

# SUSTAINABILITY REPORT

## GRUPO ARRATE

December 2023



**arrate**

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*Responsible ESG*





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# List of abbreviations

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**AEE:** Wind Energy Business Association

**AEPIBAL:** Spanish Association of Batteries and Energy Storage

**APPA:** Association of Renewable Energy Companies

**CEO:** Chief Executive Officer

**CDO:** Chief Business Development Officer

**CFO:** Chief Financial Officer

**CLO:** Chief Legal Officer

**COD:** Commercial Operations Date

**COO:** Chief Operating Officer

**Cluergal:** Cluster of Renewable Energies of Galicia

**CNMC:** National Commissions for markets and competition

**EIS:** Environmental Impact Statement

**EF:** Emission factor

**ESG:** Environmental, Social and Governance

**GHG:** Greenhouse gases

**GoO:** Guarantees of Origin

**ISO:** International Organization for Standardization

**M&A:** Mergers and Acquisitions

**OECD:** Organization for Economic Co-operation and Development

**O&M:** Operation and Maintenance

**ONU:** United Nations Organization

**PGOU:** General Urban Development Plan

**PPA:** Power Purchase Agreement

**SDG:** Sustainable Development Goal

**SPV:** Special Purpose Vehicles









# Object of the Report

Grupo Corporativo Arrate S.L. (hereinafter "Grupo Arrate") is a business group dedicated to the renewable energy sector. In recent years it has had a notorious growth multiplying its business lines, project portfolios and partners, which has led to the decision to make this Sustainability Report (hereinafter, the "Report") on a voluntary basis, as it is not subject to Law 11/2018, of December 28, which amends Law 22/2015, of July 20, on Account Auditing, in terms of non-financial information and diversity.

The main objective of this Report is to offer transparency and visibility to stakeholders, providing non-financial information, both on the current situation of the Group in the sector and the measures applied in environmental, social and good governance matters, as well as on the evolution expected in the coming years, making the best efforts to achieve the objectives set forth in this report.

Being the company's own activity the development and promotion of renewable energy projects, we have a special vocation in the fight against climate change and in the promotion of sustainable development, being our main priorities the maximization of renewable energy generation and the consequent reduction of fossil fuels.

To this end, the Company has decided to draw up a roadmap towards sustainability, with the aim of applying ESG (*Environmental, Social and Governance*) criteria in all the Group's operations and areas of action, in order to promote the growth of the company in a more responsible manner, which in turn will enable the creation of a more sustainable energy model.

The scope of this Report is limited to the year 2022, including quantitative data relating to this period, and includes the Grupo Arrate on a consolidated basis, covering both the parent company and its subsidiaries.

On September 1, 2023, the Board of Directors approved the publication of this Sustainability Report and the creation of the ESG Committee, composed of the ESG and *Compliance* Manager, the Human Resources Manager and the Finance Manager.





# OUR VISION

Renewable energies are a fundamental part of the energy transition and energy independence in Spain, adding value in a sustainable way to the generation of electricity. To this end, Grupo Arrate is currently positioned as a specialized developer of renewable energy projects from Greenfield to Commercial Operations Date (COD), which currently manages a project portfolio of more than 5,7 GW distributed among projects developed for third parties, co-developments and the company's own projects, in addition to 420 MW of photovoltaic projects under construction.

# OUR MISSION



In Grupo Arrate we are committed to promoting the growth of renewable energies, in order to comply with the 2030 Agenda, contributing with our activity to the maximization of renewable energies, and therefore decreasing fossil fuels, which is currently the main cause of climate change. Likewise, Grupo Arrate's main mission is to promote the development of renewable energies either through technologies such as wind, photovoltaic and biogas/biomethane, or by opening up to new technologies such as storage and green hydrogen, considered as technologies that add value to the circular economy.





## 2. Founder's letter

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### Joaquín Sanz López

This past year the Grupo Arrate has experienced significant growth due to both new lines of business and the overall increase in renewable energy production, which has led us to draw up a roadmap towards sustainability through the publication of this report.

Because of the activity we carry out, which is none other than the development and production of renewable energies, we must contribute to global sustainability and participate in the energy transition, through the main technologies we develop and the new technologies we have incorporated into our business lines, such as storage and green hydrogen.



Climate change has had a great impact on our society and that is why in Grupo Arrate we have included sustainability as a fundamental value in our company, with the aim of, as its own definition states, ensuring the needs of the present without compromising the needs of future generations, not only in the workplace but also in the personal sphere of each of the people who are part of Grupo Arrate.

We have a very important role to play in combating the carbonization of the planet by minimizing the use of fossil fuels and increasing the production of renewable energies, in order to achieve a more sustainable energy model.

It is a privilege to be able to publish our first Sustainability Report to offer our stakeholders transparency and information on environmental, social and governance responsibility, showing our measures and goals for the future in order to make progress in the fight against climate change and energy transition. We are aware that there is no single solution to combat climate change, but we are convinced that the contribution of each one of us can make a great step forward. For this reason, the Grupo Arrate has implemented ESG (Environmental, Social and Governance) objectives both in business activities and in the activities that support them.

In our daily work we strive to meet our ESG objectives, with the aim of being more efficient and sustainable, contributing to and participating in the energy transition, and therefore we are proud to be able to make this report public.









# 3. History of Grupo Arrate

## 3.1 Origin Arrate Corporate Group

The history of Grupo Arrate reflects its resilient and service-oriented spirit. Since its foundation as Arrate Energías in 2011, the company has been characterized by its ability to anticipate the energy needs of the markets where it has operated, becoming a trusted player for large companies that it has helped to achieve their objectives in the renewable energy sector. Thanks to the trust placed in the Group by these companies, Arrate has grown to reach the level of maturity necessary to incorporate the development of its own assets into its activity.

Its origins date back to 2011 with the birth of Arrate Energías. In a context of stagnation in the energy sector in Spain, Arrate sought to support those companies that were still committed to the development of renewable projects in the country, despite a stagnant situation as a result of national political decisions.

In the early years, the company performed work for companies in the energy sector with a strong focus on commercial, representation, M&A and project development activities.

These tasks specialized in the sale of wind turbine equipment, management and sale of hydro assets, project development and construction of photovoltaic farms. The company operated both in the Spanish market and in Latin America, with a special focus on Mexico.

In 2019, the milestone that will mark the beginning of the exponential growth of Arrate Energías takes place. In this year the company manages to close an important M&A transaction, in which a renowned multinational energy company in the Spanish market (hereinafter "Multinational Energy Company") acquires several wind energy projects in different stages of development, all of them located in Castilla y León, with a total capacity of 264 MW. Through this transaction, the company not only acted as an intermediary in the acquisition of the project, but also received the assignment to develop the projects up to Ready to Build, which are still being executed to date.







## 3.2 Evolution of the Group

From the development of the projects acquired by the Multinational Energy Company and as a result of the good collaboration maintained with this group, the company focuses its activity on identifying project opportunities and developing them until Ready to Build. In this way, the company begins to develop a portfolio of co-development projects with the Multinational Energy Company, as well as an ambitious self-consumption project for one of its refineries in the peninsula.

Due to the growing activity of the company, the management sees the need to create Grupo Corporativo Arrate S.L., which will act as the main vehicle for the development of projects.

Parallel to the growth of the relationship with the Multinational Energy Company, the company decided to generate a new portfolio of new opportunities, to be considered as the Group's own assets and to be developed from Greenfield to Ready to Build with its own means.

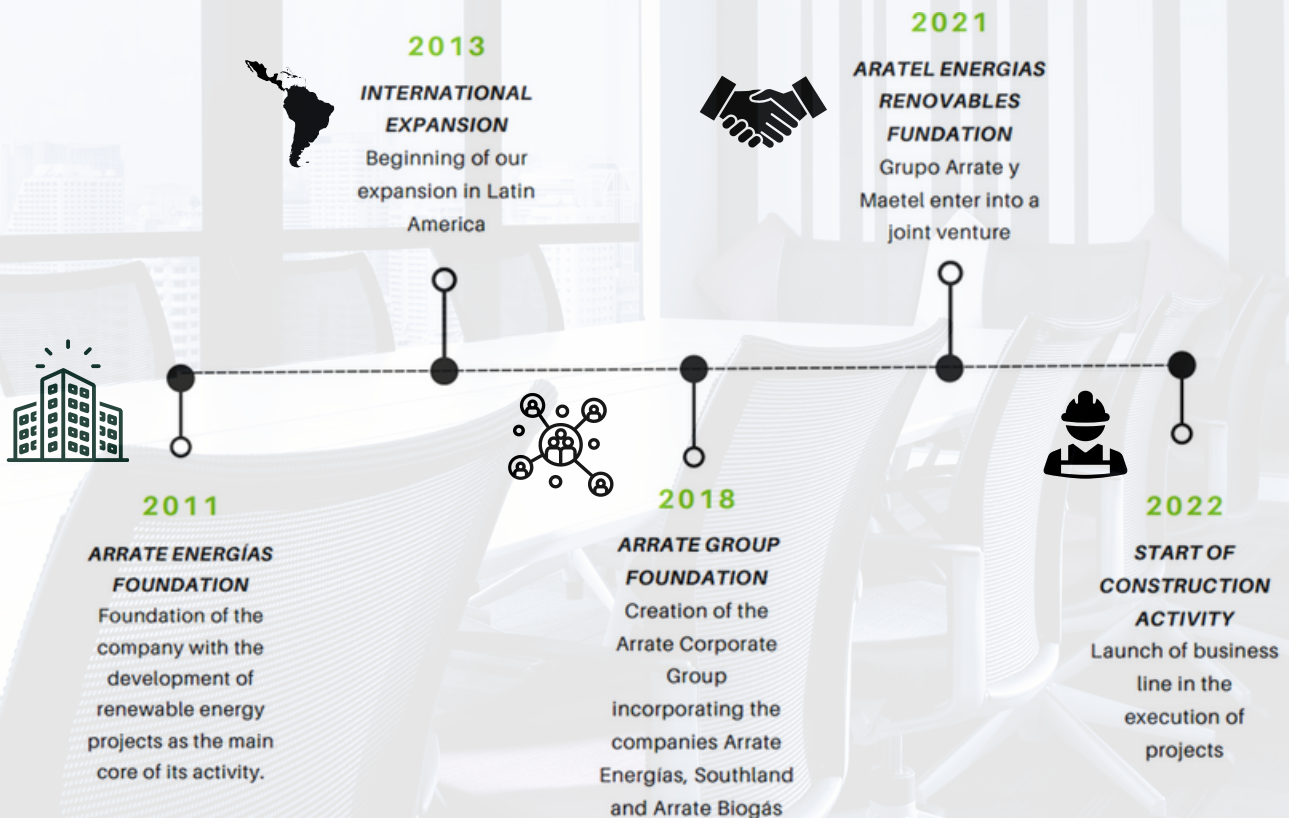
The next qualitative leap was made in 2021, when Grupo Arrate formalized a strategic alliance with a Multinational Energy Company in the French market, through one of its subsidiaries established in Spain. This relationship was consolidated with the creation of a joint venture company called Aratel Energías Renovables S.L., which begins with the development of a 3 GW project portfolio contributed by Grupo Arrate. This portfolio would focus on wind, photovoltaic and biomethane assets, with the first projects expected to reach Ready to Build status by 2024.

