech (41 more than in 2022).

We collaborate with 23 universities and training centres in our area.

In 2023, our DUAL collaboration will be consolidated with university degrees, master's degrees, and vocational training in the university master's degree in internationalisation of organisations and the dual master's degree in entrepreneurship in action.

Internally, we support the training of Artech people who want to further their academic development. In this sense, throughout 2023, we have supported Artech's people globally and through their personal development plans in their desire to continue their development in higher and regulated training.

In addition, we regularly collaborate with school supplies for the children of the Artech Argentina team. In Mexico, we provide scholarships for the children of our workers.



Sumando Energías Solidarity Race

In the context of Arteché's 75th anniversary, the organisation wanted to promote an initiative that would add value to society, involving both the Arteché team and some of the partners in our value chain, with whom we share values and solidarity for our environment, and doing so with the aim that our experience and our contribution to the electricity sector would add value to the project.

The result was the Sumando Energías Solidarity Race, a flexible race (walking, running or cycling) over 75 days in which to add up kilometres to facilitate the supply of electricity for a whole year to 75 families in a situation of social vulnerability that Caritas had identified in each of the participating areas.

With all our enthusiasm for this project, we embarked on a journey full of purpose and solidarity that has been generously supported by other companies and organisations: Iberdrola, Jema, Shemar, Hitachi Electric, Urrutia, Nynas, Krempel, DSV, Atlantic Forwarding and Omicron. Their commitment to the cause was critical to our success.

The challenge we set ourselves was nothing less than to go around the world, Sumando Energías, to cover the necessary supply for the 75 families. With the participation of 740 people from 20 different countries, we came together to achieve a shared goal and make a difference.

And we succeeded. We exceeded our expectations by covering more than 78,000 kilometres, almost doubling our initial goal of circumnavigating the world. This achievement is a milestone for Arteché as a race promoter and a testament to the power of solidarity and global collaboration.

Our experience has been gratitude and pride in every contribution, step and pedal stroke of the people who have made this project a reality: from the participants, the companies and the collaborating entities to the families that benefited through Caritas.

Together, we have shown that when we come together with a common purpose, we can achieve great things and positively impact our communities and beyond.



The final assessment of the programme is very positive in that it addresses the social reality of families in a situation of vulnerability or energy precariousness as an essential household need, this being understood as the situation in which a household finds itself in which basic energy supply needs cannot be met, ranging from a lack of heating or the possibility of plugging in a fridge to not having electricity after sunset, which means giving up hours of study and learning.



PARAMETERS AND TARGETS

Arteche’s vocation for social collaboration is intrinsic to the moment of its foundation. It has been present throughout our history, although it is true that during the year 2023, we have worked from different areas to generate new internal dynamics with which to contribute not only at a company level but also from the social vocation of the people who form part of our teams around the world.

In this regard, the corporate volunteer teams have participated in 2023 in different social and environmental actions, among which the following stand out:

1. Toy collection campaign.
2. School material collection campaign.
3. Blood donation campaigns.
4. Environmental actions in the different workplace environments.

In addition, through the Arteche Foundation, an independent non-profit entity whose management consists of a mixed board of Arteche people who manage social collaboration and channel their efforts into these 3 lines of action: equality, education and solidarity with those most in need.

“
The
Arteche
Foundation
focuses
on 3
lines of
action:
equality,
education and
solidarity with
those who most
need it.”



Government

10. Business conduct



10. Business conduct



Associated material topics

	Material from the impact perspective	Material from the financial perspective
Corporate values	✓	✓
Prevention of violence and harassment at work	✓	×
Preventing corruption and bribery	✓	×

The **Chief Compliance & Sustainability Officer** was appointed in 2023. This measure was taken because we believe both concepts closely relate to the company’s values and culture. With the way things are done. Sustainability implies a responsible commitment to people, natural resources, the environment, and the communities we operate, while compliance relates to respecting the code of conduct and applicable laws and regulations. Both concepts are aligned with **corporate responsibility, values and ethics**, which contributes to a positive image of the company and enhances its reputation. Coupled with this, we believe that sustainability and compliance can drive operational efficiency by reducing resource consumption, optimising processes and minimising waste.

Bringing together sustainability and compliance at Arteché is not only important from an ethical and corporate responsibility perspective, but also helps to improve the **transparency** and

obtain competitive advantages, and contributes to achieving important global objectives, among others.

It also meant creating Sustainability as a new strategic function within the Management Committee, highlighting its transversality and importance in integrating it into the rest of Arteché’s functions. In this way, we promote a cultural change oriented towards **collaboration and the creation of shared value**. Doing well by doing good.

The Compliance function reports to the Chair of the **Board of Directors** the purpose of this function is to provide the organisation with basic and fundamental support to ensure compliance with current legislation, the Code of Conduct and the Group’s internal policies and regulations.

Responsible bodies

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

The Committee may act on its 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 regulations defining its functions and responsibilities. It comprises a representative of the Board, the Compliance Officer, General Management, Legal Management, and Human Resources Management.

10.1 Impact, risk and opportunity management

POLICIES

Risks and crime prevention programme

Our Criminal Risk Management System (CRMS), established in the Programme for the Prevention of Crimes in Our Business Activity, aims to prevent and reduce the risk of committing crimes, responding to the different legal systems in which we have implemented it: Spain, Mexico and Brazil.

With the Crime Prevention Programme, we aim to avoid conduct by the management team, staff, collaborators and, in general, by any person subject to Artech's dependence or hierarchy, acting on its behalf and for its benefit, which may trigger the possible criminal liability of the Group.

This programme includes the management commitment, the organisational model detailing the allocation of professionals, job descriptions with responsibility for the Crime Prevention Programme, and various policies and procedures.

