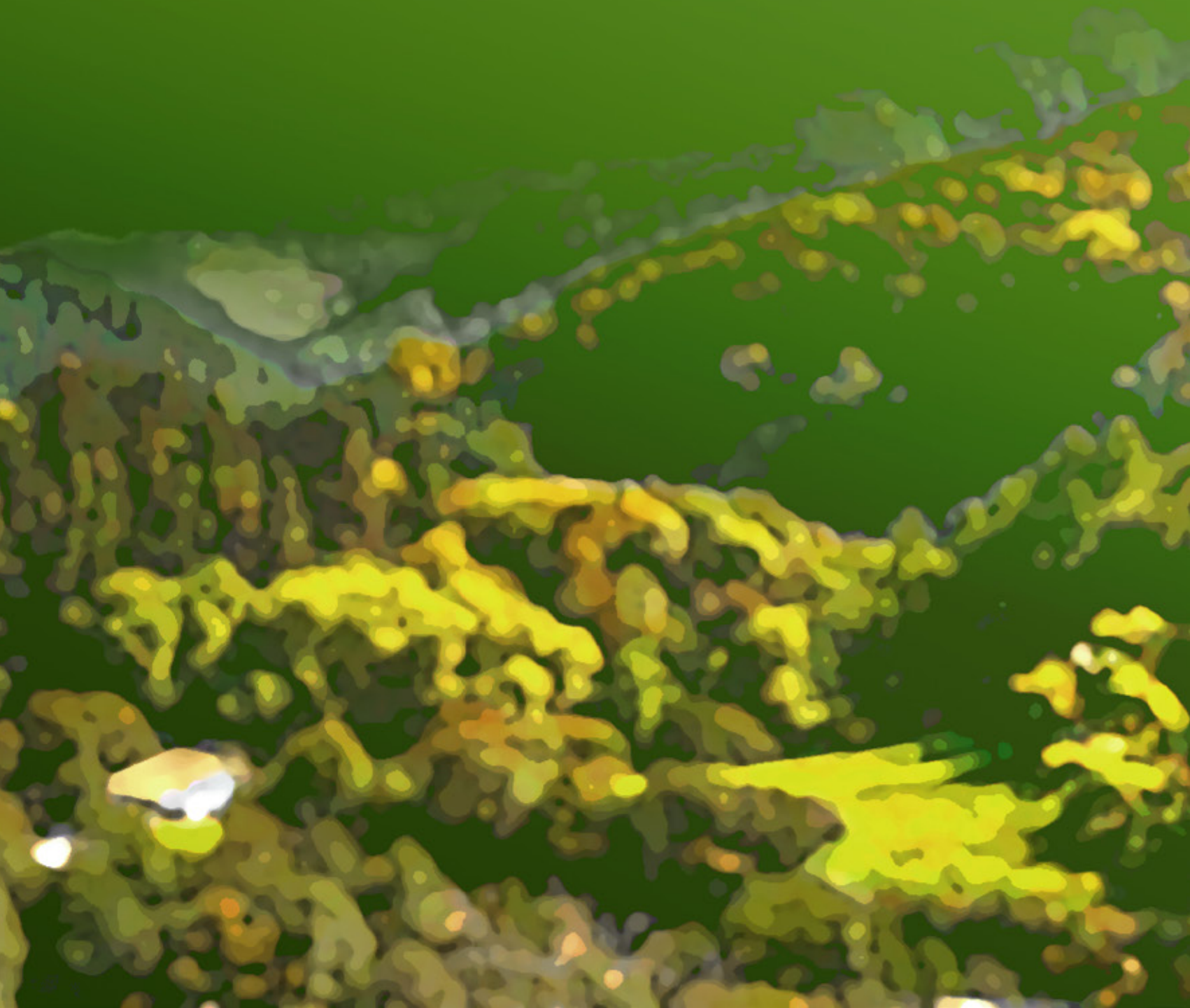




CORPORATE
SOCIAL RESPONSIBILITY
REPORT 2018

NON-FINANCIAL
INFORMATION STATUS



Contents

1	Letter from the Chairman	3
2	Verification certificate	4
3	Purpose, methodology and sustainable development goals	5
4	Introduction	7
5	Business model	10
6	Respect for human rights	16
7	Fight against corruption and bribery	19
8	Environmental matters	22
9	Staff matters	35
10	Gender diversity and equal opportunities	44
11	Supply chain	54
12	Social matters	61
13	Dialogue and transparency	66
14	Degree of compliance with the indicators contained in the CSR guide for the chemical and life sciences industry	70
15	Responsibility for the statement of the non-financial information	85

Ladies and Gentlemen,

In 2018 the corporate social responsibility report (statement of non-financial information) for the Ercros Group has undergone some significant changes as a result of the passing of new legislation on non-financial information and diversity.

The chapters that explain matters related to staff, the environment and diversity and equality have undergone the most changes based on the need for greater precision and detail required by the law. In addition, when possible, at the beginning of each chapter, numerical indicators that quantify and compare the most relevant information contained in the chapter in question are included. Lastly, the main risks to which the Group is exposed with respect to the non-financial information are explained.

In this report, the actions carried out by the Group in the performance of its activity to contribute to achieving the sustainable development goals (SDGs) promoted by the UN are identified for the first time. Likewise, and as has become customary, at the end of the report, we present the degree of compliance with the 183 indicators contained in the CSR guide for the chemical and life sciences industry, published by the Spanish Chemical Industry Business Federation (Federación Empresarial de la Industria Química Española "Feique"), in collaboration with Forética.

In 2018 the Group satisfactorily complied with the main challenge it had set for the year: the change of technology in the electrolytic plants that operated with mercury, such that, currently all chlorine and caustic soda manufacturing is carried out through membrane technology, recognised as the best available technology from the standpoint of sustainability and efficiency.

On the other hand, the board approved the amendment of Ercros's code of ethics to incorporate legislative developments and to make it more demanding. This code must be complied with by all Group staff and defines the ethical rules that must govern their actions while engaging in their professional activity.

Likewise, the board approved the anti-corruption and crime prevention policy the purpose of which is to eradicate any corrupt practices within the Group, and the audit committee established the conflict of interest procedure.

This report also provides an account of the degree of compliance with the voluntary programmes and commitments to which the Ercros Group has adhered. Specifically, the Group complies with 97.8% of the practices contained in the global chemical industry's Responsible Care programme and with 96.2% of the recommendations of the code of good governance for listed Spanish companies applicable to it; it obtained 75 out of 100 points in the EcoVadis rating, the objective of which is to improve environmental practices at companies and the Group's score places

it among the top 1% of the highest-rated companies; lastly, it renewed its "advanced" classification in the UN Global Compact progress report, which seeks to engage companies in social responsibility.

As prescribed by law, an outside rating company, in this case Bureau Veritas, has verified that this statement of non-financial information complies with that legally established. In addition, the aforementioned company rated this corporate social responsibility report "advanced".

The Ercros Group's commitment to equal opportunities and information transparency was deserving of the "Equality" and "Transparency" awards awarded by the Feique at the chemical industry's 2nd CSR Awards.

The report notes the progressive, although slow, increase in the percentage of women on staff, who accounted for 15.7% of staff in 2018. The analysis of staff by age and gender shows the exponential growth in the number of women as workers get younger.

Another encouraging development with regard to sustainability is that the accident rate among own staff decreased in 2018; however, it increased among contractors' staff who provide services at the Group's workplaces. In 2019 we have launched new actions aimed at reducing this accident rate. Furthermore, we have reduced absenteeism due to common illness and reversed the upward trend presented by this parameter in recent years, and that is becoming a significant threat to productivity and efficiency in the Spanish industrial sector.

