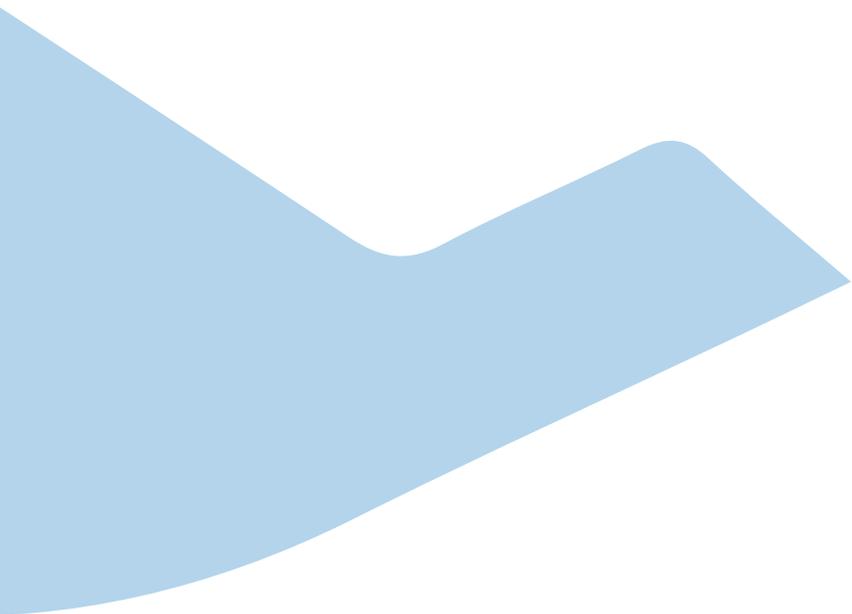
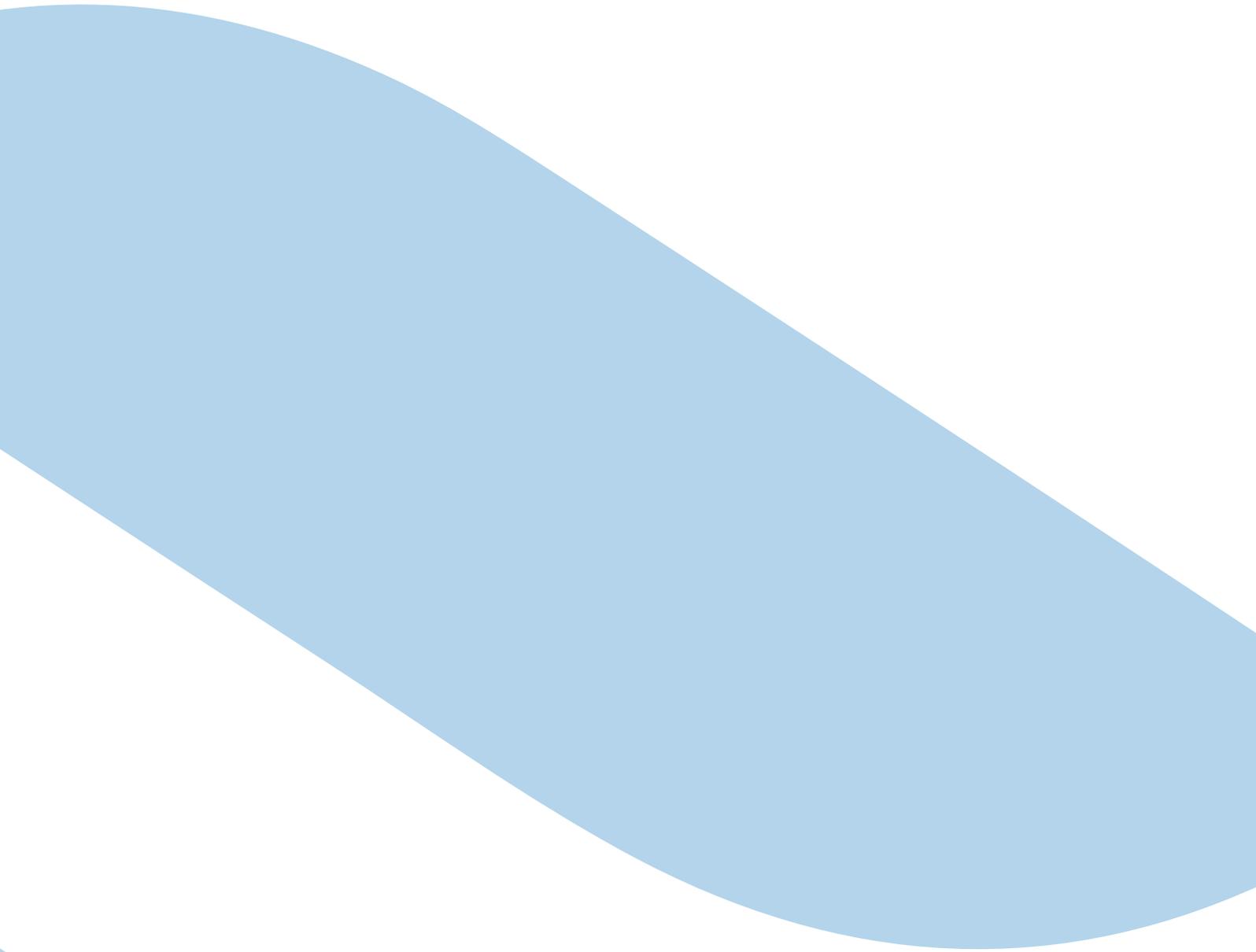


2019

Heading towards the future

ANNUAL MEMORY
OF CORPORATE SOCIAL
RESPONSIBILITY





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Letter from the Chairwoman



HEADING IN THE RIGHT DIRECTION

Navantia is engaged in a transformation process that will define the company's future. This evolution has been defined in an ambitious Strategic Plan, which will help us to become the organization we want to be: sustainable, strategic, and international.

Throughout 2019, we have been working on catalysts to help us achieve our objectives, pointing us in the right direction to ensure the company's viability. We are focused on boosting the business portfolio, improving operational efficiency, advancing in the digital transformation, and rejuvenating the workforce — without forgetting the organization's cultural evolution.

All of this can be achieved with the new Corporate Social Responsibility policy as a shared action framework to make our performance more environmentally-friendly, applying the principles of the circular economy to our activity and improving our environmental indicators, as well as society by boosting the communities in which we are present.

Throughout its 300 years of history, Navantia has become the main driver in the naval sector in Spain and a leader in the international arena. We are present in seven countries and export to more than 20. We are a strategic company for the country's defense and an essential player for economic growth.

In 2019, the impact on the aggregate demand reached €3.7 billion, while generating more than 25,000 direct, indirect, and induced jobs. Overall, the company had an impact of over €1.2 billion in the gross domestic product, which made up 0.9% of the Spanish industry.

These results are an incentive to keep improving but also a responsibility to continue making Navantia a leading company, exemplary in each and every one of its activities, known for its products and services, as well as a pioneer in the scope of sustainable development.

Continuous improvement keeps us on course to reach our goal. We will achieve our purpose and face any challenge that may come up in the future with guarantees. Together we will make it possible.

We will continue to make Navantia a leading company, exemplary in all of its activities and a pioneer in sustainable development

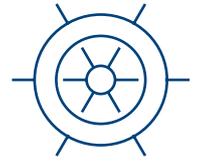
Susana de Sarriá Sopeña
Chairwoman of Navantia

1





At the rudder



Navantia is a state-owned company, a leader in the design and construction of high-tech military and civilian ships. With a workforce of more than 3,800 professionals by the end of 2019, a presence in eight countries and exports to more than 20, it has its own technological capacity that allows it to design, build, and maintain all types of ships, making it a strategic company for national defense, but also in a global model and a leader in the naval sector.

COMPREHENSIVE SOLUTIONS

Navantia bases the development of its activities in a culture of innovation and teamwork, with a clear core and customer focus to develop quality solutions and services thanks to the talent of its professionals and its commitment to the environment and society.

The company has its own capacity to provide comprehensive solutions to its clients and be responsible for any naval program in the world, delivering totally operational ships and providing the necessary support during the products lifecycle. Navantia's main client is the Spanish Ministry of Defense and Navy.

The organizational culture of **Navantia** is based on three principles

Vision



To be a sustainable, strategic, and international company in the naval industry

Mission



To develop competitive naval programs and serve national security

Values



Commitment to results



Technological leadership



Teamwork



Customer-focus



Ethical behavior

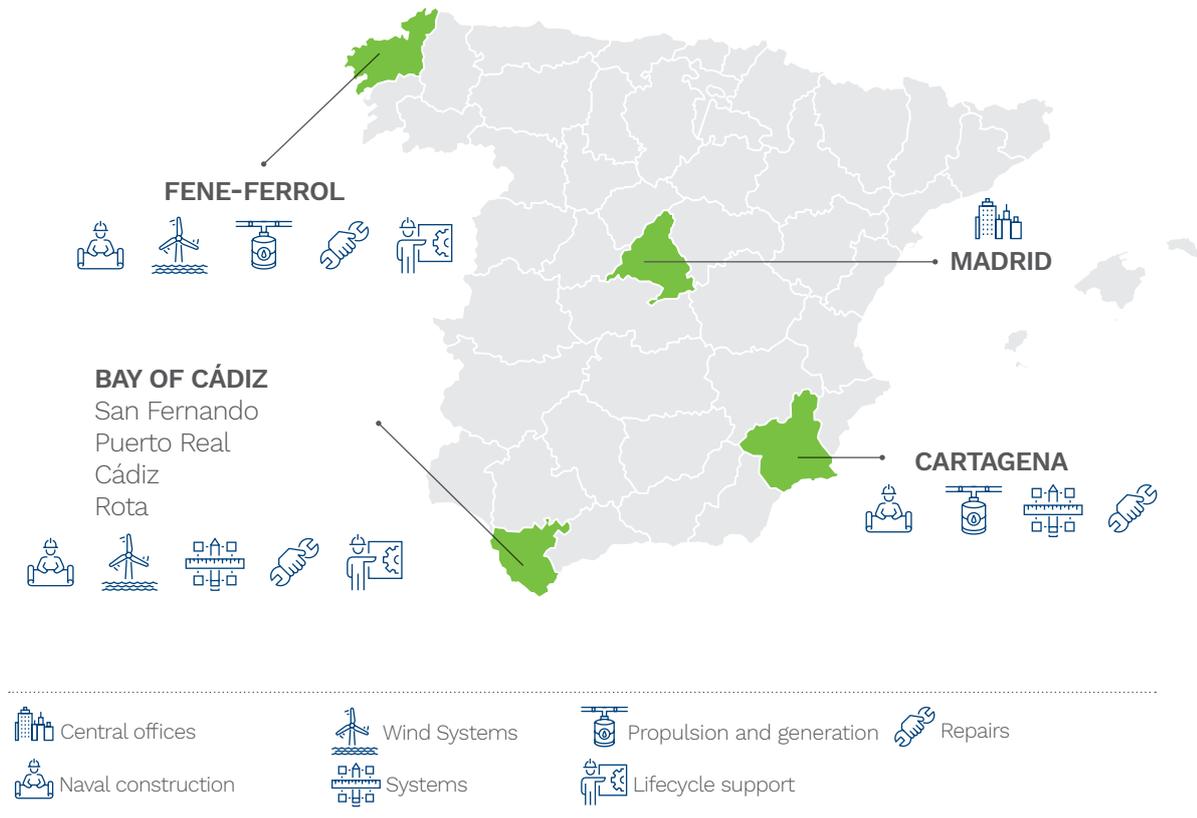


Responsibility

INTERNATIONAL PRESENCE



SPAIN



PRODUCTS AND SERVICES

Design, construction, and transfer of technology (ToT)



Frigates



Aircraft carrier/Amphibious



Logistics Vessels



Offshore Patrol Vessels



Submarines

Services



Life cycle
support for ships



Repairs and
modernization

Platforms for the marine wind farm market



Design and manufacture of control and combat systems

Integration of complex systems



Others



Repairs
for cruise ships,
mega yachts,
and LNG



Propulsion
and generation
(engines, turbines)



Simulation and training
Navantis, a training system,
complete integrated training
for the whole crew



Our strengths

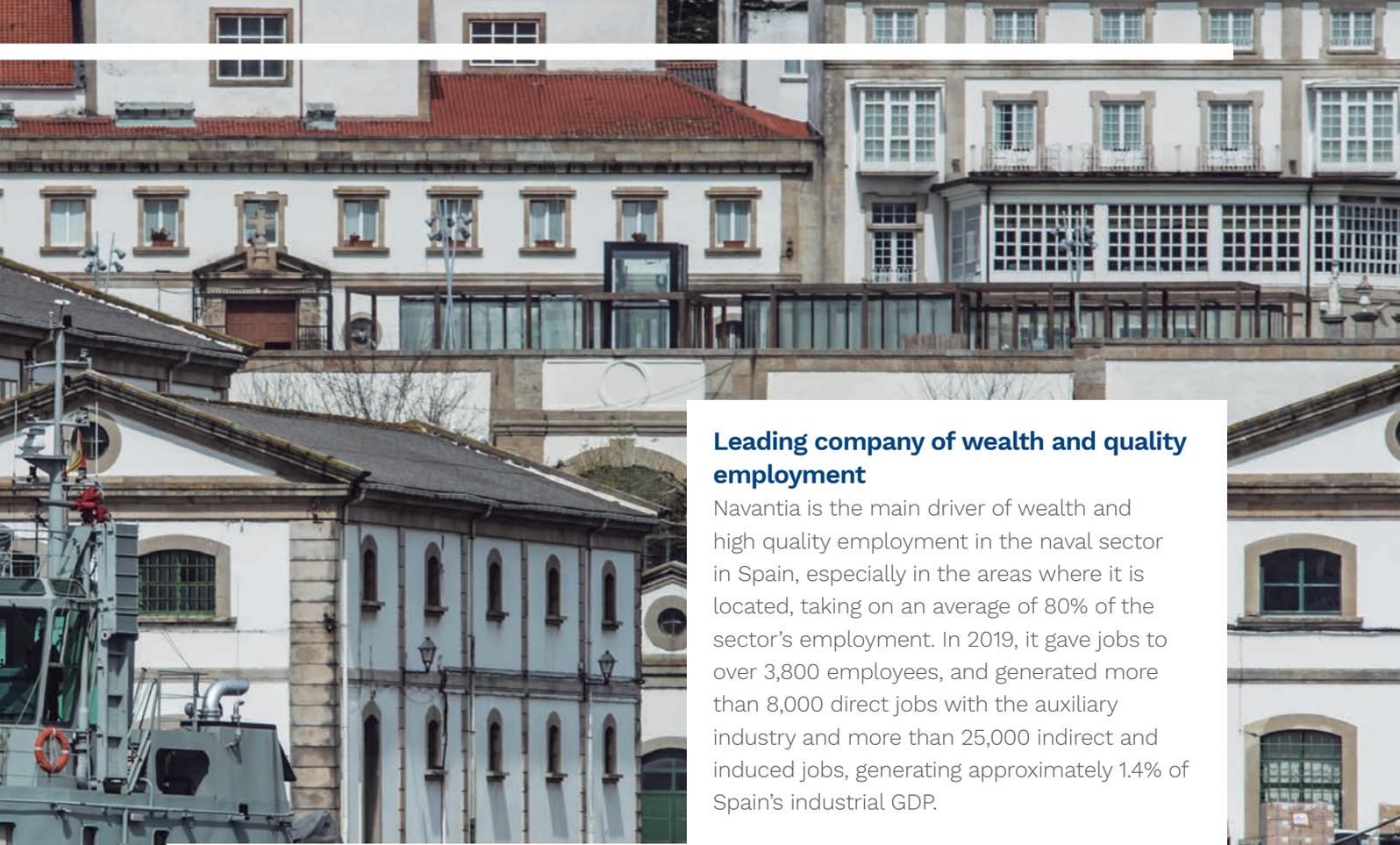
Strategy for national security

Provides the necessary industrial and technological capacity to meet the essential interests of the Government in the National Defense and Spain's National Security.