In addition to these events, a new line of business was created at the end of 2021, when an alliance was formalized with an important industrial group dedicated to construction. With this fact, Grupo Arrate introduces construction as a new activity, specifically photovoltaic plants, taking charge of the engineering and construction management works.



With this abundant activity, the company has experienced strong growth in contracts, staff, turnover and projects in recent years. This growth has been an important challenge for Grupo Arrate, always faithful to its goal of building a sustainable future focused on renewable energies.

Due to the growing activity of the company, the management sees the need to create Grupo Corporativo Arrate S.L., which will act as the main vehicle for the development of projects. Parallel to the growth of the relationship with the Multinational Energy Company, the company decided to generate a new portfolio of new opportunities, to be considered as the Group's own assets and to be developed from Greenfield to Ready to Build with its own means.





### 3.3. Corporate Structure

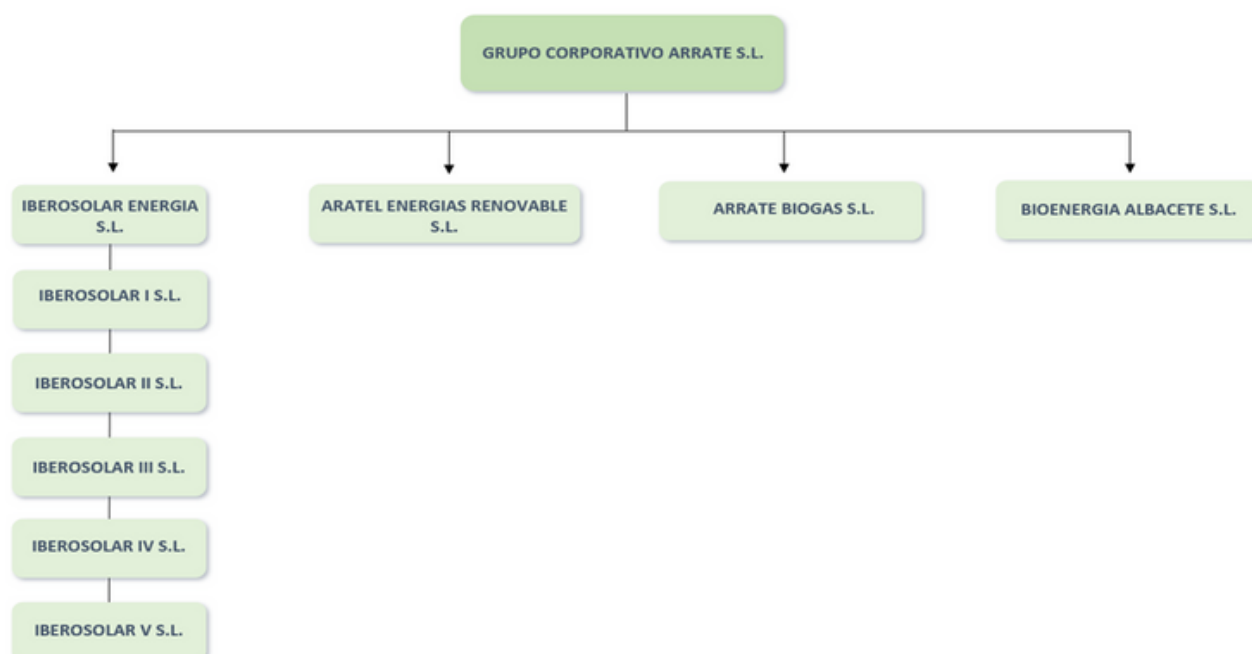
Grupo Corporativo Arrate S.L. is the parent company whose main activity is the development of renewable energy projects, working on obtaining all the necessary permits, authorizations and licenses to reach Ready to Build status in the projects.

Grupo Corporativo Arrate S.L. has certain companies, one of which is a joint venture company called Aratel Energías Renovables S.L., derived from the business collaboration with a French group in the renewable energy sector, which was created for the initial development of a portfolio of renewable energy projects with 1232 MW in photovoltaic technology, 1768 MW in wind power technology and 4 renewable gas production plants, and other possible opportunities.

Another subsidiary is Arrate Biogás S.L., a company created for the development and structuring of the biogas and biomethane business line, whose main activity is the development of biogas projects, biofuel and other products of biological origin.

In addition, as is common in the sector, Grupo Corporativo Arrate S.L. as parent company has several Special Purpose Vehicles (SPV), whose sole purpose is to manage the investment of the project, and to maintain control and administration of the project, as the SPV itself has all the licenses, permits and authorization of the specific project.

Thus, among the Special Purpose Vehicles we have Iberosolar Energías S.L., which has five projects of 1 MW each, located in the province of Cuenca. The aforementioned company is the subject of a sale and purchase conditioned to obtaining Ready to Build status, which is expected to occur in 2023.





## 3.4 Areas of activity



### Project Development

Project development is the core of the Grupo Arrate's activities. This activity starts with the identification of opportunities for the construction of a renewable energy generation asset (wind or photovoltaic farm, biomethane plant, storage, green hydrogen, etc.). Once these opportunities are identified, the Grupo Arrate team takes care of all the necessary tasks to take the project through to the construction phase. In this long journey, several phases must be completed:

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#### Signing of agreements with landowners.

The renewable energy facility will be built on specific land, selected for its technical and environmental suitability. It is essential to reach a win-win agreement with the landowners, so that they will allow the lease of the hectares necessary for the construction of the asset.

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#### Technical and environmental engineering

For the execution of a plant, it is essential to have numerous and exhaustive reports that demonstrate the technical and environmental feasibility of the asset. These engineering studies cover all the necessary aspects: archaeological studies, fauna, vegetation, connection to the grid, exact layout of the plant, orientation, access, economic viability, etc.

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#### Permits and licenses.

The development of the park must have the approval of all the administrations involved (local, regional or national). To this end, a series of deadlines and requirements must be met in order to obtain the necessary permits: integrated environmental authorization, environmental impact statement, administrative authorization for construction, access and connection, and construction permits, among others.



### Construction

Among the tasks that Grupo Arrate performs in the construction of photovoltaic parks are the management and inspection of the facultative, the control of the work execution, the economic report and planning, the approval of work certifications and the commissioning of the plant (supervision and start-up).



### Operation and Maintenance

Plant Operation and Maintenance does not currently occupy a prominent position in the Group's activities. However, due to the company's experience and knowledge, it is considered as a service to be offered.



### Consulting and Advisory Services

Consulting and advisory services is one of the most experienced business lines of the Grupo Arrate. Among the services provided in this line of business we can mention M&A services (Acquisitions of assets, both projects and operating wind farms), design and negotiation of PPAs, strategy design and execution for maximum score in Capacity and Access Competitions, portfolio analysis (evaluation of the level of project development and value generated), identification of opportunities and strategic advice (design of asset management strategies).





Grupo Arrate is identified by the diversity of technologies in which it works, specifically, the main renewable technologies in which it works are:

- **Photovoltaic.** Photovoltaic solar energy is a renewable and clean energy source that uses solar radiation to produce electricity. It is based on the photoelectric effect, by which certain materials have the capacity to absorb photons and release electrons, generating an electric current. A semiconductor device called a photovoltaic cell is used for this purpose.
- **Wind power.** Wind energy is obtained from the force of the wind through a wind turbine that transforms the kinetic energy of air currents into electrical energy. The extraction process is mainly carried out thanks to the rotor, which transforms kinetic energy into mechanical energy, and the generator, which transforms this mechanical energy into electrical energy.
- **Biomethane.** Biomethane is a renewable gas, equivalent to natural gas, which is obtained from biogas. In turn, biogas is a gas obtained from the anaerobic digestion of organic waste (pig slurry, sludge, meat scraps and other types). Once the biogas is obtained, it is enriched to biomethane, increasing the percentage of methane in the gas, making it possible to inject it into the grid or use it in transportation, for example.
- **Storage.** Storage is the technical capacity to store energy for later consumption. The most common forms of storage are hydraulic pumping, solar thermal storage (salt ponds) and batteries. Grupo Arrate is studying for the development of projects of this last technology with grid connection.
- **Hybridization.** The hybridization of technologies involves implementing a wind farm and a photovoltaic plant in the same place, so that the use of both energy sources provides a more stable energy production. It is even possible to hybridize a plant with storage, hydrogen and even biomethane.
- **Renewable hydrogen.** This technology is based on the generation of hydrogen through a chemical process known as electrolysis. This method uses electric current to separate the hydrogen from the oxygen in the water, so if this electricity is obtained from renewable sources, we will produce energy without emitting carbon dioxide into the atmosphere, obtaining what is known as green hydrogen.
- **Self-consumption.** Self-consumption allows the generation of the energy to be consumed at the place of consumption (or very close to it), thanks to the installation of solar panels or other energy generation systems. Grupo Arrate is developing one of the largest photovoltaic self-consumption projects

## 3.5 Main Projects

Among the main projects in the Grupo Arrate's portfolio, we have highlighted the following due to their degree of maturity and importance:

- Zafra and Montalbo:** These are five photovoltaic energy projects of 1 MW each, located in the province of Cuenca, and are connected to a medium voltage line. Due to their low power, they are being processed through the simplified procedure in the environmental phase, and the construction license is expected to be obtained by the end of 2023.
- Arnoia:** This project belongs to the project portfolio of the company Aratel Energías Renovables S.L., and it is a wind farm located in the municipality of Cartelle, a municipality in the province of Ourense. It has a power of 43.4 MW and consists of 7 wind turbines of 6.2 MW each, being connected to the substation of Red Eléctrica Castrelo 220 KV.
- Romica Biogas Plant:** Renewable gas production project located in the Romica Industrial Estate in Albacete, a location selected for its suitability, as it is an industrial estate with high activity, where its own by-products are generated, in addition to others from nearby agri-food and agricultural companies. It has a maximum management capacity of 70,000 tons of by-products per year, which is a productive maximum. With this management, the plant will produce 45GWh/year of renewable energy, enough to supply the heating needs of 5,625 homes with clean and renewable energy, or its equivalent in industry, generating additional energy independence for the industrial park and the area.

|                           |                       |
|---------------------------|-----------------------|
| <b>Project</b>            | FV Zafra y Montalbo   |
| <b>Power (Kw)</b>         | 800/ 990/800/990/990  |
| <b>Connection</b>         | LA 20 Kv Villares Saz |
| <b>Structure</b>          | Tracker 1 horiz. axis |
| <b>Legal entity (SPV)</b> | Iberosolar Energía SL |

|                            |                 |
|----------------------------|-----------------|
| <b>Project</b>             | AMR 7 ARNOIA    |
| <b>Total Capacity (MW)</b> | 43.4            |
| <b>Distance (Km)</b>       | 4.30            |
| <b>Substation</b>          | Castrelo 220 kV |
| <b>Awarded Capacity</b>    | 352 Mw          |

|                            |                     |
|----------------------------|---------------------|
| <b>Project</b>             | Romica Biogas Plant |
| <b>Installed capacity</b>  | 5.3 MWt             |
| <b>Land surface</b>        | 25,025 m2           |
| <b>Previsión</b>           | 70,039 t/year       |
| <b>D. network operator</b> | NEDGIA              |







# ESG PROPOSAL

With the purpose of achieving sustainable development, Grupo Arrate has defined a roadmap towards sustainability, applying certain measures, both in its own activity and in those activities necessary for the operation of the company. Likewise, certain goals and objectives have been set in the different activities of the Group in order to reflect the Company's compliance and progress.