No incidents relating to criminal risks have been applicable to the Group in the last three years (2023, 2022 and 2021).

Throughout the 2023 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 this programme:

At the plants in Mexico:

- The implementation of the CRMS has been completed.
- The first criminal risk assessment has been carried out.
- Training has been provided to management on how to carry out the assessment and to employees in general to raise awareness on the subject.
- An action plan has been designed to mitigate the highest risks.

At the global level:

- The process of contracting risk control software to fully unify the CRMS and implement it in all geographies has begun.

At the plants in Spain:

- A double review of the CRMS has been carried out, assessing risks and the effectiveness of controls.
- Specific training on criminal offences of the legal person has been given to the members of the Steering Committee to carry out the evaluation.
- A short and medium-term action plan is in place to mitigate the highest risk.

At the Brazilian plants:

- The implementation of the CRMS has been completed.
- The first criminal risk assessment has been carried out.
- Periodic training has been given to area managers on how to carry out the evaluation.

Corporate values and development of the Code of Conduct

This year, we have changed our approach to the Code of Conduct, which was approved at the last Board meeting. The main reason is that we want to create a Compliance culture based on our values: **closeness, trust, commitment and consistency**. Training and transparency are essential for our employees and all stakeholders we work with. A culture where leadership is fundamental, as we must lead by example and be a **transparency and compliance role model**.



Our values:
proximity,
confidence,
commitment and
constancy.

Prevent

- **Promote a culture of values and transparency in our teams** always acting as a model and example of professional ethics, not only with words but also with actions.
- **Ensure that everyone in our team knows and understands the Code of Conduct and is adequately trained on the principles contained therein.**
- **Ensure that the people in our charge strictly comply with the Code of Conduct,** not encouraging or issuing orders that go against ethical behaviour at any time.
- **Know and comply with the policies, laws and regulations that apply to Artech.** If we are not sure that this is the case, the Compliance department should be asked.

Detect

- **Conduct periodic reviews** with regard to compliance with the Code of Conduct with the help of Compliance or internal audits.
- **Implement control measures** to detect compliance risks and breaches.

Act

- **Proactively communicate and document any potential non-compliance observed or any potential non-compliance observed or expressed by any person with whom you have a day-to-day relationship.**
- **By not communicating this, you may be complicit in a situation that puts the company at risk.**

OUR RESPONSIBILITIES INCLUDE PREVENTING, DETECTING AND ACTING ON POTENTIAL NON-COMPLIANCE PROBLEMS.

To whom does the Code of Conduct apply?

The Code of Conduct applies to us **to everyone in Arteche** worldwide, including directors, managers, officers and employees of all companies and entities in which we have a majority shareholding or effective control. In other entities, we will make reasonable faith efforts to implement the Code or similar integrity policies.

Arteche's people who **work with third parties:** suppliers, consultants, agents, sales representatives, distributors and independent contractors, must:

- Inform them of our policies and Code of Conduct and require their acceptance.
- Correct them on learning that a third party did not comply with compliance policies.

With the commitment of all persons subject to the Code of Conduct that we comply with the principles contained therein, and with the laws, rules and regulations applicable in the place where we carry out our activity, and that we act with the utmost respect for internationally accepted ethical practices, under the Fundamental Rights and Public Freedoms contained in the Universal Declaration of Human Rights and the commitments acquired when signing the United Nations Global Compact.



Our Ethics Channel is accessible in our Intranet and on our external corporate Website. This channel has been updated in 2023 to adapt it to the new Law on protection of the informant, Law 2/ 2023, of 20 February.

In case of doubt or non-compliance, we offer a channel through which we can **we can make a query or report any possible irregularity:** our Ethics Channel is accessible both on our Intranet and on our external corporate website. This channel was updated in 2023 to adapt to the new whistleblower protection law, Law 2/2023 of 20 February.

We guarantee the utmost reserve and confidentiality on the part of the Ethics Committee and impartial and independent

management, without any reprisals against any person who submits a query or complaint, formally or informally.

This Code has been communicated to the entire organisation for correct knowledge, understanding and compliance. 100% of recruits have been informed of the principles set out in our Code of Conduct and have expressly accepted the commitments.



Responsible taxation

The fiscally responsible behaviour of all Arteche Group companies forms part of the general corporate responsibility policy, which includes the basic principles of action that must be observed. The duties and taxes we pay in the countries in which we operate constitute the main contribution of the Group companies to support public charges and, therefore, one of the contributions to society.

The tax principles we apply and which guide our tax practices are monitored by the tax department and are based on:

- **Prevention and reduction of tax risks** in each country, providing the necessary human and material resources to carry them out.
- **Strengthening the relationship with the tax authorities**, based on legality, trust and collaboration.
- **Understanding of the levies and taxes** that the various Group companies pay to the corresponding authorities as the main contribution to the support of public charges and, therefore, as a contribution to society.



In Arteche
we are
holistically
committed
at all levels
of our
operation and
supply chain.

Defending Human Rights

We have developed a Code of Conduct focused on our values. We align ourselves with the principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Social Policy, among others. We support the elimination of all forms of child, illegal and forced labour.

At Arteche, we are committed to all operation and supply chain levels. In 2024, we will focus on developing a human rights policy that will significantly protect human rights and strengthen work ethics in our operations and supply chain.