International company

With subsidiaries and delegations in seven countries throughout the world and exports to over 20, it contributes to

powering Spanish exports and represents a technological showcase for the Spanish industry in the world. The average annual volume of exports since 2005 makes up 49% of its income and represents about 1.3% of the total Spanish exports of high technological content. Navantia's quota of global naval military export from the past decade makes up 10% of the total worldwide exports.



Leading company of wealth and quality employment

Navantia is the main driver of wealth and high quality employment in the naval sector in Spain, especially in the areas where it is located, taking on an average of 80% of the sector's employment. In 2019, it gave jobs to over 3,800 employees, and generated more than 8,000 direct jobs with the auxiliary industry and more than 25,000 indirect and induced jobs, generating approximately 1.4% of Spain's industrial GDP.

Return on investment through export programs

Navantia develops, designs, integrates the systems, builds and tests the product defined together with the Ministry of Defense. Once the ship is in operation, the company exports these designs through technology transfer contracts.

This formula has also allowed us to generate additional contracts for our other Navantia businesses and for the national industry.

The path to follow

The Juan Carlos I aircraft carrier, in operation since 2010, is an example of this return on investment. After its construction for the Spanish Navy, the ship has had a great global impact. Navantia began to export this product internationally, providing a great economic return to the country. In 2019, the boat that was built following our design was launched in Turkey in the Sedef Shipbuilding shipyard. Years prior, in 2007, Australia had ordered two ships. In both countries, the presence, collaboration, and agreements with the local companies were highly relevant for the development phase and subsequent lifecycle.

As such, an initial investment of less than €500 million has produced additional contracts for other Navantia businesses and for the national industry of over €1.2 billion, generating over 3,300 direct and indirect annual jobs over the last decade.



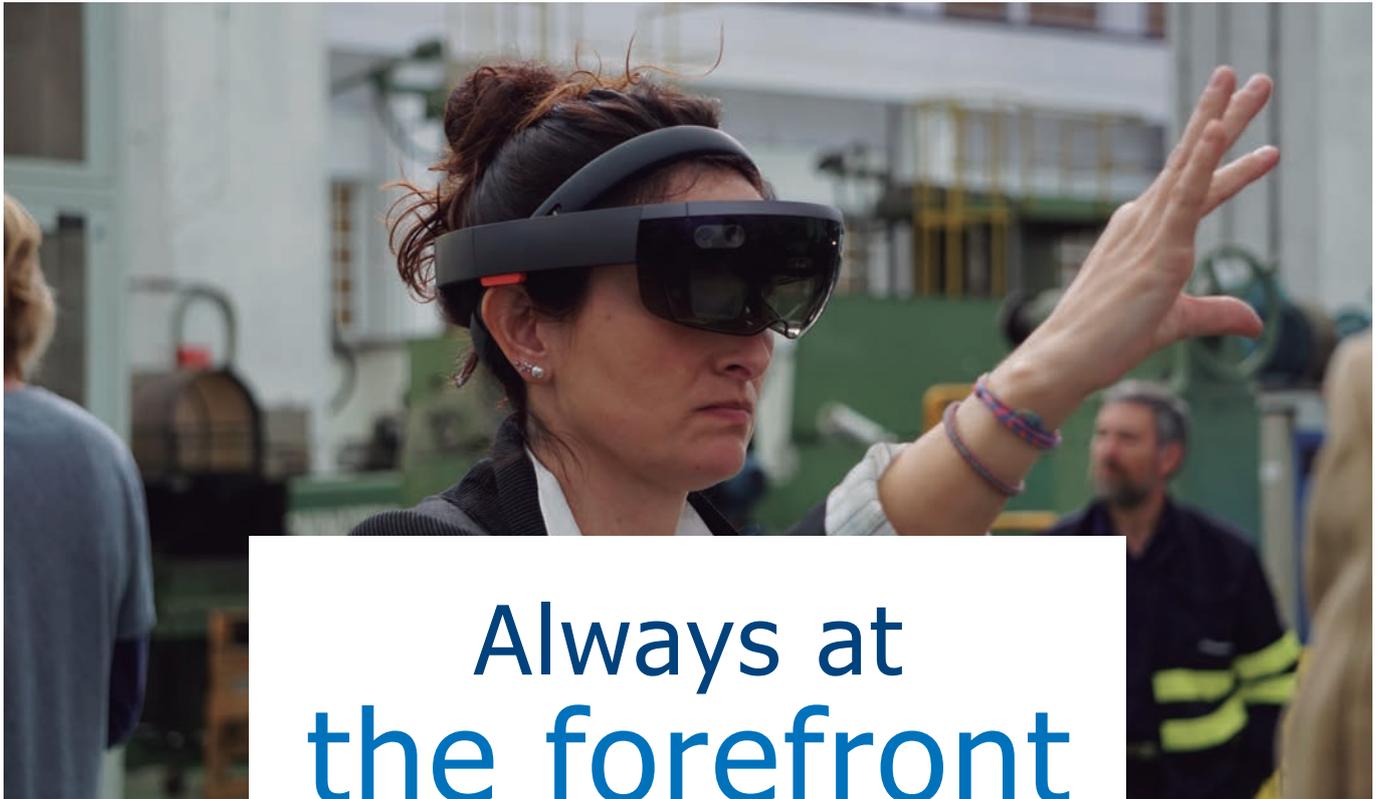
+ 3,800
jobs



+25,000
indirect jobs



+ than 8,000
direct jobs



Always at the forefront

Navantia is a technological company that bets on end-to-end innovation in the value chain. Innovation is the main driver of economic growth toward new business models, increasing competitiveness in the existing lines of activity.

That's why we apply resources for research, development, and innovation to anticipate and respond to the new technological challenges in a global scenario and increasingly complex, changing environment.

Navantia's innovation model is based on open and collaborative technological knowledge and includes a technology transition process to include the results of R+D in the new programs.

To maintain the level of investment in R+D+I, Navantia depends on collaborative agreements with universities and state-of-the-art technological centers in Spain. An example of this is the development of the CFA (Advanced Manufacturing Center) in Andalusia

Navantia's innovation model is based on **open and collaborative technological knowledge**



In the Bay of Cádiz, with the objective of promoting technological innovation in advanced manufacturing processes, with a

special focus on the aeronautical and naval sectors. As well as accelerating the transfer of R+D results to the supply chain.



Shipyards 4.0: the future of the industry

The **Shipyards 4.0 project** was launched as a part of Navantia's bet on the future. Its purpose is to improve the processes and tools of the whole value chain and serve as an impetus to renew its production centers and integrate them in the new Digital Ecosystem. This conversion to "Smart Factories" will be carried out through four fields of action that involve the whole company.



Smart ship:

Integration of systems and equipment that allow automatic control of the ship and the automatic mitigation of potential failures.



Smart shipyard:

Creation of a cyber-physical space that builds physical ships and their "Digital Twins".



Digital infrastructure: Development of different technologies and platforms that connect machines, employees, and workshops with the management of the program and of the company.



4.0 processes: Innovation in productive and corporate shipyard processes and the lifecycle.



People and knowledge 4.0: Promotion of a new digital culture with a more linear management and more collaborative and connected work.

With the Shipyards 4.0 project, Navantia is modernizing its work centers to integrate them in the **new Digital Ecosystem**



Main data of Navantia 2019

	2019	2018	2019 vs 2018
Income (billions of €)	1.2	1	10%
Procurement (billions of €)	4.8	3.8	27%
External portfolio (billions of €)	8.2	4.6	77%
Investment (millions of €)	39	36	8%
Results after taxes (millions of €)	-146	-226	-35%
Total assets (billions of €)	4.3	5	-14%
Occupation of our own labor (%)	82%	75%	9%
Direct employment (number of people)	3,864	4,953	-22%

Good practices and Code of Conduct

The Code of Conduct defined by the Board of Directors is the nucleus that identifies the behavioral standard that Navantia strives to keep in all its business activity.

It is applicable to all the companies that Navantia owns and may also be applicable to the temporary unions of companies, consortia, joint ventures, and other tools for developing businesses where Navantia is present.

Business conduct principles



Compliance with the law



Integrity and objectivity in business behavior



Respect for people



Health and physical integrity protection



Environmental protection



Efficient management



Appropriate behavior in the international markets



Use of information and its protection



Quality

The principles of the Navantia Code of Conduct are translated in **behavioral rules**, which are expanded in more specific ones through internal norms or contract clauses



Who are they for

Recipients

Directors, executives, or employees, representatives, leaders, and mediators that act, represent or act in Navantia's name.

Experts

Clients, suppliers, consultants, as well as people or entities affiliated with Navantia for professional or business reasons.

Governing Bodies

The Board of Directors, the highest governance body, decides what direction the

Company goes in. In 2019, 11 ordinary and one extraordinary meetings were held.

Board of Directors



Susana María de Sarriá Sopeña	Chairwoman
Francisco José Cuesta García	Confederación Sindical de Comisiones Obreras labor union
Ramón Joaquín Buendía Madrid	Confederación Sindical de Comisiones Obreras labor union
Marta Obrero Loma	Minister of Finance
Manuel Romasanta Pavón	Minister of Defense
Juan María Fernández Carnicer	Minister of External Affairs, EU, and Cooperation
María Ángeles González Rufo	Minister of Finance
Daniel Jiménez Díaz	Minister of Work, Migrations, and Social Security
Galo Gutiérrez Monzonís	Minister of Industry, Commerce, and Tourism
Santiago González Gómez	Minister of Defense
Salvador M^a Delgado Moreno	Minister of Defense
Miguel Orozco Giménez	Secretary of the Council-Non-Councilor

Management Committee



Susana de Sarriá Sopeña	Presidency
Miguel Orozco Giménez	Secretariat for the Division of Legal Counsel and Affairs
Fernando Ramírez Ruiz	Division of Human Resources
Esther Urbina Sánchez	General Secretariat
Javier Bagüés Oliver	Division of Finance
Gonzalo Mateo-Guerrero Alcázar	Division of Operations and Business
Javier Romero Yacobi	Division of Strategy
Donato Martínez Pérez de Rojas	Division of Technology and Digital Transformation
Sofía Honrubia Checa	Division of Commercial and Business Development
Francisco Vílchez Rodríguez	Engineering Technical Authority
M^a Ángeles Trigo Quiroga	Internal Auditing

The councilors' total remuneration reached €113,397.44 throughout 2019. The amount for salaries, food, and remunerations of

any kind, accrued throughout 2019 by the Management Committee personnel was €1,770,852.



Transparency and good governance

Navantia is included in the scope of application of the 19/2013 Law of transparency, access to public information and good governance, whose purpose is to expand and reinforce the public activity's transparency as a mechanism to facilitate its control.

It has a robust and complete crime prevention system, with the objective of managing the identified criminal risks. It also has an **Anti-Corruption Manual** where the procedures and directives to be followed regarding corruption risk prevention are defined. Both are to be applied to all employees, directors, and people who are dependent on Navantia or any of its subsidiary companies, in addition to their legal representatives and executives in law or in fact.

Compliance Committee

Created as an autonomous body for initiative and control, the Board of Directors has assigned it the task of promoting and coordinating the implementation, supervision, monitoring, and control of Navantia's Code of Conduct and Criminal Compliance and Anti-Corruption Systems. It is made up of the Chief Compliance Officer and the Human Resources, Legal Counsel, and Finance managers. It Reports directly to the Board of Directors.

In 2019, the Compliance Committee carried out close to 100 due diligence tasks for agents and they were requested by more than 650 suppliers for renewal or evaluation.

Transparency regime

The company takes on the transparency regime from two perspectives:



Active advertisement.

Publishing organizational, planning, economic, budgetary, and statistical information on the transparency portal.

The right for citizens to access public information.

By request via mail to Navantia, S.A. S.M.E. (Transparency Law)

Calle Velázquez 132, 28006 Madrid

or via email sent to

buzontransparencia@navantia.es



Reporting channel

Navantia has a reporting channel where you can anonymously and confidentially disclose any supposed illicit violations of the Code of Conduct or any inadmissible occurrence or irregularity that goes against the company's interests. These reports are analyzed and evaluated by the Chief Compliance Officer and the head of Integrity and Criminal Compliance. Investigations of the reported occurrences will be carried out by maintaining the presumption of innocence and other procedural guarantees for the defendant.

 canaldenuncia@navantia.es

Strategic Plan and Verne Project

Navantia is facing a demanding and competitive industrial context, with a naval construction market which is highly dependent on global macroeconomic and sociopolitical trends.

