

CORPORATE SOCIAL
RESPONSIBILITY
REPORT

2017



Ercros

The Ercros corporate social responsibility report ("CSR Report") corresponding to the 2017 financial year, that is presented in a separate document and forms part of the consolidated management report, has been unanimously approved by the Company's board of directors meeting held on 23 February 2018.

Within the management report of the Company and its consolidated Group, the status of the non-financial information is presented, provided for in article 49 of the Spanish Commercial Code ("Código de Comercio"), as amended by Spanish Royal Decree Law 18/2017, of 24 November, corresponding to the description of the business model; the description of the policies and procedures applied for risk identification and evaluation; the main risks linked to the activities and how they are managed; and the key indicators of non-financial results.

This CSR Report, published in a separate document from the management reports, contains the rest of the non-financial information required by the aforementioned article of the Spanish Commercial Code:

- Respect for human rights [see chapter 4].
- Fight against corruption and bribery [see chapter 5].
- Environmental matters [see chapter 6].
- Staff and social issues [see chapters 7 and 10].
- Gender diversity and equal opportunities [see chapter 8].

The CSR report also contains the degree of compliance with the 183 indicators contained in the guidelines for applying CSR to the chemical and life sciences industry, promoted by the Federación Empresarial de la Industria Química Española ("Feique") in collaboration with Forética, which in turn includes the indicators required for the certification of an ethical and socially responsible management system based on standard SGE 21:2008. This report was audited by Bureau Veritas and past editions have been classified as "excellent".

Ercros' CSR Report, corresponding to financial year 2017, is available on the Ercros website (www.ercros.es) and on the website of the Spanish National Securities Market Commission ("CNMV") (www.cnmv.es). It is also published on the website of the Ministry of Employment and Social Security, in the corporate social responsibility reports section (<https://explotacion.mtin.gob.es/membrse>), in accordance with Ministerial Order ESS/1554/2016 on the registration and publication of social responsibility and sustainability reports, and on the social responsibility portal of the Government of Catalonia –Rscat– (<http://rscat.gencat.cat/ca/>).

Contents

1	Letter from the Chairman	4
2	Audit certification	6
3	Introduction	7
4	Respect for human rights	11
5	Fight against corruption and bribery	13
6	Environmental matters	15
7	Staff matters	25
8	Gender diversity and equal opportunities	31
9	Supply chain	36
10	Social issues	43
11	Dialogue and transparency	47
12	Degree of compliance with the indicators included in the CSR guide for the chemical and life sciences sectors	51
13	Responsibility of the corporate social responsibility report	66

Bearing those cases in which the comprehension of the text requires so, all references contained in this document using the male gender will be deemed as indistinctly referring to all persons, men or women, in order to avoid reiteration of terms to facilitate the reading thereof.

Dear Shareholders,

The approval on 24 November 2017 of Royal Decree Law 18/2017, on non-financial information and diversity, compels us to include, as part of the consolidated management report, this corporate social responsibility report that we have already been submitting voluntarily and independently for years.

To adapt this report to the new legal requirements, we have restructured and expanded its content. Specifically, we have included two new chapters, one on the fight against corruption and bribery and another on gender diversity and equal opportunities.

The rest of the chapters are the same, although with updated contents, and, at the end of the report, we continue to present the degree of compliance with the 183 indicators contained in the CSR Guide for the chemical and life sciences sector, published by the Federación Empresarial de la Industria Química Española ("Feique"), in collaboration with Forética.

The most relevant fact for Ercros in 2017, in terms of Social Responsibility, was the abandonment of production of chlorine and caustic soda using mercury technology, in compliance with European regulations that banned the use of this technology as of 11 December. This prohibition is part of the European Union's strategy to eradicate the industrial use of this metal, with potentially harmful effects on health and the environment.

Ercros opted to maintain its leadership in the Spanish chlor-alkali sector by promoting the use of membrane technology—considered the "best available technology"—as the most sustainable and efficient option for producing chlorine. In particular, in addition being more environment-friendly by avoiding mercury emissions, this technology consumes up to 30% less electricity.

The withdrawal of mercury technology entailed the closure of four plants, two chlorine and two chlorinated products production facilities. The factory that provided raw material (sodium chloride) to the electrolytic plants also ceased activity.

The restructuring of the chlorine derivatives division has led to the approval of a collective lay-off procedure. Ercros offered its 105 affected employees the possibility of being transferred to one of its other workplaces pursuant to the 149 voluntary partial retirement requests received.

In 2018, Ercros joined the European "Plastics 2030", a voluntary commitment initiative, promoted by the Plastic Europe association, as a contribution to the action plan of the European Union in the field of circular economy. Through this commitment, plastics producers in Europe, included Ercros, have committed to achieving a plastics reuse and recycling rate of 60% by 2030, rising to 100% by 2014.

We have also joined the Operation Clean Sweep program, an action plan of the European Union that aims to avoid the loss of microplastics to the environment, especially the aquatic environment. With the same goal of combating marine litter, in 2017, Ercros launched the new ErcrosBio PHA range, a bioplastic of vegetal origin, recyclable, compostable and biodegradable in contact with water.

In relation other voluntary agreements and programmes, the degree of fulfilment of the Responsible Care programme of the global chemical sector—to which Ercros has been signed up since 1994—was 98%, and of the Ecovadis CSR rating,—aimed at improving environmental and social practices by taking advantage of the influence of global supply chains—was 75 points out of 100. This places Ercros among the best rated companies. As for the Global Compact agreement—that analyses the commitment of companies in matters of social responsibility through the application of ten universal principles—Ercros was classified as advanced.

During 2017, Ercros' main environmental indicators experienced a very significant reduction compared with the previous year. In particular, the rate of emissions was reduced by 10% and direct greenhouse gas emissions fell by 3.2%.

The sustainability achievements in the development of new products were materialised, in addition to in the aforementioned ErcrosBio PHA, in the new range of ErcrosGreen+ resins, with a formaldehyde emissions as low as for natural wood, and in the new quality of high density Carbaicar HD, that provides considerable improvements in the manufacture of complex parts.

2017 saw a significant reduction in the accident rate. The general accident rate index—which is the most ambitious index since it measures the number of accidents, with and without leave, of internal and outsourced staff—went down by 36%. However, the trend remained negative in terms of absenteeism, where the index increased by 9%. To revert the trend of the past three years—which, on the other hand, is common in the Spanish industrial sector—Ercros has implemented a plan with specific measures.

Throughout the year, Ercros' commitment to safety was recognised by way of the "Prevention Bonus" incentive granted by the Directorate General of Social Security, through Mutua Universal, for its effective contribution to reducing workplace accidents and taking effective steps to prevent workplace accidents and occupational diseases. For their part, the Flix and Sabiñánigo plants received the "Security 2016" prize, awarded by Feique to chemical sector production centres with more than 50 workers that have not suffered any work-related accidents with leave among their own personnel for the financial year.

And in terms of training, Ercros coordinated 376 actions that counted with the presence of 3,663 participants. Of these actions, 133 received a bonus through the Tripartite Foundation for Occupational Training ("Fundae").

On 21 March of last year, Ercros's board of directors reached gender parity with the incorporation of the independent director Carme Moragues Josa. With this appointment, Ercros has been able to surpass, three years before necessary, the gender diversity goal established in guideline 14 of the good governance code for listed enterprises, proposing that female directors represent at least 30% of all board members by 2020.

At year-end, the board of directors approved the board diversity policy that establishes the criteria that must be considered during the director selection processes in an effort to promote and incentivise the board's diversity.

The percentage of women on the Ercros workforce has remained stable at 15%. The number of women holding management positions (19%) has not changed either.

This is a necessarily brief summary of the main social responsibility actions that we have implemented in 2017. From this rostrum, I greatly appreciate and value the enormous effort that these achievements have meant for the people working in Ercros. Without them, the accomplishments and advance that I have just detailed would not have been possible. Their dedication is the motor that drives Ercros towards excellence and maintains us as one of the leading reference companies in this field.

Antonio Zabalza Martí
Chairman and CEO of Ercros

Barcelona, 23 February 2018



3.1. The Company

Ercros, S.A. ("the Company" or "Ercros") is the result of the merger, made on June 30, 1989, between Cros and Unión Explosivos Río Tinto, two centuries-old companies with a long tradition in the Spanish chemical sector. In 2005, Ercros acquired Aragonesas, Industrias y Energía and almost a year later, Derivados Forestales Group XXI.

At date of approval of this report, February 23, 2018, the share capital of Ercros totals EUR 33,294 thousand and is represented by 110,980 thousand ordinary shares, of EUR 0.30 par value, which are listed on the continuous exchanges of Barcelona, Bilbao, Madrid and Valencia.

The governing bodies of the Company are the general meeting of shareholders and the board of directors, and within this the two supervisory and control commissions: the audit committee (on which the internal audit service and the compliance committee depends) and the appointments and remuneration committee. The operational management body is the ecofin and the body for monitoring and controlling the evolution of business is the steering committee.

The board of directors is composed by: Antonio Zabalza Martí, Chairman and CEO, in the category of "executive"; Laureano Roldán Aguilar and Eduardo Sánchez Morroondo, directors framed in the "other external" category; and Lourdes Vega Fernández and Carme Moragues Josa, directors framed in the "independent" category.

3.2. The Ercros Group

The Ercros industrial group ("the Group" or "the Ercros Group") is diversified into three business segments: the chlorine derivatives division, a strategic business unit whose common link is chlorine; the intermediate chemicals division, focused on the chemistry of formaldehyde, from which the rest of the products that make up its portfolio are manufactured, and the pharmaceuticals division, which is dedicated to the manufacture of active pharmaceuticals ingredients ("API").

In 2017, all the Group's facilities manufactured 2,010 thousand tons of products; the sales reached EUR 685,970 thousand and the gross operating profit ("ebitda") ordinary, to EUR 74,311 thousand. The average workforce in 2017 was 1,372 people distributed in 10 production centres all located in Spain.

The Group maintains a leading position in the main markets in which it is present and supplies a wide variety of sectors: chemical, construction, wood, paints, food, pharmacy, electrical equipment, water treatment, etc. It exports almost half of its sales (46.7%) and markets its products in 103 countries, mainly in the European Union. The Group sells its products to more than 2,000 customers.

The products of the intermediate chemicals division and pharmaceuticals division represent an important share of the world market. With paraformaldehyde, Ercros ranks first in the world ranking. It is also a leader in the market of fusidic acid and fosfomycins. In Europe, it leads sales of trichloroisocyanuric acid ("TCCA") and in Spain leads the sales of caustic soda and potash, sodium hypochlorite, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds, and is the second agent in the PVC market and of glues and resins.

3.3. Industrial structure

In 2017, the Group undertook a major restructuring in the production of chlorine and caustic soda that affected four of the six factories in the chlorine derivatives division. This restructuring is the result of the ban on the production of chlorine with mercury technology in Europe agreed by the European Union, as of December 11, 2017.

This ban has led to a reduction in the chlorine production capacity of around 7% in Europe. In the case of Spain, the effect has been more significant as the capacity has been reduced by 60%. While for the Group, the reduction went by 44.7%.

To reorganize the activity after the closure of chlorine production plants using mercury in Flix and Vila-seca I factories and to preserve the profitability of the Group, in 2016 the Act Plan was launched, which has allowed —among other actions— the expansion of the chlorine capacity production in the plants with membrane technology at Sabiñánigo and Vila-seca I factories. Membrane technology is considered the best available technology and, therefore, is not affected by the ban of the European Union.

Industrial structure

Divisions	Centres	Products	Applications
Chlorine derivatives	Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Caustic potash Caustic soda Chlorine EDC Hydrochloric acid PVC Sodium chlorate Sodium chlorite Sodium hypochlorite TCCA VCM	Chemical industry General Industry Derivatives manufacturing VCM manufacturing General Industry Construction Paper pulp bleaching Water treatment Water treatment Pool water treatment PVC manufacturing
Intermediate chemicals	Almussafes, Cerdanyola and Tortosa	Formaldehyde Glues and resins Moulding compounds Paraformaldehyde Pentaerythritol Sodium formate	Derivatives manufacturing Wood industry Sanitary and electrical equipment Resins Paints Tanning industry
Pharmaceuticals	Aranjuez	Erythromycin Fusidic acid Fosfomycin	Antibiotics Skin infections Antibiotics

3.4. Business strategy

The Ercros Group defines its business strategy in multi-annual plans that establish the measures to be adopted to increase productivity and efficiency in the use of its resources.

The Group's three main long-term strategic objectives are:

- To form an efficient, sound and profitable chemical group with an international presence.
- To achieve productive, industrially integrated facilities with a European dimension and situated in efficient locations.
- To specialise its portfolio in high-performance products, which offer greater comparative advantages for the Group and that have a higher growth forecast.

a) Act Plan

The strategy in the short and medium term of the Group is defined in the plan for adaptation to technological change ("Act Plan"), which covers the period 2016–2020 and contains actions amounting EUR 67,440 thousand, EUR 3,740 thousand more than initially planned.

The Act Plan was designed, mainly, to deal with the restructuring of chlorine production, but also includes other actions to increase the manufacturing capacity of those products whose facilities are close to reaching 100% of their capacity.

The Act Plan is structured in two phases: (i) the first, which has covered the period 2016–2017 and is fully executed; and (ii) the second, which covers the period 2018–2020 and is in execution.

The aforementioned restructuring has involved the application of a collective lay-off file that has affected 105 people. All of them have received an offer of relocation in some other centre of the Group, thanks to the 149 voluntary partial retirement applications received.

3.5. Results

Consolidated income statement

EUR THOUSAND

	Year 2017	Year 2016	Variation (%)
Income	694,037	619,589	12.0
Turnover	685,970	602,543	13.8
Other operating income	3,287	4,381	-25.0
Reversal of provisions for various obligations	6,942	0	—
Change in inventory	-2,162	12,665	—
Expenses	-619,726	-561,159	10.4
Procurements	-316,581	-270,215	17.2
Supplies	-114,389	-101,854	12.3
Employee benefits expense	-83,387	-81,822	1.9
Other operating expenses	-105,369	-107,268	-1.8
Ordinary ebitda	74,311	58,430	27.2
Costs for mercury technology decommissioning:			
Staff reduction	-11,000	0	—
Dismantling and remediation	-10,732	0	—
Amortization expense	-18,252	-19,371	-5.8
Reversal of the impairment loss of certain assets	0	11,990	—
Ebit	34,327	51,049	-32.8
Financial expenses, losses and deterioration	-5,947	-6,161	-3.5
Exchange differences	-437	-116	×3.8 ¹
Share in profits of associates	740	550	34.6
Profit before tax	28,683	45,322	-36.7
Income taxes	15,899	-157	—
Other comprehensive result	-90	0	—
Profit for the year	44,492	45,165	-1.5

¹ Multiplicative factor.

Sales by division

EUR THOUSANDS

	Year 2017	Year 2016
Chlorine derivatives	440,441	389,087
Intermediate chemicals	191,324	160,590
Pharmaceuticals	54,205	52,866
Ercros	685,970	602,543

Ebitda by divisions

EUR THOUSANDS

	Year 2017	Year 2016
Chlorine derivatives	48,016	33,550
Intermediate chemicals	16,542	15,977
Pharmaceuticals	9,753	8,903
Ercros	74,311	58,430

3.6. Social indicators

Indicators ³	Year 2017	Year 2016
IF	2.51	2.97
Global IFG	3.11	4.85
Absenteeism	4.87	4.50
Emissions rate	953	1,060
Direct CO ₂ emissions (TON millions of equivalent CO ₂)	597 ²	595
Quality certification activity (%)	100	100
Environmental certification activity (%)	100	100
Prevention certification activity (%)	100	100

¹ Direct and indirect CO₂ emissions (scopes 1 and 2).

² Pending external verification.

³ The calculation formula and purpose of each indicator:

IF:

- Calculation: number of accidents with leave of own personnel × millions of worked hours.
- Purpose: measure the ratio of accidents suffered by own personnel.

Global IFG:

- Calculation: number of accidents with or without leave of own and third-party personnel × millions of worked hours.
- Purpose: measure the ratio of total accidents, with or without leave, suffered by all the people working in the Group's factories, whether they belong to the Group or not.

Absenteeism:

- Calculation: percentage of lost days ÷ total theoretical days to be worked in the year.
- Purpose: know the percentage of lost days due to non-occupational sickness.

Emissions rate:

- Calculation: volume of most significant pollutants (air, water and waste), a factor that varies based on their danger.
- Purpose: measure the evolution of the Company's environmental behaviour.

Direct CO₂ emissions:

- Calculation: in accordance with standard UNE-EN ISO 14064-1:2012 guidelines.
- Purpose: measure the impact of the activity on climate change.

Quality certification activity:

- Calculation: percentage of centres with the ISO 9001 certification ÷ total centres.
- Purpose: know the stage of implementation of a quality management system in the Group.

Environmental certification activity:

- Calculation: percentage of centres with the ISO 14001 certification ÷ total centres.
- Purpose: know the stage of implementation of an environmental management system in the Group.

Prevention certification activity:

- Calculation: percentage of centres with the OHSAS 18001 certification ÷ total centres.
- Purpose: know the stage of implementation of an occupational risk prevention management system in the Group.

x= multiplied ÷= divided

The Ercros Group supports and respects the protection of human rights, recognized internationally, within its sphere of influence. The materiality of this issue in the Group is determined by the compliance with the code of ethical conduct ("code of ethics") and voluntary agreements signed, since its activity in sensitive geographical areas is limited.

4.1. Regulatory framework

The Group has voluntarily internalised the principles of social responsibility within its value system, which are present in its daily management tasks and in the decisions it adopts.

These values and principles are reflected in the corporate social responsibility policy ("CSR policy") and are developed through the objectives set out in the social and ethical responsibility plan ("CSR plan"), which lay the foundations of the regulatory framework (regulations, policies, manuals, plans and procedures) that specify the actions of the Ercros Group in each area.

a) CSR Policy

The Group assumes the principles of social responsibility embodied in the CSR policy as part of its value system.

The CSR policy has been in force since 2011 and was revised by the board on 18 February 2016, to adapt its content to recommendation 54 of the good governance code ("CGG"), which deals with the principles that must be included in a social responsibility policy.

The basic principles of action in respect of human rights included in the CSR policy are:

- Compliance with current legislation –including international standards and guidelines, recommendations for good corporate governance and internal rules of conduct and voluntary agreements to which the Group adheres–, particularly, the Responsible Care program and the Global Compact of the United Nations [section 4.2 below].
- Support for human rights and public freedoms, especially freedom of association, the right to collective bargaining and the eradication of child labour, and forced or coerced labour.
- The adoption of responsible practices in the supply chain and the extension of compliance with ethical principles and standards to all participants in this chain [see chapter 9].

b) The ethical code

The group has an ethical code of mandatory compliance that defines the standards of ethical conduct that must govern the actions of everyone working in the Group in the exercise of their professional activity.

Linked to the ethical code, is the ethical channel procedure, which establishes the mechanism by which complaints can be filed about alleged breaches of the standards of the ethical code.

The audit committee is responsible for managing complaints filed through the ethical channel and, by delegation, the internal auditor. This committee also guarantees the confidentiality of the facts reported and that no reprisals are taken against complainants. In 2017, one complaint was reported through the ethics channel. The audit committee activated the action protocol established for cases of urgency and the complaint was addressed in due time and form.

Ercros also has the procedure of the public service line ("LAP") that regulates the filing of complaints, reports and suggestions for improvement by external stakeholders.

In 2018, the Group expects to complete the adaptation of the ethical code and the ethical channel procedure to the modifications introduced in the internal conduct regulations for securities market matters ("ICC") [see chapter 11.1].

4.2. External voluntary programmes and agreements

In addition to the legal regulations applicable to it, the Group assumes voluntary commitments and subscribes to programs and agreements with more ambitious objectives than those set out in the various legislations of the countries in which it operates, including:

- The Responsible Care program: the Group is a benchmark company in the application of this international program, to which it has been adhered since 1994. The Responsible Care program is an initiative of the world chemical industry that in Spain is promoted by the Federación Empresarial de la Industria Química Española ("Feique"). In 2017 the Group's level of compliance with the seven codes of management practices was 97.7% (99.4% in 2016) This difference is due to the fact that the updates to the environmental and process security self-assessment questionnaires increased the degree of stringency and adjusted the assessment criteria of the security code.
- The Global Compact agreement: the Group has been signed up to this agreement, promoted by the United Nations ("UN"), since 2000. The objective of this agreement is to achieve a commitment from companies in matters of social responsibility through the application of ten universal principles. The 2016 report presented in 2017 was classified as advanced.

- Sustainability management systems: The Group applies management systems in its centres that are accredited by independent companies, following internationally recognised standards that are verified and renewed annually. Specifically, the standards ISO 14001, ISO 14064, ISO 50001 and EMAS are applied in environmental matters; the standard ISO 9001 in quality matters, and the standard OHSAS 18001 in occupational health and safety matters.
- The good governance code for listed companies ("CGG"): approved by the Spanish National Securities Market Commission ("CNMV"), the CGG contains 64 recommendations, 12 of which are not applicable to Ercros. Of the remaining 52 recommendations, it complies with 50. In terms of the other two, it partially complies with one and can explain its non-compliance with the other. In 2017 the degree of compliance with the recommendations contained in the CGG applicable to the Group stood at 96.2% (the same as in 2016).
- The XVIII general agreement for the chemical industry for 2015-2017: the declaration of principles of article 112 of the aforementioned agreement establishes "Respect for People" as a prerequisite for individual and professional development, with its most immediate reflection in the principles of "Respect for Legality" and "Respect for Human Rights", regulating the activity of all people in the exercise of their duties, requiring them to apply appropriate, respectful and dignified treatment, guaranteeing the safeguarding of fundamental labour rights, dignity, personal privacy and equality."
- The application guide for CSR in the chemical and life sciences sector: promoted by Feique in collaboration with Forética, contains 183 indicators, with a level of compliance that is explained in chapter 10.
- The Ecovadis CSR rating, the goal of which is to improve businesses' environmental and social practices by taking advantage of the influence of global supply chains. In 2017 the Group maintained its Gold classification with 75/100 points (the same as in 2016), placing the Group among the top 5% of companies.

