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GOVERNANCE

■ Legal status and regulatory framework

Ingeniería de Sistemas para la Defensa de España, S.A., S.M.E., M.P.¹ (Isdefe, S.A., S.M.E., M.P.), is a state-owned company that is part of the state institutional public sector, pursuant to articles 2 and 84 of Law 40/2015 of 1 October, regulating the status of the public sector. It was established in Madrid on 17 October 1985 by an agreement of the Council of Ministers dated 18 September of the same year.

Isdefe is part of the Ministry of Defence. All the shares that make up its capital stock are owned by the National Institute of Aerospace Technology (INTA).

The company is governed by its bylaws, by the rules of commercial, civil, labour and criminal law, and by other applicable regulations:

Law 33/2003 of 3 November, on the Assets of Public Administrations.

Law 47/2003 of 26 November, General Budget.

Law 4/2007 of 3 April, on the transparency of financial relations between public administrations and state-owned companies, and on the financial transparency of certain companies.

Organic Law 2/2012 of 27 April, on Budgetary Stability and Financial Sustainability.

Royal Legislative Decree 1/2013 of 29 November, which approves the Consolidated Text of the General Law on the rights of persons with disabilities and their social inclusion.

Law 19/2013 of 9 December, on transparency, access to public information and good governance.

Law 3/2015 of March 30, regulating the exercise of the high office of the General Administration of the State.

Law 40/2015 of 1 October, on the Legal Regime of the Public Sector.

Law 9/2017 of 8 November, on Public Sector Contracts.

Law 11/2018 of 28 December, on non-financial information and diversity.

Organic Law 3/2018 of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights, and Regulation (EU) of 27 April 2016 on the protection of natural persons with regard to the processing of personal data.

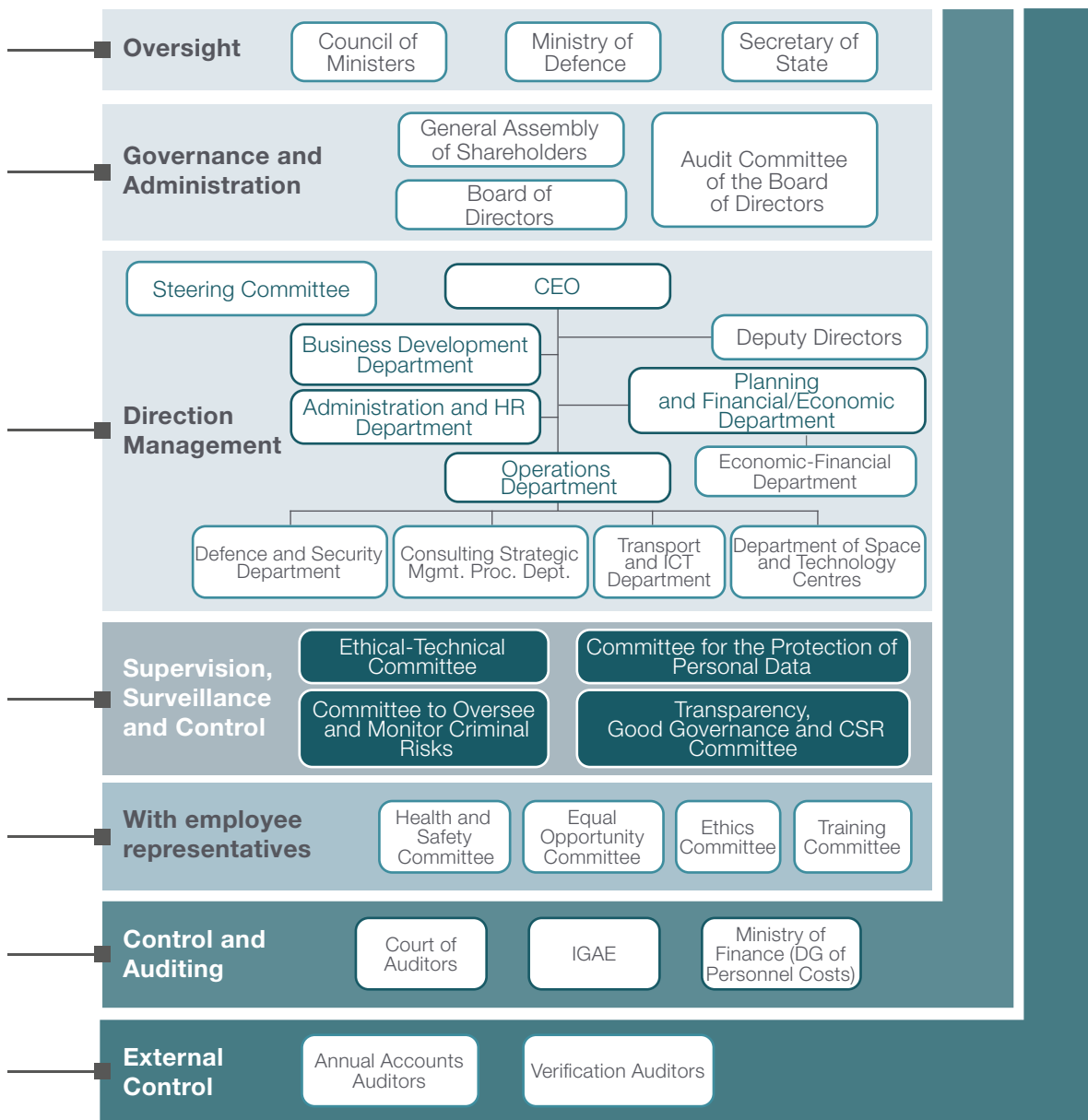
Royal Decree-Law 2/2020 of 21 January 2020, approving urgent measures in the field of remuneration in the public sector.