To be able to face these future challenges, Navantia has defined and approved a new Strategic Plan for 2018-2022 that is currently in the implementation phase. Furthermore, Navantia's 2030 vision is to be a sustainable, strategic, and international company in the naval industry.

Some of the challenges it will have to face in the short and medium term are:

- ◆ the irruption of new, more competitive shipyards
- ◆ the reduction of European spending and investment in defense
- ◆ the growing sophistication of products and services and the integration of disruptive technology
- ◆ the progress towards strategic autonomy and consolidation in Europe.

The implementation of the Strategic Plan is going to be carried out through the Verne Project, which will allow Navantia to improve its economic performance and guarantee a great future for the company. It will benefit defense and national security, technological development of the industry and wellness, as well as social cohesion in Spain as a whole.





The Verne project is structured with four dimensions and 15 initiatives:

 **Strengthening of the portfolio.**
 Boosting contracting, by developing new business models with more added value and driving diversification.

1. Consolidation and strengthening of the national defense leadership.
2. Growth in the defense export market and European positioning.
3. Strengthening the activity by boosting diversification and standardizing products.
4. Accelerating the development of new high added value products and services.

 **Operational efficiency and digital transformation.**
 Improving the competitiveness of the company by developing high added value products and services, transforming shipyards and modernizing the facilities.

5. Review of the business model. Maximizing operational
6. Maximizing operational efficiency and digital transformation by focusing on key processes.
7. Developing and implementing the Digital Twin, uniting technology and the value chain.
8. Strengthening cooperation with suppliers and collaborating industries.
9. Developing and boosting investments.

 **Rejuvenation and new labor framework.**
 Optimizing and rejuvenating the workforce with profiles that favor engineering, program management, and digitalization.

10. Implementing the collective agreement across centers.
11. Adapting and diversifying the workforce.

 **Cultural evolution.**
 Considering people as the leading element of transformation to achieve success in the Strategic Plan's implementation.

12. Implementing the new organization and agile governance.
13. Defining and implementing the leadership model.
14. Defining and implementing an integral training and professional development plan.
15. Defining the Corporate Social Responsibility strategy.



Navantia in the industry and sector

Spain is the European Union country with the largest fishing fleet. It is fifth in terms of coastline size, and it is in charge of monitoring the Strait of Gibraltar, one of the ten most traveled maritime routes in the world. This is why the naval industry is a strategic sector for the country. Navantia, as the main company in the national naval sector, has developed a technological capacity that allows to compete at the highest level with international players.

At an international level, the market in which the company operates is highly competitive. It has important geostrategic and political constraints that restrict access to the total global demand estimated by the sector in the upcoming years. However, Navantia is ranked as one of the most important developers and high-tech integrators of the sector at a global level. This has allowed us to join forces with countries like the United States, Australia, or Canada.

Current state of the naval military market

High level of **protectionism** for strategic and industrial reasons.



90% of new constructions are carried out **domestically**.

Increase of **exporting activities**, as a result of the domestic market reduction in Europe and the USA.



36% reduction of **global military contracting** (mainly by the USA and Europe).

Entry of **new competitors**, due to lower demand in the civilian naval sector.



In 2017, **25%** of the **portfolio** of Korean and Chinese shipyards was **military** (10% in 2014).

Navantia's market quota in the military naval global export market during the last 10 years has been higher than 10%.



Challenges of the sector



Reduced and competitive market:

Only 14% of the market expected at the end of 2018 for the next 20 years is accessible to Navantia.



Structural change for the increase of the transfer of technology (ToT) demand:

Since 2011, two-thirds of the global contracting implied export through technology transfer and local construction.



Increase in demand of lifecycle support services:

The activity with the highest potential for profitability other than construction.



Growing sophistication of products and services:

The integration of increasingly complex systems in ships is a determining activity for the correct development of the whole productive chain, since the availability of highly qualified personnel is needed to adapt to disruptive technologies facing the sector.



Digital transformation:

This challenge involves people, products, processes, and facilities and aims to reduce deadlines and costs, improve the quality, and competitiveness of the product.



Collaboration between EU countries to complement their defense and security abilities:

With the objective of obtaining strategic autonomy, it will be necessary to adopt a complementary focus among countries, increasing expense, spending in a more efficient way, and looking for synergies.

Navantia has a strong multiplying effect on economic activity, having achieved that **for each euro of product demand in the sector, 3 to €3.60 are generated in the entire economy, which is one of the highest ratios in the whole industry.** The same is true for employment, since **for every direct employment, up to 6 additional ones are generated at a national level** (auxiliary industry, indirect and induced employment).

In Strategic Plan's framework, and for the first time in the history of reconversions in the naval sector, Navantia has developed a Rejuvenation Plan that includes the employment of young professionals minimizing the loss of knowledge, and a Training Plan to strengthen new abilities, improve competitiveness, and guarantee knowledge retention.

2019 milestones

JANUARY

- ◆ Construction of the **first corvette for the Saudi Arabian Navy began.**
- ◆ **Delivery of the oil tanker Monte Urquiola** to the Ibaizábal Group.
- ◆ **Delivery of the offshore patrol vessel Furor** to the Spanish Navy.
- ◆ Approval of a **new organization to promote the 2018-2022 Strategic Plan.**

FEBRUARY

- ◆ **Contract for the construction of an electric sub-station** for the Oil & Gas Johan Sverdrup field was signed.
- ◆ Inaugurating the **new commercial delegation of Washington (USA).**
- ◆ The construction **of five floating wind farms was awarded to the UTE Navantia-Windar.**

DECEMBER

- ◆ **Delivery** to the Ceuta Port Authority of the **first vessel with autonomous ability in Spain.**
- ◆ **II Navantia Equality Plan.**
- ◆ **Certification management system ISO 37001** "Anti-bribery Management Systems".

SEPTEMBER

- ◆ **UTE Navantia-Windar** was selected to **build 62 three-legged jackets** for the wind farm in St. Brieuc (France),
- ◆ **Navantia joined the #ODSéate (#SDGyourself)** campaign to reveal the 2030 Agenda.
- ◆ Joined the **United Nations Global Compact for a sustainable development.**

OCTOBER

- ◆ **Official keel laying** of the first of five corvettes that are being built for the **Saudi Arabian Navy.**
- ◆ **CEO for diversity** partnership.
- ◆ Joined the **Luxembourg Declaration** regarding Health and Prevention of Occupational Risks.

NOVEMBER

- ◆ Approval of the **CSR policy.**

AT THE RUDDER

MARCH

- ◆ Awarded the contract to build 20 upper jackets intended for a macroproject in the North Sea.
- ◆ **Sum@ Project.**

MAY

- ◆ **Navantia updates its brand** as a symbol of **the company's transformation** with the new Strategic Plan.

APRIL

- ◆ Signed the **Execution Order for five F-110 frigates** with the Ministry of Defense.
- ◆ Celebration of the **4th Occupational Risks Prevention Day.**

JUNE

- ◆ **Meeting between the chair and all of Navantia's workforce** to promote the Strategic Plan.

JULY

- ◆ **1st Industrial Event for the F-110 frigates program** (Ferrol).
- ◆ **Delivery of the oil tanker Monte Ulía** to the Ibaizábal Group.

AUGUST

- ◆ **Launch of the Nuship Stalwart in Ferrol**, the second of the two logistical ships built by the Australian Navy.

Tradeshows and events

Every year the company attends multiple tradeshows and events throughout the world. These are the perfect showcase to demonstrate the company's technological abilities and represent Spain as a leading company in the naval sector. During 2019, Navantia participated in **over 20 top level international events.**

2



Roadmap to sustainability



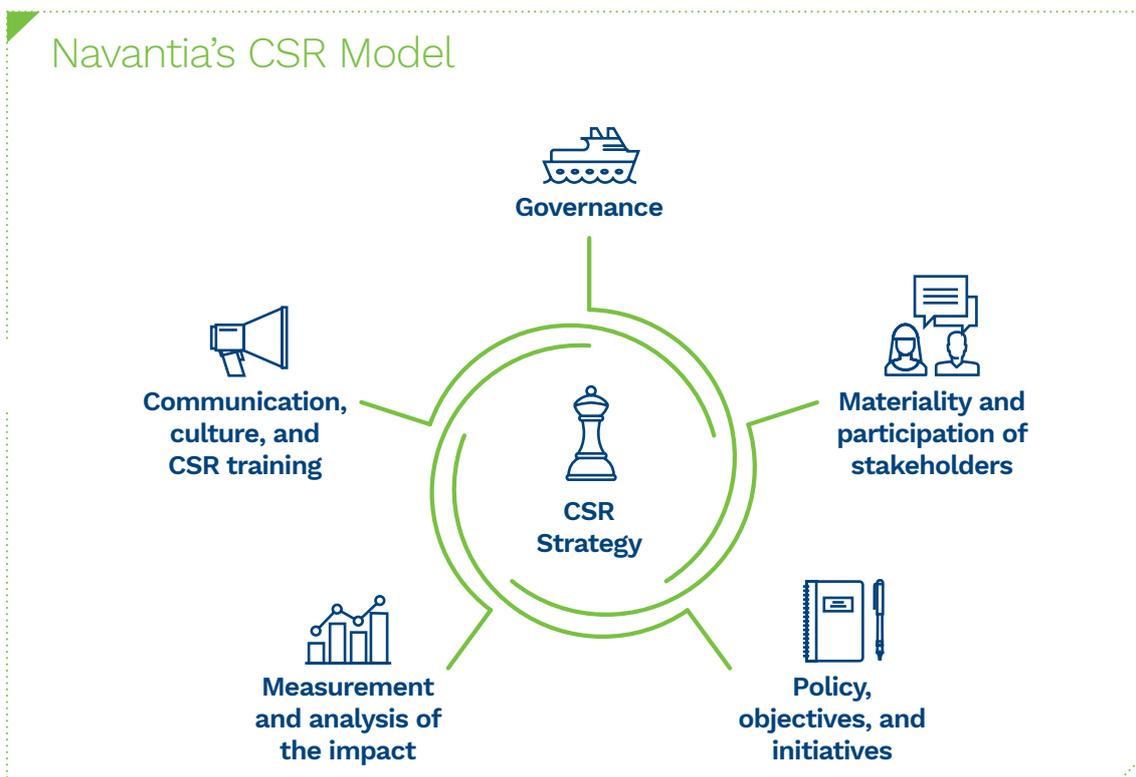
The objective of Navantia's Corporate Social Responsibility model is to implement responsible business practices that help create of value for all the company's stakeholders and society as a whole.

The Strategic Plan considers cross-company sustainability for the whole organization. One of its main actions is to define the strategy for Corporate Social Responsibility (CSR).

Navantia has a strategic vision of the CSR, under the slogan "heading towards a sustainable future". It promotes and drives of profitable and responsible development of the societies with which it carries out its activity, as well as protecting the

environment. This roadmap is aligned with the Strategic Plan and with the United Nations' Sustainable Development Goals (SDGs).

The Strategic Plan considers the **cross-company sustainability** of the whole organization





CSR Policy

In 2019, Navantia approved its new Corporate Social Responsibility policy. This is integrated in its strategy and includes social, environmental, and economic issues in its governance and management. All coming from the relationship and the transparent dialogue with its groups of influence and interest.

The objective of Navantia's CSR is to align its corporate strategy with the 2030 Agenda and its 17 Sustainable Development Goals (SDGs).

As a part of this commitment to the 2030 Agenda, a prioritization exercise was carried out. This analyzes the most

relevant SDGs for Navantia and its stakeholders, allowing to focus its actions where it can contribute more and better.

The SDGs are integrated in the organization in a cross-company way and drive strategies based on responsible business management

This desire involves integrating the SDGs in the organization in a cross-company way and driving strategies based on responsible business management.

Navantia's CSR policy focuses its objectives on three areas:



Social

- ◆ Support and respect the protection of fundamental human rights within their scope of influence and promote cross-border development actions.
- ◆ Promote **gender equality** and recognize and promote diversity, equality, and inclusion as fundamental values for Navantia.
- ◆ Promote and protect the health of Navantia personnel through awareness of the benefits of maintaining a healthy lifestyle.
- ◆ **Secure operations**, requiring a high level of security in all processes and facilities, with a special focus on people.
- ◆ Maximizing the **value of the cultural heritage** of Navantia. Promoting the naval culture among employees and society and driving a positive impact in the development of local populations.



Environment

- ◆ **Reducing our carbon footprint** in our processes and promoting initiatives for carbon offset.
- ◆ Committing to the **circular economy** concept, and encouraging the initiatives that promote **greater environmental responsibility**.
- ◆ Including **respect for the environment** in the design criteria of products and services.
- ◆ Supporting actions that promote the **conservation and sustainable use of oceans and seas**.



Economy

- ◆ Following **good practices** at national and international levels in terms of good corporate governance, paying special attention to anti-corruption work, in all its forms, including extortion and bribery.
- ◆ Increasing the sector's technological capacity by promoting economic development in the areas where the company is present, through **digitalization, innovation, and technologies**, in favor of people and the environment.

Governing Structure

The commitment to Corporate Social Responsibility falls on all Navantia employees, originates from the Management Committee, and flows toward all levels of the organization. This is why CSR's governing structure is established in two levels, Executive and Operational, achieving that the commitment extends throughout the organizational structure.

Communication

The principle of transparent communication is part of Navantia's commitment. It is carried out through communication, participation, and dialogue channels with the interest groups. Navantia is committed to practicing responsible communication that avoids informational manipulation and protects integrity and the honor. Informing on both financial and non-financial aspects, in accordance with the applicable regulation and the leading international standards.