The activity of our Company is none other than the development and promotion of renewable energy projects, thus contributing to the energy transition and the development of a more sustainable energy model.

## ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

In Grupo Arrate 100% of our project portfolio is based on renewable sources, specifically wind energy, photovoltaic energy, biogas and biomethane, green hydrogen, among others, contributing to the decarbonization of the energy model, reducing carbon emissions in the atmosphere with our projects.

Therefore, being our activity especially related to sustainability and the fight against climate change, Grupo Arrate is allied to the Sustainable Development Goals (SDGs), adopted in 2015 with the approval by the ONU of the 2030 Agenda on Sustainable Development.

Specifically, due to the activities it carries out, the Company is especially allied to the following Sustainable Development Goals:



**"Affordable and clean energy"**, with the aim of significantly increasing the share of renewable energy.



**"Climate Action"** by implementing measures to combat climate change and its effects, contributing to an increase in the percentage of these clean energies as opposed to polluting energies such as oil, coal and natural gas.



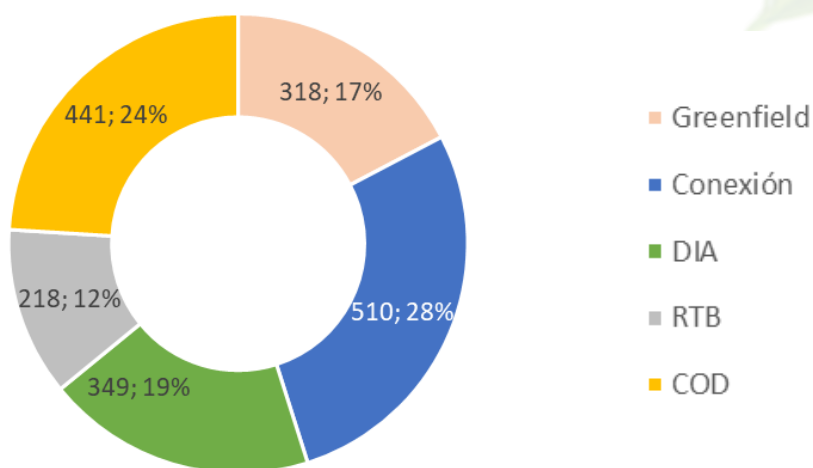
**"Sustainable Production and Consumption"**, through the biogas and biomethane plants we cooperate with the reduction of waste.

Among the targets of Objective 7 is the increase in the share of renewable energies, specifically in final consumption, with a target of at least 42.5% of the energy share of gross final consumption coming from renewable sources, as established in Directive (EU) 2023/2413 of October 18, regarding the promotion of energy from renewable energies.



According to data from the Information Bulletin of the National Institute of Statistics, in 2015 the share of renewable energies in final consumption was 16.2%, with the rest of the consumption of polluting energies. Thus, in the year 2021, a growth of 4.5 points has been registered, reaching a 20.7% share of renewable energies.

Therefore, at Grupo Arrate we aim to contribute to the goals of indicator 7, increasing the proportion of renewable energies and establishing the objective of reaching 1,835 MW by 2026, of which 441 MW in Commercial Operating Date (COD); 218 MW in Ready to Build status; 349 MW with the Environmental Impact Statement (EIS) obtained; 510 MW with Access and Connection; and the remaining 318 MW in Greenfield.



ALikewise, Grupo Arrate in its day-to-day activities tries to be allied with other Sustainable Development Goals such as SDG 5 "Gender Equality" and SDG 8 "Decent Work and Economic Growth" in its central services activities, and SDG 16 "Peace, Justice and Strong Institutions" and SDG 17 "Partnerships to Achieve the Goals" in the activities of the management body.



In the Company we have a management system that allows us to obtain a more efficient and quality productivity, and for this we have the following accredited certificates with the objective of controlling and aligning the risks of quality, environment, safety and health at work.

- **ISO 9001:2015 Quality**
- **ISO 14001:2015 environmental management system**
- **ISO 45001:2018 Occupational health and safety management system.**

## 4.1 ENVIRONMENTAL

### 4.1.1 Fight against climate change

At Grupo Arrate we want to contribute to the energy transition with the aim of reducing greenhouse gas emissions in the atmosphere, which is currently the main problem. Gas emissions in the atmosphere lead to an increase in global temperatures, resulting in changes in the system with extreme weather conditions such as melting ice and rising sea levels.

With its 100% renewable activity, the company joins the European Green Pact to reduce greenhouse gas emissions to 55% by 2030 and the total decarbonization of the electricity system by 2050.

Grupo Arrate, with the business activity it develops, has a special vocation in decarbonization and sustainability, contributing directly to achieve a more sustainable energy model, maximizing the generation of renewable energies to replace fossil fuels.



### **MAXIMIZATION OF RENEWABLE ENERGY GENERATION**

With the objective of maximizing renewable energy generation and reducing fossil fuels, in line with SDG 7 "Affordable and clean energy", Grupo Arrate has set the following goals for the year 2026:

- Increase in the weight of the wind and photovoltaic energy portfolio, reaching 1,835 MW by 2026. The objective and goal with respect to this portfolio is to advance the development of projects reaching 441 MW in operation.
- With respect to the biomethane business line, the company plans to have two plants in operation by 2026. Specifically, one of them is expected to be Ready to Build by 2025 and the other by 2026. Likewise, in line with the company's partnerships for the development of renewable energy projects, the company plans to have 4 biomethane plants in co-development with third parties.
- Include a new line of business such as storage, a fundamental line of business in the context of the market. In the context of the European and Spanish plans for the decarbonization of the system and the effective achievement of the renewable energy objectives, energy storage is considered as one of the main elements that allows giving the system the flexibility and security it needs. The main objective is to position ourselves in the market, in the short term with small projects and in the long term with large projects, setting the first Ready to Build of a storage project in 2026.



## CARBON FOOTPRINT

As a first step towards sustainable development, Grupo Arrate has established as a precept the calculation of the Carbon Footprint to know the environmental impact of the company and thus apply measures to reduce greenhouse gas emissions (hereinafter "GHG"). The calculation of the carbon footprint allows us to have a control of direct and indirect emissions and thus be able to evaluate emissions in the coming years.

Although our activity is aligned with the decarbonization of the energy system, in the day-to-day running of our offices we can apply measures to reduce carbon dioxide emissions, especially in transportation and electricity consumption, in order to improve energy efficiency.

The carbon footprint is an environmental indicator that reflects the total amount of greenhouse gas emissions that an organization emits directly or indirectly in the development of its activity.

For the calculation of the Carbon Footprint, we have opted for an operational control approach, i.e., all those facilities over which the company exercises control, and for which the company has the capacity to direct, have been counted as GHG emissions.

For the calculation of the Arrate Group's Carbon Footprint, we have taken into account the direct emissions (Scope 1) and indirect emissions associated with the electricity consumption of the facilities (Scope 2) of the **company's Albacete, León and Madrid sites**. The period for calculating the carbon footprint is **from January 1, 2022 to December 31, 2022**.

| SCOPE              |                    | SOURCE                                                                                                              |
|--------------------|--------------------|---------------------------------------------------------------------------------------------------------------------|
| DIRECT EMISSIONS   | FOSSIL FUELS       | <p><b>Fixed sources:</b> Our offices do not consume fossil fuels.</p> <p><b>Mobile fountains:</b> 135.619 km[*]</p> |
|                    | FUGITIVE EMISSIONS | <p><b>Refrigeration equipment:</b> In the year 2022, there are no recorded losses of this type.,</p>                |
| INDIRECT EMISSIONS | POWER SUPPLY       | <p><b>Installations:</b> 9.758,86 Kwh</p>                                                                           |

[\*] To determine vehicle consumption, the number of kilometers traveled by each of the vehicles at the company's different sites was taken into account.



## Emission factor (EF) applied

| 2022                        |                                                                                                                                                  |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Scope 1: Direct Emissions   | <ul style="list-style-type: none"> <li>• 0.163 KgCO<sub>2</sub>/Km (Diesel) [*]</li> <li>• 0,074 KgCO<sub>2</sub>/kWh (Híbridos PHEV)</li> </ul> |
| Scope 2: Indirect Emissions | According to marketer [**]                                                                                                                       |

[\*] The Emission Factor used for Direct Emissions correspond to those indicated in the Guide for Carbon Footprint Registration, offsetting and carbon dioxide absorption projects of the Spanish Office of Climate Change (June 2023, version 23).

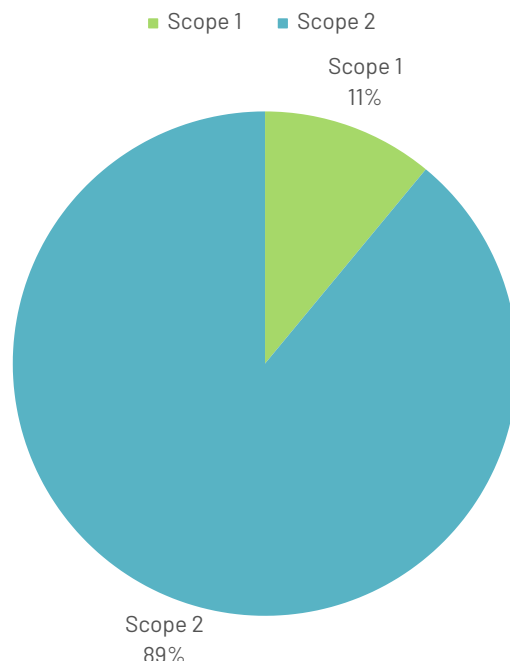
[\*\*] For the electricity supply, the Emission Factor of the commercialization company that billed the different consumptions was used: Endesa Energía S.A.U. (0.272 KgCO<sub>2</sub>e/Km); Syder Comercializadora Verde S.L. (0.258 kgCO<sub>2</sub>e/kWh); Naturgy Iberia S.A. (0.271 kgCO<sub>2</sub>e/kWh); and for the Albacete site "Others" (0.273kgCO<sub>2</sub>e/kWh).

## Direct and indirect GHG emissions

| 2022                                                                                                            |                              |
|-----------------------------------------------------------------------------------------------------------------|------------------------------|
|  Scope 1: Direct Emissions   | 21,37 tCO <sub>2</sub>       |
|  Scope 2: Indirect Emissions | 2,64 tCO <sub>2</sub>        |
| <b>SCOPE 1 AND 2</b>                                                                                            | <b>24,01 tCO<sub>2</sub></b> |

Based on the number of employees as an activity index, which in 2022 amounts to 32 employees, **the Carbon Footprint associated with each of them would be 0.7503 ton of CO<sub>2</sub>.**

The calculation of the Carbon Footprint has been verified by an independent external company, who has made the calculation using the calculator provided by the Ministry for Ecological Transition and the Demographic Challenge (V28 of 06/14/2023), which is based on reports made by the National Commission for Markets and Competition (CNMC).