4.3. Relationship with sensitive geographical areas

The Group carries out most of its activities in areas that have legislation that prohibits child labour, and forced or compulsory labour. All its production facilities are located in Spain, which in turn is the destination of 53% of sales. The Group exports 26% of sales to other countries in the European Union and 8% to other OECD countries, while the remaining 13% goes to countries in the rest of the world, with India and China leading the way. With regard to purchases, 69% of inputs and supplies come from Spain; 16% of the European Union; 10% of the OECD and, only, 5% from countries in the rest of the world.

The Group ensures that its priority stakeholders –employees, customers and suppliers– comply with the law in their professional relations, regardless of the country in which they are located, and respect and protect the human rights and public freedoms recognised in the Universal Declaration of Human Rights and in the Global Compact.

These demands lead first rules contained in the ethical code. In order to ensure compliance by stakeholders, the Group carries out campaigns to inform about and, where appropriate, enforce the ethical code:

- The Group's personnel is expressly committed to complying with the principles and standards contained in the ethical code for the duration of their employment relationship with the Group.
- In contracts with suppliers of logistics, goods and services, a clause has been included that commits them to abide by the code of ethics in their relations with the Ercros Group. In the case of suppliers of raw materials, compliance is given tacitly by introducing an ethical clause either in the respective contracts or in the orders placed by the Group.
- This clause is also included in the invoices that are sent to customers.

In this way, the Group has mitigated the risk of non-compliance with due respect for human rights in the Group. To reinforce vigilance and to avoid incurring this risk, especially in sensitive geographical areas, which either lack legislation that protects human rights or where enforcement is lax, the Group has established safeguard mechanisms.

One of these mechanisms is the approval process and periodic evaluations that must be carried out by the supplier companies that contract with Ercros. These evaluations verify, among other aspects, suppliers' ability to comply with, among other commitments, the requirements of sustainability and ethical conduct followed by Ercros [see chapters 7.1 and 9.3].

Another safeguard mechanism is the procedure for registering suppliers in the information system, which was approved in January 2017. Within the framework of this procedure, the Group has carried out reputational reports on suppliers with an estimated annual turnover of more than 2 million euros. In 2017, seven reputational reports were conducted (three on energy companies and four on strategic raw materials suppliers) and all were favourable. These suppliers represent 35% of the Group's purchases of raw materials. The reputational analysis of suppliers representing 50% of the Group's total purchases is expected to be complete by the end of 2018.

The Ercros Group remains vigilant in combating corruption and bribery. To do so, it complies with binding legal regulations, assumes voluntary commitments —such as the fight against corruption included in the 10th principle of the Global Compact— and has internal regulations and procedures in place that reinforce its commitment in this matter. The fight against corruption and bribery focuses on the internal financial control and transparency systems.

5.1. The ethical code

The ethical code pays special attention to the behaviour to be followed by the Group's employees in relation to the fight against corruption and bribery. Several of the rules it contains deal with this matter, including:

- Respect for the law regardless of the country where it operates (rule 4.1).
- Correct accounting records for all transactions carried out by the Group and the faithful reflection of the Group's economic-financial and equity information (rule 4.6).
- Monitoring for signs of lack of integrity among persons or entities with which financial and commercial transactions are carried out in order to avoid laundering money resulting from illegal activities and collaboration with the authorities responsible for combating money laundering or financing of any illicit activities (rule 4.7).
- The prohibition of accepting direct or indirect offers of gifts, hospitality, services or any other kind of favours with special attention from suppliers (rule 4.8).
- The prohibition of offering any cash payments or other benefits to persons serving public entities, private entities, political parties, or persons who are candidates for public office, with the intention of obtaining, from them or through them, deals or other unlawful advantages for the subject person or for the Company (rule 4.9).
- The prohibition of making payments, consisting of the delivery of money or other valuables, in exchange for ensuring or expediting the course of a proceeding or action before any judicial body, public agency or official body (rule 4.9).

5.2. CSR Policy

The CSR policy defines, among other matters, the principles of social responsibility related to the fight against corruption and bribery assumed by the Group. Specifically: (i) compliance with current legislation; (ii) cooperation with justice; (iii) implementation of mechanisms for the prevention and supervision of financial and non-financial risks; and (iv) adoption of responsible practices in the supply chain.

This policy is instrumented by way of specific policies, codes of conduct, regulations, manuals, plans and procedures, which specify the Group's principles of action in each area and that are the basis on which the Group's management establishes activities in their respective areas and objectives to ensure compliance and continuous improvement.

5.3. Internal control systems

The Group has implemented an internal control system to avoid, among other risks, the existence of bribes or corruption among its personnel. The internal control system pivots on the following three axes:

- The IFRS committee (International Financial Reporting Standards) that conducts a monthly analysis of the different items of the Ercros Group's financial statements, as well as the implementation of the new International Financial Reporting Standards ("IFRS") and their impact on the Group's financial statements.
- Controlling the monthly closure of Ercros ("CME"), aimed at checking the main items of the balance sheet and the profit and loss account based on a monthly survey reporting that the closing procedures of the different areas of the organisation that may have an economic impact on the Group's financial statements have been performed correctly.
- The Ercros risk alert system ("SARE"), which is the tool through which business managers and functional managers' report the actual or potential risks that may affect the Ercros Group in some way.

Also, on 26 July 2017, the board approved the creation of the compliance committee, which is composed of Xavier Álvarez García, manager of the internal audit service, and by Asunción Loste Madoz, director of the legal service. The compliance committee reports to the audit committee and its functions include the following:

- Ensuring that the system of values adopted in the code of ethics is updated, proposing any updates and additions that may be necessary to the audit committee.
- Preparing and implementing a manual of Ercros criminal risks with the appropriate protocols for its compliance in order to prevent crimes that could be committed under the coverage of the legal entity.
- Proposing the adoption of those measures it considers appropriate to the audit committee to guarantee compliance with and follow-up of the manual for the prevention of criminal risks and to inform the committee of any infringements detected.
- Monitoring the policies, procedures and controls established in relation to risk control, and in general, compliance with the manual the principles established in the ethical code.

The members of the compliance committee have received training on this subject, including the "Compliance, ethics and regulatory compliance" course, given by Feique on 21 and 22 June 2017, and the "Compliance Specialist" course, given by the Asociación Española de Normalización y Certificación ("Aenor") from 18 to 22 September 2017.

One of the ways to prevent corruption and bribery is transparency of information. Every year, the Group publishes the mandatory annual reports —Economic and financial report, corporate governance report, directors' remuneration report, and the corporate social responsibility report— on the websites of Ercros (www.ercros.es) and the CNMV (www.cnmv.es) [see chapter 11.1].

The Ercros Group has a long history of industrial activity and 2 of its 10 production centres are more than 100 years old. Both due to its long history and its activity, focused on the manufacture and sale of chemical products, the Group is especially aware of environmental issues.

The remediation of industrial land, adaptation to changing environmental regulations —with effects on the technology used, emission limits and product information— and the prevention of accidents make up the Group's main concerns in terms of environmental matters.

6.1. Environmental management

The Group's environmental management is aimed at protecting the environment and preventing pollution by reducing the environmental impact generated by its activity. This is achieved by applying the most suitable treatments; the implementation of the most advanced technologies and incorporation of improvements in production systems, the most rational use of energy and compliance, in all cases, with legal and other applicable requirements.

All this implies:

- Reduce discharges to water and atmospheric emissions, especially greenhouse gases due to their effects on climate change.
- Making sustainable use of natural and energy resources.
- Reducing the industrial waste generated, prioritising its reduction and recycling, and ensuring that the waste receives the most adequate treatment.
- Preserving the biodiversity of protected areas in the vicinity of industrial facilities.

The two main tools available to the Ercros Group to achieve its environmental objectives are, on the one hand, the sustainability management system, with the sustainability policy and accompanying manual, as well as the procedures and plans derived from the policy; and, on the other hand, the Responsible Care program.

The internal management body responsible for ensuring the Group's sustainability is the Ercros sustainable development committee ("Cedes"). It is comprised the general business director, the division directors, the industrial and factory directors, and the directors of integrated logistics, human resources and sustainable development. The latter in turn acts as both coordinator and spokesperson for this body.

Each work centre has its own sustainability committee that is responsible for achieving the centre's own targets.

a) Environmental certifications

The Group uses an environmental management system that is certified and verified annually by an accredited company, based on the following specific environmental standards:

- Standard UNE-EN ISO 14001:2008, accrediting the implementation of an environmental management system that promotes the protection of the environment and the prevention of pollution. Since April 2009, all of the Group's industrial facilities have been certified in accordance with this standard, renewable annually.
- The European eco-management and audit scheme ("EMAS") registration system is a voluntary regulation that accredits companies that have a defined environmental policy and regularly report on the operation of that system by means of an environmental declaration verified by independent bodies. At present, the factories of Monzón, Sabiñánigo and Tortosa, and the three integrated centres in the Tarragona industrial complex are included on that register.

In addition, the Group applies other environmental standards at its production facilities that are certified and verified annually by an accredited company, based on:

- UNE-EN ISO 14064-1:2012 standard on specifications for the quantification and declaration of greenhouse gas emissions. Certification under the standard has been in place since 2017 and the Group's carbon footprint as an organisation is calculated based on its application.
- UNE-EN ISO 50001 standard on energy management systems that has been implemented in the Vila-seca I, Vila-seca II, Sabiñánigo and Tarragona.

b) Internal regulatory framework

The Ercros Group has policies, manuals, plans, procedures, etc. that make up its internal regulations regarding environmental protection. These include:

- The sustainability policy, updated in 2015 and providing the reference framework that governs its actions in terms of sustainability. The purpose of this policy is to protect people and the environment, together with other fundamental pillars such as energy efficiency, product stewardship and the satisfaction of customer's needs.

- The sustainability policy is implemented through the sustainability manual that sets out the basic guidelines for the management system, deriving in the general corporate procedures that form the basis for the specific documents for each work centre.
- The sustainability plan, which establishes the annual environmental objectives, among others.
- The energy policy, that is committed to applying sustainability and social responsibility principles in the production centres, and that considers energy management as one of the Group's basic management principles. To comply with this commitment, the Ercros Group has implemented an energy management system that is compliant with UNE-EN ISO 50001 standard in the Vila-seca I, Vila-seca II, Sabiñánigo and Tarragona factories.

In addition, the Group has procedures to regulate the training of the people working at its facilities; internal communication; staff awareness, consultation and participation, and the filing of complaints on breaches of the ethical code through the ethical channel, among others. With regard to external stakeholders, the Group has a procedure –the LAP– that regulates the presentation of complaints, reports and suggestions for improvement.

c) Adherence to voluntary programmes

Both the Responsible Care program and the Global Compact contain commitments to protect the environment. Specifically:

- The environmental protection code of the Responsible Care programme: designed to establish a clear preventive policy to avoid and control the environmental impact of the Group's facilities and operations, in accordance with the best environmental practices of the chemical industry. This code's management system is similar to the EMAS and ISO 14001 systems that are used as support instruments for developing the programme.
- Principles 7, 8 and 9 of the Global Compact: (i) in accordance with principle 7, "Businesses should support a precautionary approach to environmental challenges"; (ii) in accordance with principle 8, "Businesses should undertake initiatives to promote greater environmental responsibility", and (iii) in accordance with principle 9, "Businesses should encourage the development and diffusion of environmentally friendly technologies".

d) Environmental expenses and grants

The expenses incurred by the Group for the protection and improvement of the environment in 2017 amounted to EUR 18,692 thousand (EUR 18,200 thousand in 2016). The majority of these expenses corresponded to activities carried out in compliance with environmental legislation with regard to reducing emissions and soil remediation.

In 2017 the Group received grants for greenhouse gas emission allowances amounting to EUR 1,261 thousand (2016: EUR 2,050 thousand) and from the Institute for the Energy Diversification and Savings ("IDEA") amounting to EUR 3,384 thousand.

In 2016 the Group also received EUR 203 thousand as compensation for indirect greenhouse gas emission costs arising from its electricity consumption.

At 2017 year end, the Group had incentives and tax credit carry forwards for investments in environmental protection accrued between 2002 and 2006 totalling EUR 381 thousand (2016: EUR 743 thousand).

6.2. Regulatory environment

The Group –because of the sector it operates in– is subject to strict environmental regulations, in terms of emissions, soil remediation, regulation of substances, etc.

a) Industrial emissions

Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control), transposed into Spanish legislation through Law 5/2013, requires that the environmental permits be adapted at all centres to which it applies and requires that the best available techniques ("BAT") be applied in production processes, within four years of publication of the conclusions from the reference documents on the best available techniques ("BREF") applicable in each case.

Royal Legislative Decree 1/2016, of 16 December, transposing the aforementioned directive, consolidates into a single legal text the amendments made to Spanish Law 16/2002, of 1 July, on integrated pollution prevention and control and the provisions on industrial emissions contained in legislation with the power of law.

In the case of the BREF for the chlor-alkali industry, compliance with the 11 December 2017 deadline for discontinuing the activity of chlorine production plants that use mercury cells resulted in the Group closing the mercury electrolysis plants at the Flix and Vila-seca I factories and a general restructuring of the production process for chlorine and chlorine derivatives.

In order to adapt these factories to the chlor-alkali BREF, the Catalan regional authorities requested the ex officio renewal of its environmental permits in 2016 and at the end of 2017 issued both proposed resolutions. In view of the aforementioned proposals, the Group has submitted certain pleadings and is awaiting the definitive resolutions.

Regarding the BREF for the large volume organic chemical industry ("LVOC"), on 21 November 2017, the Official Journal of the European Union published Implementing Decision ("EU") 2017/2117, establishing best available techniques ("BAT") conclusions. In the case of the Ercros Group, the adjustments to the aforementioned BAT, which must be carried out before 22 November 2021, will lead to changes at the EDC and VCM production plants that are currently in the research phase since the formaldehyde plants, also affected by this BREF, have already been adapted to the new requirements.

b) Greenhouse gas emissions

Spanish Law 1/2005 transposed Directive 2003/87/EC, regulating greenhouse gas emission allowance trading as a measure to combat climate change, into Spanish law.

In 2009 the European Parliament and the Council amended the aforementioned directive to include the 2020 target of reducing the level of emissions by 20% with regard to 1990 levels. The aforementioned amendment was transposed into Spanish legislation through Spanish Law 13/2010. This legislative package establishes the rules for the free allocation of allowances and implements a new auction system.

Based on this legislative package and in accordance with the resolution from the Undersecretariat of State for the Environment, of 18 November 2014, the Group has 1,979,281 EUA (European Emission Allowances) allocated to it at zero cost for the 2013-2020 period, of which 242,593 EUA correspond to 2017 (2016: 247,280 EUA).

c) GMP and GDP standards

The manufacturing and distribution of active pharmaceuticals ingredients ("API") in Europe must comply with the principles and directives of good manufacturing practice ("GMP") –in the case of manufacturing– and good distribution practice ("GDP") –in the case of distribution.

The Spanish Medicines Agency and the corresponding agencies in the countries that receive products from the pharmaceuticals division are responsible for authorising and inspecting compliance with these practices. GMP in GDP are requirements that must be fulfilled in order for the pharmaceuticals division to operate and market its products.

Although GMP has been implemented at the Group since it began, GDP was implemented at the end of 2017. Specifically, GDP requires that the quality of the API be ensured from the moment they leave the factory until they are received by customers, including storage and transport. The application of these practices led to a risk analysis being conducted on the product distribution routes and its approval.

GMP is established in Directive 2003/94/EC, although its precursor dates back to 1949, and GDP is established in Directive (2013/C 343/01), of 5 November 2013, on Good Distribution Practice of medicinal products for human use and Directive (2015/C 95/01), 19 March 2015.

d) Soil remediation

Royal Decree 9/2005, establishing the list of potentially soil polluting activities and the criteria and standards for declaring polluted soil, requires industries to launch, if appropriate, a remediation project, subject to approval by the competent authority.

On 28 March 2017, the Regional Government of Catalonia enacted a law –Catalan Law 5/2017, on fiscal and financial measures amending Legislative Decree 1/2009, on polluted waste and soils– that includes the concept of historical pollution. In accordance with the aforementioned law, all pollution or alteration in the soil that occurred prior to 28 August 1994 is considered historical. Regarding the soil affected by historical pollution, the measures adopted must focus on restoring the functions specific to the soil's use when it was contaminated. Where applicable, the polluted soil may be contained or confined if it is demonstrated that other solutions are technically or economically impossible. This law clarifies and conditions the actions that the administration can impose regarding restoring the soil of historical industrial sites located in Catalonia.

(i) Flix soil and reservoir

In relation to the soil at the Flix factory, on 30 November 2016, Ercros submitted to the regional authorities the characterisation study for the last portion of the soil at the Flix factory that were still pending. Based on the studies, the authorities have yet to determine the clean-up project that, where applicable, must be implemented. On 28 February 2017, Ercros submitted to the authorities an environmental remediation plan supplementing the aforementioned study and describing the actions it proposes taking to improve the quality of the soil and groundwater at the Flix factory and the steps to be taken to eliminate possible mercury emissions after closure of the chlorine production plant on 10 December 2017. This plan is still pending approval although, throughout 2017, the Group—in coordination with the authorities—began to implement a portion of the actions described therein.

With regard to the Flix reservoir, the decontamination works are being executed by Acuamed and Ercros is required to cover 5.28% of the costs of the aforementioned decontamination. Pursuant to a court order issued by the Appellate Court of Tarragona, Ercros has submitted a payment offer to Acuamed amounting to EUR 8,020 thousand. This amount—which is pending approval by Acuamed—is based on the documents submitted by Acuamed during the legal proceedings, in relation to both the cost of the decontamination works already carried out and the budgeted cost of the work pending execution.

(ii) Soil at other factories

Over the past year, the Group continued with its characterisation and remediation work on the soil at the Vila-seca I and Vila-seca II factories. It also expanded the characterisation and control work on the soil at the Sabiñánigo and Monzón factories. In October 2017, the Group submitted the results of the groundwater monitoring research at the Sabiñánigo factory to the Ebro River Control Authority and on 22 November 2017 it submitted the reports on the voluntary monitoring campaigns conducted in two areas of the Monzón factory. Lastly, on 23 January 2018, the competent authorities approved the proposal submitted by the Group to improve the quality of the groundwater of the land it holds at the Palos de la Frontera premises, disposed of in 2015.

(iii) Cardona mine dumps

The Group is restoring the Terrera Nova dump in Cardona—where saline waste extraction activity concluded in 2012—in accordance with the plan approved by the Directorate General of Environmental Quality and Climate Change of the Regional Government of Catalonia. The land clearance and revegetation tests included in phase 1 were carried out in 2017.

Last year, Ercros submitted to the Directorate General of Environmental Quality and Climate Change the updated restoration plan for the Terrera Vella dump that was in operation until the Cardona factory discontinued its activity. This plan includes activities aimed at making it possible to potentially use the saline resources the mine dump contains since the surface water management proposed is compatible with the environment and consistent with the comprehensive restoration project of the Vall Salina.

(iv) El Hondón soil

The El Hondón soil remediation project, where the old factory of Cartagena was located, is pending issuance of the corresponding administrative permit and it is difficult to estimate when this process will end. Furthermore, the new city council of Cartagena has changed the focus on how to deal with this land, preferring on-site confinement of waste.

e) Serious accidents involving hazardous substances

Royal Decree 840/2015, known as Seveso III, approving control measures for the risks inherent to serious accidents involving hazardous substances, requires the production centres to which it applies to have an up-to-date safety report, to periodically perform preventive inspections and simulations of serious accidents, implement a site emergency plan and investigate accidents that occur and report them to the authorities.

6.3. Environmental indices

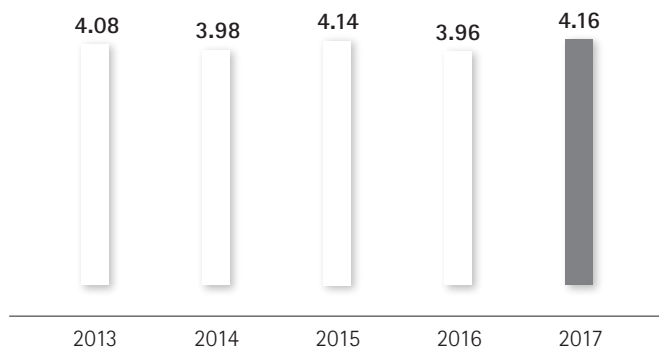
The following is the performance in 2017 of the main environmental indices used by the Group:

- The emissions index fell 10.1% with regard to 2016 and, in turn, it is 16.8% lower than the projected target index.
- Direct greenhouse gas emissions fell 3.2% between 2016 and 2017 due to the increased energy efficiency of the new boiler installed at the Tarragona complex and the reduction in natural gas consumption that was replaced by steam at the Tortosa factory.

Consumption:

Energy¹

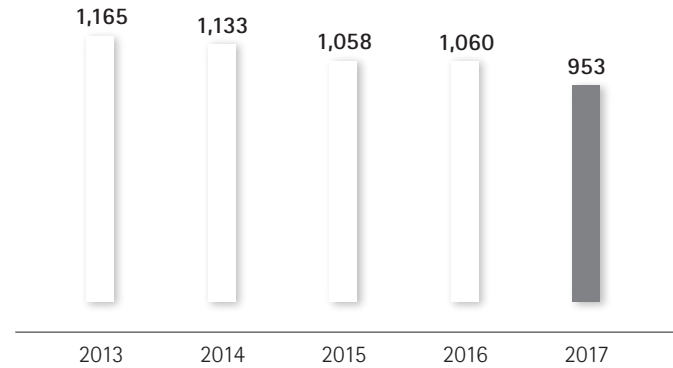
GJ/T PRODUCED



¹ The consumption of energy includes the consumption of electric power and the consumption of fossil fuels.

Emissions:

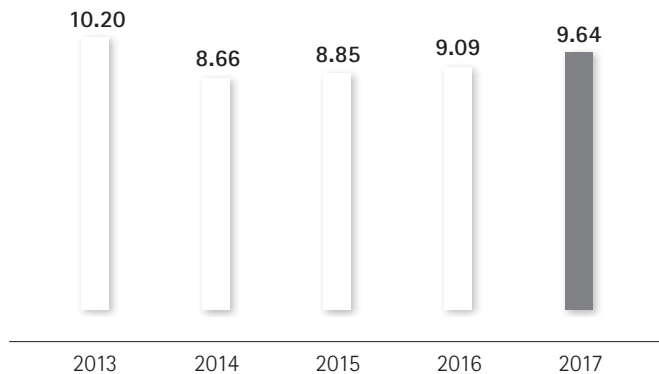
Emission rate¹



¹ The emission rate is calculated from the data of emissions to the atmosphere and water and the production of waste from each of the production centres, and from factors that depend on the products involved.