CSR Governance Model



Board of Directors



Management Committee



CSR Committee

Revising and approving the priority policies and objectives



CSR Work Group

Definition, revision, and monitoring of the strategy

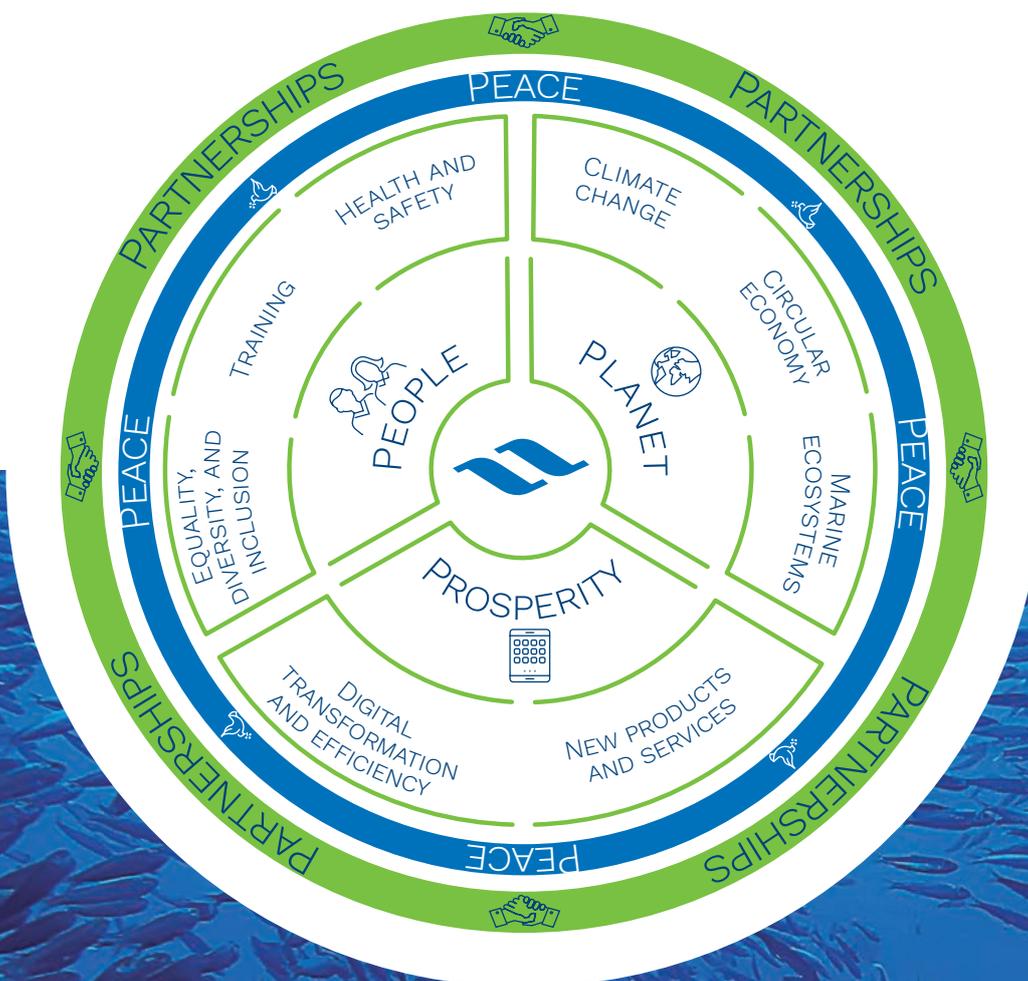
Director of Strategy, Head of CSR, Head of Communication, Head of Development (DRH), Head of Environment (DRH), Head of Occupational Health (DRH), Head of the DON, Head of DIF.

Director Plan to promote CSR

Navantia's Senior Management, represented by all the members of the Management Committee, it firmly supports developing the following commitment within its scope of influence. Making them a part of Navantia's daily strategy, culture, and actions and aligning the company's interests with the values and demands of society.

Navantia has established a Director Plan to promote its CSR policy that defines five action areas, in line with the 2030 Agenda for Sustainable Development.

The five areas of the CSR Director Plan



Five actions areas for sustainable development



01. PEOPLE

People are at the heart of Navantia's actions, which facilitates diversity, fosters equality and inclusion, protects health and safety, and promotes wellness at work.

Equality, diversity and inclusion

Drivers of diversity, equality, and inclusion as fundamental values that improve the work environment and allow people to develop their maximum potential in an environment of tolerance and respect.

Training

Collaboration with training centers to spread R+D+I knowledge, in addition to promoting FP Dual (Dual VT) to favor the inclusion of young people into the workforce. The company has also developed an ambitious training plan with the goal of adapting the human team to their own needs.

Health and safety

Navantia prioritizes the protection of all people that work in the company. Additionally, it works to reach the goal of zero accidents, identifying and evaluating health and safety risks. Prevention is integrated in all of Navantia's management processes.



02. PLANET

Commitment to the environment is a priority for Navantia, who works tirelessly in order to mitigate its environmental impact.

Climate change

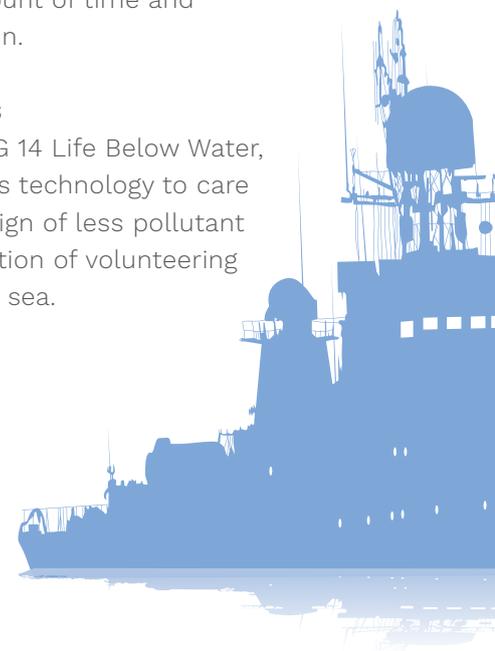
The company is committed to measuring and reducing the Carbon Footprint caused by the developing its activity. Carrying out this annual calculation in accordance with the ISO 14064 standard.

Circular economy

It is a key element in the transformation toward a more innovative, competitive, and responsible development and growth model. This allows to maximize the available resources for keep them in their productive cycle for the most amount of time and reduce waste generation.

Marine ecosystems

Navantia prioritizes SDG 14 Life Below Water, promoting the use of its technology to care for the oceans, the design of less pollutant ships, and the organization of volunteering actions to clean up the sea.





03. PROSPERITY

Innovation is one of the Navantia's pillars. This includes technological advancements to improve and grow internally and externally, ensuring **economic, social, and technological progress.**

Efficiency and digital transformation

An ambitious transformation process is being developed in which technological innovation and digitalization are an essential vehicle for change. The key is in the implementation of innovative solutions, in the processes, and people's own transformation, achieving a more agile organization and renewing talent.

New products and services

Navantia has made the commitment to design its products and provide its services, prioritizing innovation and energy efficiency.

Navantia focuses its priorities on the **reduction and compensation of greenhouse gases**

The last two areas are focused on **strengthening universal peace and implementing collaborative partnerships**



04. PEACE

Navantia is governed by ethical, responsible, and transparent behavior, It promotes good governance and respects human rights, favoring peaceful, just, free, and safe societies.

Human Rights

Support and respect the protection of fundamental human rights within their scope of influence and promote cross-border development actions to provide peace and safety.

Ethics and good governance

Following good practices at a national and international level, in terms of corporate good governance. With preferential attention to work against corruption in all its forms, including extortion and bribery.



05. PARTNERSHIPS

Navantia continuously collaborates closely with all of its stakeholders, creating partnerships that strengthen the commitment to common objectives.

In 2019, the **following partnerships** were made:

- ◆ Joined FP-Dual
- ◆ Joined the UN Global Compact
- ◆ Joined CEOs for diversity
- ◆ Joined the Declaration of Luxembourg
- ◆ Partnered with Forética
- ◆ Joined Companies for Biodiversity

Navantia and the SDGs

Navantia supports the 2030 Agenda of the United Nations. It is using the 17 Sustainable Development Goals (SDGs) as a reference to define its priorities.

most clearly linked to the specific sector of activity, people, the economy, and the environment, as well as the expectations of its stakeholders.

The company contributes significantly to most of the SDGs by behaving responsibly in very diverse environments. Although we do consider it necessary to identify the ones

Navantia has carried out a prioritization exercise, analyzing those that are most relevant, to focus its actions where it can contribute more and better.



We are a part of the Spanish network of the UN Global Compact

Priority SDGs: objectives and goals

SDG 3: **GOOD HEALTH AND WELLBEING**

Promote and protect the health of Navantia personnel through awareness of the benefits of maintaining a healthy lifestyle.

SDG 5: **GENDER EQUALITY**

Equal treatment and opportunities for access to work, empowering women and implementing inclusive practices that include sexual and gender diversity, in favor of the most vulnerable.

SDG 8: **DECENT WORK AND ECONOMIC GROWTH**

Promoting economic growth, full and productive employment, and decent work for our employees and collaborating industry.

SDG 13: **CLIMATE ACTION**

Commitment to mitigate the contribution to climate change, reducing carbon emissions of operations.

Selected SDGs Objectives and goals

SDG 4: **QUALITY EDUCATION**

Promoting quality education both for our own personnel and the collaborating industry.

SDG 9: **INDUSTRY, INNOVATION, AND INFRASTRUCTURE**

Promoting an inclusive and sustainable industrialization. Increasing the industry's contribution to jobs and the gross domestic product, and improving the technological capacity of the sector, encouraging innovation where Navantia is present.

SDG 12: **RESPONSIBLE CONSUMPTION AND PRODUCTION**

Responsible consumption and production, promoting the efficient use of resources and affordable, non-pollutant energy. Using infrastructures that don't harm the environment, betting on integrating the circular economy.

SDG 14: **LIFE BELOW**

Conserving and using the oceans, seas, and marine resources. Responsibly for sustainable development.

SDG 16: **PEACE, JUSTICE, AND STRONG INSTITUTIONS**

Direct collaboration with national governments, international organizations, and clients to develop solutions that help make the world a safer place.

SDG 17: **PARTNERSHIPS**

Helping to revitalize the global partnership for sustainable development.



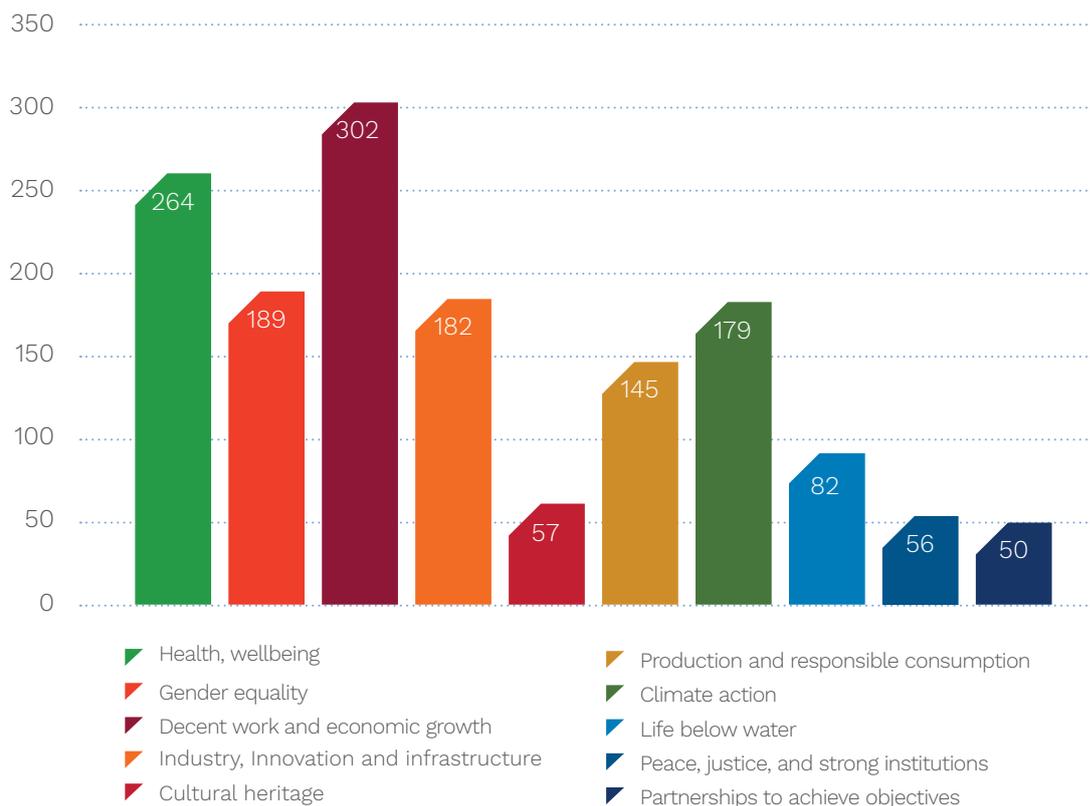
CSR Survey

To define the SDGs that the company has to prioritize, Navantia has carried out a self-assessment involving its main stakeholders: employees, supply chain, national and regional institutions, entities directly related to Navantia's activity, unions, and the media. With this analysis, the company has been able to define the aspects to be most present in their activity (see chart).

Other existing studies, which analyze the priority that some stakeholders assign

to some of the identified sustainability issues, were also taken into account. As a general framework, like in the majority of materiality analyses, the World Economic Forum's 2019 Global Risk Report was used as a base. Navantia has analyzed the 2018/2019 results of the Global Compact's Spanish Network in relation to companies' priorities regarding SDGs, with the goal of comparing the company's materiality with the business sector's average.

Materiality analysis: Navantia workforce



Stakeholders and materiality

As a part of its commitment to society, Navantia identifies its stakeholders with the objective of learning about their expectations and meeting them. We have defined a procedure that meets the expectations of the stakeholders that we interact with.

To identify them, the following were taken into account:

- ◆ The groups' influence in decision-making and the company's operations (shareholders, clients).
- ◆ The level of direct or indirect dependence that the stakeholder has regarding the company's activities, products, or services (employees, supply chain).
- ◆ The tension, reputational perspective, special and immediate level of attention that the stakeholders requires to avoid

economic and/or reputational damages (institutions, media).

In accordance with this criteria, Navantia has established the following **stakeholders**:

- ◆ **Board of Directors/shareholder.**
- ◆ **Employees.**
- ◆ **Suppliers/supply chain.**
- ◆ **National, regional, and local institutions.**
- ◆ **Media.**
- ◆ **Clients.**
- ◆ **Unions.**
- ◆ **Entities and organizations related to our activity/history.**

Using all this criteria, Navantia has worked on its materiality matrix, analyzing the global and domestic situations, the priorities of stakeholders, and Navantia's priorities, set out in its 2018/2022 Strategic Plan.