ACTIONS

ACTIONS

Measures to prevent corruption and bribery

At Arteche, we always remember that the best way to continue growing and developing our business is by doing things well, with integrity, and by being an example to society that aligns with our values. In addition to strict compliance with the legal regulations applicable in the place where our activities are carried out, we base ourselves on the highest ethical standards. The Code of Conduct sets clear anti-corruption guidelines, stating a zero tolerance towards business corruption in all its forms that takes precedence over obtaining any benefit for the Group or its professionals. 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, commercial and promotional hospitality, hospitality and courtesy.
- Donations and sponsorship policy.
- Policy on relations with public officials and authorities.
- Policy on the prevention of conflicts of interest.
- Public subsidies and aid policy in travel policy.

Measures to combat money laundering

Although the Group's companies are not obliged to comply with Law 10/2010 on the prevention of money laundering and the financing of terrorism, and even considering that Arteche has hardly any exposure to this risk, we have assessed it in our criminal risk management model. Thus, we have established and apply control measures for receipts and payments to prevent them from being used to trigger money laundering, and we maintain the precautionary principle in our relations with customers and suppliers and in asset and corporate transactions. No suspicious money laundering transactions have been detected in 2023 or 2022. This year, we aim to update the internal policy on preventing money laundering and to raise awareness among all staff members, especially employees in the commercial function.

Human rights, code of conduct and compliance training

During 2023, we communicated the principles and guidelines in the Code of Conduct to 113 new recruits.

For 2024, we have planned training on the Code of Conduct, including practical compliance exercises, to test understanding in risky situations or when faced with ethical dilemmas. Annual monitoring and evaluation are also foreseen to identify areas for improvement and update the content.

10.2 Parameters and targets

CORRUPTION AND BRIBERY CASES

In the 2023 financial year, 100% of the material locations have been assessed for corruption-related risks. During the year 2023, some employees have filed malpractice cases. This action led to the termination of the employment relationship between the two persons involved after an investigation by the Compliance Officer and an analysis by the Ethics Committee. In addition, measures have been taken to prevent a recurrence.

CASES HANDLED THROUGH THE ETHICS CHANNEL

In 2023, we received 19 complaints through the Ethics Channel, of which two are under investigation according to the established procedure, four have been dismissed as non-compliance cases, and the rest have been closed after evaluation with their corresponding corrective actions.

DONATIONS AND SOCIAL PARTNERSHIP CONTRIBUTIONS

Arteche has different mechanisms to articulate the contributions to the communities' social collaboration, prioritising these three axes of action: equality, education and solidarity with those who need it most. During 2023, the amount of contributions to foundations and non-profit organisations amounted to 53,125 euros (48,470 euros in 2022). No contributions have been made to political parties, neither in

2023 nor 2022. The sponsorship amount 2023 was 19,500 euros (25,750 euros in 2022).

ARTECHE GROUP'S FISCAL CONTRIBUTION

The Group impacts the economic development of different tax jurisdictions worldwide through the tax contribution generated by its activity, thus fulfilling a dual financial and social function and respecting the value of transparency.

In 2023, we contributed 39.2 million euros in the territories in which we operate between our contributions and contributions from third parties (33.2 million euros in 2022), representing a significant increase in the tax contribution (+18%).

FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT

Over 2023, grants amounting to 784 million euros (863 million euros in 2022) have been recorded. The main R&D projects carried out in 2023 with public funding support have been included in the Appendix.

(EUR million)	2023	2022
Subsidies	784	863

		Europe	Mexico	Brazil	Argentina	China	Australia	USA	Turkey	Indonesia	Total
Own contribution (*)	2023	11,346	3,768	1,249	821	1,242	59	1,665	2,144	124	22,419
	2022	10,269	2,975	1,185	797	914	6	560	2,070	131	18,907
Of which: corporation tax	2023	816	608	190	0	216	0	985	93	0	2,907
	2022	487	658	319	0	-256	0	223	1,320	10	2,761
Third-party contribution (*)	2023	8,350	3,271	2,228	110	449	168	234	1,332	592	16,735
	2022	7,816	2,552	1,472	257	389	153	235	1,033	427	14,334
Total (thousands of €)	2023	19,696	7,039	3,477	931	1,692	227	1,900	3,476	717	39,154
	2022	18,085	5,526	2,657	1,054	1,303	158	795	3,103	559	33,241

- Own contribution: corporate tax, social security, local taxes.
- Contribution by third parties: withholding taxes, value added tax.

Appendices

A



Appendix 1. Basis for the elaboration

Scope of the report

Arteche's Board of Directors formulates this Sustainability Report on 18 March 2023. With its issuance, Arteche complies with the requirements established in Law 11/2018 of 28 December 2018 on non-financial information and diversity, which transposes Directive 2014/95/EU into Spanish law, reporting with the required detail, information on environmental, social and personnel-related issues, in relation to human rights, society and the fight against corruption and bribery. It also complies with the disclosure requirements set out in Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments for the financial year 2023.

The financial information included in this report results from the Group's consolidated financial statements for 2023 ("global scope"). The non-financial information in this report covers the relevant companies for sustainability purposes ("scope of this report").