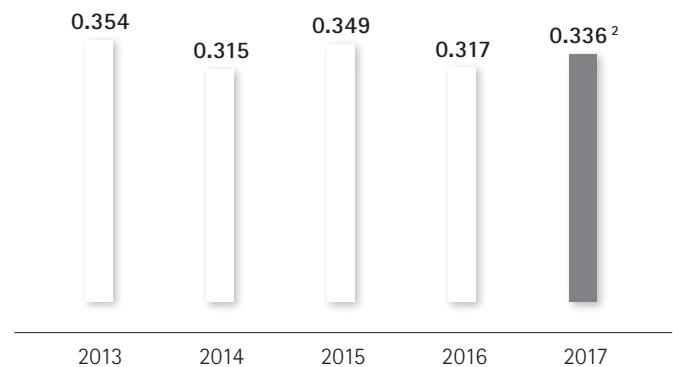
Water

M³/T PRODUCED



Greenhouse gas emissions¹

T OF CO₂ EQUIVALENT/T PRODUCED



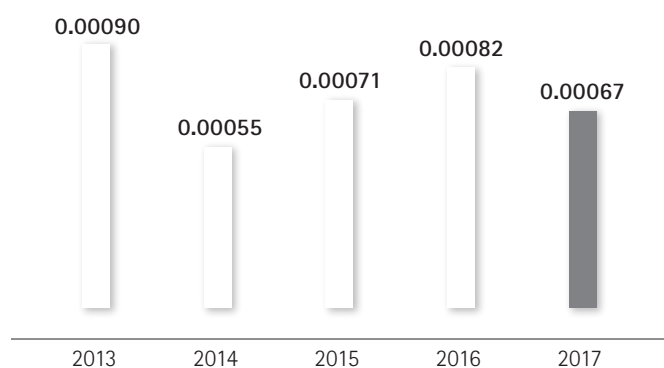
¹ Direct and indirect CO₂ emissions (scope 1 and 2).

² Pending external verification.

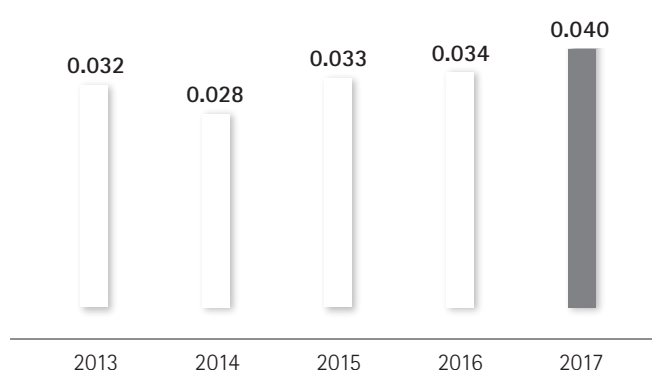
Direct and indirect emissions of greenhouse gases (scope 1 and 2), calculated according to the guidelines of ISO 14064, were 597 thousand tons of CO₂ equivalent pending verification (595 thousand tons of CO₂ equivalent in 2016).

Emissions (continue):**Emissions of volatile organic compounds**

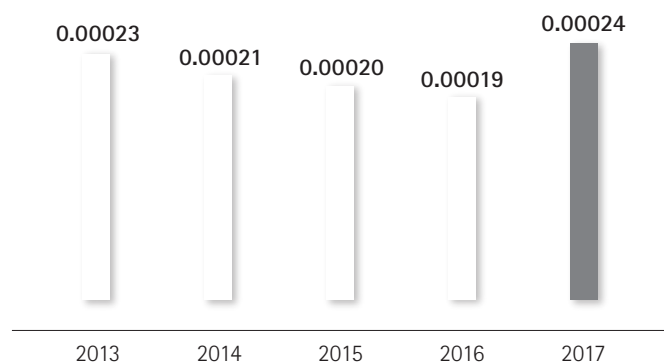
T/T PRODUCED

**Residues by type and method of disposal:****Total waste generated**

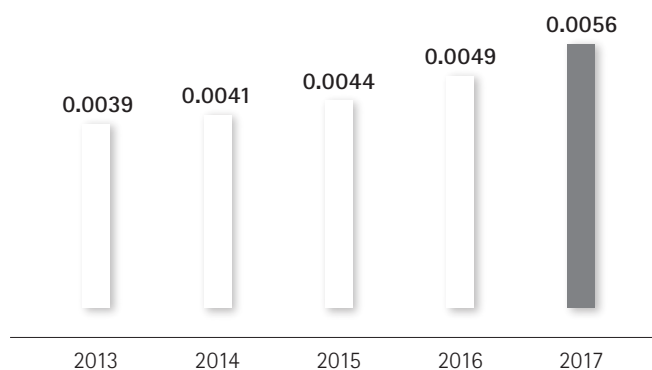
T/T PRODUCED

**Discharges and waste:****Evolution of effluents with chemical oxygen demand ("COD")**

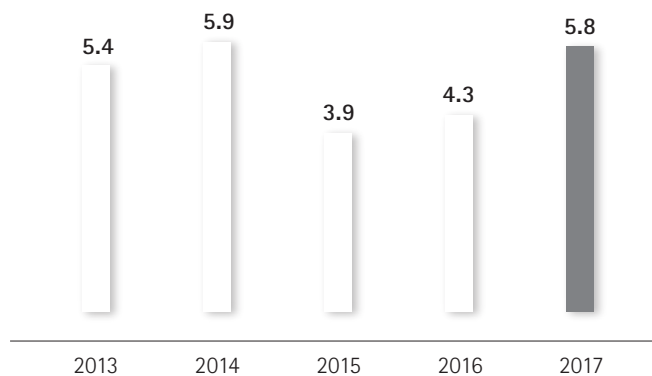
T/T PRODUCED

**Generation of hazardous waste**

T/T PRODUCED

**Recovered waste vs. total waste generated**

% ON TOTAL WASTE GENERATED



6.4. Environmental impacts

a) Sustainability of consumption

Ercros applies reduction, reuse and recycling principles to the raw materials it consumes, and maintains collaboration channels with its suppliers to improve the sustainable features of the products supplied.

The change of technology in chlorine manufacturing processes implemented 2017 in favour of membrane technology –which is more efficient in electricity consumption– (-30% MWh per unit of chlorine produced) and the decrease in production of EDC –which has been replaced by the purchase of external EDC–, have allowed the Group to reduce its consumption of electricity and oil-derived ethylene.

A significant decrease in water consumption was also achieved at the Aranjuez factory as a result of implementing a closed-circuit cooling system that uses cooling towers instead of an open-circuit cooling system relying on catchment water.

Other consumption reduction achievements derived from freight transport are explained in chapter 9.2 d).

b) Accidents with environmental consequences

During 2017, there were no incidents or accidents with environmental consequences in the Group's production centres.

Nor has there been any accident with significant product spillage during transport. Only one incident took place on 9 February 2017, when a tanker from the Monzón factory was involved in a traffic accident near Ariza (Zaragoza) that affected 25 tons of composite PVC, a non-hazardous good, with no consequences for the environment.

To foster the environmental commitment of the supply chain, the Group includes environmental and safety clauses in the contracts and/or orders with suppliers [see chapter 7.1]; it carries out accident reports; conducts aptitude and follow-up audits; establishes joint committees with supplier companies; and has safety data sheets ("SDS") of its own products that contemplate the exposure scenarios ("ES") of the use of these products by customers [see chapter 9.3 d)].

In the case of raw materials, the Group checks that the uses for which these raw materials are intended are included in the SDS provided by the suppliers and that the packaging used to ship hazardous goods is approved; it signs voluntary agreements for mutual assistance in the event of transport accidents, and the contracts for assistance in the event of transport and distribution accidents place emphasis on ensuring that the company's SDS are

provided for the training of providers of goods and services and the employees of companies transporting products supplied by Group [see chapter 9.1].

6.5. Environmental risk

Although all of the Ercros Group's production centres have environmental management systems implemented making it possible to minimise the impact the industrial activity may have on the environment, the activities carried out by the aforementioned centres are subject to risks that might cause environmental harm, such as the accidental emission of harmful substances or fires.

The Group carries out the official verification controls on its management systems and carries on its business activity in accordance with the emission limits set forth in the applicable laws, relevant licences and in accordance with the voluntary agreements it has signed. In addition, it has implemented indices for the assessment of global emissions into water and air and of waste generation, which allow the evolution of the environmental management measures to be verified and regular reports are released on the reduction of emissions achieved in its industrial activities [see section 6.3 above].

In 2017, the environmental risk analysis of all the Group's centres ranked as "Seveso III" was carried out, in accordance with the criteria established in the UNE-EN ISO 15008 standard.

In recent years legal requirements have become more demanding and have given rise to significant changes in the chemical industry, in Europe, Spain and regionally. The Ercros Group makes a significant effort to adapt to this new legal framework and performs the activities and actions necessary to comply with the requirements set forth in the various regulations. Specifically legislation related to the safety of facilities and people, occupational health, environmental protection and the transport, packaging and manipulation of hazardous goods.

Certain of the rules, limits and procedures that affect the Group are in the process of being implemented and may change in the future. If this occurs, the Group will adapt to the new requirements.

The Group has a long history of industrial activity and, although it has always complied with and applied the legislation in force at all times, new legal requirements introduced in recent years and their application, some of them retroactively, have raised the risk of claims of pecuniary liability to face the clear-up or remediation costs of contaminated soils and environments.

Ercros has submitted soil remediation and landscape regeneration projects to the competent authorities for all land that has been identified as affected.

a) Litigation and penalties

In 2017, and up to the date of approval of this CSR report –23 February 2018–, the following are the new significant lawsuits and updates in relation to the main lawsuits pending resolution in 2017.

(i) In relation to the Company

- The conclusions stage has concluded and the voting and ruling is pending assignment in the appeal for judicial review presented by Ercros in relation to the dismissal of the request for nullity of the approval of the non-substantial modification of the integrated environmental permit for the Inovyn plant in Martorell, related to the increase in the capacity of the mercury cells in the electrolytic process.
- On 14 July 2017, Ercros received a requirement from the Office of the Prosecutor for Environment and Urban Planning –in the context of the criminal investigation proceedings initiated on 19 May 2016 by the State Public Prosecutor's Office– seeking information on the position and the functions performed by 25 employees between January 2008 and December 2015. These proceedings refer to allegedly unlawful acts with environmental implications related to different Group centres. However, in response to the petition filed by Ercros requesting delivery of copies of the proceedings to date and of any future actions carried out under the proceedings, the Prosecutor's Office declined the petition stating that there was no record of specific offences committed.

(ii) In relation to the Aranjuez factory

- The fine for the specific breach of one of the legal requirements established in the environmental authorisation, related to the environment in the Aranjuez factory, for a value of EUR 16 thousand.

(iii) In relation to the Cardona factory

- On 31 July 2017, Ercros prepared a statement of claim against the proposed resolution of the Catalan Water Agency ("ACA") on the application of the amortisation fee for Phase I of the salt water collector from 31 March 2017. To date, the ACA has not replied to these allegations.
- On 17 November 2017, the Tax Board of the Government of Catalonia partially upheld the economic-administrative claim filed by Ercros in which it challenged the exploitation fee of the salt water collector for the first quarter of 2015. Following this decision of the Tax Board, on 19 December 2017, the ACA notified Ercros of a resolution that (i) cancels the aforementioned fee and (ii) states that a new reasoned resolution will be issued to correct the aforementioned defects by the Tax Board.

- On 10 January 2018, the Tax Board notified Ercros that new documentation had been included in relation to the economic-administrative claim filed against the ACA's resolution on the application of the repayment fee for phase I of the salt water collector as of 1 January 2016. On 8 January, Ercros formalized its appearance in the case and presented the corresponding allegations.

(iv) In relation to the Cerdanyola factory

- No progress has been made in the appeal for judicial review filed by Ercros with the Superior Court of Justice of Catalonia ("TSJC") against the decision of the Government of Catalonia on the integrated environmental permit of the Cerdanyola factory, which is still at the test stage. The object of the appeal is the annulment of the formaldehyde emission limit value of 20 mg/m³ established in that resolution for not being based on any regional or state regulation that may be applicable to this factory's activities.

Neither has progress been made in the second judicial review proceedings before the TSJC, filed by Ercros against the decision of the Secretary of the Environment and Sustainability of the Government of Catalonia in relation to the non-substantial modification of the integrated environmental permit for the Cerdanyola factory consisting of the unification of the sources of emissions of gases into the atmosphere. As in the previous case, Ercros is appealing the limit on formaldehyde emissions included in the decision. These proceedings remain pending assignment of a date for voting and ruling, awaiting the evidentiary phase of the previous proceedings to advance.

(v) In relation to the Flix factory

- Since March 23, 2015, the voting and decision is still pending in the contentious-administrative proceeding filed by Ercros before the TSJC challenging the ex officio review of the 2010 water charge for the Flix factory.

On 18 July 2017 the appeal for judicial review filed by the Government of Catalonia against the TSJC's judgment that partially upheld the challenge raised by Ercros of the ex officio review of the 2012 water charges at that factory was declared inadmissible.

On 19 December 2017, the ACA issued a resolution recognising a credit right of EUR 207,279 in favour of Ercros –which will be returned by means of compensation in the amount of the quarterly settlement of the water charge– as a consequence of the favourable resolutions in challenges raised against the ex officio review of the 2012 and 2013 water charges.

On 24 October 2017, the TSJC issued a record of proceedings stating that the administrative complaint filed by Ercros challenging the ex officio review of the 2014 water charge was pending voting and ruling by the court.

On 25 August 2017, the finance board of the Generalitat issued a resolution dismissing the economic-administrative claim filed by Ercros against the review of the water for the first three quarters of 2015. On 8 February, Ercros lodged the corresponding appeal.

- On 13 November 2017, Ercros filed an appeal against the decision of the Provincial Appellate Court of Barcelona upholding the judgment of the Court of First Instance number 36 of Barcelona establishing that the judicial review courts have jurisdiction to hear the claim filed by Ercros for breach of the agreement entered into with Acuamed and the Flix Municipal Council, through which Ercros granted the use of its waste tip to this municipality.
- On 8 November 2017, the second chamber of the Provincial Appellate Court of Tarragona, within the framework of the case regarding third-party liability for an environmental crime at the Flix reservoir, ordered Ercros and Acuamed to reach an agreement ending the lawsuit between the two. On 20 November 2017, Ercros presented the other party a formal offer to agree –as a definitive settlement– to the payment of the civil liability debt declared by the order of 30 November 2006, amounting to EUR 8,020 thousand. At the time of approval of this CSR report –23 February 2018– Acuamed is evaluating the offer and the court is duly informed of the progress of the negotiation.

(vi) In relation to the Tortosa factory

- On 5 December 2017, the TSJC handed down a judgment upholding the appeal filed by Ercros against the integrated environmental permit of the Tortosa factory granted by the Ministry of Environment and Sustainability of the Government of Catalonia in imposing total organic carbon emission ("TOC") limits on all the factory's processes without any regulatory basis. The Generalitat has announced to the TSJC its intention to lodge an appeal for review before the Supreme Court, which is pending resolution.

(vii) In relation to the Palos de la Frontera factory

- On 14 July 2017, the Ministry Environment and Territorial Planning of the Junta de Andalucía, in relation to the investigations initiated against Ercros at the request of the State Prosecutor's Office, for an alleged environmental crime perpetrated between 2008 and 2015 in the Palos de la Frontera factory, –sold on 5 June 2015– declared that there were no reasonable signs of contamination at unacceptable levels for human health and the environment in the soils at that factory.

At the time, Ercros provided the aforementioned ministerial investigation with all the required information on the soils and groundwater at the site.

For all of these cases, provisions have been recognised for the amount that the group considers there is a reasonable probability will be recognised by the court and, therefore, it will have to settle.

6.6. Environmental actions

In 2017, the Group carried out significant environmental actions, including:

- Closure of the chlorine production plants using mercury technology at the Flix and Vila-seca I factories [see chapter 3.4 a)].
- The remediation of land at the Vila-seca I and Vila-seca II factories, the soil characterisation works at the Sabiñánigo and Monzón factories, as well as the recovery project for the Terrera Nova dump in Cardona [see section 6.2 d) (ii) above].
- In the case of the Flix factory, the actions carried out, in agreement with the regional authorities, for the improvement of the quality of the soils, involved dismantling the old warehouses outside and in Alsuta (in execution); the installation of new piezometers and carrying out new probes in determined areas to complete the investigation of the soils in those zones, and the launch of the project of sanitation of the subsoil affected by volatile organic compounds ("VOC") using the soil vapour extraction technique ("SVE") in the affected areas [see section 6.2 d) (i) above].

At the time of approval of this CSR report –23 February 2018– the Group is waiting for the regional authorities to approve the soil and groundwater remediation project, presented in late 2016, corresponding to the two areas of the Flix factory that remained pending after having carried out the approved actions at the rest of the site.

Also at the Flix factory, between April and May 2017, the Group carried out an investigation directed by the regional authorities in seven areas of the municipality where the town council had denounced the possible burial of barrels with historical waste from the factory. After the preliminary investigation, it was confirmed that the reported barrels did not exist, although the authorities required the Group to expand the investigation at one of the points and carry out a risk analysis in three of the seven areas investigated.

On 28 December 2016, an information and technical monitoring committee was established to address the issues in Flix, composed of independent experts and local government representatives. On 15 March 2017, Ercros invited the members

of the committee to visit the factory and the soil remediation works that are being carried out.

In 2017, the Group published a mini-site on the corporate website explaining the details of the historical and current status of soils at the Flix factory and the remediation actions carried out [www.ercros.es → Business and products → Facilities → Flix → Soil remediation in Flix].

- The project for the improvement of groundwater quality at the lands owned by the Group in the former Palos de la Frontera factory, sold in 2015. The project was approved by the regional government on 23 January 2018 [see section 6.5 a) (viii) below].
- The launch of a new range of ErcrosGreen+ resins, featuring ultra-low formaldehyde emissions, therefore advancing to comply with the most demanding environmental policies, along with the standards and recommendations of the construction sector applied in Europe, the US and Japan [see chapter 9.3 e)].

a) Protection of biodiversity [see chapter 10.3 a)]

The Ercros Group collaborates in programmes to protect habitats and biodiversity in areas adjacent to its production centres or directly linked to its industrial activity. Specifically:

- In Flix, since 2001 Ercros has collaborated with and is a member of the board of trustees of the Natural space of Sebes, located opposite of the factory. It also belongs to the monitoring committee of the Sebes nature reserve management plan, an organisation that also has as members Flix Town Council, the Departament de Medi Ambient of the Government of Catalonia, the Fundació Territori i Paisatge, the Delta del Ebro Natural Park and the Natura Freixe group.

This environment is deemed one of the most important river ecosystems in Catalonia. It forms part of the Ribera del Ebro Nature Reserve, declared a wildlife nature reserve in the Catalonia areas of natural interest plan ("PEIN"), and forms part of the Natura 2000 network.

On 12 May 2017, the Ercros Group and Flix Town Council signed an extension of their collaboration agreement through which the Group contributes EUR 14,425 to the Town Council towards the Sebes nature reserve management plan.

- In Cardona, it collaborates with the Government of Catalonia and Cardona Town Council in the recovery of the Vall Salina in this area, through an agreement signed in 2001. The purpose of this agreement is the restoration and protection of this site, which is also included in the PEIN, through the reforestation of the spaces recovered after the end of operations at Terrera Nova dump.
- Joining the Operation Clean Sweep program in 2017, an action plan of the European Union that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.
- On 18 January 2018 the Group made the commitment to increase the reuse and recycling of plastics by joining the European "Plastics 2030 - Voluntary Commitment" initiative, promoted by the Plastic Europe association, as a contribution to the action plan of the European Union in the field of circular economy. Through this commitment, plastics producers in Europe, including the Ercros Group, have committed to achieving a plastics reuse and recycling rate of 60% by 2030, rising to 100% by 2040.

The Group has developed and consolidated a human resources management model, which is identical across all of its work centres, and in line with the industrial reality and business environment in which it performs its activities. Staff-related matters focus on the prevention and occupational health of all those people who may be affected by the industrial activity or by the products sold by the Group.

7.1. Human resources management

In accordance with the CSR plan, the ethical code, and the general agreement, human resources management is based on the following principles: achieving staff commitments to the Group's social responsibility principles; promoting their personal and professional development; adapting their level of training to the business' needs; providing a working environment in conditions of equal opportunities where discrimination and bullying is forbidden; and putting safety at work, prevention of occupational risks and the health of people before and above any business decisions.

Among the instruments used by the Group has to achieve these objectives are: the sustainability management system; the joint committees; training initiatives; internal communication channels and the ethical channel procedure to filed complaints against breaches of the ethical code.

7.2. Headcount evolution

In 2017, Ercros' average workforce was comprised of 1,372 people, 15 people rather than in 2016. At year-end, the headcount was 1,321 people; 29 people fewer than the previous year due to the application in December 2017 of the collective lay-off procedure.

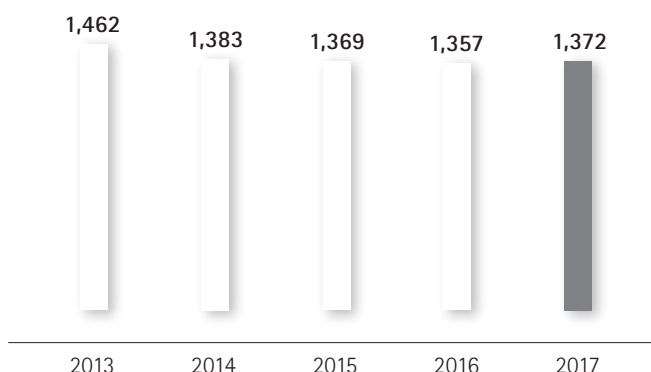
The collective lay-off was agreed upon between Ercros management and the workers' representatives on 28 November 2017 and was the result of plant closures due to the European ban on producing chlorine with mercury technology [see chapter 10.2].

In 2017, 100% of the job positions were described and 93.4% of the average workforce had a permanent contract (96.7% in 2016).

The decrease in the average workforce did not cause changes in the structure of work categories compared to 2015. Technicians represent 43% of the total average headcount; operators and junior officers, 42% and administrative personnel 15%. Women account for 15% of the workforce [see chapter 8.3].