Materiality Matrix

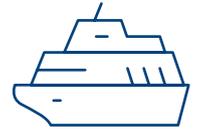


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Crew



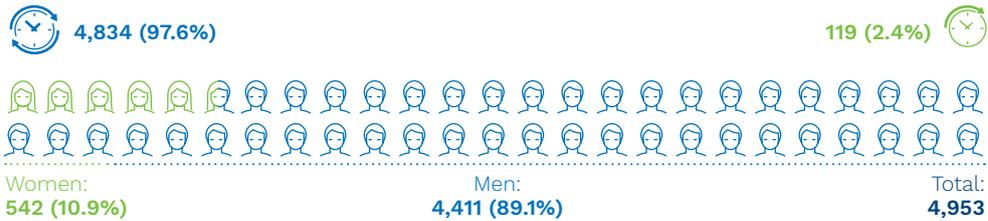
Navantia's professionals represent the main catalyst for change, promoting the company's digital transformation, and guiding socially responsible behavior. With a workforce close to 3,900 people, we are Spain's main employer in the naval sector.

NAVANTIA'S WORKFORCE

2018



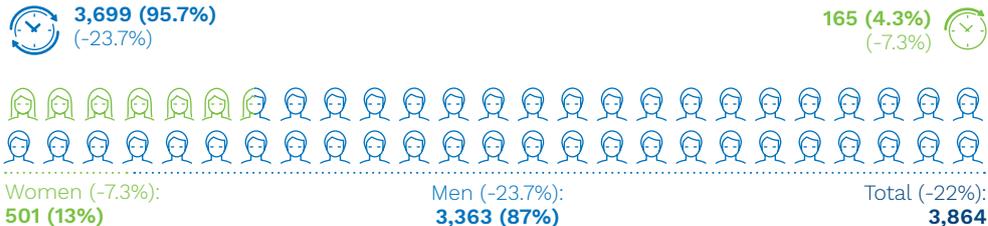
Permanent and temporary contracts:



2019



Permanent and temporary contracts:



29 years or less	39 (36.1%)	29 years or less	69 (63.9%)	29 years or less	108
30 to 39 years	86 (20.1%)	30 to 39 years	341 (79.9%)	30 to 39 years	427
40 to 49 years	180 (16.1%)	40 to 49 years	935 (83.9%)	40 to 49 years	1,115
50 to 59 years	182 (9.6%)	50 to 59 years	1,706 (90.4%)	50 to 59 years	1,888
60 to 64 years	14 (4.3%)	60 to 64 years	311 (95.7%)	60 to 64 years	325
65 years or more	0 (0%)	65 years or more	1 (100%)	65 years or more	1

Management Committee: **11**

Advanced technicians: **1,246**

Employees: **1,119**

Operators: **1,488**

Employees with disabilities

In 2019, Navantia counted an average of 83 people in its workforce with some type of known disability.

Departure of those over 61

After the agreement reached by the company's management and employees, in 2019 1,363 employees over the age of 61 left the company.

The drive of a new organization

At the beginning of 2019, Navantia approved a new structure for the company's department of corporate affairs. The objective is to drive the application of the new Strategic Plan and the first Cross-Company Collective Agreement.

Taking on the challenges of the large programs in already in place, related to the transformation process and cultural change.

The new organizational structure focuses on simplifying and increasing decision-making efficiency.

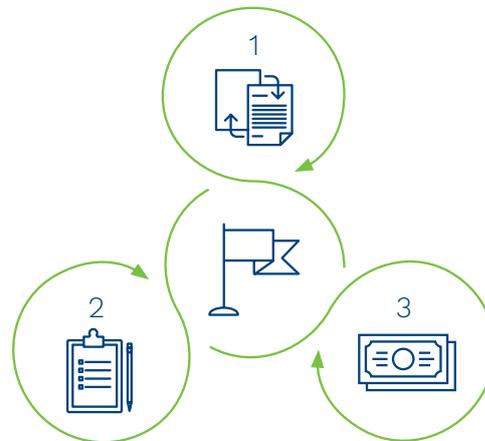
Single collective agreement

The 1st Cross-Company Agreement, included in the company's Strategic Plan, was approved by Navantia and the social agents in December 2018. In it, the procedures for information, referral, and negotiations between employees and the company are established. This agreement allows new professional development processes based on performance and the level of responsibility associated with the job positions. Providing flexibility and distributing the workload in different production centers, reducing sub-activity, increasing decision-making efficiency. By doing so, it ensures the rejuvenation of the **workforce** through the inclusion of young talent and a Training Program that bring new skills to the company. Focus is also placed on leading the naval sector's digitalization through the inclusion of new technologies for operational improvement in all Navantia's centers.

To monitor compliance, the **Parity Commission for Monitoring and Interpretation of the Agreement was set up**. It is made up of 13 members representing employees, and 13 representing the company's management.

Challenges of the Collective Agreement

1. Homogenize work conditions.
2. Modernize the bases for the organization of work.
3. New professional classification to homogenize remuneration systems.



Equality Plan

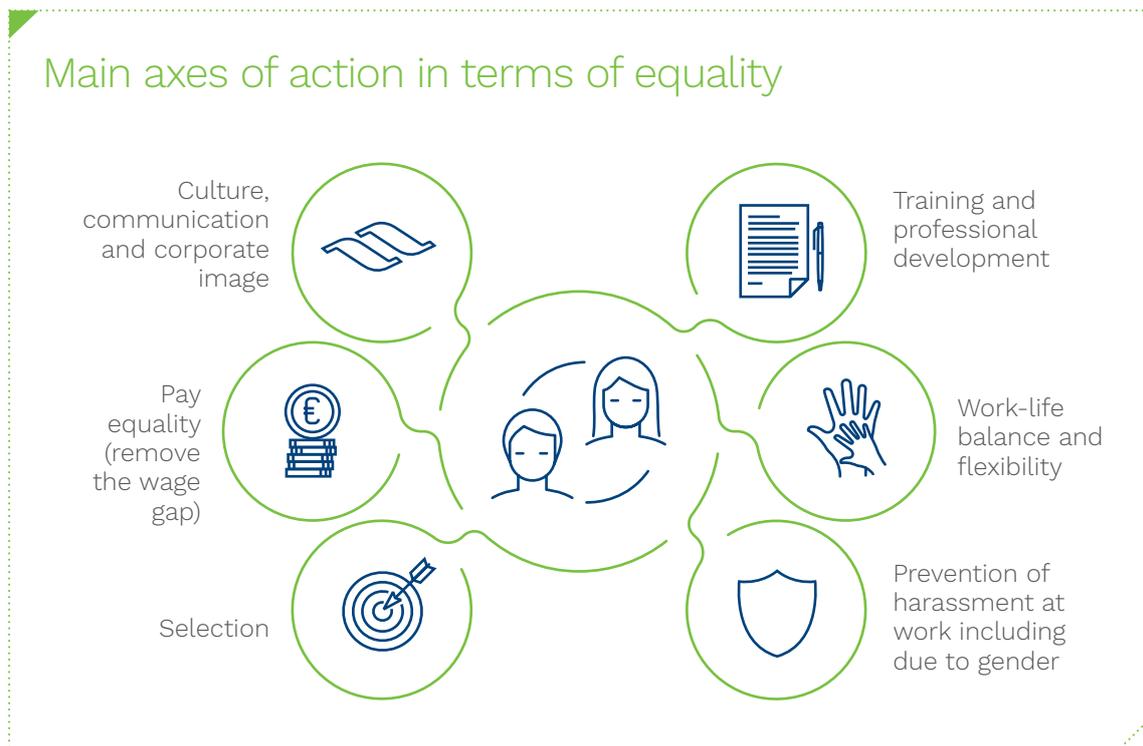
In line with its CSR policy, Navantia considers equal treatment and opportunities are determining factors to offer a stable, high quality job, and the possibility of professional development.

In 2010, the company developed an Equality Plan to ensure non-discrimination within the company based on gender. It focused on selection, contracting, training, promotion and salary, work-life balance, and workplace health.

In December 2019, as a result of the success in this area, Navantia signed its **2nd Equality Plan**. It is valid for four years and constitutes a new drive for developing values and the ethical principles of equality and diversity that must govern behavior in work relations.

This plan, which covers all levels of the organization and collects different specific measures and objectives surrounding many other areas of action, was born with the objective of guaranteeing real and effective equal opportunities for men and women in Navantia. Through it, the company commits to reducing the wage gap and increasing the representation of women in the workforce. Equality will be integrated in all Human Resources policies with a firm commitment to the future.

It includes an action protocol for sexual harassment or gender-based harassment and an agreement to improve the legal methods of protection against gender-based violence.





EQUAL OPPORTUNITIES COMMITTEE

In 2019, the company, along with the main organizations of social representation, formed the Equal Opportunities Committee. It is in charge of establishing the bases of a new work organization culture which favors full equality between men and women. In addition, making **work-life balance and family responsibilities** possible, without affecting professional careers.

The main objectives of the Committee, which was in charge of negotiating Navantia's new equality Plan, are controlling and supervising the compliance with the

prevention of sexual and gender-based harassment, and promoting the principle of equality and non-discrimination.

It has a **Monitoring Committee** that evaluates and controls the application of these measures.

“The company’s transformation should not only be technological but also social”

NAVANTIA JOINS THE PARTNERSHIP #CEOFORDIVERSITY



Navantia, through its chair Susana de Sarriá, has joined the Partnership #CEOFordiversity, promoted by Adecco Foundation and the CEOE Foundation with the goal of driving diversity policies in companies that carry out their activities in Spain.

Personal and professional balance

Work-life balance favors more flexible and dynamic work environments with more motivated professionals. As such, Navantia has implemented a set of measures collected in the Human Resources Policy and in the 1st

Cross-Company Agreement. They promote the wellbeing of all employees with the objective of feeling integrated and identified with the company as well as becoming their best ambassadors.

Some of the latest initiatives implemented to favor the workforce's wellbeing and work-life balance are:

- ◆ **Gradual return after a serious illness** by reducing the workday by 50% without reducing pay during one month.
- ◆ Taking a **paid leave to accompany** children under 12 and parents to the specialist doctor.
- ◆ **Adapting work hours** for those who have minors, people with disabilities, or elderly people in their care.
- ◆ **Gender-based violence victims:** substantial improvement of their work rights, legally recognized inclusion of the action protocol for prevention and action in the event of sexual or gender-based harassment.
- ◆ **Occupational health:** improving the knowledge of gender-associated risks, with the goal of evaluating them more precisely, taking action in specific situations, such as maternity.
- ◆ **Teleworking:** a pilot program will be promoted to improve work flexibility and, along with it, work-life balance and productivity.

The company demonstrates its commitment to the fundamental values of diversity. We consider not only gender, but also diversity in terms of culture, generation, ideology, sexual orientation, abilities and skills, different abilities, as well as any other

personal, physical, or social condition. This philosophy enriches Navantia and strengthens its competitiveness.



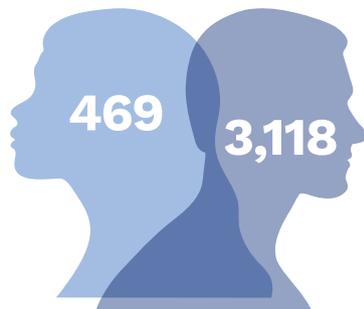
The best talent

Talent management is a determining factor in such a specialized sector. That's why, each year, the company prepares a training, professional development, and knowledge transfer program to strengthen the growth of its employees. This advances their careers and offers them new resources and tools and gives them the ability to face the challenges of the future with guarantees.

The company invested close to €5 million in training for Navantia professionals, promoting mainstreaming, cooperation, innovation, and individual training. It also allows internal mobility, favoring professional development of the employees and strengthening their commitment to the strategic objectives.

People trained in 2019:

3,587



In 2019, **90% of women and 91% of men** in the workforce participated in training actions

Navantia professionals received more than **94,000 hours of training** in 2019

Hours of training per professional category:

Category	Women	Men	Total
EM - Employees	3,461	20,716	24,177
OP - Operators	208	30,212	30,420
AT - Advanced technicians:	11,219	28,393	39,612
Total	14,888	79,321	94,209