**As a first objective for the path towards sustainability, Grupo Arrate has proceeded to verify its Carbon Footprint in order to have a first environmental indicator that allows us to control the greenhouse gas emissions that our activity entails.**

Taking into account that the main CO2 emissions activity is derived from the vehicle fleet, followed by electricity supply, **Grupo Arrate has implemented measures focused on these two points in order to obtain a good evolution.**

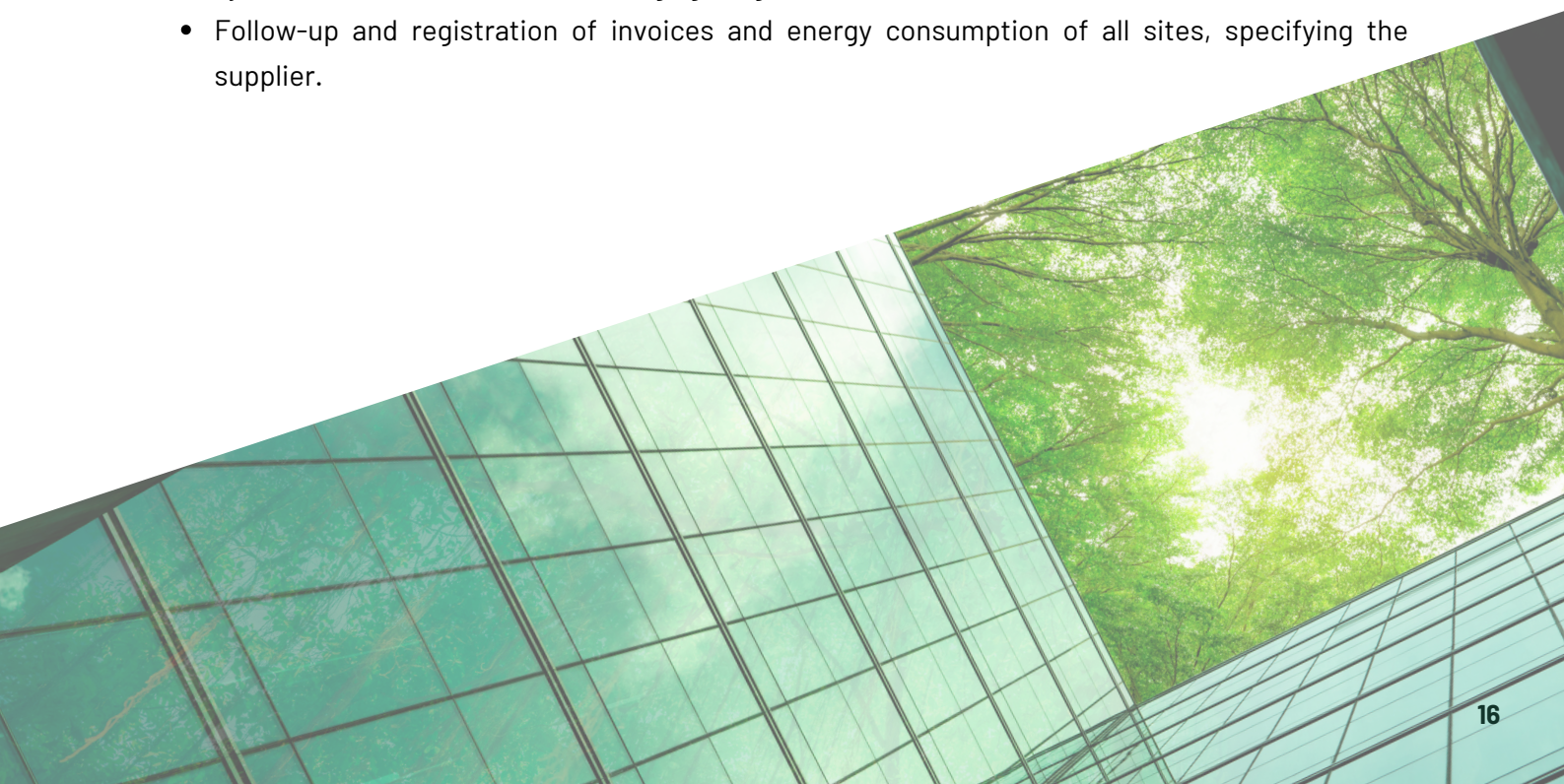
In order to achieve an effective reduction of the carbon footprint of the company's activity, the following basic measures are planned for both Scope 1 and Scope 2.

#### **A. Measures for the reduction of direct emissions (Scope 1):**

- Introduce criteria for the purchase and/or leasing of low-emission vehicles, giving priority to the extent technically possible.
- Internal monitoring of fuel consumption in vehicles.
- Encourage pre-planning and optimize travel routes.
- Perform adequate maintenance to prevent fugitive emissions from refrigeration equipment installations, as has been done so far.

#### **B. Measures for the reduction of indirect emissions associated with electricity consumption of the facilities (Scope 2):**

- Include the criteria for maximum energy efficiency (A) in the equipment purchasing procedures.
- To contract, as far as possible, electricity from renewable sources certified with Guarantees of Origin (GoO) issued by the CNMC.
- Maintain a computerized registry and monitoring of consumption in the company's facilities.
- Introduce technologies to avoid unnecessary consumption such as timers, presence detection systems in transit areas or sectoring lighting zones.
- Follow-up and registration of invoices and energy consumption of all sites, specifying the supplier.



## CIRCULAR ECONOMY PLAN AS A BUSINESS

In Grupo Arrate we are especially committed to SDG 12 "Responsible Consumption and Production", having as a goal in our main activity the reduction of waste generation through reduction, recycling and reuse activities.

We are committed to commercializing renewable energy from inexhaustible and clean sources, promoting the energy transition for sustainable development, and to this end, among the technologies we develop, we have two of them that contribute to the circular economy.

The circular economy is defined as the opposite model to the linear economy, which is none other than the model based on take, make, consume and dispose, i.e., unlimited consumption of resources with disposal at an affordable price.

The main objective of the circular economy is to maintain the highest level of use of products and materials, extending their life cycle, thus promoting resource efficiency through reuse, recycling and repair.



**Grupo Arrate has several technologies that add value to the circular economy.**



## Biogas and Biomethane

Organic wastes are biodegradable wastes from households, industries and agricultural activities mainly, which until now were deposited in landfills. The deposit of organic waste in landfills has a negative impact on the environment, since it leads to soil and water contamination, as a consequence of its filtration into the soil; and the increase of greenhouse gases, due to its decomposition. The management of this waste has become a problem as a result of its excessive growth.

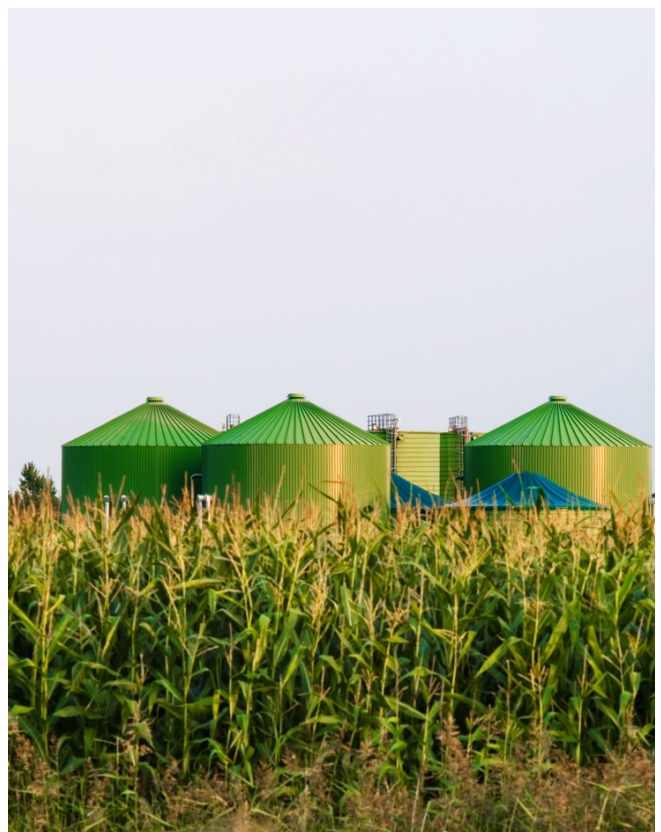
To this end, the European Union through Directive (EU) 2018/852 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste, has introduced measures with the aim of protecting, preserving and improving the quality of the environment, as well as to protect human health, ensure the prudent, efficient and rational use of natural resources, promote the principles of the circular economy, improve the use of renewable energy, increase energy efficiency, reduce the Union's dependence on imported resources, create new economic opportunities and contribute to long-term competitiveness.[1]

Spain in compliance with Directive (EU) 2018/851 on April 9, 2022 proceeded to the publication of Law 7/2022, of April 8, on waste and contaminated soils for a circular economy. The aforementioned Law establishes waste prevention programs, and waste management plans and programs, establishing the dumping of usable waste to landfills as the last option, being the first its treatment in Circular Economy, since 48% of organic by-products are still dumped in landfills, with the consequent greenhouse gas emissions, according to data from the Ministry of Ecological Transition and Demographic Challenge.

The global production and generation of biodegradable organic waste has increased significantly in recent years and with this increase comes the need to find an efficient solution to its management. In this context, biogas plants are a real solution to this problem.

Biogas production is a method of recycling biodegradable organic waste by transforming waste from livestock, agricultural and agri-food industries, among others. These wastes are used as feedstock to obtain a renewable gas through anaerobic digestion or biomethanization.

Biomethanization or anaerobic digestion is a biological process which, in the absence of oxygen and through several stages involving a heterogeneous population of microorganisms, transforms the most degradable fraction of organic matter into biogas, a mixture of gases consisting mainly of methane and carbon dioxide and other gases to a lesser extent (water vapor, CO, N<sub>2</sub>, H<sub>2</sub>, H<sub>2</sub>S, etc.).[2]



[1] Directive (EU) 2018/852 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste.

[2] Definition of the Ministry for the Ecological Transformation and the Demographic Challenge

This biogas can be purified and enriched by upgrading processes, resulting in biomethane, a better-quality renewable gas, which will be injected into the existing gas network infrastructure for the usual uses of natural gas.

The management and treatment of waste generated through biomethanization is a clean solution that is not only more efficient, environmentally friendly and cost-effective, but also adds value to the circular economy and the ecological transition.

This is a circular economy technology since it gives a new opportunity to organic waste for energy generation, thus avoiding the use of virgin materials.

Among the main uses of biomethane are transportation, thermal use, electrical use, as well as use as a feedstock for obtaining other energy carriers, such as renewable hydrogen.

Anaerobic digestion generates a by-product, digestate, solid and liquid organic matter that can be used as fertilizer. Therefore, it is given a second life by taking advantage of this material from the circular economy cycle, thus replacing chemical fertilizers.

According to Article 2 of Commission Decision 2011/753/EU laying down rules and calculation methods for the verification of compliance with the targets provided for in Article 11 of Directive 2008/98/EC of the European Parliament and of the Council on Waste, "waste entering aerobic or anaerobic treatment may be counted as recycled if the treatment generates compost or digestate which, where appropriate after processing, is used as a recycled material, substance or product in a soil treatment resulting in a benefit to agriculture or an ecological improvement of the soil".

Among the benefits of biogas and biomethane is also sustainable rural development, since organic waste residues come from agricultural, livestock or food industries that are usually located in rural areas.

Thus, the installation of biogas plants in rural areas where the industries that generate organic waste are located not only generates electricity for the industry's own consumption, but also generates jobs in the area, thus supporting rural development and preventing depopulation in the weakest rural areas.