In 2018 the main environmental indexes experienced uneven growth. The growth of the emissions index is due to the incorporation of new compounds in formula used for its calculation. Meanwhile, the decrease in direct greenhouse gas emissions is related to the stoppage of the aforementioned electrolytic plants.

In 2018 we resumed collaborations with local organisations close to our workplaces that had been interrupted due to the economic crisis.

These were some of the main milestones and awards achieved by the Ercros Group with respect to social responsibility throughout 2018; milestones that would not have been possible without the will and dedication of each member of the Group and that place us among the leading companies in these matters.

Antonio Zabalza Martí
Chairman and CEO of Ercros

Barcelona, February 22, 2019



This corporate social responsibility report of Ercros S.A. and its consolidated group ("CSR report"), which includes the statement of non-financial information for 2018, was unanimously approved by the Company's board of directors in its meeting on 22 February 2019 and passed the verification of Bureau Veritas obtaining, as in past editions, a rating of "excellent".

The content of the statements of non-financial information complies with Spanish Law 11/2018, of 28 December, modifying the Spanish Commercial Code (*Código de Comercio*), the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) and the Spanish Audit Act (*Ley Auditoria de Cuentas*), in relation to non-financial information and diversity. The statement of non-financial information forms part of the consolidated directors' report and of the directors' report parent, although it is presented in a separate document as permitted by the legislation that regulates it.

When possible, at the beginning of each chapter of this report, numerical indicators that quantify the most relevant information contained in the chapter are included. The sustainable development goals ("SDGs"), compliance with which is facilitated by the actions related to the chapter in question, are also included.

The CSR report also contains the degree of compliance with the 183 indicators contained in the guide for applying CSR to the chemical and life sciences industry, promoted by the 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 Ercros' CSR report 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 Spanish Ministry of Employment and Social Security, in the corporate social responsibility reports section (<http://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 Regional Government of Catalonia ("Rscat") (<http://rscat.gencat.cat/ca/>).

SUSTAINABLE DEVELOPMENT GOALS

The sustainable development goals ("SDGs") are 17 goals included in the UN's 2030 Agenda that represent an unprecedented global challenge to eradicate poverty, protect the planet and promote prosperity.

In the course of its activity, the Ercros Group has a particular impact on the achievement of goals 1, 3, 5, 6, 7, 8, 9, 11, 12, 13 and 17 however, it also contributes indirectly to achieving the remaining six goals.



The Ercros Group contributes to the eradication of poverty through the development of products that help to improve the society's quality of life.



Some of the products the Group manufacturers –active pharmaceutical ingredients and products used for disinfecting and purifying water– play a key role in improving global health. In addition, one of the Group's key sustainable development values is to ensure the health and well-being of its workers.



The Ercros Group focuses on equal rights, responsibilities and opportunities for men and women and, thus, applies active policies to encourage the presence of women in all jobs and is vigilant regarding any situation of discrimination or harassment.



Chlorine and its derivatives –core products in the Group's portfolio– are essential elements to ensure the population's access to safe drinking water and waste water treatment.

7 AFFORDABLE AND CLEAN ENERGY

The Group invests in the improvement of its facilities to make them more energy efficient. The Group has taken the step to use clean energy sources, such as hydrogen, to promote the use of affordable and non-polluting energy.

8 DECENT WORK AND ECONOMIC GROWTH

The generation of a solid and sustainable economic activity provides secure and high-quality work to its employees and those of contractors and contributes to society's economic growth.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Ercros Group's extensive industrial experience and focus on innovation, as well as its impact on the activity of the companies with which it associates, ensure the solidity and permanence of the industrial fabric.

11 SUSTAINABLE CITIES AND COMMUNITIES

The Ercros Group ensures that its business is carried out sustainably and its impact on the environment is minimised. Likewise, several of the products it manufactures –such as ErcrosBio and ErcrosFlex– were created to improve the sustainability of the planet.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The reduced consumption of raw materials, improved efficiency of processes and the implementation of product stewardship are principles applied by the Group to achieve responsible production and consumption.

13 CLIMATE ACTION

The Group's environmental agenda is focused on reducing emissions in general and, in particular, those that give rise to greenhouse gas emissions. In this manner, the Ercros Group helps to combat global warming and climate change.

17 PARTNERSHIPS FOR THE GOALS

The Ercros Group works together with institutions, associations, business organisations and other entities so that the SDGs extend to and reach the greatest possible number of people and requires from the companies with which it associates behaviour similar to that of its own with respect to the aforementioned goals.

4.1. The Company

Ercros ("the Company" or "Ercros") is the result of the merger on 30 June 1989 between Cros and Unión Explosivos Río Tinto, two century-old companies with a lengthy history in the Spanish chemical industry. In 2005 Ercros acquired Aragonesas, Industrias y Energía and almost one year later, Derivados Forestales Group XXI.

At the date of approval of this report –22 February 2019– the share capital of Ercros amounted to EUR 32,363 thousand, represented by 107,877 thousand ordinary shares of EUR 0.30 par value each, which are listed on the stock market interconnection system of the Barcelona, Bilbao, Madrid and Valencia stock markets.

The Company's governing bodies are the annual general meeting and the board. The board comprises: Antonio Zabalza Martí, Chairman and CEO, within the "executives" category; Lourdes Vega Fernández and Carme Moragues Josa, directors, within the "independents" category; and Laureano Roldán Aguilar and Eduardo Sánchez Morroondo, directors, within the "other externals" category.

Within the board there are two supervisory and control committees: the audit committee (which reports to the internal audit service and the compliance committee) and the appointments and remuneration committee.

The operational management bodies are the Ecofin and the steering committee.

Ercros is the parent of a group of subsidiaries that it directly or indirectly controls and that comprise the Ercros Group. Except for one of these company, Ercros France, S.A. –headquarters of the Ercros commercial delegation in France– the rest are inactive or in the liquidation phase.

4.2. 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 element is chlorine; the intermediate chemicals division, focused on formaldehyde chemistry, and the pharmaceuticals division, dedicated to the manufacture of active pharmaceutical ingredients ("APIs").

In 2018 the Group satisfactorily achieved the main objective it had set for the year, changing the technology in the electrolytic plants without negatively affecting the business. In the last year, the Group was able to maintain practically the same revenue from product sales despite the decreased volume sold due to the closure of the plants. This was possible thanks to the high level at which the prices of virtually all products remained throughout the year. On the other hand, expenses exceeded those in 2017 due to the significant increase in the price of raw materials and energy and the increase in sundry provisions. The evolution of income and expenses between 2017 and 2018 lead to a 15.3% drop in ebitda. However, the allocation in 2017 of costs and provisions arising from the abandonment of mercury technology, amounting to EUR 21,732 thousand, led to a 25.9% increase in ebit in 2018. As occurred in 2017, in 2018, the Group recognised income tax income of EUR 6,876 thousand, less than the EUR 15,899 thousand recognised in 2017. The foregoing gave rise to profit of EUR 44,876 thousand in 2018, 0.9% up on 2017.

In 2018 the Group paid the public authorities EUR 23,528 thousand (2017: EUR 28,727 thousand), in relation to taxes, fees and Social Security contributions representing 52.4% of the Group's profit for the year (2017: 64.6%). Likewise, it obtained grants amounting to EUR 7,262 thousand. Among these, it is worth noting those obtained for compensation for indirect greenhouse gas emission costs (EUR 3,036 thousand); for greenhouse gas emission allowances (EUR 1,746 thousand); and for capital investments in energy savings (EUR 2,291 thousand) [see chapter 8.2 e)].