Evolution of the average headcount

NUMBER OF EMPLOYEES



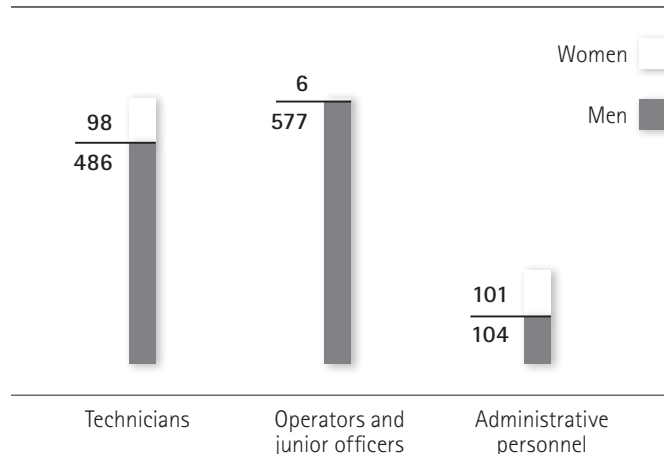
Distribution of the headcount by gender

NUMBER OF EMPLOYEES

	Year 2017			Year 2016		
	Total	Men	Women	Total	Men	Women
Technicians	584	486	98	579	483	96
Administrative personnel	205	104	101	204	107	97
Operators and junior officers	583	577	6	574	568	6
Total	1,372	1,167	205	1,357	1,158	199

Distribution of the headcount by gender on 2017

NUMBER OF EMPLOYEES



Evolution of the average headcount by centres

	2017		2016	
	N. of people	%	N. of people	%
Factories	1,216	88.6	1,196	87.7
Tarragona complex	311	22.7	299	21.8
Vila-seca II	143	10.4	135	9.8
Vila-seca I	139	10.1	134	9.2
Tarragona	30	2.2	31	2.7
Sabiñánigo	212	15.5	206	14.9
Aranjuez	204	14.9	194	13.8
Flix	112	8.2	119	8.7
Almussafes	109	8.0	109	7.7
Tortosa	108	7.8	108	7.7
Cerdanyola	96	7.0	93	6.8
Cardona	34	2.5	36	2.6
Monzón	29	2.1	30	2.2
Comercial	34	2.4	34	2.5
Corporation	123	9.0	127	9.7
Ercros	1,372	100.0	1,357	100.0

7.3. Union rights and relations

The framework in which Ercros' working relationships are developed is the general agreement for the chemical industry and the legislation on this matter. The XVIII general agreement for the chemical industry, corresponding to 2015-2017, is currently in force.

On 20 November 2017, the Cerdanyola facility held union elections in which UGT and CC.OO. obtained three and two representatives, respectively.

7.4. Occupational health and safety

All of Ercros' production facilities have certified their occupational health and safety management system in accordance with the OHSAS specification 18001:2007 (occupational health and safety management systems), a certification that they renewed in 2017. In 2017, the legal audit of occupational risk prevention was carried out, which is mandatory for the Group every four years.

The production facilities periodically conduct safety audits and emergency drills, which in the case of official drills are audited by an external company. The drills involve both internal employees and outsourced staff who regularly provide their services at the facilities, as well as –occasionally– staff from other organisations and neighbouring companies. In 2017, 22 official drills (17 in 2016), 43 internal drills (50 in 2016) and four drills within the framework of the Ceret agreement, to provide assistance in the event of a road accident (six drills in 2016), were performed [see chapter 9.2 e)].

During 2017, the integrated logistics and sustainable development departments carried out audits at the production centres to check the application of the procedure on risk prevention in goods loading and unloading operations.

Occasionally, the Group must face claims from former employees, or their heirs, related to compensation for damages arising from asbestos exposure. On 26 June 2017, the Group received a new complaint in relation to asbestos exposure. This complaint is in addition to the 12 complaints that have already been filed by former employees or their heirs for the same reason. These types of liabilities are not attributable to the Group's current management, nor do they relate to damage caused to current, active employees, rather, they are liabilities demanded of the Group as the universal successor of companies that have been defunct for many years and are not related in any way to current activities. The Group has recognised provisions for the amounts it expects could be claimable in the legal proceedings that are still pending resolution, arising from complaints requesting payment of damages for exposure to asbestos and benefit surcharges for a lack of safety measures for exposure to asbestos.

On 3 September 2016, the Provincial Labour and Social Security Inspectorate Madrid imposed a penalty on Ercros amounting to EUR 4,000 plus the 40% social security surcharge not yet quantified, due to non-compliance with the law on occupational risk prevention and Spanish Royal Decree 486/97 on the minimum occupational health and safety provisions, as a result of the accident that occurred on 17 April 2014 that affected an employee from the Aranjuez facility. The Group appealed the sanction that was revoked on 31 May 2017 by Social Court No. 24 of Madrid, which upheld the appeal lodged by Ercros.

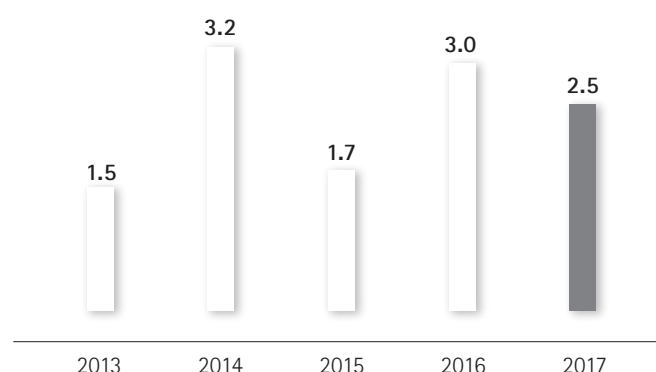
a) Accident rate

In 2017, the Group' accident rate decreased, as shown by the evolution of the general accident frequency index –which is the most ambitious index since it measures the number of accidents, with and without leave, of internal and outsourced staff– that dropped from 2.48 in 2016 to 3.11 in 2017. In comparison to the general accident rate for the last five years, this is 26.7% lower.

The Group's accident frequency rate, which measures the number of accidents with leave among internal staff for every 1 million hours worked, fell by 15.5% compared to last year (2.51 in 2017 compared to 2.97 in 2016).

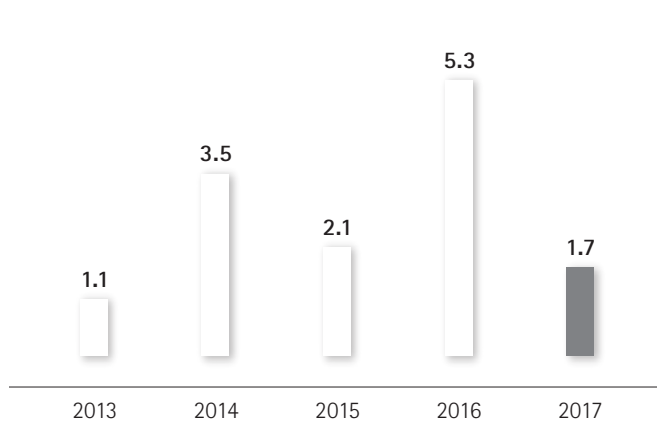
In the last year, there were 11 accidents –eight of which involved required medical leave– compared to 16 accidents in 2016 –12 with medical leave. Of these 11 accidents, eight involved own staff (10 accidents in 2016) and three involved staff of subcontractors (six accidents in 2016).

Accident frequency rate¹



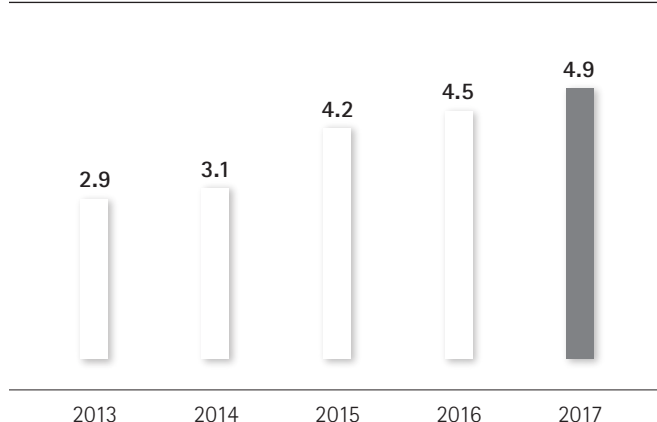
¹ Accident frequency rate: Number of accidents with leave of own personnel × millions of worked hours

Each factory has a joint committee consisting of representatives from the facility and contracted companies that coordinates the actions of prevention, accident management procedures, training plans, etc. In 2017 the joint committees held 22 meetings between all factories (27 meetings in 2016).

Accident frequency rate on contractors¹

¹ Accident frequency index = number of accidents with loss × every million hours worked.

Absenteeism due to a common illness showed negative evolution between 2016 and 2017, going from 4.5 to 4.9. To revert the trend of the past three years—which, on the other hand, is common in the Spanish industrial sector—the Group has implemented a plan with the following measures: (i) greater coordination between the Group and both mutual funds for accidents at work it has contracted; (ii) monitoring staff with higher levels of absenteeism and (iii) regular contact with staff on sick leave by their workplace medical service.

Absenteeism rate¹

¹ Absenteeism rate = Hours of absenteeism (as per the definition of the chemical industry collective agreement) ÷ by the total possible number of workable hours times × 100.

b) Prevention campaigns

The Group carries out actions and campaigns aimed at accident prevention, health monitoring, the adoption of healthy habits and the control of exposure risks; as well as courses on these topics aimed at staff working at its facilities, both own staff and outsourcer personnel. Epidemiological studies on the most frequent pathologies are also carried out at each work centre.

Every year, the Group presents a prevention campaign, focused on reinforcing the aspects of prevention that performed worst in the previous year. The slogan for the 2017 campaign was: "If you see danger, report it. The safety of your workmates is also your responsibility" and pursued the involvement of staff in reporting aspects that may pose a risk to the safety of people to their supervisors.

In 2017, the Group held 37 information events on prevention, attended by 2,096 people, and gave 63 courses on this subject, with a total attendance of 1,618 people.

Events celebrated in 2017	Attendants
Benefits of physical activity	481
Risks for carrying out work in hot environments	337
Prevention of colon cancer	190
Prevention of diabetes mellitus	165
Prevention of cardio-vascular risk	148
Prevention of breast cancer	120
Prevention of prostate cancer	110
Risks for carrying out work in low temperature environments	109
Stroke prevention	88
Responsible use of antibiotics	88
Blood pressure	77
Smoking	74
Back care workshop	60
Healthy jobs according to age	30
Reduction of alcohol consumption	19
Total	2,096

Courses taught in 2017	Attendants
First aid	565
Specific risks of jobs	268
Emergencies	171
Fire extinguishing	148
Healthy nutrition	138
Basic vital support	101
Explosive atmospheres	74
Risks at home	70
DEA (automatic defibrillator)	58
Basic level prevention of occupational risks	22
Musculoskeletal disorders	3
Total	1,618

c) Success stories

At 31 December 2017, the Barcelona facility had enjoyed 25 uninterrupted years without accidents with leave among its internal staff. The equivalent figure was 19 years in Tarragona; 16 in Cardona; 12 in Vila-seca I, three in Monzón and two in Flix.

The Group was awarded the following safety-related prizes and recognitions for its commitment to social responsibility during the year:

- The "Prevention Bonus" incentive granted by the Directorate General of Social Security, through Mutua Universal, for the Group's effective contribution to reducing workplace accidents and taking effective steps to prevent workplace accidents and occupational diseases. This incentive will enable the Group to recover the investments made in facilities, processes and equipment related to prevention.
- The 2016 Safety prize awarded by the integrated safety committee of Feique to the Flix and Sabiñánigo factories for their occupational safety. This award is an acknowledgment to those chemical sector production centres with more than 50 employees that, the previous year, have not suffered any accidents with leave among their own personnel.
- Its nomination as a finalist for the Randstad prize recognising the most attractive employers that evaluates the Group's economic conditions, its outlook for the future and the working atmosphere.

7.5. Training

The Ercros Group's competitiveness largely depends on the professional skills of the people who work there and their opportunity to develop and grow at work.

Training –which occupies a prominent place in the Group's activity– is seen as a key element in the Ercros staff management model and responds to the commitment to balance the personal expectations of its staff with the Group's needs and availabilities.

In 2017, 80 of the Group's workforce (84% in 2016) received training, with an average of 23.57 hours of training per person (27.75 hours in 2016).

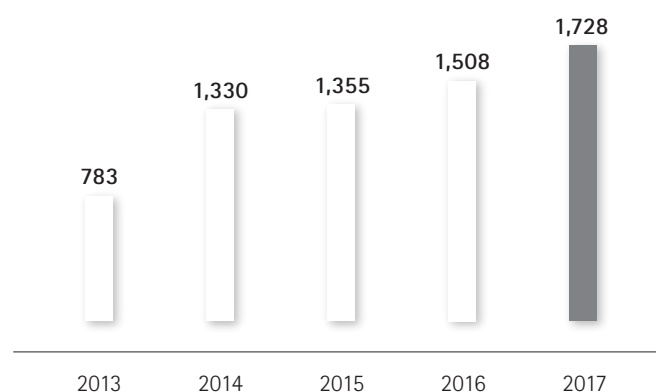
Throughout the year, the Group organised 376 training courses that were attended by 3,663 participants for a total of 32,346 educational hours (in 2016, 5,716 attendees received training on 491 training courses for a total of 34,936 educational hours). Of these actions, 133 courses received a subsidy through the Fundación Tripartita para la Formación en el Empleo (Fundae, a Spanish state foundation that promotes employment), which were attended by 1,078 people for a total of 15,006 educational hours.

The expense incurred in training amounted to EUR 265 thousand (EUR 177 thousand in 2016), of which EUR 137 thousand came from the credit granted by Fundae.

The Group prioritises the training of suppliers of goods and services. Throughout the year, staff from these companies received 1,728 hours of training, 15% more than those received the previous year (1,508 hours in 2016) and more than twice the number of training hours received five years ago.

The transportation companies complete the training of their employees with the safety data sheets ("SDS") of the products they transport that are provided by Ercros.

Training hours for contractors



The training commission, composed by representatives of the Ercros management and the workers on a parity basis, meets annually, coinciding with the preparation of the training plan and in an extraordinary manner at the proposal of one of the parties. The unions are also part of the safety, occupational health and corporate environment committee and the safety and health committees of each work centre. In 2017, 14 meetings of the training committees of the Group's work centres were held.

Technical and health prevention, logistics, specific training in the workplace and technical development are the areas that receive the most attention in the training plan. In 2017, an average of five hours was spent per employee in training in safety and environmental matters.

The Group also has a welcome manual since 2010, which includes corporate information of general interest for all the people who join the workforce and specific information of the specific production centre useful for new employees who join the Company. In 2017, the manual for general corporate information of the Group was updated and the reception manual with specific information of all the production centres, which was delivered to 87 people.

Ercros has signed 25 agreements with teaching centres to carry out work placements in their work centres, including dual training. In 2017, 49 vocational, undergraduate and postgraduate students took advantage of this possibility (52 students in 2016) [see chapter 10.3. d)].

The Ercros Group is committed to equal opportunities between women and men and is concerned with creating a safe work environment where there are no situations of discrimination or bullying based on gender; promoting work-life balance; and preventing sexual harassment. The Group's goal in gender issues is to avoid cases of sexual harassment occurring at its facilities and, should they occur, to ensure prompt and just compensation for the victim.

8.1. Management of equal opportunities

Ercros has an equal opportunities and non-discrimination committee (equality committee). This committee, made up of representatives of Ercros' management and social agents, is the body responsible for promoting equality and non-discrimination within the Group; applying and ensuring compliance with the equality policy and the equality plan; and reporting on the evolution of the right to equal opportunities and non-discrimination.

The committee met once in 2017 in order to, among other matters, analyse the equality report for 2016 and report on the operation of the Ethical channel in relation to equality and non-discrimination.

The annual equality report conducts a diagnosis on equality and establishes actions for improvement depending on the situation. The Group has had an equality plan that determines the guidelines in this area since 2010.

During the first quarter of 2017, the results of the survey on compliance with equal opportunities in the Group carried out at the end of 2016 were disseminated. According to the survey results, 65% of the people who answered claimed to know about the equality policy; 60% felt that Ercros is committed to equality; 56% said they knew about the manual for the prevention of sexual and psychological harassment; over 50% stated that they knew the procedure to follow in the event of becoming aware of or being subject to a violation of the ethical code, and 45% rated the ease of access to work-life balance measures as positive. 35% of the staff answered the survey. In terms of gender, 72% of women and 29% of men responded.

In 2017, the head of the ethical channel held a training session on equality and investigation processes in cases of harassment and the members of the equality committee attended various training actions on issues of equality and sexual harassment of staff.

8.2. Regulatory environment

In equality matters, the reference regulations applied by the Group are: the law on equality; the 6th principle of the Global Compact agreement and chapter XVII on equal opportunities of the current general agreement.

Internally, the applicable regulations are:

- The CSR Policy, containing the Group's commitment to wholly assume and integrate equality of opportunities and treatment between women and men in the course of its business and in its internal management policies; reject any kind of discrimination, abuse or bullying, especially sexual harassment; and to promote work-life balance.
- The equality and non-discrimination policy, which promotes actions that contribute to effective equality, ensures non-discrimination and prevents and sanctions sexual harassment.
- The work-life balance policy, which facilitates the application of measures to balance personal and work life and ensures that there is no form of retaliation or discrimination against people opting for any of these measures. The measures –or social benefits– are explained in section 6.5 below.
- Rules 4.3 and 4.4 of the ethical code require staff to: (i) treat each other with respect by encouraging teamwork, promoting, within the scope of their responsibility, equal treatment between men and women and ensuring effective equality; refrain from engaging in any conduct that involves, directly or indirectly, any type of discrimination, abuse or offence based on gender, race, colour, religion, nationality, social origin, age, marital status, sexual orientation, ideology, political opinion or any other personal, physical or social condition that implies or fosters a climate of aggression or intimidation, especially with regard to sexual harassment (rule 4.3); and (ii) respect the family life of the personnel under their dependence, and facilitate their enjoyment of the work-life balance measures envisaged by the Group (rule 4.4).
- The ethical channel procedure, which allows for the processing of sexual or gender harassment reports.
- The manual of best practice, that regulates the process to be followed when selecting basic staff positions, in order to standardise the selection principles and allowing for the selection of the candidate best suited to the characteristics of each vacant position.

- The manual on the prevention of sexual and psychological harassment, aimed at guaranteeing a healthy work environment, respectful and free of any situation of gender-based, or psychological or moral harassment and that provides guidelines that seek to identify and prevent harassment behaviour linked to gender or morality.
- The manual on the use of non-sexist language, which ensures neutrality in the Group's image and written and verbal language and provides guidelines to the Group's staff on the use of language that respects human, without renouncing to the necessary clarity and precision and that was revised in 2017.

8.3. Selection processes and gender parity

The Group does not discriminate based on gender in the hiring process or in its wage and functional policies. Despite this, the number of women differs from the desired amount.

The Group is aware that the goal of gender parity, given its production sector and its main characteristics, is still far from being achieved throughout the Group, but is confident that the inclusion of women in all professional sectors and the implementation of the equality plan and the generational handover will bring all levels of the workforce closer to gender parity.

In 2017, the percentage of women in the Group's workforce has remained unchanged at 15% despite the increase of four women in the overall headcount in a context in which the total average workforce has been reduced by 15 people. In terms of work categories, gender parity only exists among the administrative positions. As regards management staff, there has been no change in the number of women in managerial positions in 2017; six out of 31 senior managers (19.4).

Management personnel by gender ¹

NUMBER OF EMPLOYEES

Year	Total	Men	Women	Women/total managers (%)
2013	35	30	5	14.5%
2014	32	27	5	15.6%
2015	31	26	5	16.1%
2016	30	24	6	20.0%
2017	31	25	6	19.4%

¹ Average workforce

8.4. Disabilities

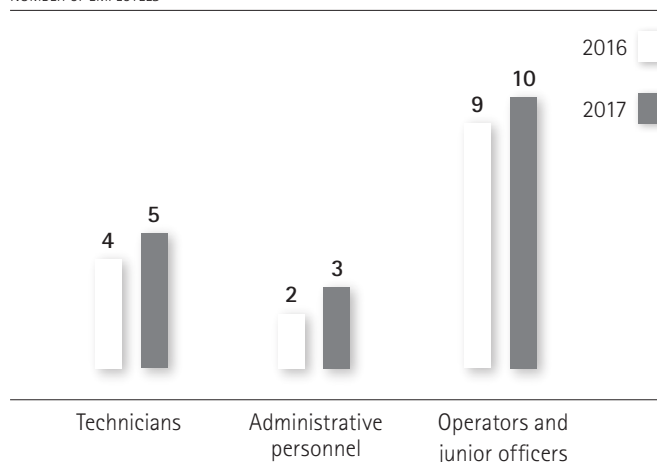
The Group complies with Spanish Royal Legislative Decree 1/2013 of 29 November approving the revised text of the General Law on the rights of persons with disabilities and their social inclusion. According to that law, companies with more than 50 permanent employees are obliged to employ at least 2% of employees with a disability greater than or equal to 33%, unless alternative measures are applied.

The Ercros Group complies with the provisions of this law through (i) the direct hiring of persons with disabilities and (ii) the hiring of services of special employment centres.

In 2017, there were 18 people in this situation on the workforce (15 people in 2016), which represent 1.3% of the average workforce for the year (1% in 2016).

Staff with disabilities by categories ¹

NUMBER OF EMPLOYEES



¹ Number of people in the average workforce with a disability equal to or greater than 33%.

8.5. Work-life balance and social benefits

The work-life balance policy establishes the measures that the Group places at the disposal of employees to encourage a balance between their work and personal life.

The Group offers its employees the following social benefits:

- Group contributions to pension plans and mutual funds: in 2017 workers from intermediate chemicals (former Derivados Forestales staff) and those employees without mutual funds (from the former Aragonesas) were included as beneficiaries of the Ercros Group's pension scheme.