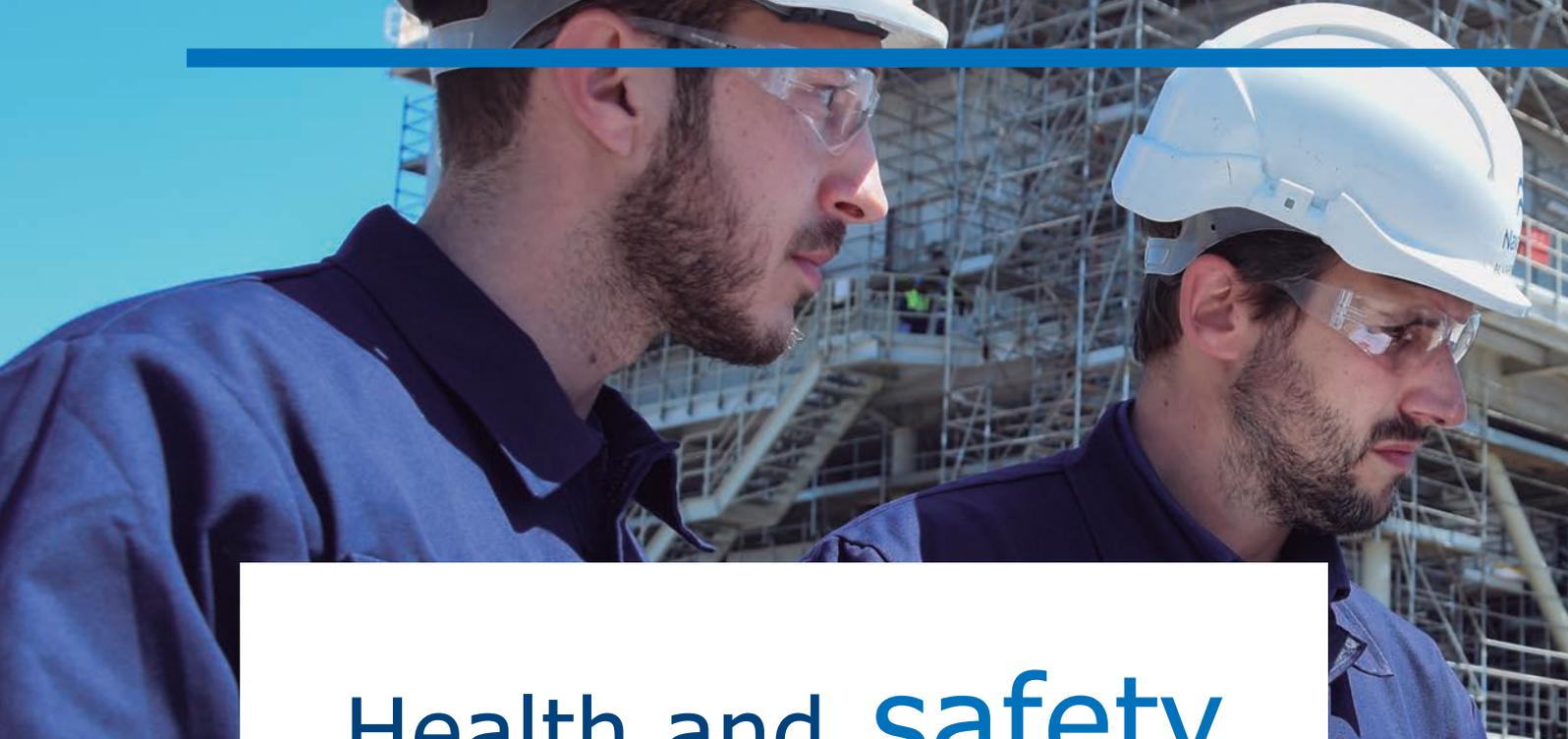
Supporting future professionals

In addition to training direct employees, Navantia is committed to training practices that improve the employability of young people. This gives them the opportunity to join the workforce and provides them

with the necessary skills and abilities to enter the sector. The company has signed more than **30 agreements** for university internships, dual training, and training in the workplace.

In the last five years, **more than 1,000 students** have completed internships at Navantia





Health and safety

The health and safety of Navantia personnel and its environment are strategically important elements in developing of its activities. The company systematically evaluates and identifies environmental and safety risks, setting preventive measures to reach the “zero accidents” goal.

Responsibility in terms of prevention is required from everyone who is part of the company, whether our own employees or from the auxiliary industry, both on an individual level and in terms of the job they perform.

To favor knowledge and strengthen safety policies, employees will receive the necessary information and training to perform the functions their job position requires.

Navantia is currently certified in accordance with OHSAS 18001:2007 in all the production centers: Bay of Cádiz, Ferrol Estuary, and Cartagena Dock. Throughout 2019, the management procedures were adapted to become certified in 2020 in the new ISO 45001:2018, Occupational health and safety management systems.

The boost in safety over the last few years has allowed Navantia to considerably reduce the number of accidents.

Actions to improve safety

Reaching health and safety objectives means driving and promoting a preventive culture throughout the whole organization. In order to do so, Navantia, in 2019, launched a series of related measures:

- ◆ Maneuvering Action Plan.
- ◆ ISO 45001 certification.
- ◆ Psychosocial Risk Action Plan (by gender)
- ◆ Health awareness workshops (by gender, highlighting breast cancer for the whole workforce).
- ◆ Defining the indicators of accident rates per gender (in 2019, there were no accidents involving women).
- ◆ Audits in auxiliary industries.
- ◆ Creating a training matrix for preventive matters.
- ◆ Preventive leadership study in accordance with the NOSACQ Methodology.

Navantia has its **own Prevention Service**, with a Basic Sanitary Unit in each production center



NAVANTIA JOINS THE DECLARATION OF LUXEMBOURG

In 2019, the company joined the Declaration of Luxembourg, a consensus document created by the European Network for Workplace Health Promotion (ENWHP). This establishes the basic principles of action and the reference framework of good health management for company employees.

Navantia commits to promoting good health in the workplace in its workforce's

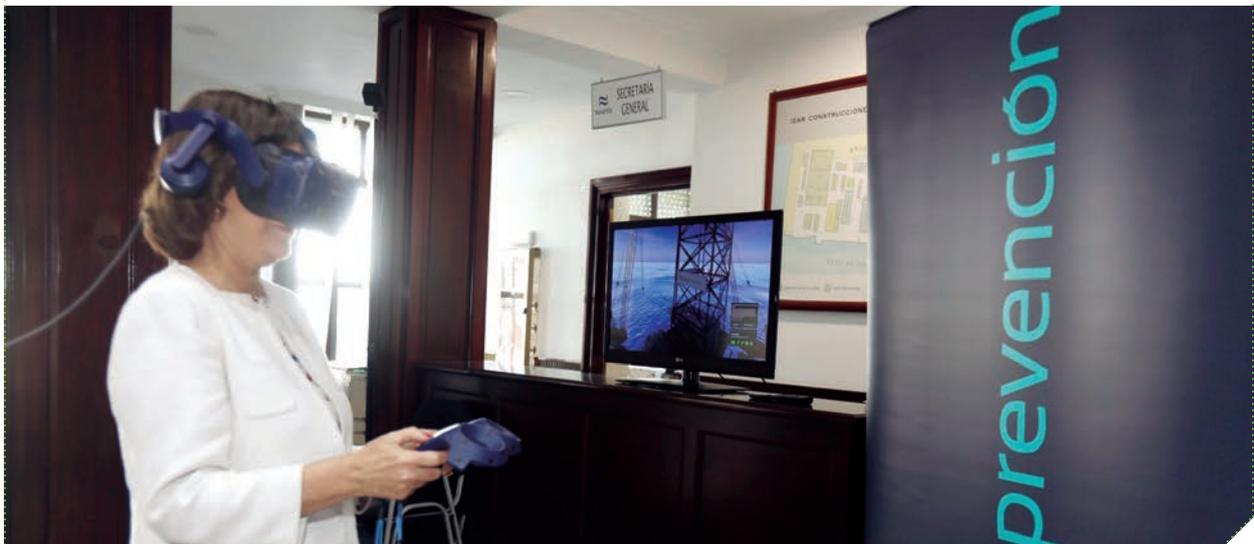
management, in addition to continuing to comply with its occupational risk prevention obligations.

Navantia commits to integrating the basic principles **promoting good health in the workplace** in its workforce's management

Celebration of the 4th Occupational Risks Prevention Day

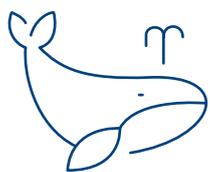
In April 2019, for the World Day for Safety and Health at Work, the company held the 4th Occupational Risks Prevention Day in its seven work centers. The objectives of the basic principles of this initiative are to

strengthen the message of commitment from senior management and the entire workforce in terms of prevention and occupational health and increase the workforce's collective awareness.

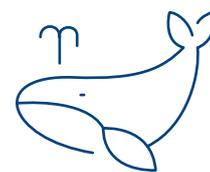


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Commitment to the planet



In accordance with Navantia's new Corporate Social Responsibility policy, the company commits, in all of its activities, to work to benefit the communities in which it is present, focusing on environmental, social, and economic factors.

ENVIRONMENTAL PROTECTION

For Navantia, heading toward a sustainable future implies a commitment to preserving and respecting the environment. Its Quality, Prevention, and Environment Policy is proof of that, as well as the environmental objectives set out in the CSR policy. This ranks environmental protection as a strategically important element and the first criteria to keep in mind during the planning, development, execution, monitoring, and control of all the company's activities.

In fact, the fight against climate change and environmental degradation is one of the main priorities for the company's executives. That's why Navantia is committed to gradually reducing the carbon emissions measures to zero, by

improving its energy efficiency, reducing its products and services' carbon footprint, or investing more in developing low emissions and climate-smart products. The objective is to achieve production activity that has the least impact on the environment and our surroundings. The company has an **Environmental Management System** based on the ISO 14001:2015 norm, integrating this variable to all levels of the organization.

Navantia is working to **stop climate change** and **environmental degradation**

Environmental commitments



Promote initiatives to offset and **reduce the carbon footprint** of their processes.



Including respect for the environment in the design criteria of products and services.



Committed to the circular economy and encouraging actions that promote greater environmental responsibility.



Supporting actions that promote the **conservation and sustainable use of oceans and seas**.

At all levels

Environmental responsibility requires the commitment of all Navantia employees and its value chain to include preventive actions with the goal of avoiding or minimizing the environmental risks related to its activities.

With the purpose of minimizing the company's impact on the environment, the main environmental risks are analyzed and evaluated following the UNE150008 norm. This grants the organization an integral

methodology to manage the company's environmental impact.

Every year an environmental report is made in each center with the following areas: general aspects, environmental management, and certifications.

Programs and initiatives are systematically launched, which focus on the continued improvement of things like:



First environmental meetings

In June 2019, on World Environment Day, Navantia held the first environmental meetings in all of its work centers dedicated to conserving the environment. In those meetings, the company showed its commitment and determination in the fight against climate change. It also involved all the people that comprise it to help reach this strategic objective.



More sustainable activities

Navantia's new CSR policy promotes sustainable and responsible behavior, especially in terms of caring for and protecting the environment.

The company is dedicated to becoming a world leader in the sector due to its commitment to complying with the United Nations' 2030 Agenda and its Sustainable

Development Goals. It's been making a continuous effort to improve its processes and activities with the goal of being more efficient and having less environmental impact. Reducing emissions, making better use of resources, and developing a growth strategy focused on the circular economy are some examples of how Navantia is working to be a future-driven company.



AWARENESS TRAINING

Navantia continuously gives training related to environmental questions, to improve the awareness of the workforce and the auxiliary companies that work

in its facilities. Every year environmental emergency **drills** are carried out in the work centers to be prepared for any type of incident.

Environmental training actions

Geographic center	Actions performed	Attendees	Training hours	No. auxiliary company employees trained	Drills performed
Ferrol Estuary	12	190	567.5	3,091	8
Cartagena Dock	52	2,176	2,303	1,670	1
Bay of Cádiz	18	183	745	4,586	2
Madrid	2	2	116	9	-
Navantia	84	2,551	3,731.5	9,356	11

Recognition from the Andalusian Regional Government

The Andalusian Regional Government has granted the company the **Environmental Quality Award** as recognition of its environmental management model. It has also certified all its production centers in accordance with ISO 14001.



AIR POLLUTION

Navantia has specific protocols and procedures to control chemical pollutant emissions in the air. These include both identifying emissions sources as well

as measures to implement so that, if necessary, preventive or corrective initiatives can be launched to help mitigate the activity's environmental impact.

Emissions measurements

Geographic center	Measures	Measures within the legal limit
Ferrol Estuary	-(*)	-
Cartagena Dock	25	25
Bay of Cádiz	3	3
Navantia	28	28

(*) No regulatory measurement was carried out in 2019.

Improvement actions in 2019

Geographic center	Initiative
Ferrol Estuary	Developing a hydro-jetting system to blast ships that are being repaired to replace conventional grit blasting which helps reduce particle emissions in the air.
	Replacing heating boilers powered with fuel for natural gas ones (less sulfur-based emissions).
	“Urban Mobility” phone app to reduce vehicle emissions.
Cartagena Dock	During submarine construction, the blasting processes are to be carried out inside workshops and cabins to avoid the spread of particles.
	Eliminating the sources of emissions related to different processes (heat treatment room, core shooter, Auxiliary Services' drying oven, etc.).
	Replacing diesel boilers for natural gas ones in multiple workshops.
Bay of Cádiz	Internal audits in painting companies focusing on the traceability of the consumption data of volatile organic compounds.
	Replacing dry blasting in ship hulls for wet blasting to achieve near-elimination of particle pollution.
	Enclosing machines from auxiliary industries to mitigate noise.
	Installing an odor mitigation system after the expansion of the Marpol Plant (oil water treatment from ships).



NOISE POLLUTION

Navantia also has procedures that include monitoring and controlling noise sources from the company's activities. Mainly from blasting and stripping and hammering work, moving machinery and cranes, parts assembly, the extraction of ships and workshops, and the forced ventilation of confined spaces.

Environmental noise is a significant factor in facilities that are close to populated areas. There, the noisiest work is performed at specific times, never at night.

Measuring noise

Geographic center	Measuring noise	Measurements within the legal limit
Ferrol Estuary	6	6 (*)
Cartagena Dock	2	2
Bay of Cádiz	4	4
Navantia	12	12

(*) A sample of a measurement that is out of limits due to intense traffic (external source).



LIGHT POLLUTION

The 7/2007 Law of July 9th for the Integrated Management of Environmental Quality, Section 3 on Light Pollution excludes the lighting for port activities from its scope of application, which includes

practically all of Navantia's activities. Nevertheless, the company is aware of this factor in all environments where it is present, and reduces the impact as much as possible.



CIRCULAR ECONOMY AND WASTE MANAGEMENT

When developing its activities, Navantia (as is the case in almost all industries) generates waste that must be properly managed to minimize its environmental impact.

In line with its commitment to the care for and protection of the planet, the company goes above and beyond proper management and establishes circular economy criteria

in its policies. It does so with the objective of replacing the traditional model for one that prevention (reducing its generation) and recovery (reusing, recycling, or energy recovery) of waste are the main directives.

The goal is to send the most variety and quantity of non-hazardous waste to be recycled or recovered instead of sending it to landfill.