**Grupo Arrate currently has 6 biogas projects under development in different locations on the peninsula.**

**The main long-term objective of Grupo Arrate is to position the company as a national and international reference in the Renewable Energies sector. To this end, the Grupo Arrate plans to have two biogas plants in its own facilities by 2026. Specifically, one of them is expected to be in the Ready to Build phase by 2025 and the other by 2026.**

**Likewise, in line with the company's partnerships for the development of renewable energy projects, the company plans to have 4 biomethane plants in co-development with third parties.**



# Green Hydrogen

In Grupo Arrate another of the technologies to be developed is Green Hydrogen, also known as renewable hydrogen, considered as a clean and renewable fuel source, having a potential role in the energy transition and adding value to the circular economy.

This technology is based on the generation of hydrogen through electric current from renewable energies, through the process of electrolysis of water, separating the hydrogen from the oxygen in the water, thus obtaining energy without carbon dioxide emissions into the atmosphere.

Green hydrogen is considered as an energy vector as it allows the long-term storage of the energy produced to be released at a later date.

One of the advantages of Green Hydrogen is the efficiency and versatility in the use of the resource, being able to be used both as an energy vector and as a feedstock.

- **Mobility:** One of the main uses of green hydrogen is as a fuel for transportation, thus helping to decarbonize transportation, one of the sectors that emits the most emissions into the atmosphere, especially for heavy means of transport such as shipping and aviation, i.e. long-distance means of transport.
- **Industry:** Green hydrogen is used especially in the chemical industry, in particular for the manufacture of fertilizers.
- **Domestic use:** Green Hydrogen can be used for domestic and commercial use, since being an energy vector it can be connected to the gas pipeline network and stored for later use in residential and commercial areas, since this sector is another one in which more CO<sub>2</sub> emissions are emitted.
- **Storage:** As green hydrogen is an energy vector, it allows for long-term energy storage.

In Grupo Arrate we have traced a study route on green hydrogen as a means for decarbonization due to its versatility, since it is a resource that does not contain carbon and therefore does not emit carbon dioxide emissions as it comes from 100% renewable energies.

To this end, in 2022 we have initiated a pilot green hydrogen project located in Socuélamos, in the province of Ciudad Real, where the project is planned to be developed in 3 phases of 10 MW each.

- H<sub>2</sub> production plant hydrolyzer power: 10 MW (4 modular units of 2.5 MW).
- H<sub>2</sub> production: 354,000 kg/year.
- Approximate occupied area of plots: 26 Ha.
- Water consumption H<sub>2</sub> production: 5,700 m<sup>3</sup>/year.
- Total water consumption: < 10,000 m<sup>3</sup>/year.
- Construction aid: Next Generation.
- Location: Socuellamos (Ciudad Real).

The present pilot project is expected to valorize the product, helping to fix the rural population with Operation and Maintenance (O&M) jobs, as well as promoting the improvement of the atmosphere that the implementation of an industry implies in relation to the emission of O<sub>2</sub> into the atmosphere.



## Efficient use of resources

The Grupo Arrate promotes the efficient use of resources and to this end has implemented a series of sustainable efficiency measures in order to contribute to decarbonization.

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### Sustainable mobility policy

In September 2022, the company implemented a sustainable mobility policy that prioritizes and promotes the use of electric and/or hybrid vehicles in order to reduce the consumption of fossil fuels and, consequently, reduce greenhouse gas emissions.

At present, three of the 12 vehicles in the Company's fleet are hybrid vehicles, and being very conscious of environmental protection and the fight against climate change, the Company has set a target for the year 2026 for 50% of the fleet to be electric and/or hybrid vehicles.

The vehicles that make up the fleet will be gradually changed when the lease contract comes to an end, in order to achieve in the short/medium term a fleet of electric and/or hybrid vehicles, except for those vehicles that correspond to employees whose job and use of the vehicle does not allow them the necessary load to ensure proper operation, as in the case of employees of Grupo Arrate whose function is the search and preparation of leases of land for the implementation of certain projects of the Company.

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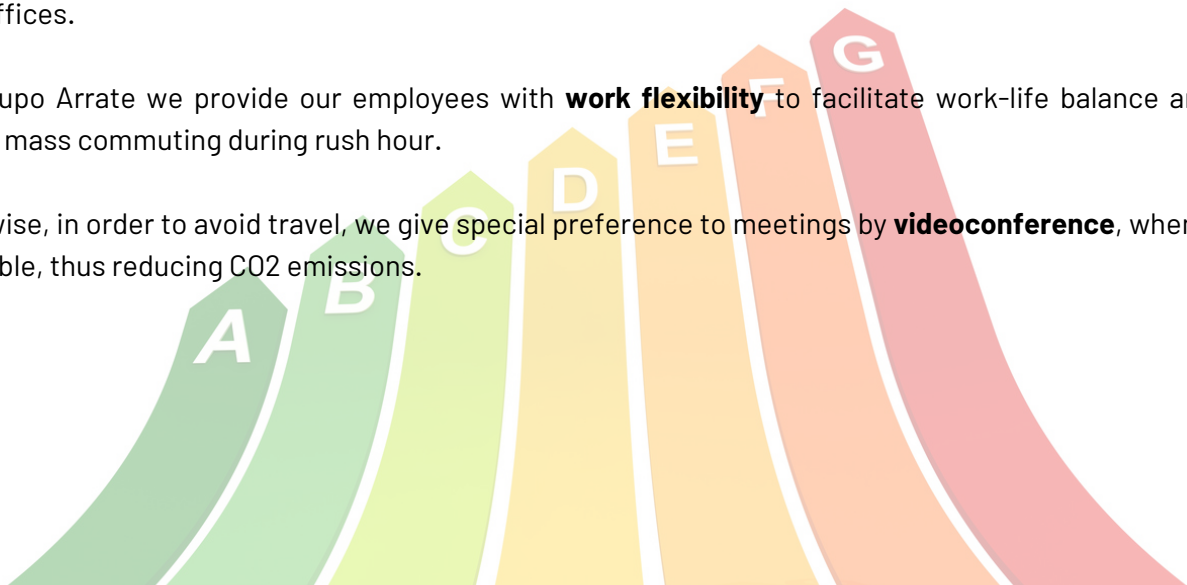
### Teleworking policy

Furthermore, in order to mitigate the effects of our employees' commuting, in addition to promoting the use of more sustainable vehicles, we have implemented measures such as teleworking on certain days and flexible start and end times.

The **teleworking policy** is applied by employees two Fridays a month on a voluntary basis, since on that day employees have a reduced working day. Grupo Arrate, in order to avoid commuting and the use of vehicles for a reduced working day, has established teleworking on Fridays, taking into account the advantages that this entails, such as the reduction of CO2 emissions and the reduction of energy use in the offices.

At Grupo Arrate we provide our employees with **work flexibility** to facilitate work-life balance and to avoid mass commuting during rush hour.

Likewise, in order to avoid travel, we give special preference to meetings by **videoconference**, whenever possible, thus reducing CO2 emissions.





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## Manual of Good Practices at work



In addition, with a view to the efficient use of resources, the Grupo Arrate has a Manual of Good Practices at work, which establishes environmental recommendations to improve habitual behavior in the workplace, aimed at:

- Optimize the consumption of natural resources: water, energy, and feedstocks such as paper or diesel.
- Reduce the production of polluting substances: gas emissions into the atmosphere, soil or water pollution, etc.
- Minimize and properly manage waste produced during the activity.
- Raise environmental awareness and educate both workers and potential users.

It also complies with the measures implemented by Royal Decree Law 14/2022, of August 1, on economic sustainability measures in the field of transport, in terms of grants and study aids, as well as energy saving and efficiency measures and measures to reduce energy dependence on natural gas, through which a series of measures are proposed in the field of energy saving and efficiency that are urgent and necessary to reduce energy consumption in general, and thus reduce the Spanish economy's dependence on foreign energy. As reflected in the REPowerEU Plan[3], energy saving is the quickest and most economical way to tackle the current energy crisis and reduce energy bills. According to European Commission estimates, short-term behavioral changes could reduce the demand for gas and oil by 5%, including savings resulting from communication campaigns. [4]

Currently, we have measures to regulate the temperature, especially in the winter and summer seasons, establishing a maximum temperature of 19º in winter and a minimum temperature of 27º in summer.



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[3] Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the European Committee of the Regions. REPowerEU Plan. Brussels, 18 May 2022.

[4] Royal Decree Law 14/2022, of August 1, 2002, on economic sustainability measures in the area of transportation, scholarships and study aids, as well as energy saving and efficiency measures and measures to reduce energy dependence on natural gas.



In order to contribute to the reduction of plastic, being aware of the consumption of plastic that is generated in the offices by each employee and the problem it poses to both the environment and health, Grupo Arrate has set a goal for the year 2023 to implement a Plastic Reduction Policy, eliminating plastic bottles and cups for single use, replacing them with reusable bottles that can be used indefinitely, thus eliminating much of the plastic and cardboard in the day to day in our offices.

Plastic pollution of the oceans is a global threat that endangers the health of the seas and their resilience, as well as affecting marine ecosystems and the species that inhabit them. [5]

According to studies, it is estimated that every day 1.3 billion single-use water bottles are consumed worldwide, which means 1 million water bottles per minute, which is a big problem for our oceans, since it is a plastic that takes decades to decompose, in particular a water bottle takes approximately 500 years, which can cause serious damage to marine fauna and flora.

According to the "Plastics in the Marine Environment" report by Eunomia, 80% of the plastics discharged into the sea come from land[6] , mainly emanating from plastic waste, such as plastic bottles and containers, with the remaining 20% corresponding to plastics from fishing vessels.



[5] Aguilar, R., Marín, P., Álvarez, H., Blanco J. & Sánchez, N. 2020. Plastic in the deep: An invisible problem. The seabed, converted into plastic traps. Oceana, Madrid, 24 pp.

[6] Sherrington, C. 2016. Plastics in the Marine Environment. Eunomia Research & Consulting Ltd, Bristol, 13 pp.



## 4.1.2 Biodiversity protection

### Environmental Compliance

At Grupo Arrate we are committed to biodiversity and for this reason we try to protect as much as possible the flora and fauna with the implementation of our projects.

We are aware that our projects may have an impact on the environment, due to the occupation of the land and the alteration of the flora and fauna, therefore we have an environmental monitoring system in place to protect the biodiversity of the areas where we operate.

When defining the project and selecting the area where it will be implemented, the Grupo Arrate team, in compliance with environmental assessment regulations and the General Urban Development Plan (PGOU) of the Autonomous Community where the project is located, conducts an environmental impact study for the protection of flora and fauna, determining an area that is not protected according to environmental assessment regulations.

When determining the area where it is going to operate, Grupo Arrate carries out an exhaustive study in order to select an area where the environmental impact is the lowest. To this end, it analyzes the possible environmental impacts that may occur in all phases of the project, including both the construction phase and the operation and maintenance phase.

### Minimization of environmental impact on biodiversity

The Grupo Arrate's goals, as has been the case up to now, with the objective of mitigating the environmental impact of our projects, have been defined with the adoption of the following biodiversity protection measures:

- No fines or sanctions for non-compliance with environmental regulations.
- All the Environmental Impact Statements (EIS) obtained have had a positive result with no conditions.
- None of our projects are located in protected areas according to flora and fauna regulations.