European Directive 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

1. S.A.: Stock Company; SME: State-Owned Company; MP: In-House Provider

Governance structure, administration, management, oversight and control

Isdefe, as a state-owned company, is part of the Ministry of Defence. It is overseen by the Secretary of State for Defence, who is also the President of Isdefe, the Assembly of Shareholders and the Board of Directors.



Governing and Administrative Bodies

General Assembly of Shareholders

The **General Assembly of Shareholders** is structured as per the provisions of Law 33/2003 of 3 November, on the Assets of Public Administrations, which contains the provisions for representing and protecting the business assets of the General State Administration (GSA) and the special provisions for state-owned commercial companies in the form of a public limited company, whose capital is wholly owned, directly or indirectly, by the GSA or its public bodies. In the case of Isdefe, it is 100 % owned by the Esteban Terradas National Institute of Aerospace Technology (INTA).

Functions of the General Assembly of Shareholders

- » Matters within its purview.
- » Appointment of the Accounts Auditors.
- » Approval of the company management, of the previous year's accounts and deciding how to apply the earnings.
- » Final appointment of Directors and renewal and revocation of their mandate.
- » Amendment of the Bylaws.

Mechanism for adopting agreements

- » In the first call, the shareholders present or represented must hold at least 50% of the subscribed capital with voting rights.
- » In the second call, the presence of 25% of said capital will be sufficient: and in any case, the provisions of Article 194 of the Capital Companies Law will apply. Any decisions shall always be by a majority of votes cast and in the event of a tie, the President's vote shall be decisive.

Operation

It will be convened and constituted to deal with any matter, provided that all the share capital is present and the attendees unanimously accept the holding of the Meeting.

Types of Meetings

Ordinary General Shareholders' Meeting: Called by the Board of Directors. Meeting required within the first six months of each fiscal year.

Extraordinary General Shareholders' Meeting: Called by the Board of Directors. Any meeting not provided for in Art. 18 of the Bylaws is deemed extraordinary.



Composition

The President and Secretary of the Assemblies is the President of the Board of Directors, as per Art. 181 of the Law on the Assets of Public Administrations and in the Bylaws of Isdefe. Thus, the president of the General Assembly of Shareholders is the Secretary of State of the Ministry of Defence.