Companies that do not have production facilities (India, Germany, United Arab Emirates, United Kingdom, Chile, Australia), trading companies (United States), and holding companies with mere shareholding activities have been excluded from the scope of the non-financial information in this report, as they are not considered relevant in terms of materiality in relation to sustainability performance. Including these locations would represent an immaterial amount (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 2023 list all the companies in which Arteche has a direct or indirect shareholding. The list of subsidiaries included in the scope is therefore as follows:

Society	Country
Arteche Lantegi Elkartea, S.A. España	Spain
Electrotécnica Arteche Hermanos, S.L.	Spain
Electrotécnica Arteche Smart Grid, S.L.U	Spain
Arteche Centro De Tecnología, A.I.E.	Spain
Arteche Hitachi Energy Instrument Transformers, S.L.	Spain
SAC Maker, S.A.U	Spain
AIT, S.A.	Argentina
Arteche EDC Equipamientos e Sistemas, S.A.	Brazil
Arteche DYH Electric Co. Ltd	China
Arteche North America, S.A. de C.V.	Mexico
Arteche ACP, S.A. de C.V.	Mexico
Esitaş Elektrik Sanayi ve Ticaret Anonim Şirketi	Turkey
PT Esitas Pacific	Indonesia

Corrections to data for the 2022 financial year

The following modifications have been made to the information contained in the Sustainability Report formulated and approved for the 2022 financial year:

	Amended information as at 31/12/2023	Information as at 31/12/2022
Electricity consumption (MWh)	21,014,105	20,719,415
Diesel C (litres)	150	1,872
Diesel B (litres)	83,713	81,882
Diesel A (litres)	17,478	0
Petrol (litres)	191,800	184,297
Natural gas (m ³)	41,693	22,139
LPG/LPG (litres)	1,110,491	1,317,612
Scope 1 (tCO ₂ eq)	2,525	2,893
Scope 2 (tCO ₂ eq)	5,674	8,909
Scope 3 (tCO ₂ eq)	462,565	208,754

Throughout the 2023 financial year, verification of greenhouse gas emissions (scopes 1 and 2) has been carried out, which has led to corrections in fuel and electricity consumption and the emission factors used. Additionally, scope 3 has been modified mainly due to the inclusion of our plants in Turkey and Indonesia in the calculation, the product carbon footprint methodology update, and its certification for some products. These changes have been applied to the 2022 calculation to allow for comparability.



Appendix 2. GRI and Law 11/2018 Table of Contents

Question	Definition	Reporting framework	Reference	Comments/ Reason for omission
Business model	Description of the business model: - Business environment - Organisation and structure - Markets in which it operates - Objectives and strategies - Main factors and trends that may affect its future development	GRI 2-1 Organisational Details GRI 2-2 Entities covered by sustainability reporting GRI 2-6 Activities, value chain and other business relationships GRI 2-9 Governance structure and composition GRI 2-23 Commitments and policies	8-12	
Policies and policy outcomes	Description of the policies applied by the group and the results of those policies, including relevant non-financial key performance indicators	GRI 2-23 Commitments and policies GRI 2-24 Mainstreaming commitments and policies	13	
Main risks and impacts identified	Main risks related to these issues and related to the group's activities, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on these areas.	GRI 3-3 Management of material issues	24, 34	
Indicators relating to EU Taxonomy	Qualitative and quantitative indicators related to the EU Taxonomy regulatory framework	Regulation (EU) 2020/852 and associated delegated regulations	36-45, 115-119	
Information on environmental issues				
Environmental management	Current and foreseeable effects of the company's activities	GRI 3-3 Management of material issues	34, 46-70	
	Environmental assessment or certification procedures	Internal standard/GRI 201-2 Financial implications and other risks and opportunities of climate change	59	
	Resources dedicated to environmental risk prevention	GRI 2-23 Commitments and policies	58	
	Application of the precautionary principle		47	
	Amount of provisions and guarantees for environmental risks		58	
Pollution	Measures to prevent, reduce or remedy air pollutant emissions (also includes noise and light pollution)	GRI 3-3 Management of material issues	58-60	
Circular economy and waste prevention and management	Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste	GRI 3-3 Management of material issues	61-70	
	Actions to combat food waste	GRI 3-3 Management of material issues	n/a	It is not a material issue
Sustainable use of resources	Water consumption and water supply according to local constraints	GRI 3-3 Management of material issues GRI 303-3 Water abstraction	111	
	Consumption of raw materials	GRI 3-3 Management of material issues GRI 301-1 Materials used by weight or volume	68	
	Direct and indirect energy consumption	GRI 302-1 Intra-organisational energy consumption	54	
	Measures taken to improve energy efficiency	GRI 3-3 Management of material issues	47-57	
	Use of renewable energies	GRI 302-1 Intra-organisational energy consumption	55	

Question	Definition	Reporting framework	Reference	Comments/ Reason for omission
Climate change	Important elements of generated greenhouse gas emissions	GRI 305-1 Direct GHG emissions (scope 1) GRI 305-2 Indirect GHG emissions associated with energy (scope 2) Internal Reporting Framework	56-57	
	Measures adopted to adapt to the consequences of climate change	GRI 3-3 Management of material issues	52	
	Voluntary reduction targets	GRI 3-3 Management of material issues	53	
Biodiversity protection	Measures taken to preserve or restore biodiversity	GRI 3-3 Management of material issues	111	
	Impacts caused by activities or operations in protected areas	GRI 3-3 Management of material issues	111	
Information on social and personnel issues				
Employment	Total number and distribution of male and female employees by gender, age, country and occupational category	GRI 2-7 employees GRI 405-1 Diversity of governing bodies and employees GRI 405-1 Diversity of governance bodies and employees	79-80	
	Total number and distribution of types of employment contracts		112	
	Average annual number of permanent, temporary and part-time contracts by gender, age and occupational category	GRI 2-7 employees	113	
	Number of redundancies by gender, age and professional category	GRI 401-1 New employee hires and staff turnover	114	
	Wage gap	Internal framework: the calculation has been made using the following formula: (Average Salary - Average Salary Men)/ Average Salary Men	81	
	Average remuneration by gender, age and professional category	Internal framework: Average remuneration (includes total remuneration for the year, fixed salary and all variable remuneration (allowances, indemnities, payment to savings schemes, etc.) earned during the year.	81, 114	
	Average directors' remuneration by gender		81	
	Average management remuneration by gender		81	
	Implementation of work disengagement policies employees with disabilities	GRI 3-3 Management of material issues GRI 405-1 Diversity in governing bodies and employees.	74 82	
Work organisation	Organisation of working time	GRI 3-3 Management of material issues	74	
	Number of absence hours	Internal framework: Absenteeism rate	113	
	Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of work-life balance by both parents	GRI 3-3 Management of material issues	73-74	
Health and safety	Health and safety conditions at work	GRI 403-1 Occupational health and safety management system	84	
	Number of accidents at work and occupational diseases by gender, frequency and severity rate by gender	GRI 403-9 Work-Related Injuries Frequency rate = No. of accidents with sick leave x 1,000,000/ no. of hours worked (excluding accidents on the way to and from work) Severity rate = No. of working days lost x 1,000,000/ no. of hours worked (excluding accidents on the way to and from work)	84	

