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GOVERNANCE



Legal nature and regulatory framework

Ingeniería de Sistemas para la Defensa de España, SA, SME, MP ¹ (Isdefe, SA, SME, MP), is a state-owned mercantile company that is part of the state institutional public sector in accordance with articles 2 and 84 of Law 40/2015 of October 1 of the Public Sector Legal Regime and which was established in Madrid on 17 October 1985 by agreement of the Council of Ministers of 18 September of the same year.

Isdefe belongs to the Ministry of Defence, being the National Institute of Aerospace Technology (INTA), and is the holder of all the shares that make up its capital stock.

The company is governed by its articles of association, by the rules of commercial, civil, labour and criminal law, and in the matters that apply to it, by:

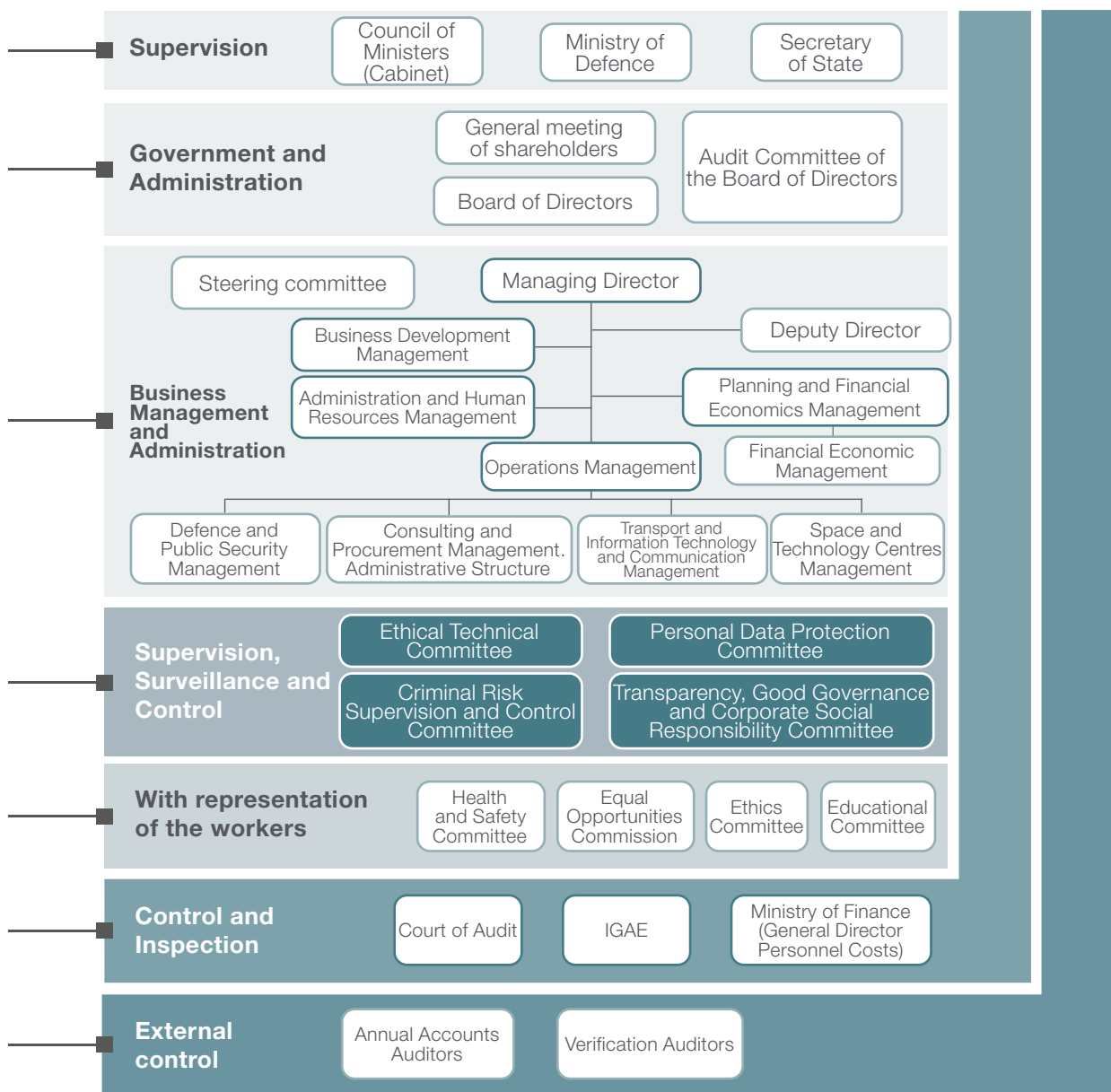
- Law 33/2003, of November 3, on the Assets of Public Administrations.
- Law 47/2003, of 26 November, General Budgetary.
- Law 4/2007, of April 3, on transparency of financial relations between Public Administrations and public companies, and on financial transparency of certain companies.
- Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability.
- Royal Legislative Decree 1/2013, of 29 November, approving the Consolidated Text of the General Law on the rights of people with disabilities and their social inclusion.
- Law 19/2013, of December 9, on transparency, access to public information, and good governance.
- Law 3/2015, of 30 March, regulating the exercise of the senior position of the General State Administration.
- Law 40/2015, of October 1, on the Legal Regime of the Public Sector.
- Law 9/2017, of November 8, on Public Sector Contracts.
- Law 11/2018, of 28 December, on non-financial information and diversity.
- Organic Law 3/2018, of December 5, on the Protection of Personal Data and guarantee of digital rights and Regulation (EU), of 27 April, 2016, regarding the protection of natural persons with regard to treatment of personal data.
- Royal Decree-Law 2/2020, of 21 January 2020, approving urgent measures regarding 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 infringements of Union law.