The average headcount in 2018 was 1,290 people, distributed among ten production facilities, all located in Spain.

a) Consolidated income statement

EUR THOUSAND

	Year 2017	Year 2018
Income	694,037	684,802
Sales of products	641,793	639,543
Services rendered	39,677	32,397
Other operating income	7,787	8,364
Reversal of provisions for sundry obligations	6,942	1,821
Change in inventories	-2,162	2,677
Expenses	-619,726	-621,896
Procurements	-316,581	-341,780
Supplies	-114,389	-96,027
Staff costs	-83,387	-79,870
Other operating expenses	-102,473	-97,865
Provisions for sundry obligations	-2,896	-6,354
Ordinary ebitda	74,311	62,906
Costs for abandonment of mercury technology:		
Reduction of employees	-11,000	—
Dismantling and remediation	-10,732	—
Depreciation and amortisation	-18,252	-19,694
Ebit	34,327	43,212
Finance costs, losses and impairment	-5,947	-5,823
Exchange differences	-437	-521
Share of profit of associates	740	1,132
Earnings before tax	28,683	38,000
Income taxes	15,899	6,876
Other comprehensive income	-90	—
Profit for the year	44,492	44,876

Sales by business

EUR THOUSAND

	Year 2017	Year 2018
Chlorine derivatives	396,558	394,388
Intermediate chemicals	191,259	193,992
Pharmaceuticals	53,976	51,163
Ercros	641,793	639,543

Ordinary ebitda by business

EUR THOUSAND

	Year 2017	Year 2018
Chlorine derivatives	48,016	46,707
Intermediate chemicals	16,542	10,182
Pharmaceuticals	9,753	6,017
Ercros	74,311	62,906

b) Facilities and products

Division	Facilities	Products	Applications
Chlorine derivatives	Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Caustic potash Caustic soda Chlorine Chloroisocyanurates EDC Hydrochloric acid PVC Sodium chlorate Sodium chloride Sodium hypochlorite VCM	Chemical industry General Industry Derivatives manufacturing Pool water treatment VCM manufacturing General industry Construction Paper pulp bleaching Water treatment 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 equip. Resins Paints Tanning industry
Pharmaceuticals	Aranjuez	Erythromycins Fosfomycins Fusidic acid	Antibiotics Antibiotics Skin infections

c) Markets

In 2018 47.3% of the Group's sales were exported. The EU is the main destination of foreign sales and represents 28.1% of the Group's total sales. The OECD represent 7.8% of the Group's sales and the rest of the world's countries, 11.4%.

France, Italy, Portugal and Turkey remained the primary export destinations. The first two alone account for 31.8% of total foreign sales.

The intermediate chemicals and pharmaceuticals divisions are most active abroad —the first exported 64.8% of its sales and the second, 91.9%—, this also explains why both businesses are most affected by the dollar/euro exchange rate. In turn, the chlorine derivatives division —whose activity is more focused on the domestic market— exported 33% of its sales.

The Group is a leader in the main markets where it has a presence and supplies a wide variety of industries: chemical, construction, lumber, paint, food, pharmaceuticals, electrical material, water treatment, etc. It exports nearly one half of its sales (47.3%) and markets its products in 94 countries, mainly in the EU. The Group sells its products to more than 2,000 customers.

The products of the intermediate chemicals and pharmaceuticals divisions represent a significant percentage of the global market. In terms of paraformaldehyde, the Ercros Group is ranked first in the global market. It is also a leader in the fusidic acid and fosfomycin market. In Europe, it leads in sales of trichloroisocyanuric acid and in Spain it leads in sales of caustic soda and potash, sodium hypochlorite, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds and is ranked second in the PVC and glues and resins market.

5.1. Chlorine-caustic soda chain

Chlorine is the common denominator of the chlorine derivatives division. Chlorine and caustic soda are obtained simultaneously in the same production process using sodium chloride dissolved in water (brine) and electricity, in a ratio of 1 tonne of chlorine to 1.12 tonne of caustic soda. This combination is known as the electrolytic unit ("ECU").

Caustic soda is a highly reactive basic chemical product used widely in the industry, demand for which is growing at a rate of 1.5 times GDP growth. The margin for caustic soda—a product sold worldwide—is determined by the price of electricity that represents 44% of the ECU production costs.

For safety and economic efficiency reasons, the majority of chlorine produced is consumed in the same location since it is obtained in gas form and is also highly reactive. Approximately 60% of the chlorine produced by the Group is self-consumed to manufacture derivative products (sodium hypochlorite, hydrochloric acid, trichloroisocyanuric acid and the EDC/VCM/PVC chain) and the remainder is supplied by pipeline to the Group's customer, Covestro.

Chlorine is mainly used to manufacture PVC. PVC is a thermoplastic in high demand across the globe. Compared to other petroleum-based plastics, it has the advantage of being composed, in part, by chlorine through EDC, making it the plastic that is least dependent on petroleum. Chlorine represents approximately 60% of PVC's weight.

PVC production may also be carried out in part using an intermediate product, EDC that already includes ethylene (petroleum) and chlorine. In fact, in the production of PVC, the Group uses both internally-produced and purchased EDC. The choice of one or the other depends on several factors: (i) the availability and chlorine needs to supply the customer and manufacture other derivatives; (ii) the cost of electricity; (iii) the cost of ethylene; (iv) the cost of the outsourced EDC; and (v) the price of caustic soda.

PVC performance is linked to that of construction, its main market. The margin for this product is determined by the price of outsourced EDC, which represents 30% of its total costs or, where applicable, the price of ethylene, which represents around 60% of its total costs. In this case, to understand the ultimate profitability of PVC, the ECU must be considered as a whole, calculating both the income and the expenses arising from the manufacture of PVC, as well as those of caustic soda that is co-produced with the chlorine included in the PVC.

The increase in the volume of chlorine demanded by Covestro—within a context of reduced product availability—has led the Group to redistribute the chlorine it produces, increasing the proportion of chlorine allocated to Covestro and reducing the proportion of chlorine consumed internally in the PVC chain, which it satisfies at the cost of increasing the purchase of outsourced EDC.

On 16 March 2017, Ercros and Covestro renewed their chlorine supply agreement until the end of 2020. Subsequently, on 11 December 2017, Covestro announced its intention to launch its own chlorine production plant in 2020 at its Tarragona factory. This will lead the Group to once again redistribute the chlorine it produces in favour of internal use. At the end of 2018, both companies had signed an addendum to the chlorine supply agreement, increasing the amount of product to be supplied.

The chlorine derivatives division's main challenge at short-term is approximating the current production of chlorine and caustic soda to their pre-December 2017 level, when, due to the prohibition of mercury technology, the production plants were closed.

At medium-term, the division's challenge is to increase the combined margin of PVC, its associated caustic soda and the other chlorine derivatives against a backdrop of very high electricity prices, with plants that are more energy efficient and have a higher rate of use.

The primary raw material used by the chlorine derivatives division is electricity, the cost of which is set based on the auction price at the daily energy auctions carried out by Red Eléctrica de España ("REE") to which the regulated costs must be added. Although the caustic soda market is European, the electrical cost of production is specific to the Iberian market and, therefore, electricity is a component that affects the Group's competitiveness.

In addition, since 2008, the Group has been receiving remuneration for the interruptibility service it provides REE, consisting of the option the aforementioned company has to interrupt the supply of electricity to the Group's electrolytic plants in cases in which the production and demand of electricity makes it necessary. Since 2015, the amount paid by REE for the interruptibility service is set annually through an auction that occurs prior to the start of the calendar year. In 2018 the amount was set through two auctions, an initial auction for the period from 1 January to 31 May and a second, for the period from 1 June to 31 December. At 2018 year end, an auction was held for the first six months of 2019. At each of the auctions held, the price paid for the service has progressively decreased so that between 2017 and 2018, the amount received by the Ercros Group for this service has decreased 45.8%.