Waste generation and recovery 2019

Waste indicators	Ferrol Estuary	Cartagena Dock	Bay of Cádiz	Navantia
Hazardous waste generation (t)	3,590	769	3,246	7,605
Recovered hazardous waste (t)	2,398	661	2,868	5,927
Non-hazardous waste generation (t)	9,200	5,086	25,131	39,417
Recovered non-hazardous waste (t)	4,683	4,126	16,087	24,896
Total waste generation (t)	12,790	5,855	28,377	47,022
Total recovered waste (t)	7,081	4,787	18,955	30,823
Waste production per work hour (kg/hr)	1.78	1.44	3.52	2.38
Waste recovery index (%)	55.36	81.77	66.80	65.55

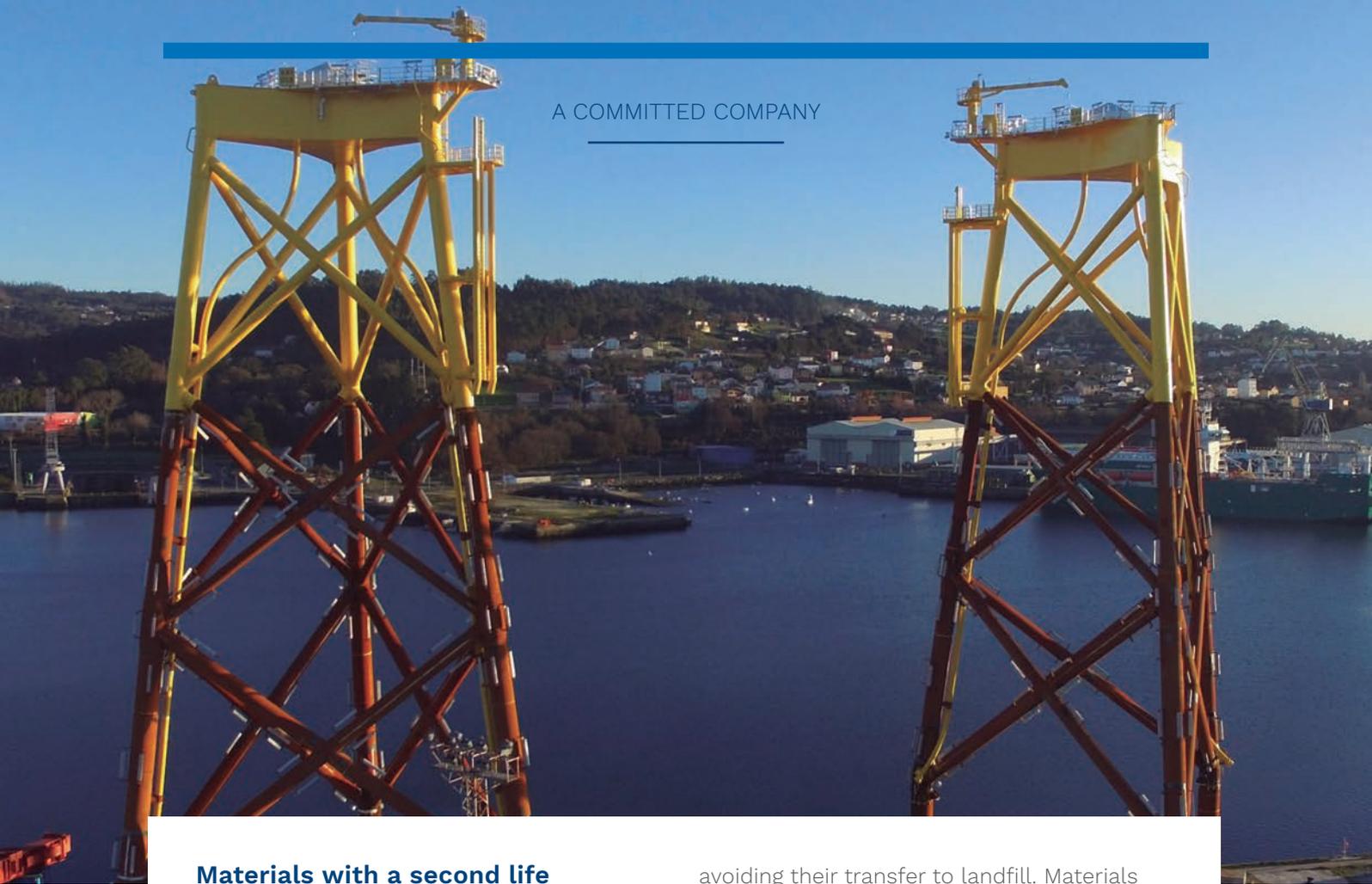
The success of these policies and initiatives have made it possible for Navantia to considerably improve its recovery index over the past few years. This is defined as the percentage of waste

(both hazardous and non-hazardous) submitted to any recovery process. Since 2016, Navantia has managed to improve its numbers in this index by almost 30 points.

Recovery index



In 2019, the company **improved its recovery index by almost 10 points** in comparison with 2018



Materials with a second life

Following the principles of the circular economy, Navantia has destined many resources to the progress in the recovery of waste generated by its activities, with the goal of giving them a second chance and

avoiding their transfer to landfill. Materials that, until now, were considered to be useless waste have become raw materials for other processes, lengthening their lifecycle and minimizing the company's environmental impact:



Grit blasting waste

This is one of the most abundant waste materials from a shipyard's activity. Grit, made of metal, iron for the most part, was traditionally sent to landfill, but in 2013, tests were carried out to **use it in cement plants as an iron supplement to manufacture clinker, a precursor to cement.** This initiative's success allows a large quantity of waste to be sent for recovery instead of to landfill. In the Bay of Cádiz's facilities, for example, more than 1,300 tons of grit were recovered in 2019.



Sands

The material used in molding and blasting as well as sand and silt dredge, has been characterized to study the viability of its reusability in new processes. With over 8,000 tons of sludge from the Cartagena dock recovered in 2019 as **covering material in urban waste landfills.**



Water

Water resources can also have a second life, as shown by the reuse of water used in the tests during the construction of the submarine (Cartagena) for the facility's **firefighting system.** In addition to it being dedicated to other uses like **flushing or swabbing.**

Waste storage and disposal

Navantia is listed in the Registry of Producers of Hazardous and Non-hazardous Waste in each of the Autonomous Communities where it carries out its business activities.

It is also authorized as a Waste Manager in those locations where it is mandatory, and has agreements with other managers for

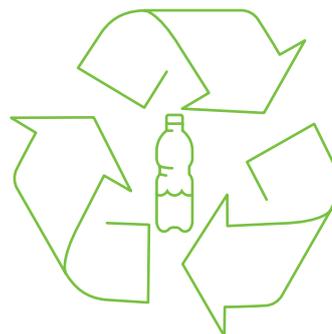
waste treatment that may be generated in production processes or by ships.

At its facilities, the company has temporary storage with specific containers for separating the different types of waste. It also has Marpol-type treatment plants for oily water for managing these types of waste.



The Ecoembes agreement continues to bear fruit

Since 2013, Navantia and the non-profit organization Ecoembes have a partnership agreement whose purpose is to help the company improve domestic container waste management for its subsequent treatment and recovery. As part of this agreement, both sides also commit to implementing public awareness initiatives on the separate collection and recycling of this type of waste.





SPILL PREVENTION AND CONTROL

The importance of water for Navantia is two-fold. On the one hand, all of its business activity is related with the aquatic environment, so there is an unbreakable link. On the other hand, but related to the first, the company makes efforts to protect this resource and everything which is derived from it.

In line with the principles of the circular economy, Navantia has mechanisms in place in all of its centers to ensure an appropriate and

sustainable use of water. The objective is to reduce the yearly amount of water necessary for its activities. But also to implement measures and mechanisms for reusing water or returning it to supply networks after submitting it to strict quality control measures.

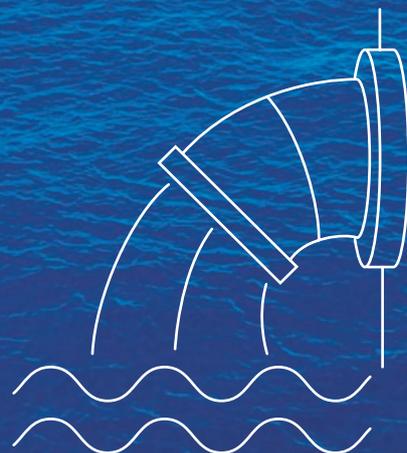
Navantia has mechanisms in place in all of its centers to ensure **an appropriate and sustainable use of water**

Improvement actions in 2019

- ♦ **In the Bay of Cádiz.** With the aim of expanding the water cycle, investments have been made in the reuse of pre-treated water in the shipyard's waste water purification plant (EDAR, for its initials in Spanish). Specifically, a tertiary treatment has been incorporated in the Marpol Plant that allows for minimum levels of quality to be achieved in order to reuse regenerated water from both the EDAR and the Marpol Plant. This water is then reused on docks for deck swabbing.
- ♦ **At the Ferrol facility.** Comprehensive waste water sanitation work was completed. Throughout the year, the organization Aguas de Galicia performed project inspections along with corresponding sampling.
- ♦ **At the Fene repairs facility.** Several rainwater run-off sites were channeled and joined to form a single one. In addition, a breakwater was constructed to anchor an anti-pollution barrier so that these waters are discharged internally in case of an incident.

Volume of water dumped in 2019

Geographic center	Water spilled (m ³)
Ferrol Estuary	148,619
Cartagena Harbor	1,817,831
Bay of Cádiz	72,352
TOTAL	2,038,802



Main environmental Indicators



RAW MATERIALS*

Geographic center	Paint consumption (l)	Natural gas consumption (m³)	Gasoil consumption (A, B y C) (l)	CO ₂ consumption (kg)
Ferrol estuary	337,481	1,354,378	257,735	153,495
Cartagena Harbor	16,700	483,344	631,583	344,290
Bay of Cádiz	698,240	445,182	728,068	517,747
Navantia	354,181	1,837,722	1,617,386	1,015,532

(*) The company is working on a reporting model for quantifying the amount of steel employed in its activities in the coming years.



WATER

Geographic center	Consumption of drinking water (m³)	Consumption of water from other sources (m³)	Total consumption of water (m³)	Total consumption of water per hour worked (l/h)
Ferrol estuary	174,846	0	174,846	24.3
Cartagena Harbor	82,694	0	82,694	20
Bay of Cádiz	342,062	17,798	359,860	44.6
Madrid	3,061	0	3,061	7.7
Navantia	602,663	17,798	620,461	31.4

Since 2016, Navantia has **reduced its total consumption of water** by around 15%



ENERGY

Geographic center	Electric consumption (MWh)	Electric consumption per work hour (kWh/htr)
Ferrol Estuary	47,345	6.58
Cartagena Harbor	21,527	5.29
Bay of Cádiz	40,086	4.97
Madrid	945	2.37
Navantia	109,903	5.56

The **electric power** consumed in the Ferrol estuary, Cartagena Harbor, and Bay of Cádiz has come from **renewable sources**



EMISSIONS/CLIMATE CHANGE

Tons of CO ₂	2019	2018
Direct	13,381	19,082
Indirect	359	32,187
Equivalents generated	13,740	51,269

Inventory of total GHG emissions and by geographic center (2019)

Geographic center	Scope 1 (t CO ₂ eq)	Scope 2 (t CO ₂ eq)	Total emissions (t CO ₂ eq)
Ferrol estuary	4,577.80	0	4,577.80
Cartagena Harbor	3,192.67	0	3,192.67
Bay of Cádiz	5,451.36	0	5,451.36
Madrid	159.07	358.92	517.99
Navantía	13,381	359	13,740

Navantia **reduced greenhouse gas emissions** by more than 73% compared to 2018 figures

Greenhouse gas (GHG) emissions reduction measures

- ◆ The electric power consumed in the Ferrol estuary, the Cartagena Harbor, and the Bay of Cádiz geographical centers came from renewable sources. This allowed for the reduction of nearly all Scope 2 emissions.
- ◆ Substitution of fuel-powered boilers for natural gas-powered ones.
- ◆ **Exchange of Flamal-31 line for natural gas at repair shops and/or docks,**
- ◆ Use of LED technology for lighting.
- ◆ Commissioning of a bus service between Fene and Ferrol to avoid the use of private vehicles.
- ◆ Improvement measures in energy control: energy monitoring and optimization.

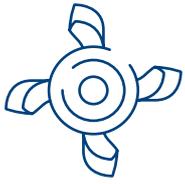
Measures for offsetting emissions

Reducing and offsetting emissions is one of the main pillars of Navantía's new CSR policy. In 2019 Navantía received **recognition by Iberia** for neutralizing its carbon footprint produced from plane travel through a reforestation project in Peru, which is certified under the VCS (Verified Carbon Standard) program.

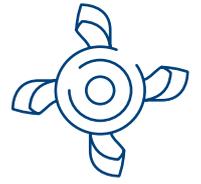
In November, the **event** organized for the launch of the Verne Program of the 2018-2022 Strategic Plan was the company's first to be **carbon neutral**. During the event nearly a ton of CO₂ was offset with two projects: the Génesis forest in the Picos de Europa and the wind energy project in Rajasthan and Tamil Nadu, India.

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Boosting society



One of Navantia's challenges is to encourage innovation and incorporate technological advances. To improve and grow as a company and also to contribute to economic progress and general wellbeing with the aim of bolstering social development and the environment where it is present.

WEALTH GENERATOR

Navantia, like the naval military industry, is an important economic driver of employment in communities; through its

activities, it contributes to generating wealth locally and nationally. This is demonstrated in 2019's figures:



Impact on aggregate demand

- ◆ **€3.693 billion**, if direct, indirect, and induced effects taken into account (or income).
- ◆ **€2.521 billion**, taking into account only the direct and indirect effects (of the supply chain).



Impact on employment

- ◆ **More than 25,800 people**, considering direct effects (staff), indirect effects (including auxiliary industries and other suppliers), and induced effects (personal income).
- ◆ In relative terms, the employment created represents **1% of the total Spanish manufacturing industry**.



Impact on GDP

- ◆ **More than €1.254 billion**.
- ◆ In relative terms, it represents **0.9% of Spanish industrial GDP**.



1.254+ billion
euros

0.9% of Spanish industrial **GDP**



25,800+ people

1% of the total
manufacturing industry



Responsible supply chain

Navantia extends its commitment as a company to all of its supply chain, especially when it comes to subcontracting and relations with suppliers. In both cases, the same principles that govern our own business activities in meeting high standards of good governance and in applying the best business practices are also applied.

Among many other initiatives, Navantia includes social issues in its purchasing policy. In 2018, it incorporated its Internal Instructions on Contracting Practices, as well as within all internal regulations on contracting, from the principles of Law 9/2017 on Public Sector contracts. Said Law states that contracting entities must ensure the design of award criteria allows the company to obtain high-quality work, supplies, and services. This is done through the inclusion of qualitative, environmental, social, and innovative aspects linked to the contract' purpose.