1. S.A.: State-owned public Company; S.M.E.: State-owned Mercantile Company; M.P.: In-house Technical Service Provider



Government, administration, management, supervision and control structure

Isdefe, as a state-owned mercantile company, is under the Ministry of Defence. Its supervision is carried out through the Secretary of State for Defence, who in turn exercises the Presidency of Isdefe, the Shareholders' Meeting and the Board of Directors.





Governing and Administrative Bodies

General meeting of shareholders

The **General Meeting of Shareholders** is formed in accordance with the provisions of Law 33/2003, of November 3, on the Assets of Public Administrations, which includes the provisions for the representation and protection of the business assets of the General State Administration and the special provisions for state-owned mercantile companies, in the form of a public limited company whose capital is wholly owned, directly or indirectly, by the General State Administration (AGE) or its public bodies. In the case of Isdefe, ownership is 100% by the Autonomous Organisation National Institute of Aerospace Technology Esteban Terradas, INTA.

Functions of the General Meeting of Shareholders

- Matters under its competence.
- Appointment of account auditors.
- Approval of corporate management, the accounts of the previous year and resolutions on the appropriation of results.
- Definitive appointment of Directors and renewal of mandate, as well as revocation.
- Modification of the articles of association.

Mechanism for adoption of agreements

On first convocation, shareholders present or represented must hold at least 50% of the subscribed capital with voting rights.

On second convocation, the attendance of 25% of said capital represents a quorum: and in any case, the provisions of article 194 of the Capital Companies Law will be applicable. Resolutions will always be by majority of votes cast and in the event of a tie, the vote of the President will be decisive.

Functioning

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

Type of meeting

Ordinary general meeting of shareholders: Convoked by the Board of Directors. Meeting necessary within the first six months of each fiscal year.

Extraordinary general meeting of shareholders: Convoked by the Board of Directors. Any meeting not provided for in Article 18 of the articles of association is extraordinary.





Composition

The Chairman and Secretary of the meeting is whoever is the Chairman of the Board of Directors, as provided in art. 181 of the Law on Public Administration Assets and in the Isdefe articles of association. Therefore, the president of the general meeting of shareholders is the Secretary of State of the Ministry of Defence.

Meetings during 2020

- Ordinary general meeting: 1
- Extraordinary general meeting: 6

Board Of Directors

Isdefe is administered and governed by the Board of Directors, which assumes its social representation and therefore has full powers⁵. The Board of Directors elects its Chairman, the Chief Executive Officer (who presides over the Board if the former is unable to attend) and the Secretary of the Board, who is not a Director.