However, unlike what has happened until now, the increase in the cost of electricity in Spain in 2018 has led to an increase in the supply thereof in major European countries, leading to a convergence between the price paid by the Group and that paid by its competitors. This is very relevant given that Europe is the natural market for the products of the energy-intensive plants.

In addition, the progressive rise in the cost of electricity is being partially alleviated by a decrease in consumption due to the implementation of membrane technology in the electrolytic plants—which is 30% more efficient in terms of electricity consumption—and other improvements in the polyols production process. In order to reduce the cost of the supply in the future and ensure that it comes from renewable sources, the Group is exploring long-term bilateral power purchase agreements ("PPA").

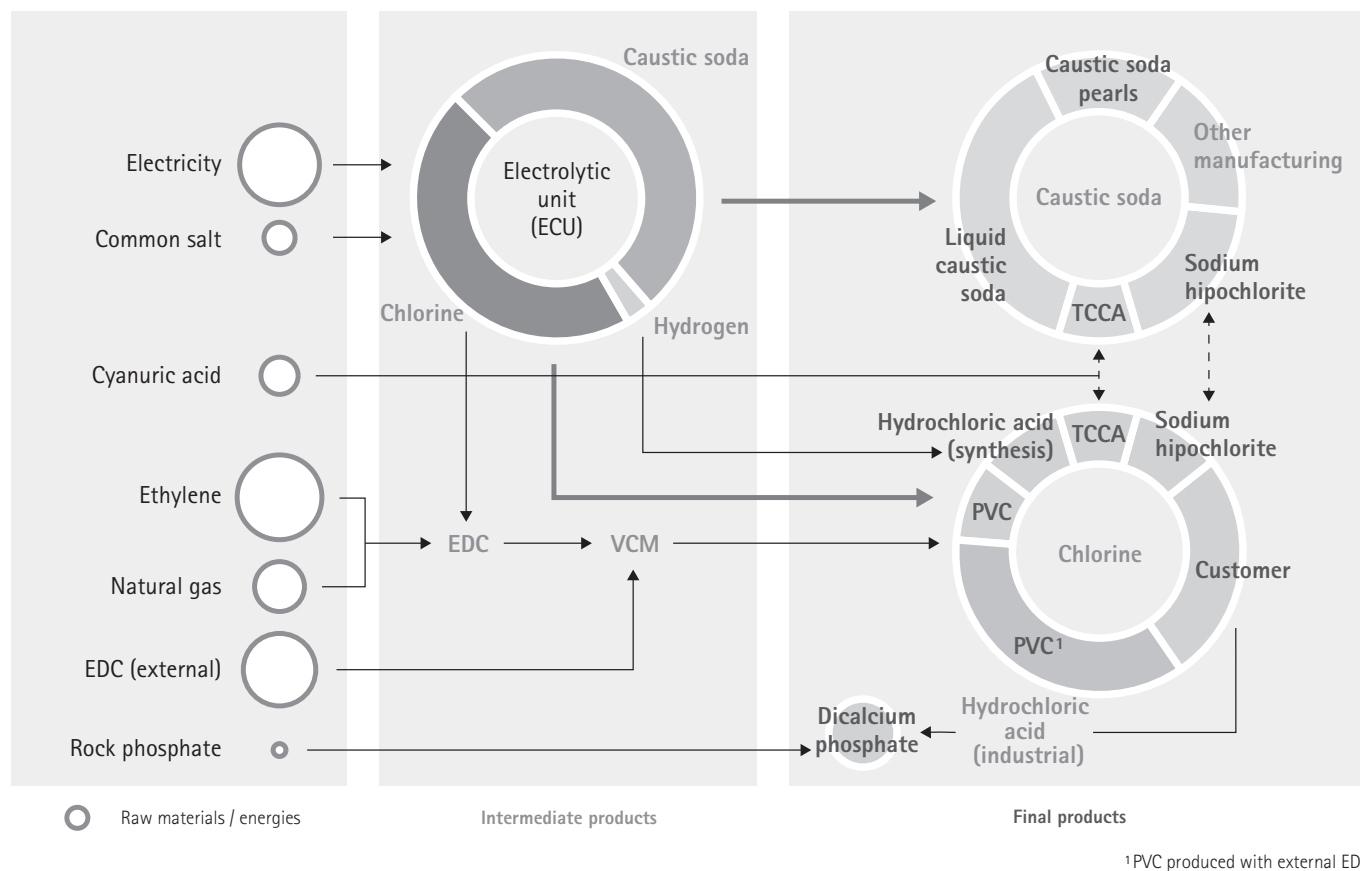
The other raw material in the chlorine and caustic soda production process is sodium chloride, and the Ercros Group has signed very long-term (20 year) agreements to guarantee the supply of this material with the required quality and competitive prices.

In addition to chlorine, the second fundamental raw material in the PVC manufacturing process is ethylene, a petroleum-based product. The price of ethylene is determined both by the evolution of oil prices and the availability of ethylene in the Eurozone. Normally, fluctuations in the price of ethylene end up being passed on to PVC customers, however, there may be some delay. The supply of these materials is guaranteed through the agreements that the Ercros Group has signed with two suppliers and that it has been renewing upon maturity based on the Group's needs.

In addition, PVC production entails high levels of thermal energy consumption, obtained primarily from natural gas. Natural gas prices are determined, mainly, by crude oil prices and the dollar/euro exchange rate.

The change in the technology used in chlorine manufacturing processes to membrane technology—which is more efficient in terms of electricity consumption—and the drop in production of EDC—which has been replaced by the purchase of outsourced EDC—, have allowed the Group to reduce its dependence on electricity and ethylene.

Outline of the chlorine-caustic soda process



5.2. Formaldehyde chain

Formaldehyde is the main product of the intermediate chemicals division and its primary raw material is methanol. Procurement of methanol represents around 40% of the division's total costs. For the majority of products, the fluctuation in the price of methanol is transferred to customers in order to protect the business's margin from this raw material's volatility.

81% of the formaldehyde produced is used to manufacture derivatives, both liquid and solid. The latter, which represent 66% of the business' revenue, have greater added value than liquids and their market is global with exports representing 90%. The main foreign currency of the solid products market is the dollar and, therefore, the business's competitiveness and its profitability are affected by the dollar/euro exchange rate.

Solid products are used to manufacture resins, lubricants, paints, varnishes and high-performing lacquers, as well as electrical and sanitary components. The margin for this group of products benefits from the market's recognition of its quality and the know-how applied in its production.

Liquid products, because of their water content and, therefore, higher transport costs, have a smaller market, limited to an 800 to 1,000 Km radius from the production facility –the currency for which is the euro and, therefore, they are not affected by the exchange rate.

At short- and medium-term, global demand for the primary products of the intermediate chemicals division is expected to grow, meanwhile global production capacity is declining.