- Life and accident insurance: in 2017, workers from the Sabiñánigo and Vila-seca II facilities without insurance coverage were included in the company's collective life insurance plan. Currently, 100% of the Group's employees are covered by life insurance under its responsibility.
- Medical insurance: the Group manages the hiring of a collective medical insurance plan that includes advantageous conditions, facilitates access requirements without gaps in coverage or a prior medical questionnaire, provides good healthcare and, in accordance with current legislation, involves tax savings for adhered employees. In 2017, 832 people (369 workers and 463 family members) joined the Group's collective health plan.
- Measures to support studying.
- Repayable advances.
- Social dining room, vouchers or supplements for food
- Transport bonuses or complements.
- Measures to support maternity/paternity: natality bonus, reduced working hours and vouchers for childcare

The working day of Ercros Group staff is logged through access control on entering and leaving the facilities. This system allows –in addition to controlling the presence of employees, mandatory for security reasons, and monitoring compliance with working hours– flexibility in the calculation of working hours and, therefore, promotes work-life balance.

In 2017, the Group launched the clocking-in system at the Barcelona headquarters and documented the process with the preparation and approval, on 4 April 2017, of the attendance control procedure.

8.6. Diversity on the board of directors

a) Gender parity

On 21 March of last year, Ercros's board of directors reached gender parity with the appointment of the independent director Carme Moragues Josa. Since then, of the five members that make up the board, two are women, both in the independent category and they represent 40% of the board, 66.6% of the supervisory and control committees, and 100% of the independent directors. Therefore the Ercros Group has been able to achieve, three years before the deadline, the gender diversity goal established in guideline 14 of the CGG, for achieving an appropriate balance between men and women on the Board and proposing that female directors represent at least 30% of all board members by 2020.

The criteria evaluated by the board to approve the appointments of Lourdes Vega Fernández and Carme Moragues Josa to the board, included not only the improvement of gender diversity but also the academic and professional profile of the candidates, and their independent status. Following their appointment, the current composition of the board has not only reached gender parity and increased its independence, but has also been strengthened and enriched by the skills and merits that these directors provide.

In 2017, the Board approved modifications in the composition of the audit and appointment and remuneration committees as a result of the changes made to the board. Both committees are made up of three members, two of whom are independent directors. Likewise, both committees are chaired by an independent director (the audit committee, by the director Carme Moragues Josa, and the appointment and remuneration committee, by the director Lourdes Vega Fernández).

b) Directors' selection process

The processes for covering vacancies in the Company does not feature any obstacles preventing the appointment of female directors. The policies and regulations on this matter expressly include the board's commitment to favour gender diversity in the appointment of new directors and to ensure that selection processes do not suffer from implicit biases that could lead to any type of discrimination.

The director selection process starts with an analysis by the board of the Company's needs, within its regulatory framework. Subsequently, in case of appointment or re-election of an independent director, the appointments and remuneration committee submits its proposal to the board in a reasoned report. In the rest of the cases –non-independent directors– the proposal comes from the board itself, backed by a justifying report from the appointments and remuneration committee. These reports are attached to the minutes of the board or the general shareholders meetings that approve the appointment or re-election of the director.

The obligation to ensure the diversity of the board is stipulated in the following internal regulations:

(i) Regulation of the board

Article 8.3 states that "in the appointment of directors, the Board, at the proposal of the appointments and remuneration committee, must ensure that the selection processes favours diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female directors".

(ii) Directors' selection policy

Approved by the board on 18 February 2016, the directors' selection policy establishes that in the selection procedure of candidates, the Board must strive to achieve a balance in its composition that enriches the decision-making and provides multiple points of view to the matters debated within its scope. In order to do so, the board must ensure that the proportion of types of directors provided for in the board's regulations is respected and that the diversity of knowledge, experience and gender of the directors is favoured.

- Avoid all types of discrimination, whether due to race, gender, age, disability, etc.
- Achieve an adequate balance between men and women, and to ensure that in 2020 the number of female directors represents at least 30% of the total number of board members.
- Promote the selection of people with different academic backgrounds so that they contribute to give a more complete vision of the issues that are going to be submitted to the board, provide multiple points of view to the debate and enrich decision-making.

(iii) Ercros' board diversity policy

On 21 December 2017, the board of directors approved the board diversity policy establishing the criteria that must be taken into account during the director selection processes in an effort to promote and incentivise diversity on the board. These criteria are as follows:

- Ensure that the board, as a whole, has appropriate technical knowledge and experience in the Group's main areas of interest, including business management, accounting and auditing, the chemical sector, human resources, R&D, sustainability, etc.

The mission of the appointments and remuneration committee is to vouch for the implementation of this policy, verify its compliance and to make the observations or proposals of modification and improvement to the board in these matters that it considers appropriate.

The board will ensure that the commitment to diversity is encouraged and reinforced, throughout the company, especially among the management team.

c) Composition of the board of directors

Name	Training and professional experience	Category	Date of last appointment
Antonio Zabalza Martí	<p>Bachelor and doctor in Economic Sciences by the University of Barcelona; M. Sc. And Ph. D. by the London School of Economics (University of London); He was a Post-Doctoral Fellow at the University of Chicago and a full professor at the Department of Economics at the London School of Economics. Since 1982 he has been Professor of Economic Theory at the University of Valencia.</p> <p>Among other positions he has been general secretary of Planning and Budgets; Secretary of State of the Treasury and director of the Cabinet of the Presidency of the Government.</p> <p>He has acted repeatedly as a consultant to the World Bank, the International Monetary Fund and the OECD. He has been a member of the board of directors of: Minas de Almadén; Transmediterránea; National Institute of Industry; Official Credit Institute; Iberia and the National Hydrocarbons Institute.</p>	Executive	10-06-16 ("AGM") ¹
Laureano Roldán Aguilar	<p>Bachelor in Economic and Business Sciences by the Pontificia de Comillas University ("ICADE"), specializing in Accounting and Business Administration.</p> <p>Among others, he has performed the following functions: auditor of Espaccontrol, Deloitte and Ernst & Young, between 1987 and 1991, and director of the Internal Audit Department of Banco Árabe Español. S.A. between 1991 and 1993. He has been the sole administrator of Grupo Torras and, at present, he is the general director of the company.</p>	Other external	10-06-16 ("AGM")

Name	Training and professional experience	Category	Date of last appointment
Eduardo Sánchez Morondo	<p>Bachelor in Chemistry by the University of Oviedo and, since 1980, a PhD in Chemistry (Technical Chemistry) by the same University.</p> <p>Among others, he has developed the following functions: From 1975 to 1980, he was professor of Chemical Sciences at the University of Oviedo. Between 1980 and 2002, he worked in several subsidiaries of the Dow Chemical Group, holding various important positions: President and CEO of Dow Chemical Ibérica and Dow France, and Vice President of Dow Europe. He has been a member of the Steering Committee of British Petroleum Spain and, since 2002, he is president and founder of the Bonheur Business Group, which joins various companies.</p>	Other external	10-06-16 ("AGM")
Lourdes Vega Fernández	<p>PhD in Physical Sciences by the University of Seville and Associate Postdoctoral at the School of Chemical Engineering at Cornell University (USA). She is the founder of the company Alya Technology & Innovation and lecturer at the Gas Research Centre at the Petroleum Institute in Abu Dhabi.</p> <p>Among other positions, she has been professor of chemical engineering at the Universitat Rovira i Virgili (1995-2003); Scientific researcher of the CSIC and general director of Matgas, a strategic alliance between Air Products, the CSIC and the Autonomous University of Barcelona; global technology director of the Air Products Group; and director of R & D of the subsidiary Carbueros Metálicos.</p>	Independent	10-06-16 ("AGM")
Carme Moragues Josa	<p>Graduate in Economics and Business Administration by the University of Barcelona and has completed the IESE executive development program.</p> <p>She began her career in the study service of the Chamber of Commerce, Industry and Navigation of Barcelona to later join the company PricewaterhouseCoopers, where she remained until 2017 as an account-auditing partner.</p> <p>He is a member of the Institute of Auditors, Certified Chartered Accountants of Spain, of the Official Register of Account Auditors and an accounting expert accredited by the Register of Accounting Experts. He was also part of the Technical Committee of the College of Chartered Accountants of Catalonia.</p>	Independent	23-06-17 ² ("AGM")

¹ AGM: annual general shareholders meeting.

² On 23-06-2017 the shareholders' meeting ratified the appointment by co-optation of the independent director Carme Moragues Josa, carried out by the board of directors on 21-3-2017.

The Ercros Group adopts responsible practices throughout the supply chain—from the suppliers of the raw materials it consumes to the customers that buy its products—and requires the participants in this chain to make the same commitment to principles and standards of social responsibility that it imposes on itself, particularly with regard to safety and environmental protection. In this sense, the Group's main concern with regard to the supply chain is the safe distribution and protection of the product.

9.1. Suppliers

The Group requires the inclusion of social responsibility criteria in contracts with suppliers of logistics, goods and services and raw materials, containers and packaging; it establishes the service conditions and requirements; and promotes a safe distribution of products that minimizes environmental impact.

The Ercros Group has rules that define its actions with regard to the supply chain, such as the distribution code of the Responsible Care program and its internal procedures.

Suppliers must pass an initial assessment and in their contracts and/or orders they must include clauses on safety, environmental and ethical compliance [see chapter 4.3].

The Group performs—as appropriate—periodic assessments to verify the supplier's ability to comply with the supply and service agreements entered into; evaluates the supplier's certifications; evaluates the degree of satisfaction of the service they provide; and links incidents and breaches with the conditions agreed within the assessed period. These assessments are also the basis for correct supply management and for defining the purchasing strategy and improvement actions.

The Group also conducts annual monitoring audits on external transport and storage companies and the suppliers of raw materials, packaging and containers on the basis of the results of the assessments made and the monitoring of any complaints and incidents detected [see chapter 11.3].

Each factory has an inter-company committee formed by representatives from the facility and the companies that provide services that coordinates actions between the Group and the suppliers on prevention, accident rate, management procedures, training plans etc. [see chapter 7 sections 4 a) and 5]. In 2017, 22 inter-company committee meetings were held across all the Group's factories (26 meetings in 2016).

The Group also holds individual meetings with suppliers of raw materials, containers, packaging and transport, where they discuss the quality of the service provided, new regulations concerning approval of containers for the shipment of hazardous goods, safety-related topics, proposing actions for environmental improvement actions and analysing the reports prepared in case of accidents, among other matters. 215 meetings were held in 2017 (190 in 2016).

The suppliers provide the Group with the mandatory safety data sheets ("SDS") of the raw materials they consume, specifying the uses to which the raw materials are destined [see section 9.3 d) below].

The Group signs voluntary mutual assistance agreements in the event of an accidents during transportation and signs contracts to deal with transport and distribution accidents [see section 9.2 e) below].

Through business associations, it takes part in working groups with associations of suppliers and service companies, in order to maintain an open dialogue to achieve optimum conditions of safety, preservation and improvement of the environment, quality of customer service and training of external employees. Specifically, through Feique it participates in the Confederación Española de Transporte de Mercancías ("CETM").

In the province of Tarragona, the agreement between the Asociación Empresarial Química de Tarragona ("AEQT") and Asociación de Empresas de Servicio de Tarragona ("AEST") allows certification of service companies that hire their members—including the Group. Under this agreement, service companies must pass an initial verification audit of their safety management system, renewable every two years, and an additional follow-up of the safety performance of these companies is carried out quarterly.

a) Main raw materials

The Ercros Group applies reduction, reuse and recycling principles to the raw materials it consumes, and maintains collaboration channels with its suppliers to improve the sustainable features of the products supplied.

The Group is heavily dependent upon certain raw materials, the prices of which are subject to cyclical variations, and on occasions, may not be available in the quantities required or within the desired time. The Group tries to mitigate this effect by signing stable contracts for raw materials with greater volatility; diversifying the number of strategic procurement suppliers; and efficiently managing stocks. Furthermore, the Group negotiates supply agreements with customers where the sale prices of its main products are indexed to the cost of raw materials, above all in those products in which the raw materials have more weight.

The three main procurements and supplies —energy, ethylene and methanol— represent 45.3% of the total amount of consolidated purchases and more than 40% of the total cost of the chlorine, formaldehyde, and PVC manufacturing processes, respectively.

The restructuring of the Group's chlorine business —as a result of the closure of the electrolytic plants that used mercury technology in 2017— has sought to partially offset the corresponding loss of production of chlorine and soda, which has been achieved by increasing the manufacturing capacity of the plants that already operated with membrane technology in Sabiñánigo and Vila-seca I [see chapter 3.4 a)]. Membrane technology is considered to be the best available technology ("BAT") and therefore is not affected by the ban. The fact that, at present, the Group operates only with membrane electrolytic plants —which have a higher utilisation and efficiency ratio— has entailed up to 30% lower electricity consumption per production unit, which is the main input of these plants.

The increase in the volume of chlorine demanded by the main client —in the current context of lower product availability— has led the Group to redistribute the chlorine it produces by reducing the proportion of chlorine consumed internally in the EDC/VCM/PVC production chain. To be able to maintain PVC production levels, the Group has increased the purchase of outsourced EDC that already incorporates the chlorine and ethylene. In this manner, EDC has become a relevant raw material for the Group, while the weight of ethylene (oil-derived) as a raw material has dropped.

In addition to electricity, the raw material in the production process of chlorine and caustic soda is sodium chloride (common salt). Until their closure in 2017, the Group's mercury-powered electrolysis plants were supplied with sodium chloride from the Cardona factory, whose activity was the extraction of the saline residue contained in the tailings produced by potash exploitation in the 90s. Electrolysis plants with membrane technology require high purity sodium chloride (vacuum quality), which cannot be guaranteed by the product processed in the Cardona factory, for which reason the factory ceased its activity in 2017. To ensure the stability and sufficiency of supply of vacuum-quality sodium chloride, the Group has reached very long-term supply agreements (20 years). The Group will continue with its environmental restoration work since the product acquired also comes from slag tips [see chapter 10.3 a)].

Methanol is the main raw material of the intermediate chemicals division and is produced from natural gas.

9.2. Distribution and transportation

The Ercros Group's follows product distribution procedures that meet the maximum safety guarantees and minimise environmental impact.

In this sense, it prioritises —whenever possible— the transport of goods by sea and rail, rather than opting for road transport. At times, the Group uses the air freight to transport active pharmaceuticals ingredients when the volume shipped is reduced and the shipping distance is large.

The distribution of active pharmaceuticals ingredients ("API") in Europe must comply with the good practice principles and guidelines regulated by the standards of correct distribution, GDP. The GDP standards must be met in order for the pharmaceuticals division to operate and market its products. These standards require the quality of the API be ensured from the moment they leave the factory until they are received by customers, including storage and transport. The Ercros Group implemented the GDP standards in its pharmaceuticals division in late 2017, involving the conduct of risk analysis of product distribution routes and their validation.

Ercros has been granted authorised economic operator status ("AEO") by the customs and excise department of the State Tax Administration Agency. This certificate highlights those economic operators of the European Union that may be considered as partners of trust in customs matters. Furthermore, Ercros forms part of the working group for the transportation of chlorine of the European chemical industry council ("Cefic"), whose objective is to reduce the risk in transportation and develop recommendations.

During the year, the Group has renewed its contracts with freight companies, including —on recommendation of Feique— an addendum with the requirements for the entry of vehicles to the Group's plants and/or unloading plants. In these contracts, the transport companies declare that their drivers and the transport vehicles they use comply with the current safety and health regulations in force for rendering the transport services and that they have the necessary paperwork, insurance and certifications.

In accordance with the provisions of the distribution code of the Responsible Care programme, four transport accident intervention drills were carried out in 2017 (six in 2016).

a) Transport by sea

The Group uses maritime transport for raw materials and finished products in large volumes —shipped both in bulk and in containers— and over long distances.

In order to cover the distance from the ports of arrival or dispatch of the goods and the production centres, the Group uses pipeline connections, which is the preferred route in the case of the factories of the Tarragona complex and the city's port facilities. The delivery of goods by pipeline is also the priority form of distribution to other companies in Tarragona's industrial zone.

In 2017, the market of container shipping companies experienced significant concentration —75% of the available transport capacity is in the hands of three alliances of companies—, entailing a reduction in the number of ships available and leading to price increases. The Group has not been affected by this situation because it had already signed annual service contracts ahead of time.

During the past year, the Group was affected by strikes by Spanish stevedores protesting against the liberalisation of their sector. On 29 June 2017, an agreement was reached that collects the subrogation of the current dock workers ended almost five months of conflicts.

b) Rail transport

The Group uses rail to supply phosphate rock from Morocco, and intermodal transport (combined with road transport) for the distribution of finished products over medium and long distances.

The Group had a rail freight transport contract with Renfe, which ended at the end of 2017. Currently, it is negotiating a new contract exclusively for the transport of phosphate rock, which is a raw material used in the manufacture of phosphates that the Group produces under the bonded manufacturing regime at the Flix factory.

The works carried out on the line by the railway infrastructure manager ("ADIF"), in August 2017, forced the Group to transport sodium chloride from the Cardona factory and phosphate rock from the Port of Tarragona by road to the Flix factory.

As a result of the end of activities of the Cardona factory, mentioned above, on 1 December 2017, the last train that transported sodium chloride from this factory to Flix stopped running. The "salt shaker" as this train was popularly known, had been running since the creation of Ercros, in 1989, and, in recent years, made three or four journeys per week.

c) Road transport

Road transport is used when other means (sea or rail) are not available for shipping goods —both raw materials and finished products. Nevertheless, it is common to combine this type of transport with the previous two.

In 2017, following the rise in the price of diesel, there was a slight increase in land transport tariffs, given that the Group maintains a clause in its contracts for reviewing tariffs based on diesel price. Likewise, there was a concentration of companies in this sector through different mergers and acquisitions.

Portugal, France and Italy approved increasing the maximum weight of lorries to 44 tons. This meant an increase in competitiveness and an estimated reduction in transport costs of 16%. The Group, through Feique, is trying to get the same measure adopted in Spain.

In Spain, the prohibition to continue using mercury technology in electrolysis plants caused the closure of six plants nationwide and a reduction in the number of local producers, which has gone from seven to four. In order to continue maintaining deliveries of the affected goods to customers, mainly caustic soda; ensure maximum proximity between the distribution point and the customer's facilities; and consequently reducing the environmental impact of road transport, the Group has redistributed the loading points of these goods. In this sense, it has installed soda storage tanks in the ports of Barcelona, Bilbao, Ferrol, Tarragona, and Seville. It has also made tanks available to distribute soda and caustic potash in the port of Genoa to supply the Italian market and its supply by ship from Tarragona, which avoids the road freight of this product from the Sabiñánigo factory to Italy.

The new chlorine-soda electrolysis plant at the Sabiñánigo plant, launched on 8 February 2018, and the planned adaptation of the chlorine-potash plant to manufacture chlorine-soda, will allow all the soda that the TCCA plant of this facility requires to be supplied internally. This will also prevent the transport of soda by road from the Flix factory, as was the case until the closure of this facility's electrolysis plant.

In 2017, there was one road traffic accident involving goods, without any consequences [see chapter 6.4 b)].

d) Achievements

Among the Group's main achievements in 2017, related to the improvement of efficiency in distribution, it is worth highlighting:

- The centralisation in a single management point of the transport control and dispatch of liquid soda from the different warehouses.

- The automatic generation, at the end of loading, of the commercial invoice of exports for customs procedures: allowing for greater agility in the management of this paperwork.
- The hiring of a company specialising in reviewing the documentation of transport companies, which has improved the control of certifications, insurance and other paperwork needed from these firms.
- The reduction of delays in the collection of containers from ports by customers thanks to improvements in the issuance of documentation implemented at the customer service centre.

Other achievements in 2017 included a reduction in consumption and the following environmental improvements associated with freight transport:

- Recycling and recovery for reuse of 27% of the pallets used.
- Replacement, at certain locations, of road transport with intermodal transport (rail transport) therefore lowering CO₂ and particle emissions.
- Arranging caustic soda storage terminals across Spain, reducing CO₂ emissions due to the shorter distances travelled to deliver the product.
- The use of soda and caustic potash storage tanks at the port of Genoa, to supply the Italian market, which also reduces CO₂ emissions.

e) Mutual assistance agreements

The company collaborates in preventing emergencies and provides help, advice and technical assistance in the event of transport accidents involving hazardous goods, through its participation in the European International Chemical Environment network ("ICE") and in the Spanish centre for emergency responses during the ground transportation of hazardous goods ("Ceret") and the agreement on the maritime transportation of hazardous goods ("Ceremmp"). It also participates in the mutual assistance agreement for transporting unpackaged chlorine.

The Group has contracted the Chemical Transportation Emergency Centre ("Chemtrec") system in its highest category ("Global Authorisation") for more than 60 countries, which allows it to address any situation that occurs in the distribution of its own products. With the same objective it has also contracted the Chemical Emergency Response Service Provision ("NRCC") exclusively for China.

9.3. Customers

Practically all of the Ercros Group's production is sold to other companies as intermediate products for their industrial processes, so that only a minimum part of the products manufactured and marketed by the Group (pool water treatment products) directly reach the final consumer.

The Group manages its commitments with customers by applying the sustainability management system, in the part that corresponds to this area, and makes the customer attention centre ("CAC") available to them. The Group ensures compliance with product stewardship and enters into sectoral or product agreements to improve service and legal compliance.

In relation to its customers, the group aims to:

- Satisfy customers' requirements and needs by delivering products that comply with the specifications, in accordance with the delivery terms and with the contractually agreed terms, with the aim of ensuring that there are no customer complaints.
- Achieve the highest possible quality in the manufacturing processes, end products and the entire management chain, from raw materials to delivery to the customer.
- Cooperate with customers in accordance with best product stewardship practices.
- Comply with the legal requirements and voluntary agreements signed.

In order to ensure a responsible use of the products it markets, the Group has voluntarily signed sectoral or product agreements such as the Responsible Care programme [see chapter 4.2].

a) Quality management

The Group's quality management –established in the sustainability management system it applies– is based on the ISO 9001: 2008 standard. In 2017, all the factories satisfactorily passed the verification and recertification audits for this standard.

Six products from the pharmaceuticals division are approved by the US Food and Drug Administration ("FDA"), and three other products have their approval filed with the FDA and it is awaiting the customer records. Altogether, these products represent 83% of the division's production volume.

b) Customer attention centre ("CAC")

The CAC is the body responsible for the relationships with customers with regard to complaints, technical assistance requests, queries, suggestions, etc. It also manages customer orders, except for PVC compounds and active pharmaceuticals ingredients that are directly managed by the corresponding sales departments.

The CAC is divided into multi-skilled units based on the business areas that serve the different divisions, and operates under the premise of constant attention and continuous improvement of customer relations. It is governed by the general procedures that apply to it and by specific procedures that document the different tasks performed in the department. In 2017, 20 CAC procedures were updated.