Meetings in 2021

- Ordinary General Meeting: 1
- Extraordinary General Meetings: 3

Board of Directors

Isdefe is managed and governed by the Board of Directors, which represents the company and thus has full powers⁵. The Board of Directors elects its President, the CEO (who presides over the Board if the President is not present) and the Secretary of the Board, who does not have Director status.

Tasks of the Board of Directors

Company representation with full powers.
Defines the company's strategy.
Exercises control of the company.

Mechanism for adopting agreements

Agreements are adopted by an absolute majority of votes cast by the directors in attendance at the session.
In the event of a tie, the President decides.



5. Art. 28 of the Isdefe Bylaws

Voting members

President	Other posts	Appointment
Esperanza Casteleiro Llamazares	Secretary of State for Defence	30/07/2020

CEO	Other posts	Appointment
Francisco Quereda Rubio	CEO	13/03/2012 Re-election. 29/05/2017

Directors	Other posts	Appointment
Rosa María Alonso Díaz	Deputy Director General of Central Procurement of Technology. DG for the Streamlining and Centralisation of Procurement. Ministry of Finance.	13/03/2019
Camino Arce Blanco	Deputy Director General of Construction DG of Roads. Ministry of Transport Mobility and Urban Agenda.	27/09/2018
Julio Ayuso Miguel	Maj. Gen., Deputy Director General of Coordination and Planning. 'Esteban Terradas' ' National Institute of Aerospace Technology (INTA).	05/05/2020
Ignacio Benhóechea Martí	LT GEN Deputy Chief of the Air Force Staff (SEJEMA). Air Force.	27/02/2020
Carmen Blanco Gaztañaga	Deputy Director General of Resources, Complaints and Relations with the Administration of Justice. Deputy Secretary of Economic Affairs and Digital Transformation. Ministry of Economic Affairs and Digital Transformation.	27/09/2018
Fernando García González-Valerio	Lt. Gen. Chief of the Defence Staff (JEMACON). Ministry of Defence.	28/09/2020
Fernando Miguel García y García de las Hijas	LT Gen. Chief of the Army Logistics Support Command (MALE). Army.	21/12/2020
Santiago Ramón González Gómez	Admiral, Director General of Armament and Matériel (DIGAM). Ministry of Defence.	27/04/2018
Carlos Martínez-Merello Díaz de Miranda	Admiral Deputy Chief of the Navy Staff (2nd AJEMA). Navy.	31/10/2019
Carlos Gabriel Palacios Zaforteza	LT GEN Deputy Chief of the Army Staff (SEJEMA). Army.	02/11/2021
José Luis Pardo Jario	LT Gen. Chief of the Air Force Logistics Support Command (MALOG). Air Force.	05/10/2021
José Luis Ruiz Sumalla	Maj. Gen., Directorate General for Economic Affairs (DIGENECO). Ministry of Defence.	27/02/2017

Non-voting members

Secretary and Legal Counsel	Other posts	Appointment
Ruth Doval Inclán	Government Counsel	29/10/2020

Composition of the Board of Directors as at 31 December 2021.

	Women	Men	Total
Directors (includes the President and CEO)	4	10	14
Secretary of the Board (non-Director)	1	0	1
Total	5	10	15

The members of the Board of Directors, with the exception of the CEO, do not receive any remuneration, except for attending Board meetings⁶.

Isdefe Appointments in 2021

José Luis Pardo Jario was named a Director of the Board of Directors of Isdefe at the Extraordinary General Meeting of 5 October 2021.

Carlos Gabriel Palacios Zaforteza was named a Director of the Board of Directors of Isdefe at the Extraordinary General Meeting of 2 November 2021.

Isdefe Dismissals in 2020

Francisco Javier Fernández Sánchez was dismissed as a Director of the Board of Directors of Isdefe at the Extraordinary General Meeting of 5 October 2021.

Miguel Martín Bernardí was dismissed as a Director of the Board of Directors of Isdefe at the Extraordinary General Meeting of 2 November 2021.



6. The remuneration of the Governing Bodies can be found in Isdefe's Financial Information Statement, available on our corporate website.