Question	Definition	Reporting framework	Reference	Comments/ Reason for omission
Social relations	Organising social dialogue	GRI 3-3 Management of material issues	74-75	
	Percentage of workforce covered by collective bargaining agreements by country	GRI 2-30 Collective bargaining agreements	82	
	Taking stock of collective agreements, particularly in the field of occupational health and safety at work	GRI 3-3 Management of material issues	82	
	Mechanisms and procedures that the company has in place to promote workers' involvement in the company's management in terms of information, consultation and participation.	GRI 2-29 Approach to stakeholder engagement	74-75	
Training	Policies implemented in the field of training	GRI 404-2 Programmes to enhance employee skills and transition assistance programmes.	76	
	Total number of training hours per professional category.	Internal framework	113	
Universal accessibility for people with disabilities		GRI 3-3 Management of material issues	82	
Equality	Measures taken to promote equal treatment and opportunities for women and men	GRI 3-3 Management of material issues	72-73.82	
	Equality plans measures to promote employment, protocols against sexual and gender harassment.	GRI 3-3 Management of material issues GRI 2-23 Commitments and policies	82	
	Integration and universal accessibility for people with disabilities	GRI 3-3 Management of material issues	82	
	Anti-discrimination and, where appropriate, diversity management policy	GRI 3-3 Management of material issues GRI 2-23 Commitments and policies	82	
Information on respect for human rights				
Implementation of human rights due diligence procedures		GRI 2-26 Mechanisms for seeking advice and raising concerns GRI 3-3 Management of material topics	97-100	
Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and redress possible abuses committed		GRI 3-3 Management of material issues GRI 2-23 Commitments and policies GRI 2-26 Mechanisms to seek advice and raise concerns	97-100	
Complaints of human rights violations		Internal framework: quantitative information on the number of complaints.	41	
Promotion and enforcement of the provisions of the ILO core conventions relating to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour		GRI 3-3 Managing material issues GRI 2-23 Commitments and policies	99-100	
Information relating to the fight against corruption and bribery				
Measures taken to prevent corruption and bribery		GRI 2-25 Processes to remediate negative impacts GRI 2-23 Commitments and policies	101	
Measures to combat money laundering		GRI 2-26 Mechanisms for seeking advice and raising concerns	101	
Contributions to foundations and non-profit organisations		GRI 201-1 Direct economic value generated and distributed	102	

Question	Definition	Reporting framework	Reference	Comments/ Reason for omission
Company information				
Company commitments to sustainable development	Impact of the company's activity on employment and local development	GRI 3-3 Management of material issues	91-94	
	Impact of the company's activity on local populations and the territory	GRI 3-3 Management of material issues		
	Relations with local community actors and the modalities of the dialogue with them	GRI 3-3 Management of material issues		
	Partnership or sponsorship actions	GRI 3-3 Management of material issues GRI 2-28 Membership of associations Internal framework: description of partnership or sponsorship actions.	102	
Subcontracting and suppliers	Inclusion of social, gender equality and environmental issues in procurement policy	GRI 3-3 Management of material issues GRI 2-6 Activities, value chain and other business relationships	86	
	Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 2-24 Mainstreaming commitments and policies	85-87	
	Monitoring and audit systems and audit results		85-87	
Consumers	Consumer health and safety measures	GRI 3-3 Management of material issues	90	
	Complaint systems	GRI 2-16 Communication of critical concerns GRI 2-25 Processes to remediate negative impacts	89-90	
	Complaints received and resolution of complaints	GRI 2-25 Processes to remediate negative impacts Internal framework: information on complaints and opportunities for improvement	89	
Tax information	Country-by-country benefits	GRI 207-4 Country-by-country reporting	114	
	Taxes on profits paid		102	
	Public subsidies received	GRI 201-4 Financial assistance received from the government	102	

Appendix 3. Contact channels

Any queries related to this report can be made through the following channels:

- On the Group's website: www.artech.com
- In the Group's sustainability mailbox: sostenibilidad@artech.com
- In the location of Artech Lantegi Elkartea, S.A.'s headquarters and registered office:
Derio Bidea 28 48100 Mungia (Bizkaia)
T.: (34) 94 601 12 0

Appendix 4. Main publicly funded R&D projects 2023

Acronym	File No	Title	Level	Programme
CAPACITIVE	DF/2020/0018	Development of a new family of high-performance capacitive transformers	PRIV	64 BIS - Bizkaia
LPIT	DF/2021/0021	LOW POWER INSTRUMENT TRANSFORMERS: Development of Low Power Instrument Transformers for Electrical Substations		
DIGITAL TWIN	DF/2022/0018	Development of a Digital Twin for new IED platform		
AirTP	DF/2023/0035	Non-SF6 Medium Voltage Transformer: Development of SF6-free Dry Insulated Voltage Instrument Transformers		
SEC2GRID	ZE-2022/00036	New smart electronics for a power grid safer from cyber-attacks	GV	HAZITEK
SMARTSUBEL	Design and Implementation of New Technology and Automation of Electricity Substations	PRIV	Tax Lease - AEAT	

Appendix 5. Environmental indicators

Amount of water consumed per abstraction source

	2023	2022
Water consumption (m ³)	29,946	26,351

Although water consumption is not considered a significant or material aspect as it is not part of the production process, awareness-raising communications are made to all staff to save water consumption inside and outside the company. By 2024, the feasibility of having water separators for separating water from oily water in plants that manufacture high-voltage transformers will be analysed to reuse the water currently destined for disposal.