During 2017, the CAC management the inclusion of the Ercros Group in the export registration system ("REX"): the preferential origin certification system applicable under the Union Customs Code ("UCC") that substitutes the certificates of the declarations in origin of exporters issued by the governmental authorities, and therefore simplifying the management of the Group's exports.

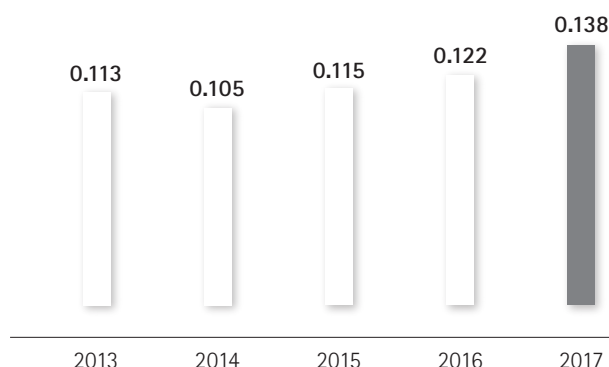
c) Customer satisfaction

To measure the degree of customer satisfaction and improve the service it provides to customers, the Group conducts surveys and records the complaints it receives, through an index that measures the volume of noncompliant products issued in relation to the total volume of own and third-party products distributed.

The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2017, 1,083 customer surveys were sent with a response rate of 30% (349 surveys in 2016).

In 2017, the claim rate was 0.138 (0.122 in 2016), meaning that the percentage of satisfactory supplies stands at 99.88%. This increase is related to an increase in the number of claims associated with logistics and goods transport.

Evolution of the claims index¹



¹ Claims index = number of tons of products affected by a customer non-conformity ÷ by the number of tons sold.

Throughout the year, the Group has launched Carbaicar HD, a new range of high-density and high-quality moulding powders that provides significant improvements in the manufacture of electrical and sanitary equipment.

On 15 December 2017, extraction and purification of sodium chloride (common salt) activities at the Cardona factory ceased, having previously been used as a raw material in the Group's former mercury electrolysis plants because, as mentioned above, the salt from this facility lacked sufficient purity to be used in the membrane electrolysis plants, which require a high purity sodium chloride (vacuum quality) [see section 9.1 a) above].

d) Product stewardship

The Group makes its knowledge and resources available to customers in order to carry out responsible and ethical management during the entire life cycle of the products it sells, from the design of the industrial facilities and purchase of raw materials to the end of their useful life, through either their consumption or transformation into waste.

The Group also maintains close contact with its customers and, if they need it, provides advice and information to ensure that the products they consume are used and handled correctly.

In the same way that the Group receives safety data sheets ("SDS") from its suppliers for the raw materials it consumes [see section 9.1 above], the Group in turn provides customers with the SDS of the products it markets, that contemplate the exposure scenarios ("ES") of the uses of these products by customers. In the case of raw materials, the Group verifies that the uses for which these raw materials are intended are included in the SDS provided by the suppliers.

The Group has safety data sheets for all products manufactured and of the products and mixtures that it markets in the languages of the European Union requested by the sales departments and the CAC, in accordance with the European Reach regulations, on the registration, evaluation and authorisation of chemical substances, and CLP, on classification and labelling of substances, which oblige companies to register the production and marketing of certain chemical substances. Safety data sheets are reviewed and updated when new information emerges on the substances or when legislation is amended.

e) Achievements in 2017

In relation to filling, packaging and wrapping materials, in June 2017, two new paraformaldehyde bagging facilities were put into service at the Almussafes factory, making it possible to replace paper bags with polyethylene bags, which are much more airtight and therefore reduce the release of product odours to the environment. These new bags are also more resistant and convenient and safe to handle, reducing customer complaints due to broken bags.

With regard to the CAC, it worth highlighting:

- The progressive implementation of the electronic invoice for national customers whose billing was previously sent in paper format. In 2017, 43% of national clients accepted the sending of invoices in the electronic format (209 requests answered from 486 sent).
- The automatic sending of documentation to customers, which allows for greater agility in management and saves time.
- The automation of the process of issuing commercial invoices for export orders, which has reduced the management time of invoices by 53%.
- The implementation of an automatic system for the selection of customer contacts based on the sector and type of document.

f) Innovation and technology

The Group's R&D activities are focused on developing new products with greater added value and improving production processes in order to minimise the impact on the environment and obtain optimal energy efficiency with the best techniques available.

Ercros operates in five R&D centres that provide services in the divisions of chlorine derivatives (Sabiñánigo, Monzón and Tarragona), intermediate chemicals (Tortosa) and pharmaceuticals (Aranjuez) and maintains collaborations with universities and technology centres [see chapter 10.3 e)].

During 2017, the Group continued the development of projects financed with public funds, including:

- The premium PLA bioplastic within the ErcrosBio line and the use of new silver catalysts in the formaldehyde process, which received funding from the Government of Catalonia's Nuclis programme, co-financed by the EU's European Regional Development Fund ("ERDF") within the framework of the ERDF Catalonia 2014–2020 Operational Programme.
- The new line of ErcrosGreen+ resins and a bioplastic specifically for manufacturing containers that received aid from the Centre for the Development of Industrial Technology ("CDTI").

In 2017 investments and expenses related to innovation and technology amounted to EUR 6,036 thousand (EUR 5,234 thousand in 2016).

In 2017 the Ercros availed itself of other public assistance programmes to finance its R&D activity such as tax deductions and aid for re-industrialisation activities granted by the Ministry of Economy, Industry and Competitiveness.

With the help of the funding received, the Group was able to open new lines of research in collaboration with various renowned research centres such as the Institut Català d'Investigació Química ("ICIQ"); the Consejo Superior de Investigaciones Científicas ("CSIC"); the Universitat Autònoma de Barcelona ("UAB") CITIUS programme; the Universitat Politècnica de València ("UPV"); and the Centre Català del Plàstic of the Universitat Politècnica de Catalunya ("UPC").

Ercros has 16 patents registered, both for products and manufacturing processes.

The most relevant projects developed in 2017 include:

(i) In the chlorine derivatives division

- Tests of microencapsulation of various additives in trichloroisocyanuric acid tablets, such as fragrances and dyes.
- The study to obtain various potassium and magnesium salts to provide more value added to the production of potassium hydroxide.
- The study of new comonomers to improve the performance of ErcrosFlex to adjust the formulations to the results of the usage tests on new resins –with both very high and very low molecular weight– conducted by customers.
- Patent applications for flexible and rigid use copolymers.

(ii) In the intermediate chemicals division

- The ErcrosGreen+ line with very low formaldehyde emissions, which includes the new melamine-formol resins for manufacturing decorative laminates; urea-formol resins for manufacturing plywood boards and phenol resins for the insulation industry.
- The new high density quality of Carbaicar HD, which offers notable improvements for manufacturing electrical and sanitary material.

(iii) In the pharmaceuticals division

- A new active ingredient obtained through fermentation to obtain a growth medium to develop the extraction technique for the product and, therefore, be able to define certain standard production conditions, currently in the laboratory development phase.
- The obtainment of other fermentation products of an antibiotic nature that have exceeded laboratory and pilot plant scale production, in both the fermentation and extraction phases.

As regards the processes for improving efficiency and new applications for existing products, the following are worth highlighting:

- The programme at the pilot plant for obtaining chlorine and potassium hydroxide through zero-gap membrane technology, based on the programme agreed with Asahi Kasei.
- Optimisation of the morphology and uniformity of all types of PVC manufactured in different polymerisation reactors.
- The increase in production and improved energy efficiency in the process for obtaining polyols and moulding powders.
- The development of a fusidic acid extraction process that reduces the use of solvent. Work has been carried out at laboratory and pilot plant scale.

The Group's relationship with society in general is governed by the principles of information, transparency and participation in the social, cultural and economic situation of the communities where it operates. In social matters, the Group's goal is to gain the trust of its stakeholders through mutual collaboration, especially in the field of training.

The Group understands that its success and continuance as a company depends on its commitment to the prosperity of society and, more particularly, to the local community where it operates and the stakeholders with which it interacts. This commitment leads the Group to act in a way that balances the logic of the market, which pursues maximum financial profitability, and social commitments.

10.1. Stakeholders

The term "stakeholders" includes the groups affected by the Group's actions or that may influence them.

In accordance with the social responsibility and ethical plan, the relevant stakeholders for the Group are:

- Internal: the Company's staff, the contracted companies' staff, and the shareholders.
- External: customers and suppliers; public agencies; neighbourhood associations or organisations; neighbouring companies; the educational community; and social and cultural organisations.

Stakeholders vary from one workplace to another, and therefore each workplace determines its stakeholders based on who has their headquarters or performs their activity in the same town, area of influence, industry, etc.

The social map contains the list of stakeholders of each facility, together with their coordinates, and is a basic instrument for managing the relationship with them. The social map is a dynamic element that is regularly updated based on the changes observed among those involved. In 2017, a total of 447 stakeholders were registered in the Group's social maps for its work centres.

Last year, Ercros' factories in Sabinánigo and Monzón renewed the Aragón socially responsible business ("RSA") seal, awarded by the government of this community along with the Confederación Española de Organizaciones Empresariales ("CEOE"), the Confederación Española de la Pequeña y Mediana Empresa ("Cepyme") and the trade unions UGT and CC.OO. This seal recognises best practices in social responsibility matters of the Aragón production centres in terms of sustainability and their adherence to the principles of awareness, commitment, training and transparency.

10.2. Social and economic contribution

One of the Group's main contributions to society is the employment generated in the communities where it conducts its activities. Most of the production centres are located in populations with fewer than 15,000 inhabitants, meaning that the dependence of these towns on the Group is high. In 2017, it is estimated that the Group's activity generated 3,648 indirect and induced jobs, which represents an average of 5.5% of the active population of the municipalities where the factories are located.

On 28 November 2017, Ercros' management and the workers' representatives approved a collective lay-off procedure as a result of plant closures due to the European ban on producing chlorine with mercury technology. The number of people included in this procedure was 105. All employees were offered the possibility of being transferred to one of the Group's other workplaces pursuant to the 149 voluntary partial retirement requests received.

At the date of approval of this CSR report –23 February 2018– 68 employees had their employment contracts terminated, of which 30 had accepted the Group's offer to be transferred.

In an effort to minimise the negative impact of the plant closures at the Flix factory, on 20 November 2017, Ercros once again renewed –upon expiry– the contract that it has had with the MOA BPI Group, a consulting firm specialising in reindustrialisation processes, since 2015. In accordance with this contract, the consulting firm is responsible for seeking out new projects capable of generating employment in this municipality. Likewise, it reached an agreement with the high school in the aforementioned town to promote the training of its workers.

On 10 October 2017, Ercros also signed an agreement with the same company to facilitate the placement of the persons who, having rejected the transfer option presented to them had their employment contracts terminated and also relatives of individuals who accepted the transfer to one of the Group's other centres.

10.3. Main actions

The Group is committed to the future of the sectors in which it operates and the locations in which it operates and actively participates in various business associations. It also maintains close collaboration ties with the educational community, research and technology centres, etc. It also carries out campaigns to promote the health of staff and volunteers. Finally, it cooperates with environmental and social organisations, among others.

The main actions with social repercussions carried out in 2017 are as follows:

a) In the field of environmental protection [see chapter 6.6]

- The closure of the chlorine production plants with mercury technology at the Flix and Vila-seca I factories, meaning that all chlorine production now uses membrane technology, recognised as the best available technology ("BAT").
- The characterisation and remediation work on the soil at the Vila-seca I and Vila-seca II factories, and the extension of the characterisation and control work on the soil at the Sabiñánigo and Monzón factories.
- The characterisation study on the last part of the soils of the Flix factory, where the clean-up project is pending approval by the authorities, and the presentation of an environmental adaptation plan that complements the study.
- The remediation project for the El Hondón lands, where the former Cartagena factory was located, is in the process of being reviewed by the municipal authorities.
- The project for the improvement of groundwater quality at the lands owned by the Ercros in the former Palos de la Frontera factory, sold in 2015.
- The collaboration with the Natural Space of Sebes in Flix, amounting to EUR 14,425.
- The revegetation of the land released following the closure in 2012 of the Terrera Nova dump in Cardona and the presentation of the restoration plan for the Terrera Vella dump, which ceased its activities in 2017.
- The use of sodium chloride extracted from the salt residue contained in the tailings left behind by the exploitation of potash in Bages (Catalonia). This contributes to the progressive elimination of these slag tips, which cause salinization in the area's waters.
- Joining the Operation Clean Sweep programme, an action plan of the European Union that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.
- Transfer to Acuamed of land in order to build a plant to treat the mud coming from the work on the reservoir in Flix, and the transfer of part of the El Racó de la Pubilla landfill to deposit this mud once it has been treated.

b) In the social field

- Purchases made from special employment centres and/or reintegration companies, for a value of EUR 299 thousand (350 thousand in 2016).
- Contributions to business groups, for an amount of EUR 92 thousand (EUR 98 thousand in 2016).
- Sponsorship of the Flix municipal nursery, amounting to EUR 1,264, with the agreement being renewed on 12 May 2017.
- Local collaborations, amounting to EUR 160 thousand, which have increased considerably compared to 2016 (EUR 38 thousand) due to the sponsorship of the 2018 Mediterranean Games in Tarragona.

c) In the field of health and safety [see chapter 7.4 b)]

- Annual general flu and tetanus vaccination campaigns.
- Specific campaigns and information events on the prevention of accidents, breast cancer and diabetes; health monitoring; adoption of healthy habits; and control of exposure risks.
- Epidemiological studies on the most frequent pathologies occurring in the production centres.
- Training courses on the prevention of occupational hazards, first aid and emergencies; risks of specific job positions; healthy eating and lifestyle; and domestic risks.

d) In the field of training [see chapter 7.5]

- The collaboration agreements with the following secondary schools and county councils for pupils to do work experience: Vicente Aleixandre, in Aranjuez; Comte de Rius, in Tarragona; Vidal i Barraquer, in Tarragona; in Flix; Biello de Aragón, in Sabiñánigo; Centro Integrado de Formación Profesional La Pirámide, in Huesca; Centro Integrado de Formación Profesional Corona de Aragón, in Zaragoza; Río Gállego, de Zaragoza; Ebre, in Tortosa; Servei d'Ocupació de Catalunya ("SOC") and Instituto Aragonés de Empleo ("Inaem"). During 2017, 45 pupils did their work experience in the Group (32 students in 2016).
- The agreements with the following universities for internships for graduate and postgraduate students: Escuela de Organización Industria ("EOI") in Madrid; Centro de Estudios Superiores de la Industria Farmacéutica ("CESIF") in Madrid; Universidad Complutense de Madrid ("UCM"); Universidad Autónoma de Madrid ("UAM") and International Business School ("IMF") of Universidad Camilo José Cela; Universitat Autònoma de Barcelona ("UAB"); Universitat Politècnica de Catalunya

("UPC"); Universitat Rovira i Virgili ("URV"); Universidad de Zaragoza ("Unizar") and Universidad Internacional de la Rioja ("Unir"). During 2017, 20 university students had internships in the Group (20 students in 2016).

- Training days at the Tarragona complex for teachers of higher-level courses in the chemical industry in the Compte de Rius secondary school in Tarragona, with the aim of gaining first-hand experience of the working world for which they are preparing their students. This initiative is promoted by the Department of Education of the Government of Catalonia.
- The collaboration agreement signed, on 8 May 2017, with Flix secondary school, thanks to which the workers of the factory in this town can take courses in electromechanical maintenance and electro technical and automated systems without meeting the academic access requirements.
- The dual training agreement signed on 30 June 2017, with Lluïsa Cura secondary school in Barcelona, for the higher level training course in international trade that provided a grant to a student from the customer attention centre ("CAC") of the Barcelona headquarters.
- The course on "tools for professional development in industry" taught on 23-25 October 2017, by the head of the technical quality and environment department of the Tarragona complex, to the Master's Degree students of the Chemistry Faculty of the URV.
- The participation of the head of operations of the Monzón factory, on 25 October 2017, in a conference organized by the Development Area of the Cinca Medio Region to present the business reality of the region to secondary school baccalaureate students and Business Administration undergraduates.
- The conference "Chemistry, a science for health", given by the director of the pharmaceuticals division, on 1 December 2017, which dealt with the current challenges of manufacturing active pharmaceuticals ingredients in Spain, as part of the celebrations of Chemistry Day at the University of Malaga.
- The training of plastics ambassadors, which took place on 13 December 2017, aimed at the technical staff of the Tarragona complex. The objective of this day was to provide them with arguments to dispel negative clichés about this product.

e) In the field of research [see chapter 9.3 f)]

- Agreements signed with the following technological centres: Leartiker, in Vizcaya; Leitat, in Terrassa, which has also involved the Centre Català del Plàstic of Terrassa ("UPC"); the Instituto Polymat at the Universidad del País Vasco ("UPV") and the Institut Tecnològic de Materials ("ITM") from the Universitat Politècnica de València ("UPV") for the development of ErcrosFlex and the Universitat Politècnica de Catalunya ("UPC") for the development of bio-plastics.
- The collaboration programme with the Centro de Desarrollo Tecnológico Industrial ("CDTI"), in which the Group participates with two other Spanish companies on the development of products from the ErcrosBio range.
- The Nuclis d'Innovació Tecnològica collaboration programme of the Government of Catalonia for 3D Premium printing with the UPC, Leartiker and the Centre Català del Plàstic.
- The contracts for the development of research projects with the Institute of Chemical Technology ("ITQ"), which depends on the UPV, to continue optimising the polyol manufacturing process.
- The contract with the Technological Centre of Catalonia ("Eurecat") and the URV for a project to develop and characterise new types of resin.
- The collaboration with the Business Information and Network Creation centre ("CIRCE"), for the study on the use of hydrogen and CO₂ to obtain methane.
- Collaboration with the Institut Geològic de Catalunya on the installation of trihedral satellite reflectors in Cardona to measure natural geological movements in the Vall Salina of Cardona.
- Contracts with the Universitat de Barcelona and UPC for technical advice on the restoration and re-vegetation of the Terrera Vella dump in Cardona.
- Participation on the board of trustees of the Foundation for the Development of New Hydrogen Technologies in Aragón.
- Sponsorship of the UAM-Ercros chair, whose main objective is to promote research, teaching and study activities in the field of pharmaceuticals chemistry.
- The industrial doctorate course for 2015–2017 on polymers with the UPC.
- Participation in the 9th Congress of young researchers in polymers ("JIP 2017") organised by the URV in Tarragona, from 5-8 June 2017, in which the R&D department of Ercros gave the conference "Influence of temperature in the formation of the lactic polyacid stereocomplex".

- Collaboration with the Junior Achievement Foundation, the largest non-profit international educational organisation consisting of companies and professionals and dedicated to promoting an entrepreneurial spirit among young people.

f) In the field of social volunteering

- The annual "Tapones para una nueva vida" campaign, in the framework of the collaboration agreement with the Seur Foundation, which collected 374,000 plastic tops at the Group's facilities in 2017 (530,000 tops in 2016) and contributed to improving the quality of life of children who have now been able to receive medical or orthopaedic treatments not covered by the public health system.
- The campaigns to collect aluminium cans, mobile phones and batteries at the Monzón and Aranjuez centres, respectively.
- The participation of employees in Clean Up Day, on 13 May 2017, which consisted of collecting and properly depositing plastic waste dumped in the environment.
- The participation of employees from the Barcelona, Tarragona and Tortosa facilities as volunteers in the collection and classification of food in the Christmas campaign of the Great Food Collection, organised by the Food Bank of Catalonia, in December.
- Local business organisations: Chambers of Commerce, Industry and Navigation of Barcelona, Madrid and Tarragona; Fomento del Trabajo Nacional de Cataluña; Confederación de Empresarios de Aragón ("CEOE Aragón"); Confederación Empresarial Oscense ("CEOS"); Federación Empresarial Intersectorial de la Comarca del Cinca Medio ("CEOS-Cepyme Cinca Medio"); Asociación de Empresarios Pirineos Alto Gállego ("AEPAG"); Asociación Cerdanyola Empresarial y Asociación de Empresarios de Polígono Industrial Baix Ebre de Tortosa ("Apibe"); Asociación de Parques y Polígonos Industriales de Almussafes ("APPI"); and Asociación de Empresarios de Cardona.
- Business organisations: Asociación para el Progreso y la Dirección ("APD") and Círculo de Economía de Barcelona.

In addition to participating actively in the working committees and groups of the many business organisations to which the Group belongs, its executives hold positions of responsibility in several of those organisations.

On 24 November 2017, the economic-financial general manager of Ercros, Pedro Rodríguez Sánchez, received the best "Professional Career" award in the 12th edition of the "Financial Excellence Awards" awarded annually by the Spanish Association of Financial Executives to the most remarkable professionals in the field of financial management and administration in Spain.

10.4. Partnership

The Ercros Group maintains a direct and active participation in various business organisations of a sectoral and/or territorial nature related to the business activity. The Group is involved in the following:

- Organisations in the chemical sector: European Chemical Industry Council ("Cefic"); Federación Empresarial de la Industria Química Española ("Feique"); Federación Empresarial Catalana del Sector Químico ("Fedequim"); Associació Empresarial Química de Tarragona ("AEQT"), and Federación de Empresas Químicas y Plásticos de Aragón ("Feqpa"). And ChemMed.
- Product manufacturers organisations: European Association of Chlorine Producers ("EuroChlor"); Asociación Española de Fabricantes de Cloro-Álcali ("ANE"); Plastics Europe; European Council of Vinyl Manufacturers ("ECVM"); Cicloplast; Asociación Española de Plásticos Biodegradables Compostables ("Asobiocom"); European Association of Formaldehyde Producers ("Formacare"); European Phenolic Resins Association ("EPRA"); Asociación de Fabricantes de Química Fina ("Afaquim"); International Methanol Producers and Consumers Association ("Impca"); Asociación de Empresas con Gran Consumo de Energía ("AEGE").

10.5. Voluntary agreements

Ercros has assumed voluntary commitments, some promoted by the chemical sector, with more ambitious targets than those contemplated by prevailing legislation [see chapter 4.2].

Information, dialogue and transparency reinforce the Group's commitment as a socially responsible company.