## Increased land productivity

With the purpose of not affecting the flora and fauna of the specific area with our projects, and to allow the maintenance of the traditional uses of the land surfaces where the facilities are implemented, such as livestock and agriculture, Grupo Arrate is designing a roadmap to promote **agrovoltaics**.

Agrovoltaics is a mechanism that makes it possible to use the same surface area for both electricity production and the development of agricultural or livestock activities. Solar energy covers an important part of the world's electricity demand; however, this entails the deployment of large installations, which is a cause for concern as it could lead to the replacement of the traditional uses of the land on which they are installed.

The efficiency of the photovoltaic panels depends to a large extent on the insolation, air temperature, wind speed and humidity of the soil where the installation is carried out, conditions that may be present for certain agricultural crops.

In this way, agriculture could be considered as a measure of identification and solar gain due to the agricultural activities that occupy the most optimal land for solar gain.

According to the study published by Nature [7] it states that *"rankings of solar power potential by land cover type may be interpreted to forecast increased land competition between dedicated food production and dedicated energy production. It could also be interpreted to forecast a significant increase in the adoption of agrivoltaic systems. Agrivoltaic systems leverage the overposition of energy and food production for mutual benefit. Crops are grown in the intermittent shade cast by the PV panels in agrivoltaic systems. The shade does not necessarily diminish agricultural yield"*.



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[7] Elnaz H.Adeh, Stephen P.Good & Chad W. Higgins and M. Calaf. Solar PV Power Potential is Greatest Over Croplands. Nature Research. 2019 <https://www.nature.com/articles/s41598-019-47803-3>



Researchers have successfully grown aloe vera, tomatoes, bioenergy maize, pasture grass, and lettuce in agrivoltaic experiments. Some varieties of lettuce produce greater yields in shade than under full sunlight; other varieties produce essentially the same yield under an open sky and under PV panels." Agrovoltatics favors certain crops that do not require abundant sunshine by providing shade through photovoltaic panels, avoiding direct exposure to the sun. It also avoids possible weather disasters, such as heat waves and intense storms such as hail, which can sometimes destroy the crop.

Thus, **the main benefit of this technology is the optimization of the surface of the land, which allows the use at the same time for energy generation and agriculture or livestock.** In addition, it allows the activity itself, which is developed on the land where it is installed, to be supplied with renewable energy through self-consumption from the photovoltaic panels, which favors the reduction of polluting gas emissions in the area.

Therefore, being a technology that increases the productivity of the land and favors agriculture and livestock, Grupo Arrate has a roadmap towards agrovoltatics proceeding to the study of various lands with certain crops.



## Environmental monitoring programs

In Grupo Arrate we have special concern for the fauna, specifically for those animals that are in danger of extinction. To this end, in accordance with the Red List of Threatened Species of the International Union for the Conservation of Nature and the List of Wild Species under Special Protection Regime and the Spanish Catalogue of Threatened Species, **Grupo Arrate tries to identify the species located in the areas where it operates in order to establish a monitoring mechanism for them.**

Specifically, in the areas where the projects we have in the pipeline are located, there are species such as the Iberian imperial eagle and the Bonelli's eagle, species that are currently in critical danger of extinction. Therefore, as these are endangered birds and in order to avoid possible collision accidents with the wind turbine blades in particular, surveillance measures are established both for the birds and the active nests of these birds.

Likewise, in a specific project located in the municipality of Villarrobledo (Albacete), a measure was implemented to monitor and identify an active nest of an endangered bird in order to prevent the implementation of the project in the area where the nest will be located.



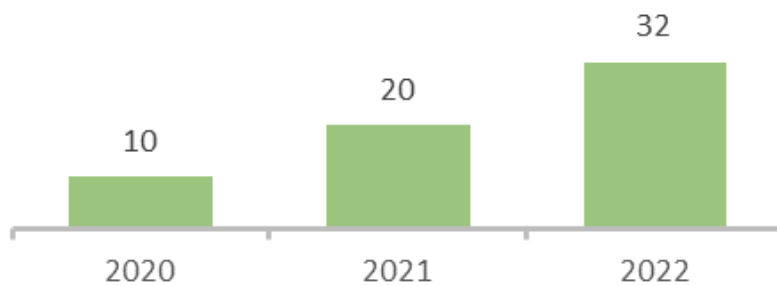


## 4.2 SOCIAL

### 4.2.1 Our Team

Currently, the Grupo Arrate team is made up of 32 employees. In the last year the company has had a significant increase in the number of employees with respect to 20 employees in 2021 and 10 employees in 2020, all as a result of the significant growth that the company is having due to the incorporation of new lines of business and the progression of the portfolio of projects we have.

Growth of the Grupo Arrate

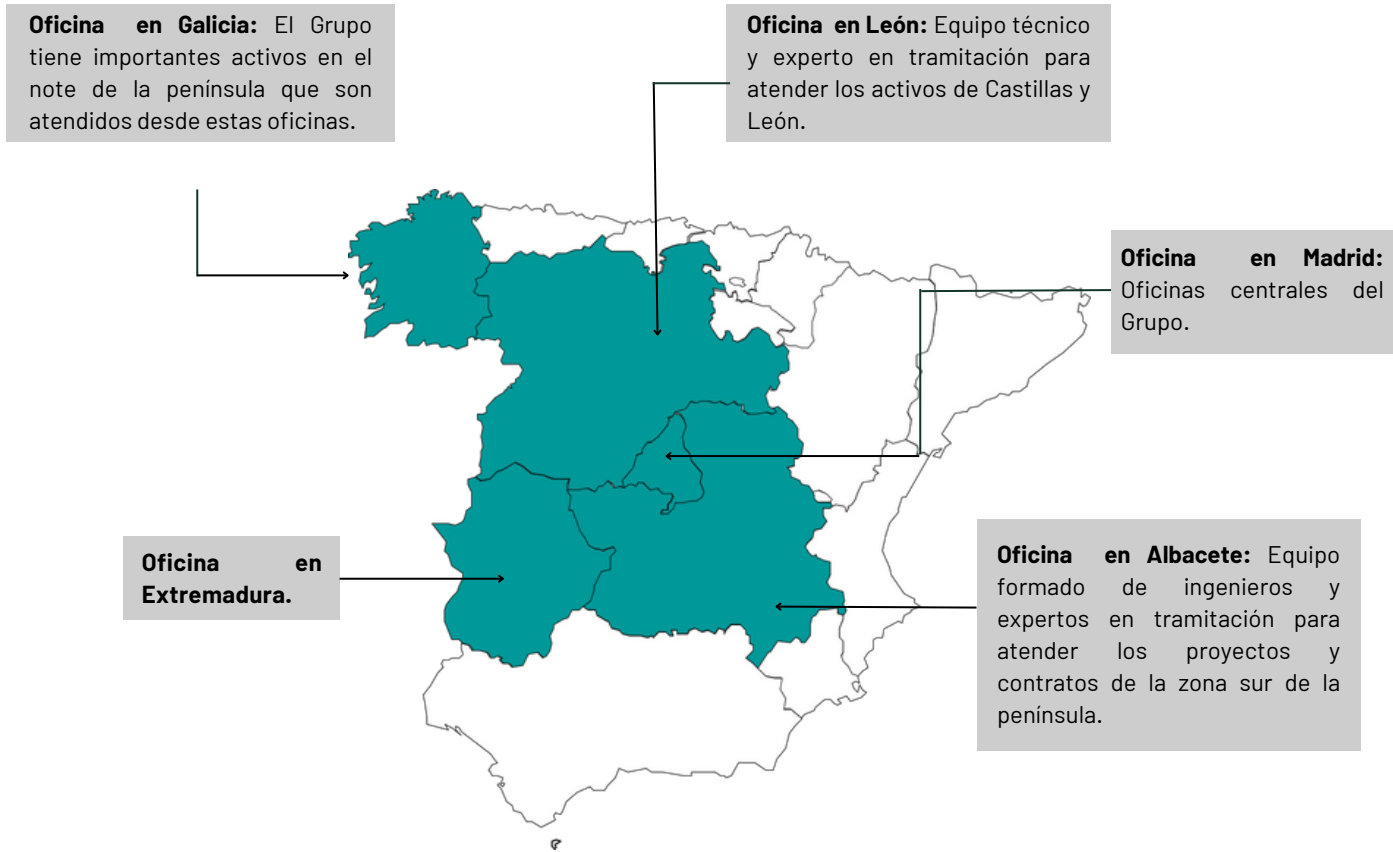


The team is made up of employees of different nationalities, with one employee with Venezuelan nationality, two employees with Georgian nationality, and one employee with Dominican nationality.

Currently, 96,87% of the company's employees have a permanent contract, while the rest (3,12%) are hired on a temporary basis, this percentage corresponding to employees who are doing their internships for their studies with us. Regarding the type of employment, 93.75% of the employees are hired on a full-time basis, while 6.25% of the employees have a part-time contract. Part-time contracts correspond to trainees and cleaning service employees, so this type of contract responds to the specific needs of the company.



Grupo Arrate has **5 offices in Spain**, located in Madrid, Albacete, León, Galicia and Extremadura, due to the proximity to the projects we have in our portfolio, being the headquarters located in Madrid.



## 4.2.2 Diversity and inclusion

Diversity and inclusion is one of the Group's corporate values, with the aim of creating a work environment free of discrimination of any kind. Currently, 34.37% of employees are female.

To this end, the company applies the principles of non-discrimination and equal opportunities for women and men, in order to prevent any discrimination based on sex, age, origin, race, religion, or any other condition unrelated to job performance.

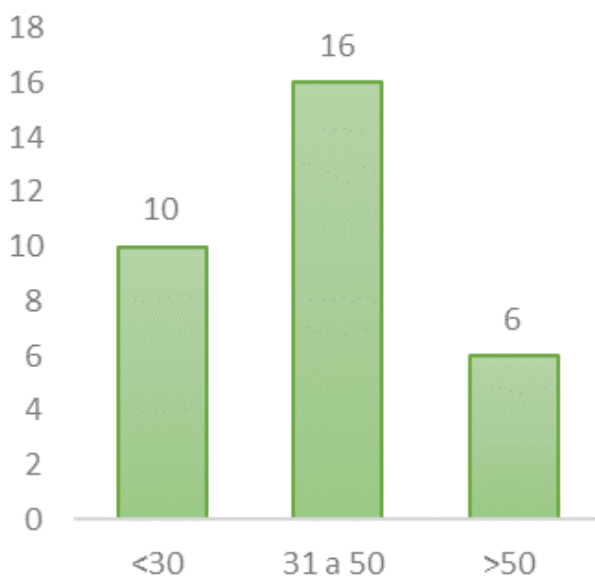
Grupo Arrate is aware of the importance of incorporating a gender perspective in all stages of its projects. This goes beyond an ethical issue, as it has a significant impact on the long-term sustainability of the projects, generating both economic and social benefits.



The company is committed to conducting ongoing assessments and improving working conditions, with the aim of creating a safe, respectful and inclusive work environment for all collaborators in the value chain. This includes actively identifying and addressing any perceived inequalities and creating an environment where every employee feels valued and supported.