Audit and Control Committee

The Audit and Control Committee reports to the Board of Directors and consists of a minimum of three and a maximum of five Directors, the majority of whom must be non-executive directors.

Functions of the Audit and Control Committee

- » Responsible for the economic/financial information provided by the company.
- » Responsible for informing the General Assembly and the Board of its actions.
- » Responsible for all relevant issues it should be aware of. Amendment of the Bylaws.

Mechanism of the Audit and Control Committee

The rules in the Bylaws on convening and constituting meetings and adopting agreements shall apply to the operation of the Audit and Control Committee.



Composition of the Audit Committee as at 31 December 2021:

- President: Mr José Luis Ruiz Sumalila.
- Members of the Committee: Ms Rosa María Alonso Díaz and Mr Santiago González Gómez.
- Secretary of the Committee: Ms Ruth Doval Inclán

Meetings in 2021: 1

Direction and Management Bodies

Steering Committee

Its mission is to coordinate the implementation of the strategy and monitor the progress of the company in every area of activity.

Tasks of the Steering Committee

- » Advise the CEO.
- » Coordinate the implementation of the strategy.
- » Track the company's progress.

Mechanism of the Steering Committee

The Management Committee meets when convened by the CEO, the Company's top officer, or at the proposal of the Directors after consulting the CEO. Decisions are taken by consensus after deliberating on the matters stipulated in the meeting agenda.

Make-up of Steering Committee

♀ Women: 3

♂ Men: 8

TOTAL: 11 people



Supervisory, Oversight and Control Bodies

In addition to the bodies mentioned above, Isdefe has different supervisory, oversight and control bodies. Likewise, as a state-owned company, it is subject to control and auditing by the Court of Auditors, the General Intervention Board of the State Administration, the Ministry of Finance and independent audits of its annual accounts, as well as to the independent verification of the Non-Financial Information Statement. The most important are described below:

Other internal management bodies

Ethical-Technical Committee

Disseminate and enforce the internal Code of Ethics.

Committee for the Protection of Personal Data

Ensure the protection of personal data (rights and freedoms).

Committee to Oversee and Monitor Criminal Risks

Periodically supervise the Criminal Risk control and prevention systems established by the Company.

Transparency, Good Governance and CSR Committee

Promote the transparency of Isdefe's public activity, ensure compliance with openness requirements, safeguard the exercise of the right of access to public information, and ensure compliance with good governance and CSR provisions.

Other committees

There are other committees, including management coordination and advisory committees, several committees with employee and Works Council representatives.



■ Governance Model

Isdefe's governance model ensures the implementation and consolidation of three basic pillars that contribute to the fight against corruption and bribery. These pillars are the Code of Ethics, the Criminal Risk Prevention Programme (PRP) and Transparency.

In 2021, we worked on consolidating these three pillars through an "Action Plan for the Ethics, PRP and Transparency systems" approved in December 2020, resulting from the "Audit report on the degree of implementation of the models for the prevention of crimes and unethical behaviour in state-owned commercial companies in the 2018 fiscal year", published by the Court of Auditors in 2020. The aim is to improve existing systems by implementing measures to make our governance model more robust.

In 2021, these measures included:

- » Definition and incorporation of the objectives of the Ethics and PRP Systems into Isdefe's strategic planning.
- » Design of a standardised, anonymous, confidential communication channel open to third parties to report potential breaches (Ethical Mailbox).
- » Review and development of a Training, Awareness and Dissemination Plan for the Ethics and PRP Systems.
- » Publication on the Transparency Portal of information on the execution or liquidation of operating and capital budgets, corresponding to the profit and loss account and the cash flow statement, respectively.

Other important measures included the launch of two policies that reinforce the Ethics and PRP Systems and implement different standards of conduct contained in our Code of Ethics:

- » The Gifts and Hospitality Policy, which extends the "Favours, bribes and similar actions" code of conduct referred to in the Integrity Principle
- » The Conflicts of Interest Policy, which reinforces the "Loyalty to the company and Conflict of Interest" code of conduct that affects the Principle of Professionalism.