With regard to the consumption of recycled water, the water supply comes from the different municipal networks in which the different Grupo Arteché companies are located and is mainly used for personal consumption and, to a lesser extent, for other secondary uses such as garden irrigation and building cleaning, so we do not have within our reach the possibility of consuming reused/reused water.

Biodiversity protection

Arteché's industrial activity does not occur in protected areas but respects its natural environment.



Appendix 6. People indicators

Total number and distribution of employment contracts (permanent, temporary, part-time) by gender, age and professional category**

	Indefinite		Temporary		Grand total	
	2023	2022	2023	2022	2023	2022
Plant workers	1,379	1,246	221	323	1,600	1,569
Operational and administrative staff	323	255	16	14	339	269
Second level technical positions	598	591	16	21	614	612
First technical positions	49	40	1	1	50	41
Management	153	151	0	0	153	151
Total	2,502	2,283	254	359	2,756	2,642
Men	652	1,716	72	270	724	1,986
Women	1,850	567	182	89	2,032	656
Total	2,502	2,283	254	359	2,756	2,642
<30	431	361	134	178	565	539
30-50	1,594	1,507	100	153	1,694	1,660
>50	477	415	20	28	497	443
Total	2,502	2,283	254	359	2,756	2,642

	PART-TIME	
	2023	2022
Men	2	2
Women	0	1
Total	2	3
Plant workers	1	2
Operational and administrative staff	0	1
Second level technical positions	1	0
First technical positions	0	0
Management	0	0
Total	2	3
<30	0	0
30-50	1	1
>50	1	2
Total	2	3
Temporary	0	1
Permanent	2	2
Total	2	3

(*) In 2023, the professional categories have been adapted to reflect the actual composition of the workforce better.

(**) The information on individuals does not coincide exactly with that of the annual accounts due to the scope of the non-financial information in this report (see details in Appendix 1).

Average annual number of permanent, temporary and part-time contracts by gender, age and professional category*

	2023			2022		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Plant workers	1,291	323	1,614	1,151	301	1,452
Operational and administrative staff	303	18	321	253	13	266
Second level technical positions	583	20	603	569	26	595
First technical positions	47	0	47	38	1	39
Management	157	0	157	141	0	141
Grand total	2,381	361	2,742	2,152	341	2,493
Woman	608	97	705	555	82	637
Man	1,773	264	2,037	1,597	259	1,856
Grand total	2,381	361	2,742	2,152	341	2,493
<30	390	191	581	325	144	469
30-50	1,543	143	1,686	1,367	165	1,532
>50	448	27	475	460	32	492
Grand total	2,381	361	2,742	2,152	341	2,493

NOTE: The average number of part-time contracts coincides with the number shown in the table on the previous page.

(*) In 2023, the professional categories have been adapted to reflect the actual composition of the workforce better.

Training hours

Professional category	2023	2022
Plant workers	27,020	22,503
General management	720	3,276
Middle management	11,038	7,591
Operational and administrative staff	8,135	5,777
Technical positions	27,343	18,639
Total	74,255	57,786

(*) In 2023, the professional categories have been adapted to better reflect the real composition of the workforce. Still, in this indicator, the old categories are maintained due to the availability of information in the different regions.

Absenteeism

Company	2023		2022	
	% Absenteeism	Absence hours	% Absenteeism	Absence hours
Spain	2.88%	39,144.08	3.75%	43,375.00
Mexico	0.98%	19,313.00	1.62%	19,016.00
China	1.60%	6,704.00	1.26%	5,628.00
Argentina	4.54%	12,406.48	6.22%	16,090.00
Brazil	1.62%	4,954.21	1.93%	5,340.00
Turkey	5.35%	72,065.50	0.48%	5,708.00
Indonesia	1.54%	3,408.00	0.12%	265.00

Average earnings by gender and age

	MEN			WOMEN			TOTAL		
	2023	2022	VAR	2023	2022	VAR	2023	2022	VAR
<30	9,590	7,636	-20%	9,823	9,305	-5%	9,653	8,045	-17%
30-50	23,558	20,875	-11%	20,360	18,519	-9%	22,640	20,227	-11%
>50	37,871	35,432	-6%	30,641	27,562	-10%	36,620	34,242	-6%
Total	23,614	20,918	-11%	19,369	17,588	-9%	22,499	20,091	-11%

Number of dismissals by gender, age and professional category*

Dismissals	2023	2022
Plant workers	1	23
Operational and administrative staff	7	8
Second level technical positions	16	16
First technical positions	3	0
Management	7	6
Grand total	34	53
Women	11	20
Men	23	33
Grand total	34	53
<30	2	11
>50	13	31
30-50	19	11
Grand total	34	53

(*) In 2023, the professional categories have been adapted to reflect the actual composition of the workforce better.

Turnover rate

	2023	2022
Turnover rate	18.94%	21.57%

(*) Calculated as No. of voluntary departures from the group / total no. of employees * 100

Tax information

The profits obtained by country are shown in the Appendix to the Artech Group's consolidated annual accounts for 2023.