Functions of the Board of Directors

- Social representation with full powers.
- To define the company's strategy.
- It exercises the control activity of the company.

Mechanism for adoption of agreements

Resolutions are adopted by an absolute majority of votes of the directors attending the session. In the event of a tie, the President decides.



⁵ Art. 28 of Isdefe's articles of association

**Members with voting rights**

Chairman	Other responsibilities	Appointment
Esperanza Casteleiro Llamazares	Secretary of State for Defence	30/07/2020

Managing Director	Other responsibilities	Appointment
Francisco Quereda Rubio	Managing Director	13/03/2012 Re-election. 29/05/2017

Board Members	Other responsibilities	Appointment
Rosa Maria Alonso Diaz	Deputy Director General Centralised Technology Contracting. General Director of Rationalisation and Centralisation of Procurement. MINISTRY OF FINANCE	13/03/2019
Carlos Martínez-Merello Díaz de Miranda	Second Admiral Chief of Staff of the Navy (2nd AJEMA)	31/10/2019
Camino Arce Blanco	Deputy Director General Construction, General Director of Highways MINISTRY OF TRANSPORT MOBILITY AND URBAN PLANNING	27/09/2018
Santiago Ramón González Gómez	Admiral, General Director of Armament and Material (DIGAM). MINISTRY OF DEFENCE	27/04/2018
Carmen Blanco Gaztañaga	General Deputy Director of Resources, Claims and Relations with the Administration of Justice, Undersecretary of Economic Affairs and Digital Transformation. MINISTRY OF ECONOMIC AFFAIRS AND DIGITAL TRANSFORMATION	27/09/2018
Miguel Martin Bernardi	Lieutenant General Second Chief of Staff of the Army, (SEJEME)	27/09/2018
Ignacio Bengoechea Martí	Lieutenant General Chief of the Air Force Logistics Support Command (MALOG)	27/02/2020
Francisco Javier Fernández Sánchez	Lieutenant General Second Chief of the General Staff of the Air Force, (SEJEMA)	27/09/2018
Fernando Miguel García and García de las Hijas	Lieutenant General Chief of the Army Logistics Support Command (MALE)	21/12/2020
Jose Luis Ruiz Sumalla	Major General, Director General for Economic Affairs (DIGENECO)	27/02/2017
Julio Ayuso Miguel	General Division, Deputy Director General Coordination and Plans. NATIONAL INSTITUTE OF AEROSPACE TECHNOLOGY "ESTEBAN TERRADAS" (INTA)	05/05/2020
Fernando Garcia González-Valerio	Lieutenant General Chief of the Joint Defence Staff, (JEMACON)	28/09/2020

Members without voting rights

Secretary and legal counsel	Other responsibilities	Appointment
Ruth Doval Inclán	State Attorney	29/10/2020



Composition of the Board of Directors as of 31 December 2020.

	Women	Men	Total
Directors (includes the President and managing director)	4	10	14
Council Secretariat (non-Board member)	1	0	1
Total	5	10	15

The members of the Board of Directors, with the exception of the Managing Director, do not receive any remuneration, except for assisting the Board ⁶.

Isdefe appointments during 2020

- Ignacio Bengoechea Martí was appointed as Director of the Isdefe Board of Directors at the Extraordinary General Meeting on 27 February 2020.
- Julio Ayuso Miguel was appointed as Director of the Board of Directors of Isdefe at the Extraordinary General Meeting of May 5, 2020.
- Esperanza Casteleiro Llamazares was appointed Director and President of the Board of Directors of Isdefe at the General Shareholders' Meeting on 30 July 2020.
- Fernando García González Valerio was appointed as Director of the Board of Directors of Isdefe at the Extraordinary General meeting on 28 September 2020.
- Ruth Doval Inclán was appointed as Secretary of the Board of Directors and Counselor at the meeting of the Board of Directors on 29 October, 2020.
- Fernando Miguel García y García de las Hijas was appointed as Director of the Board of Directors of Isdefe at the Extraordinary General meeting on 21 December 2020.