Commitments to act responsibly

The **Code of Ethics** is an integral part of Isdefe's governance model and is based on the guiding principles of integrity, professionalism and respect, which provide the guidelines for the behaviour of its professionals.

Over the last few years, a system of ethics has taken hold in Isdefe thanks to training and to the dissemination of the values contained in the Code, the presence of an Ethics Mailbox and the existence of a Technical-Ethical Oversight and Monitoring Committee.

In 2021, the principles of the Code of Ethics were reinforced with the **Gifts and Hospitality Policy**, approved on 20 May, and subsequently by the **Conflicts of Interest Policy**, approved on 13 September.

The Isdefe Code of Ethics incorporates the voluntary principles of leading international guides such as the **Universal Declaration of Human Rights**, the **United Nations Global Compact**, the **OECD Principles of Corporate Governance** and the **Sustainable Development Goals** that define the 2030 Agenda and determine international values related to human rights, labour relations, the environment and the fight against corruption.

To properly understand and internalise all these principles, new hires take the course "Awareness of the Code of Ethics", on aspects of fundamental rights such as the current laws, public freedoms, respect and dignity in dealings with people, equal opportunity and non-discrimination, and environmental protection. In 2021, 97% of the workforce took this course.

In 2021, work was done to revise and develop a **Training, Awareness and Dissemination Plan for the Ethics and PRP Systems** aimed at the entire workforce, the first milestone of which was to publish, at Christmas time, a knowledge pill on the Isdefe Gifts and Hospitality Policy.



Isdefe relays its ethical principles to its supply chain through a clause in the Tender Documents in which it requests bidders to know and accept its Code of Ethics, as well as the Gifts and Hospitality Policy. Bidders are contractually obligated to commit to the ethical principles contained in the Code if they are awarded the contract.

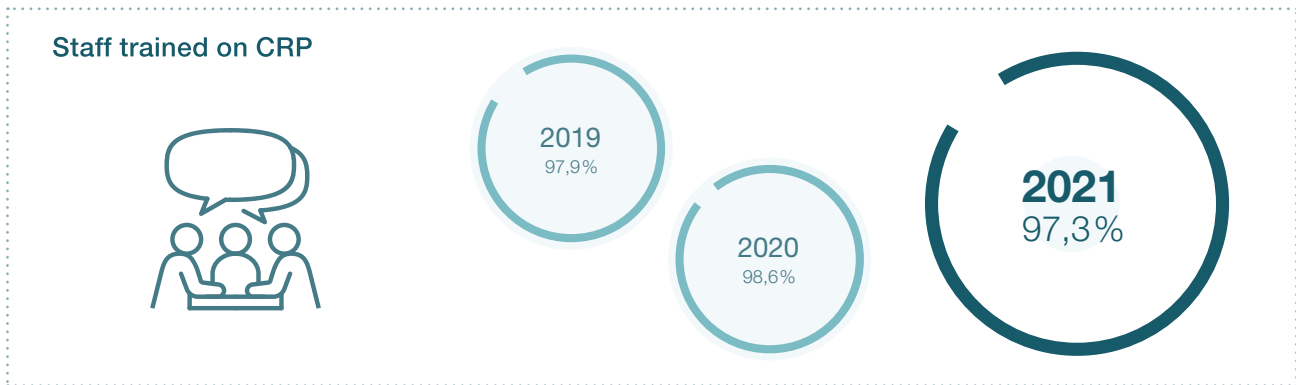
Criminal Risk Prevention Programme

Isdefe's Criminal Risk Prevention Programme (PPRP) is the instrument that makes it possible to prevent and detect illegal conduct and thus prevent crimes.

It is laid out in a series of control systems and mechanisms that enhance the governance model, such as training and communication on the matter to the entire workforce, the establishment of an Ethics Mailbox to report potential irregularities in this area, and the existence of a Committee to Oversee and Control Criminal Risks.

The Criminal Risk Prevention Manual that is part of the PPRP is reviewed and updated annually, if needed due to legislative and/or organisational reforms.

Our employees receive training to ensure they understand Criminal Risk Prevention. 98.6% of the staff was trained in 2020.