Appendix 7. EU Taxonomy Templates

Ratio of turnover from products or services associated with economic activities that conform to the taxonomy-disclosure for the year 2023

Financial year 2023		2023		Substantial contribution criteria						Criteria of no significant harm ("Do no significant harm")									
Economic activities	Codes	Absolute turnover	Ratio of turnover year 2023	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum guarantees	Ratio of turnover that conforms to the taxonomy (A1) or eligible according to taxonomy (A.2), year 2022	Category (facilitating activity)	Category ("transitional activity")
		Thou-sands €	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y;N	Y;N	Y;N	Y;N	Y;N	Y;N	Y;N	%	F
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																			
A.1. Environmentally sustainable activities (that conforms to the taxonomy)																			
Transmission and distribution of electricity	CCM 4.9	46,217	11.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11.1%	F	
Turnover from environmentally sustainable activities (that conforms to the taxonomy) (A.1)		46,217	11.5%*	11.5%*	0%	0%	0%*	0%	0%	Y	Y	Y	Y	Y	Y	Y	11.1%		
Of which: facilitators		46,217	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	F	
Of which: transitional		0	0%	0%													0%		T
A.2. Eligible activities according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL									
Manufacture, installation and maintenance of medium and high-voltage instrument transformers, sensors, reclosers, auxiliary relays and other equipment for the power grid	CCM 3.20 / CE 1.2	349,844	87.2%	EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Manufacture of electrical and electronic equipment	CE 1.2	5,195	1.3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Turnover from taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to with the taxonomy) (A.2)		355,039	88.5%*	87.2%*	0%	0%	1.3%*	0%	0%								0%		
A. Turnover from eligible activities according to the taxonomy (A.1+A.2))		401,256	100%	98.7%	0%	0%	1.3%	0%	0%								11.1%		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																			
Turnover from activities not eligible according to taxonomy (B)		0	0%																
Total (A + B)		401,256	100%																

*The alignment analysis does not apply in FY2023 for the new activities of the mitigation target and the circular economy target, so this result does not consider the possible alignment of the CCM 3.20 and CE 1.2 activities. Therefore, they have been included in section A.2. to maintain the table format. However, this does not allow any conclusions to be drawn about their level of alignment.

Ratio of turnover/total turnover		
	which conforms to the taxonomy by target (act. 4.9 CCM)	eligible according to the taxonomy by target (act. 3.20 CCM, 4.9 CCM, 1.2 CE)
CCM	11.5%*	98.7%
CCA	0%	0%
WTR	0%	0%
CE	0%*	88.5%
PPC	0%	0%
BIO	0%	0%

*The alignment analysis does not apply in FY2023 for the new activities of the mitigation target and the circular economy target, so this result does not consider the possible alignment of the CCM 3.20 and CE 1.2 activities. They are, therefore, excluded from the percentage of turnover that conforms to the taxonomy to maintain consistency with the table above without allowing conclusions to be drawn on their level of alignment.

According to the taxonomy in 2023, 100% of turnover corresponds to eligible activities (11.1% in 2022). 98.7% of turnover is eligible under the climate change mitigation target and 88.5% under the circular economy target. According to the regulatory framework, when an activity can contribute to more than one target, the most relevant one should be identified to avoid double-entry bookkeeping in the indicator. We have singled out the mitigation target, as activity 3.20 has a description that more precisely meets Artech's products and services. Therefore, for the total eligibility indicator, only 1.3% of the turnover is eligible in the circular economy target, corresponding to the rail relay segment.



Ratio of CapEx from products or services associated with economic activities that conform to the taxonomy-disclosure for the year 2023

Financial year 2023		2023		Substantial contribution criteria						Criteria of no significant harm ("Do no significant harm")										
Economic activities		Codes	CapEx	Ratio of CapEx year 2023	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum guarantees	Ratio of CapEx that conforms to the taxonomy (A1) or eligible according to taxonomy (A2), year 2022	Category (facilitating activity)	Category ("transitional activity")
Text			Thousands €	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N	Y; N	Y; N	Y; N	Y; N	Y; N	Y; N	%	F	T
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																				
A.1. Environmentally sustainable activities (that conforms to the taxonomy)																				
Transmission and distribution of electricity		CCM 4.9	1,832	12.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	17.5%	F	
CapEx of environmentally sustainable activities (that conforms to the taxonomy) (A.1)			1,832	12.1%*	12.1%*	0%	0%	0%*	0%	0%	Y	Y	Y	Y	Y	Y	Y	17.5%		
Of which: facilitators			1,832	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	F	
Of which: transitional			0	0%	0%													0%		T
A.2. Eligible activities according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																				
					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture, installation and maintenance of medium and high-voltage instrument transformers, sensors, reclosers, auxiliary relays and other equipment for the power grid		CCM 3.20 / CE 1.2	13,353	87.9%	EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
CapEx of taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy) (A.2)			13,353	87.9%*	87.9%*	0%	0%	0%*	0%	0%								0%		
A. CapEx of eligible activities according to taxonomy (A.1+A.2)			15,185	100%	100%	0%	0%	0%	0%	0%								17.5%		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																				
CapEx of activities not eligible according to taxonomy (B)			0	0%																
Total (A + B)			15,185	100%																

*The alignment analysis does not apply in FY2023 for the new activities of the mitigation target and the circular economy target, so this result does not consider the possible alignment of the CCM 3.20 and CE 1.2 activities. Therefore, they have been included in section A.2. to maintain the table format without allowing conclusions to be drawn on their level of alignment.