The Group provides information on its activities and its products and on those aspects that may be of interest to its stakeholders. It also informs exhaustively on the risks to which it is exposed and does not shy away from addressing issues that may generate controversy. The Group ensures that the information it provides is clear, concise and truthful, and is presented in a form that can be easily understood by the recipients of the information.

11.1. Accountability

The Group publishes the CSR report on an annual basis, which after the entry into force of Spanish Royal Decree Law 18/2017, of 24 November 2017, includes the status of non-financial information and forms part of the management reports of the Company and of the consolidated Group. In addition to what is required by that law, the CSR report includes the degree of compliance with the 183 indicators contained in the guidelines for applying CSR to the chemical and life sciences industry, promoted by the Feique in collaboration with Forética,

The CSR report is published on the websites of Ercros and the CNMV. It is also published on the website of the Ministry of Employment and Social Security, in the corporate social responsibility reports section (<https://explotacion.mtin.gob.es/membrse>), in accordance with Ministerial Order ESS/1554/2016 on the registration and publication of social responsibility and sustainability reports, and on the social responsibility portal of the Government of Catalonia (<http://rscat.gencat.cat>), in addition to being disseminated, worldwide, through the Global Compact and nationally, through the Spanish Global Compact network.

The Group also accounts for its responsible performance by publicly disclosing its degree of compliance (i) with the recommendations of the CGG, which is reviewed by the external auditor Ernest & Young ("E&Y") as part of the corporate governance report; (ii) with the seven codes of the Responsible Care programme, audited by Feique, at least every three years, and the responsible company and security codes, which are self-evaluated each year; and (iii) the CSR rating, which aims to improve environmental and social practices by taking advantage of the influence of global supply chains, qualified each year by EcoVadis [see chapter 4.2].

In the interests of transparency, the Group reports on the meetings held with the authorities and political groups, as well as with institutional investors [see section 11.2 b) (iv) and (vii) below]. Also with the same objective, the Group, on 22 February 2017, formalised its registration in the register of interest groups of the Government of Catalonia.

The Group periodically updates its internal regulations, and implements procedures to manage communication with employees and other stakeholders and to be prepared in the event of a crisis.

The Group pays special attention to legislative developments and good governance recommendations and incorporates best practices; promoting the transparency and the proper functioning of the stock markets; and it safeguards the interests of the investors with regard to confidentiality of information, insider information, conflicts of interest, transactions with treasury stocks and market manipulation.

The internal rules of conduct on matters related to the stock market ("IRC") regulates the rules of conduct to be observed by the persons included in its scope of application in relation to Ercros shares and insider information. On 30 June 2016, the board approved the amendment of the IRC in order to adapt it to the provisions of new European legislation on market abuse and of the consolidated text of the Spanish Securities Market Act. As a consequence of updating of the IRC, the Group carried out a campaign to disseminate the novelties incorporated into the text among affected stakeholders and, at present, it is working to transfer these amendments to the ethical code.

11.2. Main Actions

The measures implemented in 2017 by the Group in the field of communication and transparency are described below, grouped based on the target audience of these actions:

a) With society in general

- The economic and financial report, published annually, which contains the most relevant economic and financial figures for the year.
- The corporate governance report, published annually, which provides information on the governance of the Company and the degree of fulfilment of the good governance code recommendations.
- The directors' remuneration report, published annually, which reports on the application of the directors' remuneration policy in the year.
- The CSR report, which since 2016 has been published annually [see section 11.1 above].

- Updates and improvements to the corporate website, which contains general information about the Group, its production centres and the products it manufactures, economic and financial information, stock market information, corporate governance information, commercial information, etc. The website was updated in 2017 to introduce new mini-sites on ErcrosGreen+ and the soil remediation programme at the Flix factory.
- The digital newsletter, which can be requested through the corporate website and contains the most relevant news published by Ercros. Eight newsletters were sent in 2017 to an average of 99 recipients (nine newsletters to an average of 87 recipients in 2016).
- Update of the tools 2.0, Vimeo, Flickr, LinkedIn and RSS.

b) With the stakeholders

(i) In general

- Open days and arranged visits: aimed at the workforce and their families, neighbourhood associations, business owners, social associations, etc. and the educational community. In 2017, 33 visits were held at the Group's different facilities, which were attended by a total of 1,011 people (21 visits in 2016 with the 645 participants).

(ii) With the headcount

- Internal notifications are the means of providing specific information to the Group's staff. 46 notifications were sent in 2017 (38 in 2016).
- The dialogue improvement plan ("PMD"), a tool to promote internal communication through cascading meetings that is implanted in all the work centres. In 2017, 886 cascading meetings were held that were attended by 3,732 people (1,099 meetings in 2016 attended by 4,548 people).
- The internal newsletter associated with the PMD, which contains the information from the cascading meetings and contains a common section –with general information on the Group and its factories and department– and a section specific to each factory. Six newsletters were published in 2017 (the same number as in 2016).
- Updating the virtual noticeboard which contains interesting information for staff and publications from Ercros. It is freely accessible by employees, acts as a corporate intranet and is hosted on Ercros' server.

- The suggestions competition: channels and rewards improvement suggestions proposed by staff. In 2017, the competition's prizes were improved and expanded to encourage participation. Last year, 27 improvement suggestions were submitted (21 suggestions in 2016).
- The open day for family and friends of the employees of the Aranjuez factory, held on 3 June 2017.

(iii) With shareholders

- The Group has a shareholder's office with an identified manager, which channels the dialogue and the relationship with shareholders and investors. The Group has a procedure that regulates the operation of the shareholder's office, which was revised in 2017, and a communication and contact policy with shareholders, institutional investors and voting advisors. Throughout the year, the shareholder's office responded to 390 requests for information (417 in 2016) and 43 informative notes were sent (25 in 2016) to the 257 shareholders (236 in 2016) who requested information through the form available on the Group's website.
- The website has a specific menu for "Shareholders and investors" in accordance with the requirements of Circular 3/2015 of the CNMV, which includes the improvements introduced in 2017 to respond to the information needs of shareholders.
- The website also has a mechanism for voting and electronic delegation of shareholders and an electronic forum of shareholders, which can be accessed in the period between the call and the holding of the shareholders' meeting.
- The celebration, on 27 April 2017, of the first shareholder open day at the new plant of sterile products of the Aranjuez factory, which was attended by 20 shareholders.

(iv) With the securities market

- Relevant facts are disseminated through their publication on the websites of the CNMV and Ercros, which are the means of communication with the securities market. In 2017, the Group issued 50 relevant facts (37 relevant facts in 2016).
- Regular meetings with investors who follow Ercros' market price. In 2017, the Group held 28 meetings with investment analysts.
- The participation of the Group in the 13th Medcap Forum, which was held in Madrid on 30–31 May 2017, where Spanish medium and small-cap companies held meetings with European investors.

(v) With the media

- Press releases: these are the main tool for contact with the media. In 2016, 66 press releases were issued (51 in 2015).
- The individual meetings held, on 13-14 March 2017, with the media to explain the environmental remediation actions being carried out at the Flix factory.

(vi) With the neighbours

- Information notes of general or local interest that are distributed by the factories to their external stakeholders depending on their content. In 2017, an average of 10 reports per factory were issued (the same number as in 2016)
- The communication procedure with the company, establishing the way in which the Group must conduct its social relations and the disclosure of information and that was revised in 2017.
- The public helpline procedure ("LAP"): receives the suggestions, queries or complaints from local stakeholders concerning the Group and that was revised last year. In 2017, no suggestions or complaints were submitted through the LAP (the same as in 2016).

(vii) With the administration

- The visit of the mayor of Almussafes accompanied by the director of the Local Development Agency, to the factory in that town on 23 January 2017.
- The visit of the opposition spokeswoman in the City council of Aranjuez, to the facilities of the factory in that city, on 24 January 2017.
- The meeting of the general director of business and the director of the pharmaceuticals division, with the mayor of Aranjuez, on 20 February 2017.
- The visit of the health council of Sabiñánigo, which represents the population in health matters, to the factory of Sabiñánigo, on 28 February 2017.
- The participation of the general director of Industry, Energy and Mines of the Community of Madrid and the mayor of Aranjuez in the opening ceremony of the new sterile products plant of the Aranjuez factory on 26 April 2017.

- The visit of the commission of information and technical monitoring of the environmental and industrial situation of Flix, to the Flix factory on 15 May 2017. This commission is chaired by the Secretary of environment and sustainability of the Government of Catalonia and includes the participation of, among others, the mayor of the town, the director of the Catalan Agency for Residues and several independent experts.
- The visit of the MEP Francesc Gambús, from the Grupo del Partido Popular Europeo, to the Flix factory, to learn about the soil remediation actions carried at the factory, on 22 September 2017.
- The individual meetings held with representatives of political parties in the Parliament of Catalonia (PSC, ERC, CDC and Catalunya sí que es pot) to present the environmental remediation works carried out in the Flix factory.

(viii) With the customers

- Participation, with its own stand, in the Smart Chemistry Smart Future area at Expoquímica, which is the international trade fair for the chemical industry, held in Barcelona from 2-6 October 2017.
- Participation, with its own stand, in the Pool and Wellness fair, which is the international swimming pool fair, held in Barcelona from 17-20 October 2017.
- Participation, with its own stand, at CPhI Worldwide, which is the world's most important trade fair for the pharmaceuticals industry, which was held in Frankfurt (Germany) from 24 to 26 October 2017.
- Participation, as an exhibitor in the ISC Show Case, which is the meeting of the pool sector, which was held in Rovinj (Croatia) from 28-30 November 2017.

Meetings of a commercial and technical nature have also been held at fairs and congresses, and representatives from the Group have participated in sectoral conferences.

11.3. Audits

The Group undergoes different types of audits regarding its annual accounts and other reports, its production processes and products, its sustainability certifications, etc.

The external auditor Ernst & Young ("E&Y") carries out the mandatory audit of the financial statements of the Company and the consolidated Group. E&Y also reviews the information provided in the corresponding management reports, in the corporate governance report, in the directors' remuneration report and, since 2017, also in the CSR report, in the context of the audit of the annual accounts for the year, and it is sent for publication to the CNMV.

The CSR report is also audited by Bureau Veritas. On 5 May 2017, Bureau Veritas audited the CSR report for 2016. An "excellent" rating has been obtained in all audits.

Annually, Aenor audits the correct performance of the sustainability management system (ISO 9001, ISO 14001 and OHSAS 18001) in all production centres, as well as in the marketing departments and the integrated logistics and sustainable development divisions.

All factories carry out official emergency drills that are audited by an external company and internal cross-sustainability audits are conducted [see chapter 7.4]. The production centres also hosts audits from customers and regulatory bodies, which are particularly exhaustive and numerous in the pharmaceuticals division.

Furthermore, the Group regularly carries out internal audits to identify the degree of compliance with the efficiency improvement plan and the degree of satisfaction regarding the operation of Group's communication and information tools.

12.1. Ethics and values

A. Basic level:**1st. Existence of some fundamental values or principles of social responsibility of Ercros**

Yes.

2nd. Existence of a system of monitoring and control of legal requirements that affect the activity

Yes, in terms of sustainability, monitoring and control of compliance with legal requirements is an obligation of the production centres derived from the ISO 14001 and OHSAS 18001 standards and there is a specific procedure.

In other matters (labour, commercial, fiscal, financial, etc.) the company is subscribed to different publications, databases and alerts services.

3rd. Existence of a record of complaints for unfair competition

Yes.

4th. Effective membership of a business association

Several of them, both sectoral and territorial. [see chapter 11.4].

5th. Existence of a code of ethics and formal conduct

Yes [see chapter 4.1. b)].

B. Advanced level:**6th. Existence of a program or ethical management policy for the implementation of social responsibility**

Yes. The Company has a CSR policy approved by the board of directors, which was updated on February 18, 2016 to adapt its content to the 54th recommendation of the good governance code ("GGC").

7th. Effective adherence to Responsible Care

Yes, since 1994.

8th. Effective adherence to aspirational principles of social responsibility

To the Global Compact agreement, since 2000 and to the CSV rating of EcoVadis [see chapter 4.2].

C. Level of excellence:**9th. Public dissemination of the ethical code**

The Group develops dissemination campaigns for knowledge and, where appropriate, compliance with the ethical code among its stakeholders. 100% of employees and suppliers of logistics, goods and services comply with this code.

The ethical code can be consulted through the corporate website (www.ercros.es).

10th. Existence of specific training on ethical values

The Group provides specific training on ethical values to staff and, in particular, to the people who join the workforce.

11th. Existence of internal mechanisms of dialogue: committee and responsible for CSR

The ethics and social responsibility committee ("CERS") –which is made up of those responsible for the areas directly involved in social responsibility– is responsible for advising management on initiatives related to social responsibility, identifying the risks related with this material and to elaborate the IRSE. The CERS acts as a collegial, consultative, internal and permanent body and meets twice a year.

The audit committee, and by delegation the internal auditor, is responsible for the supervision and compliance with the ethical code.

12th. Existence of an anti-corruption policy

There is no policy defined as such, but its content is included in standard 4.9. Bribery and corruption of the ethical code.

13th. Number of convictions on discrimination, corruption, bribery and competition laws

None.

12.1. Ethics and values**14th. Effective adherence to initiatives on social responsibility**

Since 2000, the Group has joined the global initiative on social responsibility Global Compact, and indirectly, to Forética (owner of the SGE21 standard) through Feique.

15th. Measurement of indicators, their evolution and improvement objectives

Yes.

16th. Publication and presentation of a social responsibility report

Yes. [see chapter 11.1].

12.2. Human resources

A. Basic level:

1st. Convictions/penalties related to legal requirements on the integration of handicapped persons, prevention of occupational risks, equality law, etc.

See chapter 7.4.

2nd. Existence of an equality plan

Yes [see chapter 8.1].

3rd. Existence of a human rights plan

There is no human rights plan defined as such, but its content is included in the equality plan and in the Global Compact agreement.

4th. Condemnatory sentences related to human rights (freedom of association, child exploitation, forced labour, etc.)

None.

5th. Rate of accident frequency among own personnel

Between 2016 and 2017, the accident frequency index, which measures the number of accidents with loss among own personnel for each million hours worked, was reduced by 15.5%, going from 2.97 in 2016 to 2.51 in 2017.

6th. Fatal accidents in employees

No.

B. Advanced level:

7th. Index of frequency of accidents in contractors

In 2017, the index was 1.7 (5.3 in 2016).

8th. Existence of a prevention policy

Yes.

9th. Deadly accidents among contractors

No.

10th. Index of occupational diseases in employees

0.

11th. Application of the collective agreement

Yes, in force the XVIII general agreement of the chemical industry for the years 2015-2017.

12th. Index of work absenteeism (calculated according to parameters of the collective agreement of the chemical sector)

In 2017, the index was 4.9% (4.5% in 2016).

13th. Implementation of a certified safety and health management system

All production centres have a system of occupational health and safety management certified by Aenor according to the OHSAS 18001 standard.

14th. Positions described on the total

100% of the total positions are described.

15th. Satisfaction surveys every three years

Yes.

16th. Indefinite contracts on the total

In 2017, indefinite contracts accounted for 93.8% of total contracts (96.8%, in 2016).

17th. Employees with performance appraisals

None.

18th. Existence of training plans

Yes.

19th. Existence of a welcome manual for new employees

Yes [see chapter 7.5].

12.2. Human resources**20th. Hours of training per employee**

During 2017, each person of the staff that attended a course received an average of 23.57 hours of training per employee (27.75 hours in 2016).

21st. Spending and investment in employee training

In 2017, training expenses amounted to EUR 265 thousand (EUR 177 thousand in 2016), of which EUR 137 thousand came from the credit granted by the State Foundation for Training in Employment ("Fundae").

22nd. Employees who have received training on the total

In 2017, 80% of the staff received training (84% in 2016).

23rd. Women over total employees

In 2017, the percentage of women in the Ercros workforce was 15% (the same as in 2016) [see chapter 8.3].

24th. Women directive on the total of managers

In 2017, there were no changes in the number of women in managerial positions, six out of 31 directives (19.4%) (20% in 2016), as there were six directives out of 30 directives [see chapter 8.3].

25th. Participation of employee representatives in the training area

Through the training commission that prepares the training plan every year. This equal composition commission is composed by representatives of the Ercros management and the workers.

26th. Participation of employee representatives in the area of safety and health

Through the corporate commission of safety, occupational health and environment and the corresponding safety and health committees of each workplace.

27th. Participation of employee representatives in the area of environment

Also through the committees of security, occupational health and the corporate environment and of the corresponding committees of security and health of each work centre.

C. Level of excellence:**28th. Existence of talent management programs**

No.

29th. Existence of career plans

No.

30th. Existence of measures of flexibility of the working day that support the conciliation of work and family

Yes [see chapter 8.5].

31st. Telework promotion programs

No.

32nd. Conciliation policy

Yes [see chapter 8.5].

33rd. Existence of contractor training programs

Yes, mainly, on prevention of risks, occupational health and environmental protection.

34th. Training hours for contractors

The Group prioritizes the training of suppliers of goods and services. Throughout the year, the personnel of these companies received 1,728 hours of training, 15% more than those given the previous year (1,508 hours in 2016) and more than twice the number of training hours than those given five years ago.

35th. Existence of a register of complaints, suggestions, claims and resolution measures

Yes [see chapter 4.1. b)].

36th. Existence of a policy for the management of diversity

Yes [see chapter 8.6. b) (iii)].

37th. Existence of measures to support the study

Yes [see chapter 8.5].

12.2. Human resources

38th. Existence of repayable advances

Yes [see chapter 8.5].

39th. Existence of pension schemes

Yes [see chapter 8.5].

40th. Existence of life and accident insurance

Yes [see chapter 8.5].

41st. Existence of medical insurance

Yes [see chapter 8.5].

42nd. Existence of campaigns of prevention of diseases, vaccination, etc.

Yes [see chapter 8.5].

43rd. Existence of social dining room, bonuses or supplements for food

Yes [see chapter 8.5].

44th. Existence of bonuses or transport complements

Yes [see chapter 8.5].

45th. Existence of measures to support maternity/paternity

Yes [see chapter 8.5].

46th. Existence of stock options for employees

No.

47th. Volunteer activities and programs for employees

See chapter 10.3. f).

48th. Existence of a contingency plan

No.

12.3. Shareholders and investors**A. Basic level:****1st. Identification of values and objectives related to transparency, loyalty and value creation in a sustainable way**

The values and objectives are defined in the mission and principles of action of Ercros.

2nd. Identification of responsible

There is a shareholder office [see chapter 11.2. b) (iii)].

3rd. Degree of compliance with the good governance code ("GCC")

In 2017, the degree of compliance with the recommendations of the GCC applicable to the Group remained at 96.2% (the same as in 2016).

4th. Publication of the annual corporate governance report

Yes.

5th. Relevant events and other communications to regulatory bodies

Throughout 2017, the Group presented 50 relevant events (37 relevant events in 2016).

6th. Number of meetings of the general meeting of shareholders

On June 23, 2017, the Company held its ordinary general meeting of shareholders (in 2016, three general shareholders' meetings were held: one ordinary and two extraordinary).

7th. Attendance at the general meeting of shareholders

A total of 8,860 shareholders attended to the meeting, holding 81,372 thousand shares, representing 71.3% of the subscribed capital with the right to vote, of which 17.7% were present and 53.6% were represented.

8th. Presentation of results

In each fiscal year, two reports are presented corresponding to the results of Ercros in the first and second semester and two intermediate notes, with the results of the first and third quarter.

B. Advanced level:**9th. Existence of a shareholder area on the web**

On the corporate website there is a specific section on "Shareholders and investors" in accordance with the provisions of circular 3/2015 of the CNMV, in which improvements have been made in 2017, in the interest of transparency, in order to respond to the informative demand from shareholders [see chapter 11.2. c)].

10th. Existence of specific systems of relation with shareholders

Ercros has a shareholder office with an identified manager, who channels the dialogue and the relationship with shareholders and investors. It also has a procedure that regulates the operation of said office, which was revised in 2017, and a communication and contact policy with shareholders, institutional investors and voting advisors [see chapter 11.2. c)].

C. Level of excellence:**11th. Existence of a person identified for the dialogue with shareholders**

The person in charge of the shareholder's office.

12th. Existence of periodic bulletins for shareholders

During 2017, we have worked on the design and content of a specific newsletter for shareholders of a four-monthly nature.

The Company also personally sends the information of interest about the Ercros Group to those shareholders who request it through a form available on the web.

13th. Existence of regular meetings

See chapter 11.2. b) (iii).

14th. Existence of mechanisms to encourage participation

The participation of the shareholders in the general meeting is encouraged through voting and remote delegation and the remuneration of the attendance.

15th. Inclusion of Ercros in sustainability indexes

Ercros has been participating since 2013 in the EcoVadis CSR rating [see chapter 4.2].

12.4. Environment

A. Basic level:

1st. Existence of an environment/sustainability policy

The Group has a sustainability policy, the last revision of which dates from November 9, 2017, which provides the reference framework that governs Ercros actions in terms of sustainability and aims to protect people and the environment, the protection of the product and the satisfaction of the needs of its customers.

2nd. Commitment to pollution prevention

Yes.

3rd. Biennial report on environmental aspects associated with the activity

The rendering of accounts on environmental aspects associated with the Ercros Group's activity is included in the management report and in the CSR report, which are published on an annual basis.

4th. Conviction and severe penalties

In 2017, there has been no conviction. A sanction has been imposed for breach of legal requirements related to the environment in the factory of Aranjuez amounting EUR 16,000.

5th. Value fines for breach of legal requirements

See the previous answer.

6th. Number of incidents and/or accidents with environmental consequences

During 2017, there were no incidents or accidents with environmental consequences in the Group's production centres.

B. Advanced level:

7th. At least 85% of Ercros' production activities are subject to environmental certification

Yes, the 100%.

8th. Expenses and investments in environmental protection

The expenses incurred by the Group whose purpose has been the protection and improvement of the environment in 2017 amounted to EUR 18,692 thousand (EUR 18,200 thousand in 2016).

9th. Hours per employee of awareness/training in safety and environment

In 2017, each employee received an average of 5 hours in training actions related to technical, health and environmental prevention (8.08 hours in 2016).

10th. Water consumed per tonne produced

The specific water consumption was 9.64 m³ per ton produced in 2016 (9.09 m³/t in 2016).

11th. Energy consumed per tonne produced

Electricity and other fuel consumption in 2017 was 4.16 GJ for each tonne produced (3.96 GJ/t in 2016).