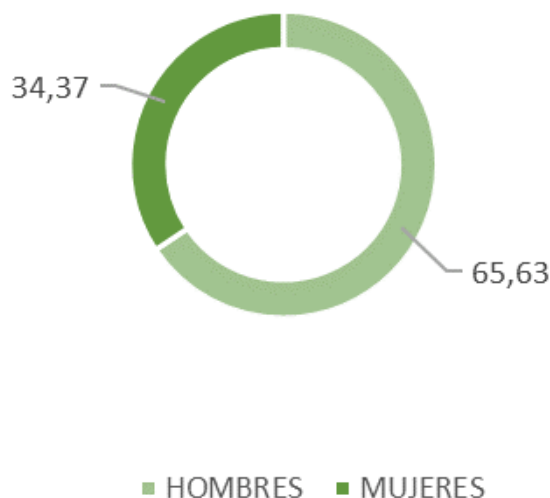
The Grupo Arrate team has senior talent with an extensive professional career in the sector. However, among our employees, 50.00% are between 31 and 50 years old, and 31.25% are under 30 years old, giving special importance to new talents who are starting their professional career. Likewise, we currently have one employee with a disability in the team, supporting the inclusion of people with disabilities in the labor market.

### AGE DISTRIBUTION



In addition, we have a Workplace Harassment Protocol in order to establish a prevention policy that reflects the values of respect and equal opportunities. We are also working to develop an Equality Plan that allows the integration of women with equal conditions in the sector that concerns us.

### GENDER DISTRIBUTION



**In the year 2022, Grupo Arrate has had 12 new incorporations, of which 4 have been women, a figure that we expect to increase progressively as the company grows.**

Considering the percentages of employees according to gender, age and category, the gap in the presence of women is due to the sector in which we are, where the percentage of women is lower in qualified technical categories, as well as in the leadership category. However, within the Group we work with different associations, such as the Wind Energy Business Association (AEE), which has a "Women in Wind Energy" section to promote the role of women in this sector, and the Women in a Legal World Association, of which one of our employees is a Young Partner, whose purpose is to promote the female referent in legal areas.

## 4.2.3 Training and professional development

With the idea of offering quality employment, Grupo Arrate has implemented a **training system** for its employees, through training courses and attendance at conferences, forums and lectures, to promote professional development and training, not only in the area in which each employee works but also in other areas of the company so that all employees have basic knowledge of the other areas in which the company works.

In 2022, the company has invested **881 hours of training for its employees**, in areas such as renewable energy financing, storage and ecological transition, accounting, team management and quality, leadership, and languages, with the aim of achieving more complete professional profiles.

For new employees joining the company, we hold onboarding sessions in which new employees are introduced to the Group's values, as well as the structure and policies applied.

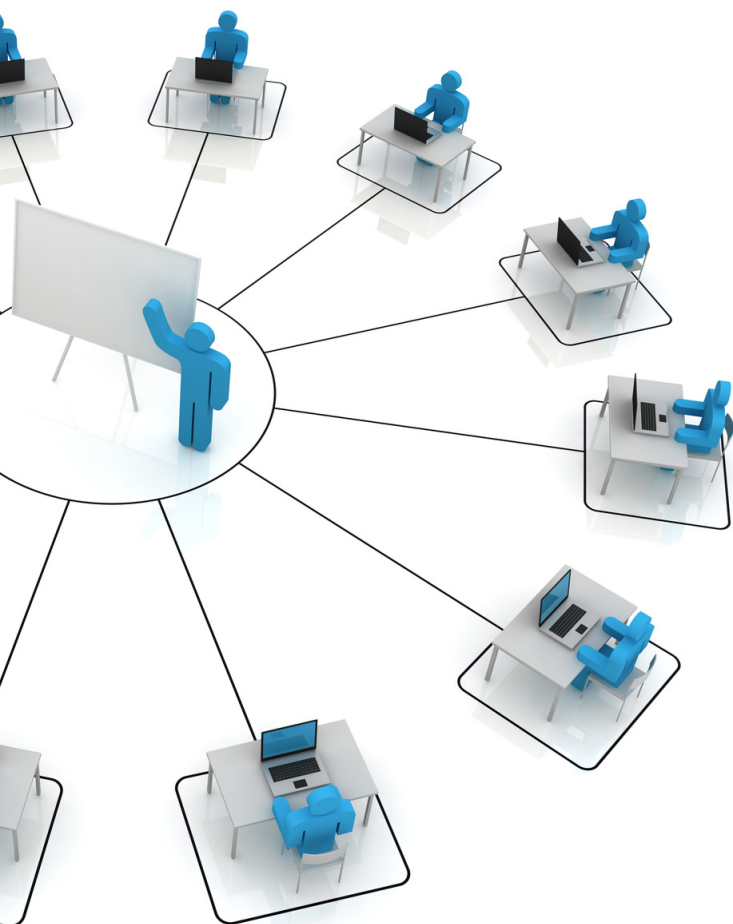
The Grupo Arrate aims to ensure the success of its employees in the company, and to attract and retain new professionals who share the Group's values and knowledge, and can meet the current and future needs of the company.

To this end, several Group employees participate in employment forums, round tables and conferences aimed at young professionals, with the aim of sharing the Group's values and informing the new generations of the factors and needs in the renewable energy sector

The company also has agreements with different universities with which we have internship programs.

- Universidad Politécnica de Madrid (UPM)
- Universidad Autónoma Madrid (UAM)
- Universidad Complutense de Madrid (UCM)
- Universidad de Extremadura (U.E.X)
- Universidad de Castilla la Mancha (UCLM)
- Universidad de León (U.L)

In addition, during the year 2022 we currently have 4 students doing curricular internships.





Likewise, in Grupo Arrate we offer our employees professional career plans with the objective of retaining their talent, and we currently have 2 employees who have completed their internships with us.

It is also worth mentioning our alliances with various associations in the renewable energy sector that allow us to keep abreast of the different developments in the market, and to share knowledge and goals in the sector:

- **Association of Renewable Energy Companies (APPA):** Association that groups companies and entities of the Renewable Energy sector with the aim of promoting and providing information about it.
- **Wind Energy Business Association (AEE):** Association whose main objective is to promote wind energy through its technology, which is sustainable, efficient and beneficial.
- **Spanish Association of Batteries and Energy Storage (AEPIBAL):** Having included batteries and storage in our business lines, we have joined AEPIBAL as a reference association for storage, and our employees have received training on the market situation of storage.
- **Cluster of Renewable Energies of Galicia (Cluergal):** This is an organization in the region of Galicia that includes entities in the renewable energy sector, including technologists, promoters, distributors, among others, with the aim of positioning Galicia as a leading community in the renewable energy sector and energy sustainability.
- **Gasnam:** Association of sustainable transport promoting renewable natural gas and hydrogen, with the aim of replacing fossil fuels, thus supporting the decarbonization of the planet and the fight against climate change.



## 4.2.4 Occupational health and safety

In Grupo Arrate we look after the health and safety of our employees in order to offer them a safe working environment in the development of the activities they perform.

For this purpose, we have an **external occupational risk prevention service**, through which an evaluation of the working conditions and potential risks posed by each job during the exercise of their work activities is carried out. In addition to the risks derived from the activity of their position, each employee is exposed to the risks derived from the conditions of their environment, which are also evaluated.

The evaluation is performed for each type of job positions we have in the company, differentiating in jobs belonging to the land department, project development department, technical department, administrative department and Human Resources department, since depending on each job position, they face different risks.

Following the evaluation carried out by an external entity, certain risks were identified in each job position, and based on these risks, preventive measures and an emergency measures plan have been implemented for each of the job positions belonging to each of the aforementioned departments.

In particular, special care is taken with the employees who make up the land department, since they face greater risks due to the multiple trips in vehicles, they make daily as a result of the activities they carry out, consisting of locating land for the future implementation of projects and negotiating lease contracts with landowners. These employees face risks derived from traveling in vehicles, so we have an occupational risk prevention service that allows us to establish preventive measures to avoid these risks.



During fiscal year 2022, as a result of the measures implemented, no occupational accidents have been recorded for Grupo Arrate employees, nor has any illness been recorded for any employee. Likewise, in order to preserve the current situation, the following objectives have been implemented:

- Conducting semi-annual reviews of the risks faced by employees in each department.
- Zero accident rate.
- Zero mortality rate.



In Grupo Arrate we have a quality management in the field of health and safety, after obtaining the **ISO 45001:2018 certificate, of Occupational Health and Safety Management System**, by an accredited company, after having passed the requirements established by the ISO (International Organization for Standardization). With the ISO 45001:2018 certificate, the Company provides its employees with a safe and healthy workplace, avoiding possible injuries and deterioration of health as a result of work-related reasons.

In the Construction business line, although Grupo Arrate does not have its own employees who perform direct construction work, we have two employees who perform the functions of construction management and supervision at the construction site itself, for which we have **special safety and hygiene measures** in place.

- Use of Personal Protective Equipment provided by the Company for employees attending the site during their entire stay.
- We have two defibrillator units on the construction site as a measure to prevent risks that may arise from the work.
- New employee induction sessions and site visits.
- Training courses to recapitulate knowledge of the use of the different machinery used on site.
- On-site maintenance of a weather station for measuring and controlling atmospheric conditions, prohibiting activities on site in the event of adverse weather conditions.
- We have an ATS on site to provide health services when the number of workers, including senior management and technical personnel, exceeds 250 workers.



## 4.3 GOOD GOVERNANCE

### 4.3.1 Structured corporate governance

The Corporate Governance of a family business, such as Grupo Arrate, consists fundamentally of those methods of action that allow the family business to be managed as efficiently and transparently as possible, avoiding possible conflicts between the members of the family that make it up.

According to "The OECD and G20 Principles of Corporate Governance" of September 2023, "*Corporate governance involves a set of relationships between a company's management, board, shareholders and stakeholders. Corporate governance also provides the structure and systems through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance are determined.*"[8].

The establishment of good governance standards will have a positive impact on the management of the company, will contribute to the improvement of efficiency and productivity and will undoubtedly bring about a cultural change in the way of doing and working that will increase the value and prestige of the company in the market, as well as in the employees themselves.[9]

Grupo Arrate currently has a sole administrator as the administrative body due to the size of the company and the number of employees, still considered a small company, being an adequate figure to achieve an efficient operation. Likewise, the person of the sole administrator corresponds to the president and founder of the company.

With regard to the company's management, in September 2022 the company has opted for the **separation of supervisory and management powers due to the company's growth in both employees and business lines**. As a consequence, a commitment has been made to split the hitherto combined sole director and CEO into two separate functions, with the appointment of a CEO.

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[8] OECD (2016), OECD and G20 Principles of Corporate Governance, Éditions OECD, Paris, 6 pp. <https://doi.org/10.1787/ed750b30-en>

[9] Practical Compliance Manual - Chapter 5: Good Corporate Governance, Instrument of Compliance Culture (Carmen March). 1st Ed., Thomson Reuters. December 2017.



The separation of powers has been established as a policy of good governance that guarantees the transparent management of the company, with the aim of improving communication and information of the company, thus avoiding that the management and administration of the company is entrusted to a single person such as the administrator, who in many occasions coincides with the majority shareholder, which can generate a vision of little transparency in the company.

A relationship has been formalized whereby the sole director and the company's partners have delegated management and decision-making powers to the CEO. The partners of the company have a general objective consisting of maximizing the value of the Group, and for this purpose a CEO has been appointed who assumes the commitment to use his knowledge and experience in the decision making of a company to fulfill the general objective of the ownership.