Ratio of total CapEx/total CapEx		
	which conforms to the taxonomy by target (act. 4.9 CCM)	eligible according to the taxonomy by target (act. 3.20 CCM, 4.9 CCM, 1.2 CE)
CCM	12.1%*	100%
CCA	0%	0%
WTR	0%	0%
CE	0%*	87.9%
PPC	0%	0%
BIO	0%	0%

*The alignment analysis does not apply in FY2023 for the new activities of the mitigation target and the circular economy target, so this result does not consider the possible alignment of the CCM 3.20 and CE 1.2 activities. They are, therefore, excluded from the percentage of CAPEX that conforms to the taxonomy to maintain consistency with the table above without allowing conclusions to be drawn on their level of alignment.

With the inclusion of the new activities, the eligible CapEx rises from 17.5% in 2022 to 100% this year. In this case, 100% is eligible for the mitigation target, while 87.9% is eligible for the circular economy target. The difference corresponds to the segments of power quality and substation and distribution automation systems, which are only eligible under the mitigation target. As in the case of turnover, climate change mitigation is identified as the predominant target, and to avoid double-entry book-keeping, 100% is allocated to the mitigation target in the table above.

Ratio of OpEx from products or services associated with economic activities that conform to the taxonomy-disclosure for the year 2023

Financial year 2023		2023		Substantial contribution criteria						Criteria of no significant harm ("Do no significant harm")										
Economic activities		Codes	OpEx	Ratio of OpEx year 2023	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum guarantees	Ratio of OpEx that conforms to the taxonomy (A.1) or eligible according to taxonomy (A.2), year 2022	Category (facilitating activity)	Category ("transitional activity")
Text			Thousands €	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N	Y; N	Y; N	Y; N	Y; N	Y; N	Y; N	%	F	T
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																				
A.1. Environmentally sustainable activities (that conforms to the taxonomy)																				
Transmission and distribution of electricity		CCM 4.9	1,237	9.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7.7	F	
Turnover from environmentally sustainable activities (that conforms to the taxonomy) (A.1)			1,237	9.8%	9.8%*	0%	0%	0%*	0%	0%	Y	Y	Y	Y	Y	Y	Y	7.7%		
Of which: facilitators			1,237	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	F	
Of which: transitional			0	0%	0%													0%		T
A.2. Eligible activities according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																				
					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture, installation and maintenance of medium and high-voltage instrument transformers, sensors, reclosers, auxiliary relays and other equipment for the power grid		CCM 3.20 / CE 1.2	11,417	90.1%	EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Manufacture of electrical and electronic equipment			11	0.1%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Turnover from taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to with the taxonomy) (A.2)			11,428	90.2%	90.1%	0%	0%	0.1%	0%	0%								0%		
A. Turnover from eligible activities according to taxonomy (A.1+A.2))			12,665	100%	99.9%	0%	0%	0.1%	0%	0%								7.7%		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																				
Turnover from activities not eligible according to taxonomy (B)			0	0%																
Total (A + B)			12,665	100%																

*The alignment analysis does not apply in FY2023 for the new activities of the mitigation target and the circular economy target, so this result does not consider the possible alignment of the CCM 3.20 and CE 1.2 activities. Therefore, They have been included in section A.2. to maintain the table format without allowing conclusions to be drawn on their level of alignment.

Ratio of OpEx/total OpEx volume

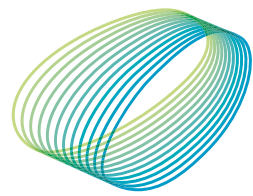
	which conforms to the taxonomy by target (act. 4.9 CCM)	eligible according to taxonomy by target (act. 3.20 CCM, 4.9 CCM, 1.2 CE)
CCM	9.8%*	99.9%
CCA	0%	0%
WTR	0%	0%
CE	0%*	90.2%
PPC	0%	0%
BIO	0%	0%

*The alignment analysis does not apply in FY2023 for the new activities of the mitigation target and the circular economy target, so this result does not consider the possible alignment of the CCM 3.20 and CE 1.2 activities. They are, therefore, excluded from the percentage of OpEx conforming to the taxonomy to maintain consistency with the table above without allowing conclusions to be drawn on their level of alignment.

Eligible OpEx increases from 7.7% to 100%, similar to the other performance indicators, due to the inclusion of new activities. Independently, 90.2% of OpEx is eligible for the circular economy target and 99.9% for the mitigation target. As in the previous cases, climate change mitigation is identified as the predominant target, and to avoid double-entry bookkeeping, 99.9% is allocated to the mitigation target, and the remaining 0.1% is eligible only for the circular economy target.

Table on nuclear and fossil gas activities according to Appendix XII of the DR on Disclosure

Row	Nuclear energy activities	
1	The company conducts, finances or has exposure to research, development, demonstration and deployment of innovative research and development facilities. electricity generation producing energy from nuclear processes with a minimum of fuel cycle waste.	No
2	The company undertakes, finances or has exposure to the construction and safe operation of new nuclear facilities to produce electricity or process heat, including for district heating purposes or industrial processes such as hydrogen production and their safety upgrades, using the best available technologies.	No
3	The company carries out, finances or has exposure to the safe operation of existing nuclear facilities that produce electricity or process heat, including for district heating purposes or industrial processes such as the production of hydrogen from nuclear energy and their safety upgrades.	No
Fossil gas activities		
4	The company carries out, finances or has exposure to the construction or operation of electricity generation facilities that produce electricity from gaseous fossil fuels.	No
5	The company carries out, finances or has exposure to the construction, renovation and operation of combined heat/cold and power generation facilities using gaseous fossil fuels.	No
6	The company carries out, finances or has exposure to the construction, renovation and operation of heat generation facilities producing heat/cooling from gaseous fossil fuels.	No



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