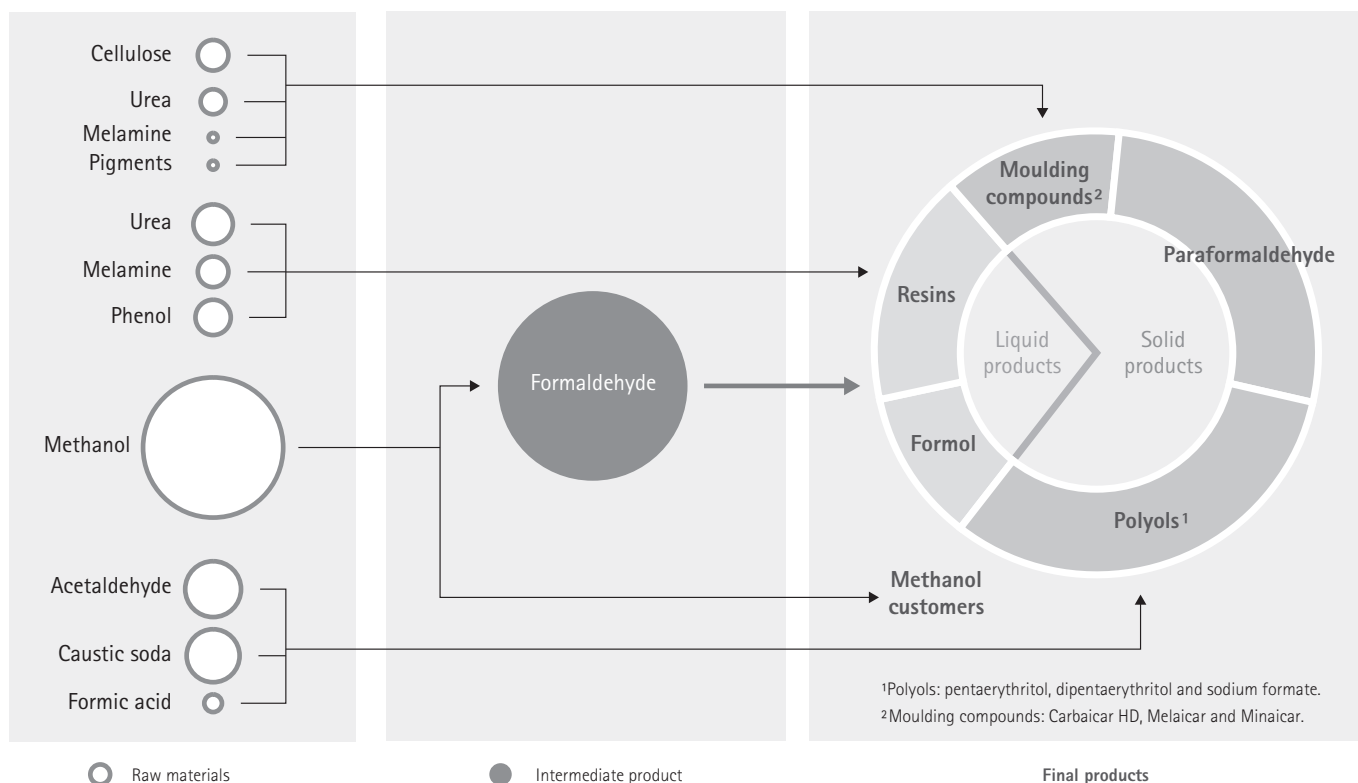
In the Group's case, the formaldehyde plants are already adapted to the emission limits established for 2021 in the best available techniques ("BAT") conclusions for the large volume organic chemicals industry ("LVOC") published by the EU.

In 2018 the Group consolidated the launch of a new range of ErcrosGreen+ resins, featuring ultra-low formaldehyde emissions, thereby advancing its progress on compliance with the most demanding environmental policies, along with the standards and recommendations of the construction industry applied in Europe, the US and Japan.

In 2018 the division expanded its polyol production capacity in Tortosa and its moulding compounds production capacity in Cerdanyola.

The challenge faced by this business is to remain a global leader based on the higher quality of its products with respect to the competition's products, mainly from Asia, while maintaining its competitiveness.

Outline of the formaldehyde process



5.3. Active pharmaceutical ingredients

The activity of the pharmaceuticals division is focused on the production of raw materials and APIs, mainly, from the antibiotic family. The division is also specialised in preparing other bespoke active and intermediate ingredients for customers.

The main value of this business is that it is a global leader in the manufacture of APIs, both due to its control of the fermentation and synthesis processes, as well as its capacity to obtain sterile products. Its high level of internationalisation (it exports 91.1% of sales) is also very highly valued, as well as its positioning as a reliable and quality supplier of the world's major laboratories.

The significant weight of external markets in the business results in both its sales and margin being influenced by the dollar/euro exchange rate.

Although, in general, the pharmaceuticals division products can be considered mature, the number of worldwide manufacturers is low—in part due to the complexity of the production systems—. This, together with the certifications required, the demanding audits of the facilities conducted both by the health authorities and customers that it must pass, the manufacturing processes and the distribution of the products lead to long-term relationships being established with customers, garnering loyalty.

The main challenge of this business at short and medium-term is obtaining a return on the increased capacity of sterile products with the incorporation of new products and opening new markets with sterile fosfomycin. It is also important for the Group to take better advantage of the installed fermentation capacity.

At long term, the business must meet the quality demands made by customers and regulatory bodies, developing new strains, expanding its product portfolio and coping with competition from China and India.

5.4. Competitive situation ¹

The Group is a leader in the main markets where it has a presence and supplies a wide variety of industries: chemical, construction, lumber, paint, food, pharmaceuticals, electrical material, water treatment, etc.

The Group exports nearly one half of its sales (47.3%) and markets its products in 94 countries, mainly in the EU.

The products of the intermediate chemicals and pharmaceuticals divisions represent a significant percentage of the global market. In terms of paraformaldehyde, the Ercros Group is ranked first in the global market. It is also a leader in the fusidic acid and fosfomycin market.

In Europe, it leads in sales of trichloroisocyanuric acid and in Spain it leads in sales of caustic soda, caustic potash, sodium hypochlorite, hydrochloric acid, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds and is ranked second in the PVC and glues and resins market.

The size of the Group's competitors varies based on the business and the type of product marketed. The Group sells its products to more than 2,000 customers.

In the chlorine derivatives division, if we use the European caustic soda market as a reference, the Group is ranked ninth among producers, and has the same ranking in the PVC market. In both markets, the Group competes with large operators who are more vertically integrated.

The prohibition of mercury technology in chlorine production plants at 2017 year end gave rise to an overall decrease in the supply of this product of around 7% in Europe and 60% in Spain. This decline in the production capacity, in a context of increasing demand, led to significant increases in the prices of caustic soda—a chlorine co-product—and chlorine derivatives that are expected to continue until 2021, when supply and demand are expected to once again return to similar levels.

5.5. Seasonal trends

In general terms, in the calendar year, the Group's markets are more active during the second and third quarters, except for August. In recent years, the trend among customers of reducing orders at the end of the year as a result of Christmas holidays and the general desire to reduce their warehouse stocks at the end of the year has become more pronounced, causing activity to drop in December.

The products with the most notable seasonal shifts are those used for water treatment—sodium hypochlorite, sodium chlorite and trichloroisocyanuric acid—, use of which peaks in the summer, and PVC, consumption of which is slower in the coldest months of the year due to the stoppage in construction. Demand for other products is steady throughout the year.

Likewise, due to the significant difference in the price of electricity based on the time of day and month, the production of sodium chlorate is lower when the price of electricity is more expensive, causing production not to be competitive.

¹ The figures provided in this paragraph on the positioning of products in their respective markets are from the calculations made by the Group itself.

In an outlook for a multiple-year economic cycle, products from the chlorine derivatives division are the most cyclical. In the basic chemical industry, due to the high volume of products manufactured worldwide and the unequal growth of supply and demand, it is customary for two to five-year periods in which the supply and demand are balanced and the product profitability is adequate to alternate with other periods where the supply increases inordinately with respect to demand, or demand falls, in both cases causing an imbalance, ultimately eroding margins. Electricity prices also vary significantly from one year to the next, which increases the cyclical nature of the Group's annual results.