Terminations at Isdefe during 2020

- Miguel Ángel Martín Pérez was dismissed as a Director of the Isdefe Board of Directors at the Extraordinary General Meeting on 27 February 2020.
- José María Salom Piqueres resigned from his position as Director of the Board of Directors of Isdefe on 27 April 2020.
- Ángel Olivares Ramírez was dismissed as Chairman of the Isdefe Board of Directors at the Extraordinary General Meeting on 30 July 2020.
- Francisco Javier González-Huix Fernández was dismissed as Director of the Board of Directors of Isdefe at the Extraordinary General Meeting on 28 September 2020.
- Isabel Torres Fernández was dismissed as Secretary of the Board of Directors and Advisory Counsel at the meeting of the Board of Directors on 28 September 2020.
- Ramón Pardo de Santayana y Gómez Olea was dismissed as Director of the Board of Directors of Isdefe at the Extraordinary General Meeting on 21 December 2020.

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



Audit and Control Committee

The Audit and Control Committee depends on the Board of Directors and is made up of a minimum of three and a maximum of five Directors, the majority of which must be made up of non-executive directors.

Functions of the Audit and Control Committee

- Supervision of the economic-financial information to be provided by the company.
- Supervision of the information to the General Meeting and the Board on their actions.
- Supervision on all relevant issues of which it considers you must be cognisant. Modification of the articles of association.

Mechanism of the Audit and Control Committee

The rules on convoking, constituting and adopting agreements established in the articles of association apply to the functioning of the Audit and Control Committee.



Composition of the Audit Committee as of 31 December 2020:

- Chairman: Mr José Luis Ruiz Sumalia.
- Members of the Committee: Mrs Rosa María Alonso Díaz and Mr Santiago González Gómez.
- Committee Secretariat: Mrs. Ruth Doval Inclán

Meetings during 2020: 1



Direction and Management Bodies

Steering committee

Its mission is to coordinate the implementation of the strategy and to monitor the evolution of the company in all its areas of action.

Functions of the Steering Committee

- To advise the managing director.
- To coordinate the implementation of the strategy.
- To monitor the evolution of the company.

Mechanism of the steering committee

The Management Committee meets at the convocation of the Managing Director, chief executive of the Company, or, where appropriate at the proposal of the Directors after consulting with the managing director. Resolutions are taken by consensus after deliberation of the matters stipulated in the agenda of the convocation.

Composition of the steering committee



Women: 3



Men: 8

TOTAL: 11 people





Supervision, Oversight and Control Bodies

In addition to the bodies mentioned above, Isdefe has different supervisory, oversight, and control bodies. Likewise, as a public company, it is subject to the control and supervision of the Court of Audit, the General Comptroller of the State Administration, the Ministry of Finance and independent audits of its annual accounts, as well as independent verification of the State Report of Non-Financial Information. The most important ones are outlined below:



Other internal management bodies

Ethical Technical Committee

To disseminate the internal Code of Ethics and ensure its compliance.

Personal Data Protection Committee

To guarantee the protection of personal data (rights and freedoms).

Criminal Risk Supervision and Control Committee

Periodic supervision of the criminal risk prevention and control systems established by the Company.

Transparency, Good Governance and Corporate Social Responsibility Committee

To promote the transparency of Isdefe's public activity, ensure compliance with publicity obligations, safeguard the exercise of the right of access to public information and guarantee compliance with the provisions of good governance and Corporate Social Responsibility.

Other committees

There are other committees, including management coordination and advisory committees, various committees with worker representation and the Works Committee.



Criminal Risk Prevention

Criminal Risk Prevention Programme

Isdefe's Criminal Risk Prevention Programme (PPRP) is the instrument that facilitates preventing and detecting illicit conduct for the prevention of crimes.

The Programme is articulated in a series of control systems and mechanisms that strengthen the governance model, such as training and communication on the subject to the entire workforce, the establishment of a communication channel for possible irregularities in this area, and the existence of a Committee for the Supervision and Control of Criminal Risks.

The Criminal Risk Prevention Manual that is part of the PPRP is reviewed and updated annually, as appropriate, as a result of legislative and/or organisational reforms.

In 2020, the use of a computer application for the management of controls has been consolidated, thus following the doctrine of the State Attorney General's Office.