Commitments to transparency

Isdefe complies with the obligations laid out in Law 19/2013 of 9 December, on transparency, access to public information and good governance, in relation to the publication of institutional, organisational and planning information, through the **Transparency Portal**, where work on the modernisation and innovation project is ongoing and developed under a reinforced model that follows the recommendations of the Transparency and Good Governance Council and incorporates the degree of mandatory compliance and the quality of transparency through a series of indicators.

Commitment to sustainable development: 2030 Agenda

Isdefe supports the 2030 Agenda and the Sustainable Development Goals (SDGs), approved by the United Nations in 2015, which constitute a new global social contract to transform the world. With the slogan "Leave No One Behind", the SDGs aim to end poverty and hunger by 2030, reduce inequalities, protect the planet, and ensure peace and prosperity for all people.

The 2030 Agenda is an ethical and operational yardstick for the government, companies and citizens, one which Isdefe embraces to favour its achievement, particularly by working on those SDGs aligned with our activity.

Isdefe collaborates with different entities and key organisations that work to achieve the SDGs:



United Nations Global Compact

The United Nations Global Compact and its local networks work in different areas of activity through working groups and various initiatives. In 2021, Isdefe was part of the international Sustainable Development Goals Ambition Programme, a pioneering initiative launched by the United Nations Global Compact to help companies integrate the SDGs into their business strategy and have a substantial impact on them. A total of 700 companies internationally, including 67 Spanish companies, took part in the initiative. The programme provides a method for designing processes that ensures actions and goals are fully integrated into the business strategy

Link to the SDG Ambition Programme: <https://unglobalcompact.org/take-action/sdg-ambition>

Likewise, in 2021, Isdefe once more endorsed the 2030 Agenda by joining the campaign #wesupporttheODS, promoted by the United Nations Global Compact, whose objective is to achieve a magnifying effect and to advertise and further the 2030 Agenda.

Partnership Agreement with the Secretariat of State of the 2030 Agenda

Isdefe signed an Agreement between the Secretariat of State of the 2030 Agenda and the State-Owned Companies and Entities, whose goal is to set up a stable channel of collaboration that facilitates the execution of projects and actions aimed at meeting the SDGs of the 2030 Agenda. As a result, Isdefe ratified its commitment through collaboration to engage in joint projects in this area and to share its dissemination activities

Link to the BOE: https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-13668

Forética Action Group on "Sustainability and CSR in State-Owned Companies"

Isdefe took part as an observer in this collaborative platform coordinated by Forética, on leadership in sustainability and Corporate Social Responsibility for state-owned companies, with the aim of furthering the field of corporate sustainability and contributing to the achievement of the 2030 Agenda for Sustainable Development, increasing ambition, accelerating action and enhancing partnerships.

Link to the platform: <https://foretica.org/proyectos-y-soluciones/grupo-de-accion-de-rse-en-empresas-publicas/>

CGB 2022 Alignment Report with the SDGs

Isdefe worked with the Secretariat of State for Budgets and Expenses to prepare the report on the Alignment of the Central Government Budget for 2022 with the Sustainable Development Goals of the 2030 Agenda. The CGB Alignment Report incorporates, for the first time, the contribution of state-owned companies to the four aspects of the SDGs: social, environmental, economic and institutional.

Link to CGB 2022 Alignment Report: <https://www.sepg.pap.hacienda.gob.es/sitios/sepg/es-ES/Presupuestos/InformesImpacto/IA2022/IAPGE2022/Paginas/Inicio.aspx>

Isdefe prioritises its contribution to achieving the SDGs in the following areas of action: Economic, Environmental, Social and Institutional.

<p>Economic aspects</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 		
<p>Social aspects</p>	<p>1 NO POVERTY</p> 	<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>4 QUALITY EDUCATION</p> 	<p>5 GENDER EQUALITY</p> 
<p>Environmental aspects</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>13 CLIMATE ACTION</p> 
<p>Institutional aspects</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>17 PARTNERSHIPS FOR THE GOALS</p> 		