5.6. Regulatory environment

The specific legal requirements for the industries in which the Group operates that have the greatest impact on its activity and results are those related to the energy market, the safety and health of persons and environmental protection.

a) Energy consumption

The central government, having implemented the main milestones of the energy reform in recent years, did not implement any new regulatory developments in the energy market in 2018 that had a significant economic impact on the Group's activity, other than that related to interruptibility and certain temporary tax relief on the electricity generation tax [see paragraph 5.5 above].

Likewise, the government published Spanish Royal Decree Law 20/2018, of 7 December, on urgent measures to foster economic competitiveness in the industrial and commerce sector in Spain, including measures to promote the fair transition of the energy-intensive industry, including the energy-intensive consumer statute that, at the date of publication of this report, was in the regulatory development phase. The goal of the statute is to implement mechanisms that make it possible to reduce energy costs for these types of consumers —among which the Ercros Group is included— and promote the decarbonisation of the industry. The Group is unaware of the impact that this process may have on future electricity prices.

b) Environmental remediation

See chapter 8.3 c).

c) Industrial emissions

See chapter 8.3 a).

d) Greenhouse gas emissions

See chapter 8.3 b).

e) Serious accidents involving hazardous substances

See chapter 8.3 d).

f) GMP and GDP standards

See chapters 11.3 and 11.4 a).

g) Classification of paraformaldehyde

In 2018 paraformaldehyde ceased to be considered a flammable solid, according to legislation on the international transport of dangerous goods. With this new classification, the logistical processes involving this product have been notably optimised, resulting in better services being provided to the Group's customers.

This declassification process was carried out in collaboration with the European group, Formacare, an organisation that reports to the European Chemical Industry Council ("Cefic"), which includes Europe's major paraformaldehyde manufacturers.

The Ercros Group produces paraformaldehyde at its Almussafes factory and is the leading global manufacturer of the aforementioned product.

5.7. Main risks to which the Group is exposed

The Ercros Group's activity involves various risks that are classified into different types, according to the criteria that the Group considers most appropriate for their efficient management. In this respect, not all the activities present the same risks, although on occasion they do share some.

Many of these risks are inherent to the performance of the activities that the Group carries on, or are the result of external factors and, therefore, an attempt may be made to mitigate such risks but it is not possible to eliminate them completely.

The Group has the governing bodies necessary to supervise the implementation of the organisation's general strategy and perform its duties with the efficacy, objectivity and independence necessary. Ercros also has procedures in place to identify, measure, assess, control, and prioritise the risks to which it is exposed, and it has management systems to define the control, monitoring, and reduction or elimination of such risks.

Risks that could jeopardise achievement of the objectives of the business strategy, the Group's financial flexibility and its solvency are considered significant.

The Group has prepared a risk map that identifies the most relevant risks based on the probability of occurrence (on a scale of 0% to 100%) and the impact that their materialisation would have on the Group (on a scale of 0 to 6). Based on the risk map, the Group has implemented controls aimed at mitigating the risks detected.

Specifically, the risks with a greater probability of occurrence and impact are non-financial risks related to operations, such as the risks due to changes in regulations, claims, dependence on raw materials, loss of competitiveness, customer concentration and environmental risks.

For the Group, risks related to human rights and fraud and corruption have not been identified as relevant. The 2018 work plan of the external auditor, Ernst & Young, focused on analysing, within the risk of fraud, the revenue recognition system and the possible circumvention of the controls established by management without any anomaly being detected.

The consolidated directors' report and the directors' report of the Parent included in the financial statements for 2018, provide a comprehensive description of the main financial and non-financial risks to which the Group and the Company are exposed.

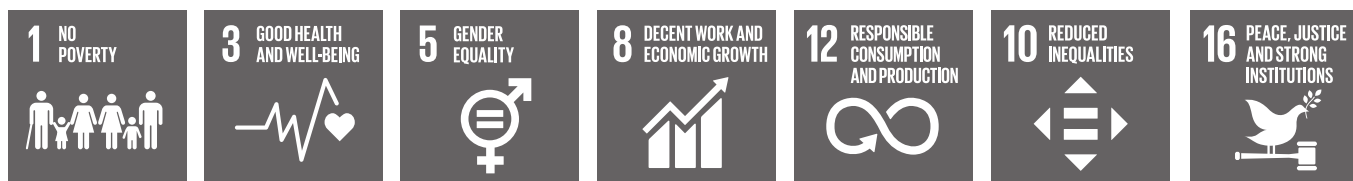
Likewise, chapter 8 of this report provides an in-depth description of the environmental risks.

6.1. Materiality of the chapter

Economic growth should always be accompanied by the improved well-being of people; as a result, the Group embraces as its own the most demanding codes and regulations related to human rights.

To that end, it has a code of ethics that all its employees must comply with that sets out the standards of ethical conduct that they must follow in the performance of their work. Likewise, the adhesion to voluntary external agreements is also an instrument that enables the Group to ensure respect for human rights in all spheres of its activity.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Complaints filed with the whistle-blowing channel	1	0
Compliance with Responsible Care	97.7%	97.8%
Compliance with the code of good governance	96.2%	96.2%
Ecovadis rating score	75/Gold	75/Gold
Classification of the Global Compact	Advanced ¹	Advanced ²
Reputational reports to suppliers	7	10

¹ Related to the 2016 report.

² Related to the 2017 report.

6.2. Regulatory framework

The Group uses all its resources to ensure human rights are respected internally and externally, and so that the principles of social responsibility are present in its day-to-day management and the decisions it adopts.

These principles are contained in the corporate social responsibility policy ("CSR policy") and are implemented through regulations, policies, manuals, plans and procedures that specify the Ercros Group's actions in each area.

a) CSR policy

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

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

- Compliance with 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 programmes of the global chemical industry and the Global Compact of the UN [see paragraph 6.2 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 application of measures to –in the event of a human rights violation– mitigate, manage and remedy any potential abuses.
- The adoption of responsible practices in the supply chain and the broadening of compliance with ethical principles and standards to all participants in this chain [see chapter 11].

b) The code of ethics

The Group has a code of ethical conduct ("the code of ethics") that must be complied with 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.

The code of ethics promotes respect for labour rights, human dignity and minority rights. Likewise, it emphasises the rejection of child labour, forced labour or compulsory labour.

On 19 April 2018, the board unanimously approved the amendment of the code of ethics to incorporate legislative developments, particularly the Spanish Corporate Enterprises Act, the Spanish Securities Market Act (*Ley del Mercado de Valores*) and the Spanish Criminal Code (*Código Penal*).

The main developments related to respect for human rights included in the code of ethics are as follows:

- Ignorance of the law and internal regulations does not exempt one from compliance therewith.
- Those subject to the code of ethics are not obligated to obey orders from a hierarchical superior that contravene the law.
- The hiring, promotion and training of the Group's staff will be based on their skills and performance of their professional functions and on their professional experience.
- Those subject to the code of ethics must respect people's right to intimacy and will not disclose third-party data obtained due to their work at the Ercros Group.

As a result of the changes made to the code of ethics between 2018 and the beginning of 2019, 197 staff training meetings were held.

c) The whistle-blowing channel

Linked to the code of ethics, is the whistle-blowing channel procedure, which establishes the mechanism by which complaints can be filed about alleged breaches of the standards of the code of ethics. In 2018 this procedure was also updated, mainly to extend the periods for admitting and resolving urgent complaints.

In 2018 the compliance committee –a body that reports to the audit committee– became responsible for managing the whistle-blowing channel and ensuring the confidentiality of the events reported and that no retaliation is sought against those who file complaints.