For a proper understanding of Criminal Risk Prevention, our employees receive training. The percentage of the workforce trained in 2020 was 98.6%.



Responsible action commitments

The **Code of Ethics** is an integral part of the governance model and is based on the guiding principles of integrity, professionalism and respect, which establish the behavioral guidelines of its professionals.

Over the last few years, the establishment of an ethics system has been consolidated through the formation and dissemination of the values included in the Code, the management of the Ethics Mailbox and the existence of a Technical-Ethical Committee for management and monitoring.



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

For a proper understanding and internalisation of all these principles, our employees receive the course “Awareness about the Code of Ethics”, on aspects of fundamental rights such as current legislation, public freedoms, respect and dignity in dealing with people, equal opportunities and non-discrimination, and protection of the environment. In 2020, 99% of the workforce completed this course.

Isdefe transfers its ethical principles to its supply chain by means of a clause in the Specification in which it asks tenderers to know and accept the Code of Ethics. It also includes a commitment clause.

Commitments to transparency



Isdefe complies with the obligations established in Law 19/2013, of December 9, 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 continuous work is carried out on the modernisation and innovation project, developed under a reinforced model that follows the recommendations of the Council for Transparency and Good Governance and incorporates the degree of mandatory compliance and the quality of transparency through a series of indicators.



Audit report on the degree of implementation of crime prevention models and unethical behaviour in state-owned mercantile companies in 2018

In 2020, the Audit Report on the degree of implementation of the crime prevention and unethical behaviour models in state-owned mercantile companies in 2018 was approved by the Board of the Court of Audit on 29 October.

The result of the audit, whose objective scope was to assess, based on six declared levels, the degree of maturity reached in the process of implementation of the compliance and ethics models, places the **Criminal Risk Prevention System in a 'evolved implementation level'** corresponding to level 5, and an 'initial phase implemented level' in terms of the Ethics System equivalent to level 4.

The recommendations of the Report to the PRP, Ethics and Transparency, represent an opportunity to improve our models for the prevention of offences and behaviour contrary to ethics, which is why Isdefe has drawn up an Action Plan to implement those measures that are applicable and to strengthen the current models.

Commitment to sustainable development: 2030 Agenda

The 2020 financial year commences with the beginning of the "Decade of Action", a call from the Secretary General of the United Nations, Antonio Guterres, to all actors of the planet to accelerate the fulfilment of the 2030 Agenda and its 17 Sustainable Development Goals (ODS) in the next ten years.

The United Nations Global Compact and its local networks ask organisations for three areas of action: To mobilise resources by integrating the Sustainable Development Goals into their business strategy, raise the level of ambition for people, the planet and shared prosperity, and accelerate innovative and sustainable solutions that respond to the world's major challenges.



Isdefe joins this call to action by participating in the **SDG Ambition Programme**, an initiative launched by the Spanish Global Compact Network, launched at the end of 2020, which helps companies move from commitment to concrete action regarding Sustainable Development Goals.



5. GOVERNANCE

In addition, within the framework of the 5th anniversary of the approval of the Agenda, Isdefe echoes various communication campaigns launched by the Spanish Network, such as:

- **#IniciativasconPrincipios**, which comprises 300 cases of good practices to contribute to action against the pandemic. Through a good practice dossier, Isdefe makes visible three initiatives undertaken in order to curb the consequences of the COVID-19 outbreak and to support workers. It also participated in the campaign.
- **#apoyamoslosODS** to work on the dissemination of the 2030 Agenda and the Sustainable Development Goals to give visibility and achieve a multiplier effect.

Isdefe prioritises contribution to the achievement of the Sustainable Development Goals in the following areas of action: Economic, Environmental and Social.

Economic scope

- To fight corruption.
- To generate quality employment.
- To promote technology and innovation.
- To promote a space for dialogue and multi-stakeholder collaboration.

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Social scope

- To promote gender equality and conciliation policies.
- To promote progress in the health and well-being of employees.
- To increase support for the most vulnerable groups.
- To raise awareness and training in Sustainable Development Goals and sustainability.

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Environmental scope

- To prioritise the fight against climate change.
- To influence more sustainable consumption models.
- To support sustainable mobility.
- To improve energy efficiency.

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