12th. Equivalent tonnes of greenhouse gases ("GHG") emitted per tonne produced

If the external certifying company verifies it, in 2017, the Ercros Group will have issued 0,336 tons of CO_{2eq} for each tonne produced (0.317 t CO_{2eq}/t in 2016).

13th. Tonnes of nitrogen oxide ("NOx") emitted per tonne produced

In 2016, the Ercros Group issued 0.00011 tons of nitrogen oxide for each tonne produced. At the time of the approval of this CSR report –23 February 2018–, the Group still does not have the corresponding data for the year 2017, so it will be informed of it in the next CSR report.

14th. Tonnes of sulphur dioxide ("SO₂") emitted per tonne produced

In 2016, the Ercros Group issued 0.00007 tons of sulphur dioxide for each tonne produced. At the time of approval of this CSR report –23 February 2018–, the Group still does not have the corresponding data for the year 2017, so it will be informed of it in the next CSR report.

12.4. Environment**15th. Tonnes of suspended particulates ("SS.PP.") emitted per tonne produced**

In 2016, the Ercros Group issued 0.000010 tons of suspended particles for each tonne produced. At the time of approval of this CSR report –23 February 2018–, the Group still does not have the corresponding data for the year 2017, so it will be informed of it in the next CSR report.

16th. Tonnes of volatile organic compounds ("VOCs") emitted per tonne produced

In 2017, the Ercros Group issued 0.00067 tonnes of volatile organic compounds for each tonne produced (0.00082 t/t in 2016).

17th. Tonnes of chemical oxygen demand ("COD") from discharges per tonne produced

In 2017, the chemical oxygen demand of the Ercros Group discharges was 0.00024 tons for each tonne produced (0.00019 t/t in 2016).

18th. Tonnes of heavy metals dumped per tonne produced

In 2016, the Ercros Group issued 0.00000139 tonnes of heavy metals for each tonne produced. At the time of the approval of this CSR report –23 February 2018–, the Group still does not have the corresponding data for the year 2017, so it will be informed of it in the next CSR report.

19th. Tonnes of phosphorus ("P") discharged per tonne produced

In 2016, the Ercros Group issued 0.0000039 tons of phosphorus discharged for each tonne produced. At the time of the approval of this CSR report –23 February 2018–, the Group still does not have the corresponding data for the year 2017, so it will be informed of it in the next CSR report.

20th. Tonnes of nitrogen ("N") discharged per tonne produced

In 2016, the Ercros Group issued 0.000013 tons of nitrogen discharged for each tonne produced. At the time of the approval of this CSR report –23 February 2018–, the Group still does not have the corresponding data for the year 2017, so it will be informed of it in the next CSR report.

21st. Tonnes of total waste generated per tonne produced

In 2017, the Ercros Group generated 0.040 tons of total waste per tonne produced (0.034 t/t in 2016).

22nd. Tonnes of hazardous waste generated per tonne produced

In 2017, the Ercros Group generated 0.0056 tons of hazardous waste per tonne produced (0.0049 t/t in 2016).

23rd. Percentage of waste valued in relation to waste generated

In 2017, the valued waste of the Ercros Group accounted for 5.8% of the total waste generated (4.3% in 2016).

24th. Description of recovery projects

See chapter 6.6.

C. Excellence level:**25th. Description of programs or actions to protect habitats and biodiversity**

See chapter 6.6 a).

12.5. Supply chain/suppliers and contractors

A. Basic level:

1st. Existence of control mechanisms of raw material records

Ercros verifies that the uses of the products it manufactures are included in the ES of the SDS supplied by the suppliers of raw materials. Also, check and have the certifications of all containers for the shipment of dangerous goods.

B. Advanced level:

2nd. Do provider contracts include ethical and human rights clauses?

Yes [see chapter 4.2].

3rd. Do supplier contracts include safety, health and environmental clauses?

Yes. Ercros includes in its contracts with suppliers of goods social responsibility criteria and promotes a safe distribution of products that minimizes the environmental impact.

4th. Existence of supplier/contractor evaluation procedures

Yes [see chapter 9.1].

C. Level of excellence:

5th. Description of success stories

See chapter 9.2. d).

6th. Supplier/contractor audits.

The integrated logistics management carries out audits of suppliers, transporters and storage terminals, as well as annual evaluations.

7th. Training hours for suppliers/contractors

In 2017, the personnel of the companies providing goods and services received 1,728 hours of training (1,508 hours in 2016).

8th. Existence of a policy to promote the contracting of suppliers and local contractors

Yes.

9th. Existence of an intranet for suppliers/contractors

Indirectly, through Federación Empresarial de la Industria Química Española ("Feique") and Asociación Empresarial Química de Tarragona ("AEQT"). Ercros favours direct and personal communication through e-mail.

10th. Meetings of the working groups

Each factory has an inter-company committee, made up of representatives of the centre and of the contracted companies, which coordinates the actions of prevention, accidents, management procedures, training plans, etc. In 2017, 22 meetings of inter-company committees were held among all the factories (27 meetings in 2016).

12.6. Customers and consumers**A. Basic level:**

1st. Penalties and/or convictions with respect to regulations on the registration, evaluation and authorization of chemical substances ("Reach") and classification, labelling and packaging of chemical substances ("CLP")

None.

2nd. Existence of confidentiality or data protection clauses of the client

The collaboration agreements signed with future clients and clients responsible for the development of new products include confidentiality clauses. All contracts signed by Ercros include the data protection clause of the signatory parties.

3rd. Expenditure on R+D+i

The investments and expenses made in the area of innovation and technology in 2017 reached the figure of EUR 6,036 thousand (EUR 5,234 thousand in 2016).

4th. Existence of a registry of complaints and its resolution

There is an internal procedure on customer complaints, which explains how claims should be handled and the minimum data that should be included in the claims registry.

5th. Accidents per tonne transported

In 2017, there was no accident with significant product spillage during transport. Only one incident took place on February 9, 2017, when a tanker from the Monzón factory had a traffic accident near Ariza (Zaragoza) that affected 25 tons of composite PVC, a non-hazardous commodity, with no consequences for the environment.

B. Advanced level:

6th. Existence of a customer service

Yes, the customer service centre ("CAC") [see chapter 9.3 b)].

7th. Index of claims

In 2017, the claims index, which measures the volume of non-conforming products issued in relation to the total volume shipped, was 0.138 (0.122 in 2016).

8th. Conduct customer satisfaction surveys

The commercial management of each business periodically conducts surveys to determine the degree of customer satisfaction. In 2017, 1,083 customer surveys were sent with a response rate of 30% (349 surveys in 2016).

9th. At least 85% of productive activities are subject to quality certification

100% [see chapter 9.3 a)].

10th. Safety data sheets on marketed products

See chapter 9.3 d).

C. Level of excellence:

11th. Life cycle analysis of the main products

See chapter 9.3 d).

12th. Percentage of products that have risk analysis during use, consumption and disposal

All hazardous chemicals that Ercros buys and sells have their safety data sheets in which the corresponding exposure scenarios are listed.

13th. Voluntary subscribed initiatives aimed at the control and safe use of chemical products

See chapter 9.2 e).

14th. Complaints and/or penalties related to marketing and advertising of products and services

Not applicable to Ercros¹.

15th. Portal or area for consumers and customers

The corporate website has a section with specific information of interest to customers.

¹ Ercros does not perform marketing or advertising actions.

12.6. Customers and consumers

16th. Existence of an accessibility policy and actions

The facilities of Ercros are properly signposted, in several languages.

For safety reasons, due to the type of products manufactured, the Ercros production centres have restricted access to people with severe physical disabilities.

17th. Description of success stories about improvements in existing products

See chapter 9.3 c) y f).

18th. Description of success stories about filling, packaging and wrapping materials

See chapter 9.2 d).

19th. Description of success stories about distribution efficiency

See chapter 9.2 d).

12.7. Contribution and cooperation with society**A. Basic level:****1st. Identification of products and their contribution to social welfare (direct and indirect)**

Ercros has different information supports that explain the applications of the products it sells and its social contribution: the website, the CSR report, the corporate video, etc.

B. Advanced level:**2nd. Direct jobs generated**

In 2017, the average Ercros staff was 1,372 people (1,357 people in 2016).

3rd. Indirect and induced jobs generated

In 2017, it is estimated that the Group's activity generated 3,648 indirect and induced jobs (3,587 jobs in 2016) [see chapter 10.2].

4th. Total employment generated/occupied in the province

The employment generated by Ercros represents an average of 5.5% of the active population of the municipalities where the production centres are located.¹

5th. Billing/sales

In 2017, sales reached EUR 685,970 thousand and were 13.8% higher than those of the previous year, which amounted to EUR 602,543 thousand.

6th. Value of the total investments made

In 2017, investments were executed for an amount of EUR 44,666 thousand (EUR 20,857 thousand in 2016).

7th. Value of taxes, fees, contributions and other local or state tax contributions

In 2017, Ercros paid EUR 22,520 thousand for taxes, fees, contributions and other tax contributions (EUR 21,819 thousand in 2016).

8th. Displaced or resettled populations

None.

9th. Integration initiatives developed

In its public and private communications, Ercros encourages the use of the dominant language in each community, which is especially significant in activity centres based in Catalonia.

10th. Description of voluntary initiatives or actions aimed at preventing and managing environmental pollution

See chapters 6.6 y 10.3 a).

C. Level of excellence:**11th. Value of sponsorships, sponsorships, donations, etc. per employee**

See chapter 10.3 b).

12th. Description of products and services aimed at disadvantaged persons or vulnerable groups

Not applicable.²

13th. Persons in disadvantaged situation or at risk of exclusion employed

None.

14th. Description of voluntary initiatives or actions aimed at preventing the safety and health of the community

See chapter 10.3 c).

15th. Value of purchases made to special employment centres and/or insertion companies

In 2017, the value of purchases made by the Ercros Group to special employment centres and/or insertion companies was EUR 92 thousand (EUR 98 thousand in 2016).

¹The active population of each locality has been calculated based on the activity rate of the respective province.

²The Ercros portfolio does not support this type of activity.

12.7. Contribution and cooperation with society

16th. Description of infrastructure projects and public services to the community

See chapter 10.3 a).

17th. Existence of training programs for the local community

The production centres have agreements in place to contract interns with local academic centres [see chapter 10.3. d)].

18th. Development of activities in the educational community (schools, vocational training and universities)

See chapter 10.3 d).

19th. Development of activities with the media

In 2017, 66 press releases were sent (51 in 2016); and held on March 13 and 14, 2017, individual meetings with the media that inform about the Flix factory to explain the environmental remediation updates carried out. The communication department attends and facilitates the work of the media regarding the Ercros Group [see chapter 11.2. b) (v)].

20th. Development of activities with the public administration and authorities

See chapter 11.2 b) (vii).

21st. Development of activities with legislative chambers

See chapter 11.2 b) (vii).

22nd. Development of activities with business organizations

See chapter 10.4.

23rd. Development of activities with trade union organizations

Ercros maintains frequent personal contacts with the representative trade union organizations in Ercros and participates in the seminars and events they organize [see chapter 7.3].

Ercros contributes financially to the support of company employee groups [see indicator 11th previous].

Indirectly, through Feique, Ercros participates in institutions that have a trade union presence, such as the Observatory of Chemistry or the Chemical and Society Forum.

24th. Development of activities with consumer organizations and users

Ercros participates, through Cicloplast, in the Envase y Sociedad platform, which is constituted as a forum for dialogue and exchange of experiences among organizations, institutions and citizens.

25th. Development of activities with environmental groups

Ercros participates, together with the Natura Freixe group, in the board of the Sebes Natural Area, located in front of the Flix factory and in the follow-up committee of the Sebes management plan [see chapter 10.3 a)].

26th. Development of activities with professional organizations

Through the business organizations in which it participates.

27th. Development of activities with the scientific community (centres, universities, etc.)

See chapter 10.3. e).

28th. Development of activities with neighbouring companies

Through personal contacts, joint participation in emergency drills and local business associations.

29th. Development of activities with neighbourhood associations

Through the sending of information and documents of interest to the Ercros Group [see chapter 11.2 b) (vi)].

30th. Development of activities with other associations or groups (cultural, sports, social, etc.)

See chapter 10.3 b) y f).

12.8. Communication and dialogue**A. Basic level:****1st. Existence of a person with assigned communication functions**

At the corporate level, communication functions are the responsibility of the general secretariat and, in each production centre, there is a person with delegated communication functions.

2nd. Existence of a corporate publication

The internal bulletin associated with the dialogue improvement plan ("PMD"), which contains the information provided in cascade meetings. In 2017, six bulletins were published (the same number as in 2016) [see chapter 11.2. b) (ii)].

3rd. Existence of web page

Yes, www.ercros.es.

4th. Existence of an internal communication procedure

Yes, Ercros has an internal corporate communication procedure.

B. Advanced level:**5th. Existence of a web page in Spanish**

The corporate website is presented in Spanish, English and Catalan.

6th. Publication of the annual report

Annually Ercros presents the Economic and financial report, the corporate governance report, the Directors' remunerations report and the corporate social responsibility report [see chapter 11.1].

7th. Issuance of public notices

The Ercros Group periodically sends information notes of general or local interest, which are distributed to external interested parties according to their content. In 2017, an average of 10 communications per centre was sent (the same number as in 2016).

8th. Existence of a management protocol and evaluation of suggestions, queries, complaints, petitions or similar

For suggestions, queries or complaints from external stakeholders, Ercros has the procedure of the Line of Attention to the Public ("LAP") and the contest of suggestions that channels and rewards suggestions for improvement proposed by the staff. In 2017, 28 suggestions for improvement were presented (21 suggestions in 2016).

9th. Existence of internal protocol meetings

Through the dialogue improvement plan ("PMD"), cascade meetings are held in all work centres. In 2017, 886 cascade meetings were held in which 3,731 people participated (1,099 meetings in 2016 with an attendance of 4,548 people).

C. Level of excellence:**10th. Periodic publication of a sustainability report or CSR report**

Ercros prepares the CSR report, which since 2016 has an annual periodicity.

11th. Existence of an external periodical newsletter

Since 2014, Ercros has a digital newsletter, which is requested through the corporate website and which periodically receives the most relevant news published by the Ercros Group [see chapter 11.1].

12th. Organization of external open days

See chapter 11.2 a).

13th. Existence of a management protocol and evaluation of external suggestions

The procedure of the LAP [see chapter 11.2 b) (vi)].

14th. Existence of a public advisory panel

Through Feique and AEQT.

12.8. Communication and dialogue

15th. Description of CSR campaigns

Ercros conducts several social responsibility campaigns annually [see chapter 10.3 f)].

16th. Periodical conduct of opinion polls

In 2017, production centres did not conduct opinion polls among their stakeholders.

17th. Use of tools 2.0

The use of 2.0 tools such as Vimeo, Flickr, LinkedIn and RSS.

18th. Existence of an intranet or an area for staff

Ercros has developed the virtual board hosted on the Ercros Group server, which performs the functions of an intranet and is freely accessible to staff.

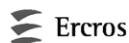
19th. Existence of an internal periodical newsletter

The bulletin associated to the PMD. In 2017, six bulletins were published (the same number as in 2016)

20th. Organization of open days for employees and/or family

The celebration of open days and concerted visits directed to staff and their families; to neighbourhood, business, social associations, etc., and to the educational community.

In 2017, 33 visits were held at the different facilities of the Group in which 1,011 people participated (21 visits in 2016 with the participation of 645 people).



Responsabilidad del informe de responsabilidad social empresarial

La presente diligencia tiene por objeto hacer constar que el consejo de administración de Ercros, S.A., en su reunión de 23 de febrero de 2018, ha aprobado el contenido del informe de responsabilidad social empresarial correspondiente al ejercicio anual terminado el 31 de diciembre de 2017.

El informe de responsabilidad social empresarial de Ercros, forma parte del informe de gestión de Ercros, S.A. y del Grupo consolidado, y su contenido está de acuerdo con lo previsto en el artículo 49 del Código de Comercio, modificado por el Real Decreto-Ley 18/2017, de 24 de noviembre, respecto del estado de información no financiera.

Este informe contiene, asimismo, el grado de cumplimiento de los 183 indicadores que contiene la guía de aplicación de la RSE en el sector químico y ciencias de la vida, promovida por la Federación Empresarial de la Industria Química Española («Feique») en colaboración con Forética, que a su vez recoge los indicadores requeridos para la certificación de un sistema de gestión ética y socialmente responsable según la norma SGE 21:2008.

Los consejeros de la Sociedad, cuyos nombres figuran en las antefirmas, declaran que el presente informe de responsabilidad social empresarial ofrece una explicación detallada del estado de información no financiera de la sociedad y su grupo consolidado.

Todos los nombramientos de consejeros se encuentran vigentes al tiempo de la presente diligencia.

Barcelona, 23 de febrero de 2018

Antonio Zabalza Martí
Presidente y consejero delegado

Daniel Ripley Soria
Secretario no consejero

Laureano Roldán Aguilar
Vocal

Eduardo Sánchez Morondo
Vocal

Lourdes Vega Fernández
Vocal

Carme Moragues Josa
Vocal

Corporation

Headquarter

Av. Diagonal, 593-595
08014 Barcelona – Spain
E-mail: ercros@ercros.es
Tel.: +34 609 880 630 and +34 934 393 009
Fax: +34 934 308 073

Shareholders office

Av. Diagonal, 593-595
08014 Barcelona – Spain
E-mail: accionistas@ercros.es
Tel.: +34 934 393 009
Fax: +34 934 308 073

Chlorine derivatives division

Headquarter

Av. Diagonal, 593-595
08014 Barcelona – Spain
E-mail: derivadosdelcloro@ercros.es
Tel.: +34 609 880 630 and +34 934 393 009
Fax: +34 934 308 073

Basic chemicals

E-mail: quimicabasica@ercros.es
Tel.: +34 609 880 630 and +34 934 446 651
Fax: +34 932 321 460

Customer attention centre (CAC)

E-mail: cac@ercros.es

East zone:

Tel.: +34 902 518 100 and +34 934 446 682
Fax: +34 934 874 058

West zone:

Tel.: (+34) 902 518 400
Fax: (+34) 934 874 058

Export:

Tel.: +34 934 445 337 and +34 934 446 675
Fax: +34 934 873 445

Sales office in France

E-mail: ercrosfrance@ercros.fr
Tel.: +33 140 267 480

Plastics

E-mail: plasticos@ercros.es
Tel.: +34 609 880 630 and +34 933 230 554
Fax: +34 933 237 921

Customer attention centre (CAC)

E-mail: cac@ercros.es
Tel.: +34 934 446 687
Fax: +34 934 517 802

Water treatment

E-mail: tratamientoaguas@ercros.es
Tel.: +34 609 880 630 and +34 934 532 179
Fax: +34 934 537 350

Customer attention centre (CAC)

E-mail: cac@ercros.es
Tel.: +34 934 532 179
Fax: +34 934 537 350

Production facilities

Flix factory

C/Afores, s/n
43750 Flix (Tarragona) – Spain
E-mail: flix@ercros.es
Tel.: +34 977 410 125
Fax: +34 977 410 537

Monzón factory

Carretera Nacional 240, Km 147
22400 Monzón (Huesca) – Spain
E-mail: monzon@ercros.es
Tel.: +34 974 400 850
Fax: +34 974 401 708

Sabiñánigo factory

C/Serrablo, 102
22600 Sabiñánigo (Huesca) – Spain
E-mail: sabinanigo@ercros.es
Tel.: +34 974 498 000
Fax: +34 974 498 006

Tarragona Industrial Complex

Tarragona factory

Poligon industrial La Canonja
Carretera de València, s/n
43110 La Canonja (Tarragona) – Spain
E-mail: complejotarragona@ercros.es
Tel.: +34 977 548 011
Fax: +34 977 547 300

Vila-seca I factory

Autovia Tarragona-Salou C-31 B, Km 6
43480 Vila-seca (Tarragona) – Spain
E-mail: complejotarragona@ercros.es
Tel.: +34 977 370 354
Fax: +34 977 370 407

Vila-seca II factory

Carretera de la Pineda, Km 1
43480 Vila-seca (Tarragona) – Spain
E-mail: complejotarragona@ercros.es
Tel.: +34 977 390 611
Fax: +34 977 390 162

Intermediate chemicals division

Headquarter

Av. Diagonal, 593-595
08014 Barcelona – Spain
E-mail: quimicaintermedia@ercros.es
Tel.: +34 609 880 630 and +34 934 393 009
Fax: +34 932 321 460

Customer attention centre (CAC)

E-mail: cac@ercros.es
Tel.: +34 933 069 320/19/25
and +34 934 445 336
Fax: +34 932 472 052

Sales office in China

E-mail: ercros@netvigator.com
Tel.: +85 231 494 521

Innovation and technology department

Poligon industrial Baix Ebre, carrer A
43897 Tortosa (Tarragona) – Spain
E-mail: quimicaintermediat@ercros.es
Tel.: +34 977 597 207
Fax: +34 977 597 095

Production facilities

Almussafes factory

Poligon industrial Nord
C/ Venta Ferrer, 1
46440 Almussafes (Valencia) – Spain
E-mail: almussafes@ercros.es
Tel.: +34 961 782 250
Fax: +34 961 784 055

Cerdanyola factory

C/ Santa Anna, 105
08290 Cerdanyola del Vallès
(Barcelona) – Spain
E-mail: cerdanyola@ercros.es
Tel.: +34 935 803 353
Fax: +34 935 805 409

Tortosa factory

Poligon industrial Baix Ebre, carrer A
43897 Tortosa (Tarragona) – Spain
E-mail: tortosa@ercros.es
Tel.: +34 977 454 022
Fax: +34 977 597 101

Pharmaceuticals division

Headquarter and Aranjuez factory

Paseo del Deleite, s/n
28300 Aranjuez (Madrid) – Spain
E-mail: aranjuez@ercros.es
Tel.: +34 918 090 340
Fax: +34 918 911 092

Commercial department

E-mail: farmaciacomercial@ercros.es
Tel.: +34 918 090 344
Fax: +34 918 923 560

This report on corporate social responsibility was published in Barcelona in April 2018.

Coordination: General secretariat of Ercros

© Ercros, S.A. April 2018

Design: maestra vida, sl.



Ercros

For further information:
Ercros general secretariat
Avda. Diagonal, 593-595
08014 Barcelona - Spain
Tel.: +34 609 880 630 and 934 393
009
Fax: +34 934 308 073
E-mail: accionistas@ercros.es
www.ercros.es