**The commitment to divide the powers of management and supervision is considered a key aspect of the Group's corporate governance policy,** in order to avoid the excessive concentration of powers that until now resided in the chairman and sole director of the company, thus providing greater efficiency in the direction and management of the Group.

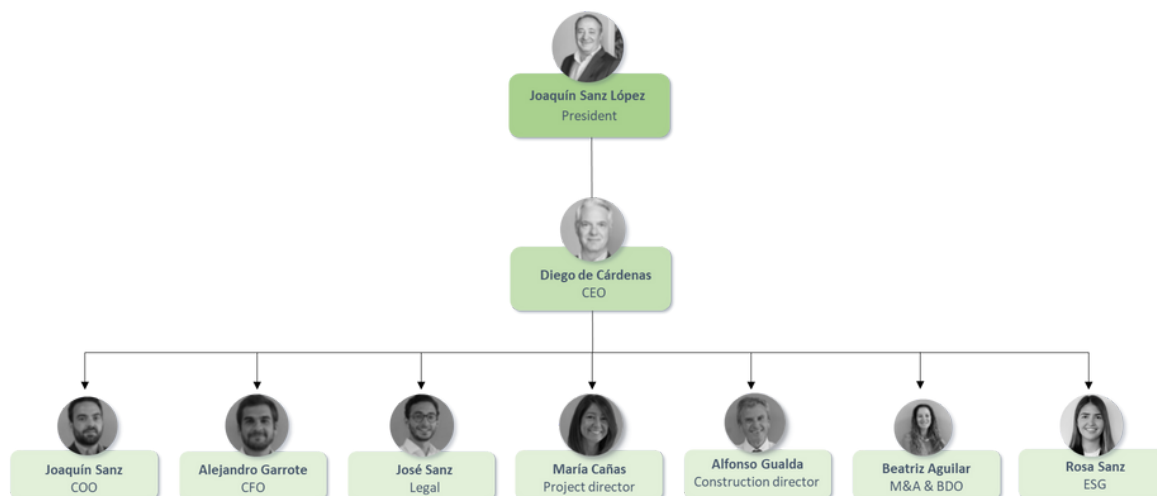
Likewise, the partners who hold the capital stock of the company have considered this measure necessary in order to grow as a family business and to obtain greater objectivity and impartiality in decision making. This must be accompanied by the alignment between the objectives of the family members and the objectives of the business itself, in order to achieve sustainable development and growth of the company.

Although there is no obligation to apply the separation of powers model, Grupo Arrate has established this commitment as a corporate governance policy due to the characteristics of the company and its growth.

For this purpose, the competencies of each of them have been determined in order to avoid possible overlapping in their functions. The sole director of the company has as his main function to act with the diligence of an orderly businessman and, likewise, to supervise and evaluate the work carried out by the general manager in the company, reserving certain important matters for his own decision.



Our CEO has a management team made up of the Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Business Development Officer (CDO), Chief Legal Officer (CLO), Project Manager and Construction Manager, who perform certain functions according to their department within the company in support of the CEO.



In general, as a consequence of concentrations of power, many organizations tend not to facilitate the distribution of information and to centralize too much in a few individuals the relevant decision making.[10] For this reason, in Grupo Arrate we have attributed the control of decisions to the heads of the different areas, who have the experience and information necessary for decision making, and who in turn report to and rely on the CEO of the company.

Corporate governance promotes accountability, transparency and clarity in decision making while preventing potential conflicts in decision making by identifying who should be involved in this process.[11]

To support the management body, **the company has a Management Committee made up of the CEO, two external advisors and the directors of the different areas in which the company operates.** Its main functions include defining and developing the Group's business strategy and driving the company into the future.

The Management Committee monitors compliance with the Strategic Plan, designed by the members of this Committee, following up on all lines of business, dealing with and providing solutions to possible issues arising in the day-to-day operations of the different areas of the company, holding meetings periodically once a month.

[10] Barugel, E. A. Corporate Governance in the Family Business. Temas de Management (2011), 26-36 pp.

[11] Family Business Report 2022: The Regenerative Power of the Family Business - The transmission of company values to new generations. KPMG. July 2022, 21 pp. Our CEO has a management team made up of the Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Business Development Officer (CDO), Chief Legal Officer (CLO), Project Manager and Construction Manager, who perform certain functions according to their department within the company in support of the CEO.



### 4.3.2 Participation of external professionals in decision making

Both in the Management Committee and in the company's organization, we have **external professionals with extensive experience both in decision-making and in the sector**, in order to obtain a balance of perspectives and points of view between the members of the family who are part of the Management Committee and the professionals outside the family.

The participation of external professionals in the decision-making process entails the contribution of **impartial and objective opinions**, which in turn allows for improvements in the results of the objectives, being aligned with the same purpose, which is none other than the growth of the company.

Certain studies prove the benefits of a balance of views between family members and external advisors in decision making. The direct participation of external advisors in the Management Committee is a positive contribution to the sustainability of the business.

Family businesses in which family members predominate on the Management Committee and in the senior management team can benefit from an external perspective that helps improve sustainability performance and the measurement of such objectives, with the possibility of being aware of emerging trends and opportunities.

In our case, the Board of Directors is composed of the founding partner of the first generation of the family, and two members of the second generation participate in the Management Committee. Therefore, in order to give balance and alignment to the objectives, the decision has been made to incorporate **two external advisors as members of the Management Committee, who objectively and impartially try to give their point of view to improve the results of the objectives set by the company.**

The two external advisors of the Grupo Arrate have extensive experience both in the Renewable Energy sector and in the decision-making process of a company, having held important management positions in companies in the sector.



### 4.3.3 Transparency

Directive 2014/95 on Non-Financial Reporting and Diversity and the subsequent Law 11/2018 on Non-Financial Reporting have now been amended by Directive 2022/2464/EU dated December 14, 2022 on sustainability reporting[12], which aims to improve the transparency of sustainability reporting by companies.

Voluntary sharing of quality information with stakeholders is the best way for companies to be seen as transparent and to build a good reputation. companies to be seen as transparent and to build a good corporate reputation. reputation. Both transparency and reputation are two subjective perceptions that are difficult to quantify, measure or control. difficult to quantify, measure or control. Despite this, both represent valuable intangible assets for the valuable intangible assets for the business world, insofar as a transparent and well-liked company is attractive to consumers. transparent and well-regarded company is attractive to consumers, employees and investors.[13]

Although the company is not a subject to the transparency regime, voluntarily and in view of the purpose of the activity we carry out, we have decided to apply the disclosure regime for information related to sustainability.

**Transparency is a fundamental value for Grupo Arrate, therefore, with the purpose of making information available to stakeholders for their evaluation of the company and the activity we carry out, the Board of Directors has approved the publication of this Sustainability Report.**

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[12] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards sustainability reporting by companies.

[13] MULLER, P. y FONTRONDONA, J. Reputación corporativa, transparencia y calidad informativa. Cuadernos de la Cátedra CaixaBank de Responsabilidad Social Corporativa, 44. IESE Business School. Marzo 2022. Pág. 21. Both in the Management Committee and in the company's organization, we have external professionals with extensive experience both in decision-making and in the sector, in order to obtain a balance of perspectives and points of view between the members of the family who are part of the Management Committee and the professionals outside the family.



In addition to the publication of this Report, and with the intention of promoting the principle of transparency, **Grupo Arrate publishes information on relevant facts and news in the company through its own website.**

The corporate governance structure model applied by the company is set out on the website itself, identifying the people who hold each management position in the Group, in order to transmit to stakeholders in an appropriate and transparent manner the governance model with which we operate and the way in which management and supervisory powers are exercised.

With regard to external stakeholders, communications are made to interested third parties, such as public administrations, associations and collaborators, about the current situation, possible progress and relevant milestones in the development of the projects in our portfolio.

In turn, being the employees one of the most critical points of interest, we have an **internal communication channel**, through which a weekly newsletter is issued informing employees of relevant events both in the market and in the company.





### 4.3.4 Ethics and Compliance

The sole director of the company must act in accordance with the duty of diligence, which in turn includes the duty of vigilance and supervision. Likewise, among his non-delegable functions is that of determining the risk control and management policy and supervising the internal information and control systems.

In Grupo Arrate, due to the development and growth of the company, we have set as an **objective for the year 2023 the development of a model of compliance and prevention of criminal risks**, as a set of internal rules that are implemented in the exercise of the activity for the identification and prevention of legal risks associated with both business activities and the activities that support them, thus contributing to the development of a culture of compliance in the company.

In accordance with Law 2/2023, of February 20, regulating the protection of persons who report regulatory infringements and the fight against corruption, even though we are not obliged to set up an internal information system since our company currently has no more than fifty employees, together with the implementation of a compliance and criminal risk prevention model, we will proceed to establish a whistle-blowing channel in order to prevent criminal risks in the company following the regulation of the criminal liability of legal persons.

The **whistleblower channel** should serve as a source of information to evaluate and improve the company's compliance policy. It should be part of the compliance program and be supported by management. And retaliation against a bona fide whistleblower should be prohibited. The whistleblowing channel should be easily accessible and may be reported through internal and/or external channels. All reports should be recorded at a single point of entry to be managed by the compliance body.[14]

[14] Practical issues on legal criminal liability and compliance. VELASCO NUÑEZ, E.-SAURA ALBERDI, B. Aranzadi. 2016. pp. 42-44 pp.

In order to preserve the principle of honor and personal privacy of our employees, an internal reporting system will be set up to ensure and protect the confidentiality of the person reporting the violation of regulations.

In view of the activity carried out by a large part of the staff in relation to the Public Administrations, Grupo Arrate requires its employees to behave ethically in relation to the Public Administrations. To this end, the **objective for 2023 is to implement a Code containing the rules on the actions of employees with the Public Administrations, authorities, public officials, persons with public responsibilities, related persons and political parties in order to prevent irregular behavior that could constitute an act of corruption or fraud.**

The implementation of "whistleblowing" mechanisms in companies has a fundamental impact on the protection of personal data and, therefore, it will be necessary to comply with the obligations imposed by the Organic Law on Data Protection and its implementing regulations.[15]

To this end, Grupo Arrate has a Personal Data Processing Policy, implementing principles and measures relating to the processing of personal data in order to comply with current legislation at all times on the protection of personal data.



[15] Corporate compliance: The prevention of criminal risks and crimes in criminally responsible organizations. Ignacio Lledó Benito. Dykinson S.L. 2018.

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# LEGISLATION

- Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the European Committee of the Regions. REPowerEU Plan. Brussels, 18 May 2022.
- Directive (EU) 2018/852 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste.
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards sustainability reporting by companies.
- Directiva (UE) 2023/2413 del Parlamento Europeo y del Consejo de 18 de octubre de 2023, por la que se modifica la Directiva (UE) 2018/2001, el Reglamento (UE) 2018/1999 Y LA Directiva 98/70/CE en lo que respecta a la promoción de la energía procedente de fuentes renovables y se deroga la Directiva (UE) 2015/652 del Consejo.
- Royal Decree of August 22, 1885 publishing the Commercial Code.
- Royal Decree Law 14/2022, of August 1, 2022, on economic sustainability measures in the area of transportation, scholarships and study aids, as well as energy saving and efficiency measures and measures to reduce energy dependence on natural gas.