As a public business, the company is subject to evaluation criteria for tenders as set out in article 145 of Law 9/17. In its evaluation criteria the company is subject,

whenever the contracting purpose allows for it, to what is established in point 2. 1 of said article: "...The social characteristics of the contract refer to, ... the encouragement of the social integration of people with disabilities, disadvantaged people, or members of vulnerable populations as among the people assigned to the execution of the contract...".

With regards to the environmental and prevention aspects of suppliers, they will be assessed in the evaluation process prior to contracting. No business shall become part of the Navantia suppliers group if it does not duly prove that it has specific systems in place for these matters. Once contracted, monitoring of both prevention and environmental issues will be performed throughout the execution of the work on company premises.

The company approved **5,564** suppliers in 2019



CLOSE RELATIONS WITH SUPPLIERS

Navantia has different strategies and tools to help the best possible relations with its suppliers:



Supplier portal

Enables the exchange of necessary information with suppliers: work procedures, documentation requirements, etc.



Specific offices

The Auxiliary Industry Access Control Office and the Coordination Office were created and function with the main purpose of strengthening relations and helping communication with suppliers.



Electronic purchasing Portal

This website helps to easily transmit tenders, orders, and invoices as well as encouraging transparency and traceability of all contracting processes.



Public Sector Contracting Platforms (PLACSP, in Spanish)

The company publishes tenders using this tool in order to encourage participation. Awarded contracts will be notified through the Transparency Portal.



Evaluation system

Navantia monitors its suppliers and their capabilities throughout the most important projects in order to measure and assess performance.



Auditorías

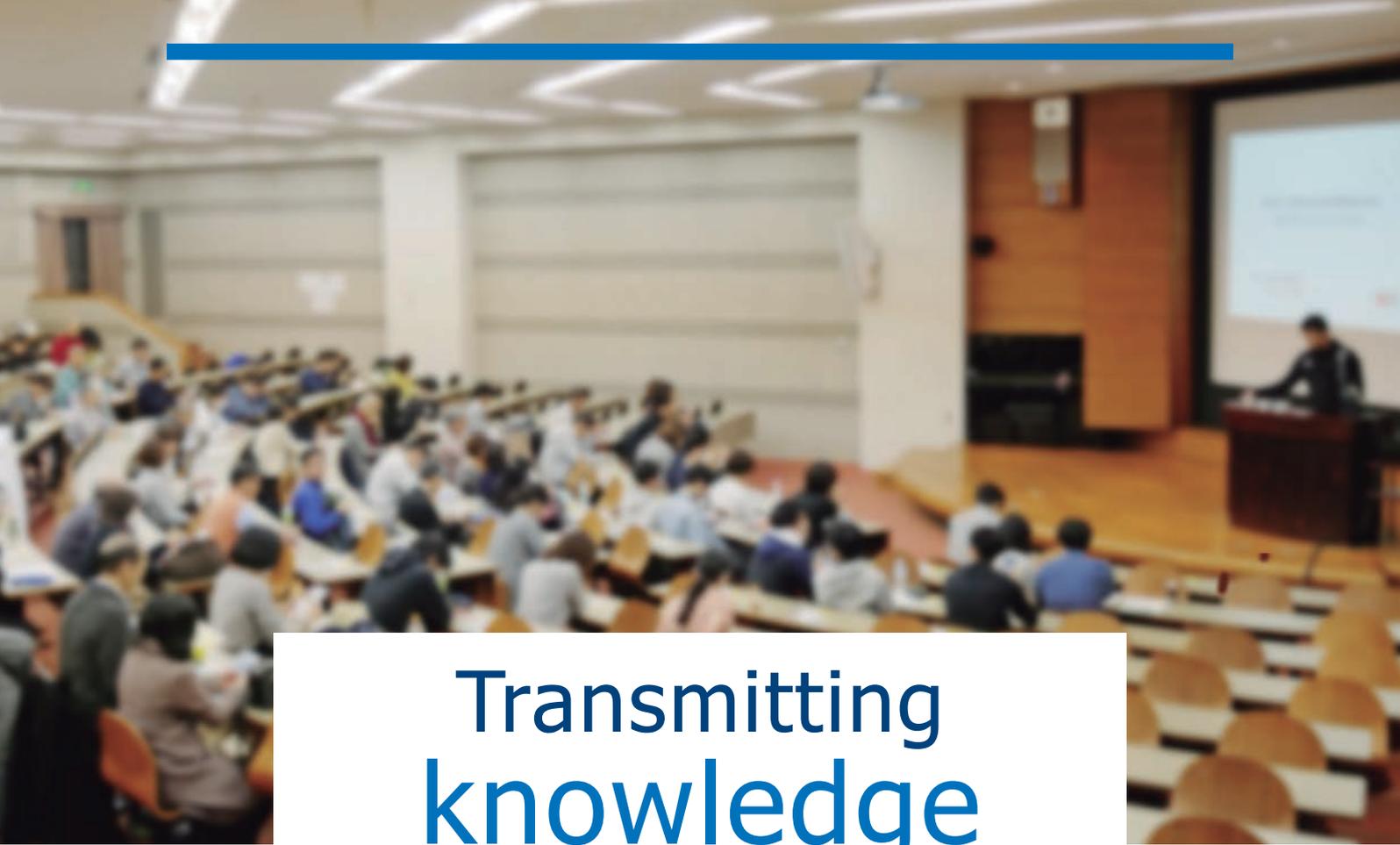
Periodically, purchasing processes will undergo internal and external audits with the aim of detecting weak points and establishing action plans that allow for continuous improvement.



Satisfaction surveys

The company regularly sends surveys and performs interviews with clients to better understand their rate of satisfaction related to organization, processes, and products.

In 2019, 59 questionnaires were sent out and seven interviews were held with managers of the main programs. Valuable information was gathered, allowing Navantia to improve its processes and activities.



Transmitting knowledge

The multilateral partnership with the Administration, universities, and research centers encourages the exchange of knowledge and development of new technologies. This has allowed Spain to place itself at the forefront of technology in the naval sector.

Four chairs have been established with the University of Cádiz, the University of A Coruña, the Technical University of Cartagena, and the Technical University of Madrid. With the University of A Coruña, Navantia also participates in the “Astillero del futuro” (Shipyard of the future) initiative. The objective is to develop disruptive technologies for the F-110 frigates program. “Nautilus” was also created, along with the Technological Center AIMEN, for the development of new, advanced manufacturing materials and systems.

Shared cultural heritage

Navantia values its cultural heritage and promotes maritime culture among its employees and in society. It encourages the generation of positive impact in the development of local populations and other interested parties.

Four chairs have been formed with the University of Cádiz, the University of A Coruña, the Technical University of Cartagena, and the Technical University of Madrid



UNIVERSIDAD
POLITÉCNICA
DE MADRID



UCA

Universidad
de Cádiz



Universidad
Politécnica
de Cartagena

Part of the community

In its commitment to society and cultural heritage, Navantia has made contributions, donations, and sponsorships to various Foundations, Associations, and non-profit Organizations. All with the aim of promoting relations with the company's stakeholders

and reinforcing its brand and business.

In 2019, Navantia contributed more than **€137,000 to these initiatives, 47% more than in the previous year.**

Navantia Partnerships in 2019



Fundación Museo Naval

Public cultural entity dedicated to preserving and exhibiting articles of historical value related with maritime activity.



Elcano Royal Institute

Think tank that studies Spanish interests on the international stage.



Spain-US Council Foundation

Organization for the progress of relations between the two countries.



Spain-Australia Council Foundation

Entity that encourages relations between the two countries.



The Legacy

Foundation dedicated to placing value on the historical and cultural contribution of Spain in the United States.



Fundación Exponav

Organization created for the promotion of knowledge on naval construction and maritime activities.



Princess of Girona Foundation

Private institute for the support of young people in their personal and professional development.



Fundación Isaac Peral

Organization that works to contribute to the development of the industrial and technological ecosystem in the region of Murcia.



Cámara de comercio hispano-noruega [Spain-Norway chamber of commerce]

Association to promote commercial, economic, and cultural relations between Spain and Norway.



Cámara de comercio e industria hispano-turca [Spain-Turkey chamber of commerce and industry]

Entity that works toward commercial, economic, and cultural relations between Spain and Turkey.



Asociación Atlántica Española

Organization dedicated to the support of the North Atlantic Alliance.



Real Liga Naval Española

[Spanish Royal Naval League] Institution that promotes and defends maritime interests in Spain.

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Heading towards the future



Navantia works to continue being a world leader in the sector, for its technological capabilities and innovation. It is becoming a more responsible company where people are the driving force that promotes its business activity. It generates greater wealth and benefits for Spain, especially in the areas where it is present.

LONG AND MEDIUM-TERM CHALLENGES



The 2018/22 Strategic Plan and the new Corporate Social Responsibility model will guide the company in the coming years. It has the objective of facing the challenges of the future and becoming a world leader in the naval sector.

Going beyond that, and consistent with the company's vision of becoming a sustainable, strategic, and international company, it has drafted the "Navantia 2030 vision" for facing the challenges of the future:

- ◆ **Strengthening as a strategic company** for national defense, industry, and employment.
- ◆ Become a leading national and European technological company that provides **technologically advanced comprehensive solutions** backed by R+D+i.
- ◆ Leadership to contend with competitors in high added-value services (ACV, Services, ToT, facilities, and 4.0 processes).
- ◆ Contribute to increasing Spanish exports with operations in growing markets, especially in Saudi Arabia and Australia.
- ◆ Promote social cohesion by generating a Spanish industrial footprint that is highly collaborative, competitive, and sustainable.
- ◆ Operational eco-efficiency by reducing the consumption of energy, raw materials, waste, and water in the company's operations.
- ◆ Knowledge retention for developing the best technological solutions.

Navantia's goals and objectives

The Sustainable Development Goals (SDGs) are a universal call to governments, society, and businesses to take steps to end problems like poverty, to protect the planet, and to

guarantee that everyone benefits from peace and prosperity. Navantia contributes to reaching these goals through its activity.

THE PRIORITY SDGS



SDG 3: Good health and well-being

- ◆ Zero accidents.
- ◆ Improve the health and well-being of company employees.
- ◆ Commitment to obtain the ISO 45001 certification in 2020 for the Occupational Risks Prevention System and obtain the "Healthy Company" certificate.



SDG 5: Gender equality

- ◆ 30% women in managerial positions (A or B) by 2025.
- ◆ 20% women on staff by 2022.
- ◆ Implement the Equality Plan signed with the Cross-Company Committee.
- ◆ Eliminate gender pay gap. Certify the commitment to equal pay in 2020.
- ◆ Include the empowerment of gender equality in design criteria.



SDG 8: Decent work and economic growth

- ◆ Increase our contribution to Spanish GDP and quality employment in accordance with Navantia's Strategic Plan objectives.
- ◆ Improve economic productivity through the implementation of operational efficiency and digital transformation.
- ◆ Encourage growth of small and medium-sized businesses by boosting partnerships with suppliers and collaborating industries.



SDG 13: Climate action

- ◆ Reduce carbon footprint by 10% by 2022 (GHG tons of CO₂ equivalent).
- ◆ Launch R+D+i projects to reduce GHG emissions of products.
- ◆ Fuel-saving services.
- ◆ Include LNG-powered and hybrids in the service catalog.
- ◆ SMART line and optimization of electric consumption on ships.
- ◆ Strengthen the renewable energy line of business.
- ◆ Environmental training and awareness for all Navantia staff.
- ◆ Commitment in 2020 to ensuring that 50% of corporate events are carbon neutral.
- ◆ Commitment in 2020 to introduce energy efficiency criteria in investment policies and to implement environmental criteria in supplier contracting and management.

THE SELECTED SDGS



SDG 4: Quality education

- ◆ Creation of a training center for spreading maritime and ocean culture among staff and collaborating industries.
- ◆ Offer training in sustainable development to Navantia professionals.
- ◆ Encourage the creation of chairs at universities.



SDG 9: Industry, innovation, and infrastructure

- ◆ Promote inclusive and sustainable industrialization by increasing the contribution to employment and the GDP.
- ◆ Expand scientific research and improve the sector's technological capabilities in areas where the company is present.
- ◆ Modernize factories in accordance with Strategic Plan investments by promoting the adoption of clean and environmentally-sound technologies and industrial processes.



SDG 12: Responsible consumption and production

- ◆ Launch a comprehensive circular economy project.
- ◆ Reduce water consumption by comprehensively managing the water cycle.
- ◆ Encourage the creation of sustainability reports at collaborating companies.
- ◆ Zero waste strategy through prevention, reduction, recycling, and reuse activities.



SDG 14: Life below water

- ◆ Beach, river, and navigation channel clean-up initiatives.
- ◆ Partnerships with foundations to protect and encourage marine life growth.
- ◆ Apply company technology to protect marine life.



SDG 16: Peace, justice, and strong institutions

- ◆ Direct collaboration with national governments, international organizations, and clients to develop solutions that contribute to making the world a safer place.
- ◆ Achieve the highest national and international standards in good governance. Commitment in 2020 to approve and implement the new corporate government system.
- ◆ Support and respect the protection of fundamental human rights within the company's scope of influence and promote cross-border development actions. Commitment in 2020 to approve a policy on respect for human rights.



SDG 17: Partnerships for the goals

- ◆ Join FP-Dual.
- ◆ Join the UN Global Compact.
- ◆ Join CEOs for diversity.
- ◆ Join the Declaration of Luxembourg.
- ◆ Join the Fundación Biodiversidad and Forética (in line with the Director Plan).

About this Memory



Company
Navantia



Location
Spain



Period covered
2019



Periodicity
annual



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This memory was drafted taking into account the 2019 Statement of non-financial information that complies with Law 11/2018 on Non-financial information and diversity and includes the information necessary for an understanding of the group's situation, its results, and the evolution of its performance in social, environmental, and good governance matters.

The information contained in this memory references Navantia España and represents that information that administrators consider relevant to the company due to its significance and materiality and which enable the identification of critical non-financial aspects for the organization and its stakeholders.





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