No complaints were filed through the whistle-blowing channel in 2018 (2017: 1 complaint).

The Ercros Group also has a procedure for the public service hotline that regulates the filing of complaints, reports and suggestions for improvement by external stakeholders.

6.3. 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 programme: the Group is a benchmark company in the application of this international programme, to which it has adhered since 1994. The Responsible Care programme is an initiative of the world chemical industry that in Spain is promoted by the Feique. In 2018 the Group's level of compliance with the seven codes of management practices was 97.8% (2017: 97.7%)
- The Global Compact agreement: the Group has adhered to this agreement, promoted by the 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 2017 report presented in 2018 was classified as advanced.
- Sustainability management systems: The Group applies management systems in its facilities that are accredited by independent companies, following internationally recognised standards that are verified and renewed annually. Specifically, ISO 14001, ISO 14064, ISO 50001 and EMAS are applied in environmental matters; the ISO 9001 in quality matters, and OHSAS 18001 in occupational health and safety matters.

- The code of good governance for listed companies ("CGG"): approved by the 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 2018 the degree of compliance with the recommendations contained in the corporate governance code for listed companies applicable to the Group stood at 96.2% (the same percentage as in 2017).
- The XIX general collective agreement for the chemical industry for 2018-2020: the declaration of principles of Article 118 of the aforementioned agreement establishes "the '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 guide for applying CSR in the chemical and life sciences industry: promoted by the Feique in collaboration with Forética, contains 183 indicators, with a level of compliance that is explained in chapter 14.
- 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 2018 the Group maintained its Gold classification with 75/100 points (the same as in 2017), placing the Group among the top 1% of companies.

6.4. 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 28% of sales to other countries in the EU and 8% to other OECD countries, while the remaining 11% goes to countries in the rest of the world, with India and China leading the way.

With regard to purchases, 62% of procurements and supplies come from Spain; 20% from the EU; 14% from the OECD and, only, 4% 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 requirements are at the top of the first rules contained in the code of ethics. In order to ensure compliance by stakeholders, the Group carries out campaigns to inform about and comply with the code of ethics. More specifically:

- The Group's staff has individually undertaken in writing to comply with the principles and rules contained in the code of ethics.
- The agreements with suppliers of logistics, goods and services, contain a clause whereby they undertake to abide by the code of ethics in their interactions 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 agreements or in the orders placed by the Group.
- The Ercros Group's code of ethics includes the requirements that commercial transactions with foreign companies must meet.

In this way, the Group has mitigated the risk of non-compliance with due respect for human rights in the Group. In addition, the Group has established safeguarding mechanisms that strengthen 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.

One of these mechanisms is the approval process and periodic assessments that must be carried out by the supplier companies that contract with the Ercros Group. These assessments verify, among other aspects, the suppliers' ability to comply with the Group's sustainability and ethical conduct requirements, among other commitments.

Another safeguard mechanism is the procedure for registering suppliers that was approved in 2017. Within the framework of this procedure, the Group prepares reputational reports on suppliers with estimated annual billings of more than EUR 2,000 thousand. In 2018 ten reports of this type were prepared (one for a power company, and nine for strategic raw material companies), all of which were favourable. With the reports prepared in 2018, the Group has covered the reputational analysis of suppliers that represent 41% of the amount of total purchases.

7.1. Materiality of the chapter

The Ercros Group is strongly committed to stopping all types of corruption and, to that end, fosters ethical and transparent business practices. The Group has a financial control system, a code of ethical conduct and an internal audit department that ensure that the Group avoids any risk related to corruption and bribery.

Likewise, the Group has a compliance committee that ensures that all the procedures, policies and codes related to ethical and transparent performance of its economic activity function properly, as well as the control and prevention of criminal risks.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Internal audits	6	8
Recommendations of the internal audits	36	37
Recommendations implemented	19	47 ¹
Compliance committee meetings	2	9
Tasks implemented in the compliance system	—	32
Purchases and services supported by an agreement	99%	99%

¹ 30 measures corresponding to the 2018 audit and 17 corresponding to the 2017 audit.

7.2. The corporate social responsibility policy

The corporate social responsibility ("CSR") policy explains among other matters, the principles related to the fight against corruption and bribery assumed by the Group. Specifically: (i) compliance with current legislation; (ii) cooperation with the law; (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.

7.3. The code of ethics

The Ercros Group's code of ethics pays special attention to the way in which employees should conduct themselves 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 what country they may be in (Article 5.1).
- Cooperation with the authorities responsible for the fight against fraud or money laundering (Article 6.3).
- Control so that its accounting records and books clearly and accurately record all transactions made by the Group. Furthermore, it seeks to ensure that economic-financial information faithfully reflects the Group's economic, financial,

and equity situation, and complies with generally accepted accounting principles and applicable international financial reporting standards (Article 13.1).

- The prohibition against fraud, money laundering, and irregularities in payments within the Company and by the companies with which it interacts (Article 14.1).
- Monitoring of evidence of lack of integrity of persons or entities with which it carries out financial and commercial transactions, in order to avoid fraud or the laundering of money from criminal activities (Article 14.2).
- The prohibition against any conduct that could constitute bribery, attempted bribery, or exerting undue influence on public authorities or officials and regulatory bodies, whether directly, indirectly, or through an intermediary (Article 15.1).
- The prohibition against offering, receiving, promising, or authorising cash payments, in-kind payments, or other benefits to persons serving public entities, private entities, political parties, business associations, or trade union organisations, or persons who are candidates for public office, with the intention of obtaining, from them or through them, deals or other unlawful advantages for themselves or the Company (Article 15.2 b).
- The obligation to work to avoid corruption to avoid corruption among individuals and, especially, in the entire supply chain for its products, from suppliers to end customers (Article 16.2).
- The prohibition against accepting cash gifts or gifts that have a value of more than EUR 150 or gifts the purpose of which is to obtain a benefit in exchange, or those that may affect the objectiveness of the recipient (Article 21.2).

7.4. Internal control systems

The Group has implemented an internal control system to avoid, among other risks, bribes or corruption among its staff. The internal control system revolves around the following three axes:

- The International Financial Reporting Standards ("IFRS") Committee that conducts a monthly analysis of the different items of the Ercros Group's financial statements, as well as the implementation of the new IFRS and their impact on the Group's financial statements.
- Controlling the monthly closure of Ercros Group, aimed at checking the main items of the balance sheet and the income statement based on a monthly questionnaire 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.

The rules to follow to avoid conflicts of interest are regulated in Article 23 of the code of ethics. Additionally, the Company's directors must submit to Article 41 of the board regulations. Lastly, on 26 July 2018, the audit committee approved the conflict of interest procedure that implements and broadens the internal regulations on this matter.

In 2018 the internal audit service carried out eight audits that gave rise to 37 recommendations to change or improve the current procedures. Before the end of the year, 30 of these measures had already been satisfactorily implemented (2017: six internal audits were carried out, with 36 recommendations, of which 19 were implemented in 2017 and the remaining 17 were implemented in 2018).

Since 2015, the external audit service, Ernst & Young ("E&Y") has prepared an annual report on the Ercros Group's internal control and risk of fraud. The Group has yet to receive the 2018 report, however, the assessment in prior years has been "favourable".

In 2018 the procedure to obtain aid and grants to carry out R&D projects was approved. In 2018 as in 2017 99% of the payments made by the Ercros Group were supported by a prior order or agreement; this high percentage reflects the Group's control over the economic transactions it carries out and is a reliable reflection of the financial transparency with which it operates.

7.5. The compliance committee

Since 2017, the Ercros Group has had a compliance committee, comprised the manager of the internal audit service, Xavier Álvarez García, and the manager of the legal service, Asunción Loste Madoz. The compliance committee reports to the audit committee and its functions include the following:

- Ensuring that the system of values of the code of ethics is updated, proposing any amendments necessary to the audit committee.
- Preparing and implementing a manual of the Group's criminal risks with the appropriate protocols for its compliance in order to prevent crimes that could be committed under the cover of the legal entity.
- Proposing the adoption of those measures it considers appropriate to the audit committee to guarantee compliance with and monitoring 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 and the principles established in the code of ethics.
- By delegation of the audit committee, managing the whistle-blowing channel.
- Keeping a record of the conflicts of interest presented and resolving the conflicts of interest raised in which the person concerned disagrees with that determined by the corresponding hierarchical superiors.

In 2018 the compliance committee met on nine occasions (2017: 2) and carried out 32 of the 58 internal control system tasks assigned to it (2017: 0) representing a degree of implementation of 55%. Additionally, it held two training sessions: one for the steering committee and the other for the board. Training for the rest of the Group's staff is scheduled for 2019.

The audit committee approved the compliance committee regulations in 2018.

7.6. The fight against fraud

When updating the code of ethics, special attention was paid to strengthening the rules related to the fight against fraud, among which it is worth noting:

- The obligations of those subject to the code who perform functions related to administration and accounting to enhance internal control and the reliability of the accounting.
- The broadening of the article on "money laundering and payment irregularities" to list the situations in which unlawful or irregular practices may occur and the obligation to report any unusual situations.
- The requirements that commercial transactions with foreign countries must meet.

7.7. Anti-corruption and crime prevention policy

On 19 April 2018, the Ercros board approved the anti-corruption and crime prevention policy, the object of which is to establish the principles that govern the Ercros Group's activity in relation to the eradication of any corrupt practice of which it is aware. Among the principles of the aforementioned policy it is worth highlighting:

- Zero tolerance for corruption in business and other criminal activities.

- Cooperation with the authorities responsible for the fight against criminal activities.
- The obligation to avoid conflicts of interest, in particular in relation to suppliers of goods and services.
- The implementation of a criminal detection, prevention and control model.
- The establishment of relations with the government, political parties and similar bodies, as well as with third-parties in general, based upon legality, cooperation, transparency, and honesty.
- The establishment of channels to facilitate complaints regarding possible breaches of the code of ethics.
- The application of corrective measures to those who engage in corrupt practices.

In 2018 the Ercros Group paid two administrative sanctions: one, for EUR 376 thousand, related to a tax assessment regarding the Economic Activities Tax between 2014 and 2017, for the Aranjuez factory; and the other, related to a tax assessment on the Personal Income Tax ("IRPF") from 2012 to 2014, amounting to EUR 192 thousand.

8.1. Materiality of the chapter

Respect for the environment is present in all the actions and decisions carried out and taken by the Ercros Group; respect that translates, mainly, into the sustainable use of resources, reduction of its environmental impact, adaptation to environmental legislation and remediation of industrial soil.

All the foregoing with the goal of satisfying current needs, without compromising the capacity of future generations to satisfy their needs.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Energy consumption ¹ (GJ/t produced)	4.16	5.71
Water consumption (m ³ /t produced)	9.64	10.97
Emissions index ²	953	1,443
Emissions of CO ₂ (thousands of tonnes of CO ₂ equivalent)	672	486 ³
Activity with environmental certification ⁴	100%	100%
Expenses incurred in environmental protection (EUR thousands)	18,692	16,770

¹ Energy consumption includes electricity consumption and fossil fuel consumption.

² The emissions index is calculated based on data on the emissions into the atmosphere and water, waste generation at each production facility and on factors that depend on the products involved.

³ Pending external verification.

⁴ The activity with the environmental certification includes the percentage of ISO 14001 certified factories over the total number of factories.

8.2. Environmental management

The Group's environmental management is aimed at protecting the environment and preventing the effects of the industrial activity on the environment. This is achieved by applying the most suitable waste treatment; the implementation of the most advanced technologies and the incorporation of improvements in the production processes to reduce emissions into the atmosphere at the source; the most rational use of energy and raw materials; and compliance, in all cases, with legal and other applicable requirements.

In particular, this entails:

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

- 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 that implements it, as well as the procedures and plans arising from the policy; and, on the other hand, the Responsible Care programme.

The body responsible for managing sustainability is the Ercros committee for sustainable development ("Cedes") that comprises the general business manager, the division managers, the industrial and factory managers, and the managers of integrated logistics, human resources and sustainable development. The latter in turn acts as both coordinator and spokesperson for this body.

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

a) Pollution prevention measures

The Group has systems to reduce all types of pollution and minimise its impact on the environment:

(i) Water pollution

With the goal of preventing or reducing water pollution, the Ercros Group has: (i) waste water treatment plants, mainly biological, physical or chemical, water with mercury, nitrified water and chlorinated water treatment plants; (ii) bund walls in storage tank areas to prevent an accidental discharge from polluting the soil or water; (iii) equipment to monitor the quality of the waste water; and (iv) waste water re-utilisation systems in processes where it is possible.

(ii) Air pollution

With the goal of reducing and minimising air polluting emissions, the Ercros Group has: (i) systems for abatement of emissions of volatile organic compounds ("VOCs"); (ii) filtering systems; (iii) inerting systems for storage tanks to avoid emissions in the filling process; (iv) thermal oxidation plants for the elimination of VOCs; (v) reuse of waste flows in boilers; (vi) systems for the reduction of nitrous gases in combustion installations; and (vii) facilities for treatment of chlorinated gases.

(iii) Noise and light pollution

In order to minimise the impact of the noise and light created by its facilities, the Group has: (i) shielded the focal points of acoustic emission; (ii) enclosed the equipment with the highest noise emissions; (iii) placed silencers on equipment and maintenance thereof; (iv) adapted to the regulations on light pollution; and (v) eliminated mercury-vapour lamps and installed sodium-vapour lamps.

b) 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 14001:2015, accrediting the implementation of an environmental management system that promotes the protection of the environment and the prevention of pollution. Since April 2009, all the Group's industrial facilities have been certified in accordance with this standard. In 2018 the Group's factories adapted to the new version of the standard that was published in 2015.
- 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. The Monzón, Sabiñánigo and Tortosa factories, and the three integrated facilities in the Tarragona complex are included on that register.

In 2018 the Tortosa factory received recognition from the Directorate General of Environmental Quality and Climate Change of the Regional Government of Catalonia ("DGQA") for being on the EMAS register for ten consecutive years.

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. In 2018 the Group continued to hold this certification.
- UNE-EN ISO 50001:2011 standard on energy management systems that has been implemented in the Vila-seca I, Vila-seca II, Sabiñánigo and Tarragona factories.

c) Internal regulatory framework

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

- The code of ethics, updated in 2018 and containing the rules that Ercros Group staff must comply with in relation to environmental protection, among others. With respect to this matter, the code of ethics highlights the obligation of those who work for the Group: (i) to identify and communicate any actual or potential situation that may affect the environment; (ii) to consider the risk of damaging the environment before carrying out any operation; (iii) to promote the reduction of emissions, discharges and waste generated; (iv) to promote the rational use of energy and natural resources; and (v) to have all the licences and authorisations required to carry out any activity within the Ercros Group.
- The sustainability policy, providing the reference framework that governs the Group's actions in terms of sustainability. The purpose of this policy is to protect people and the environment, together with other fundamental pillars such as occupational health and safety, 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, from which arise the general corporate procedures that form the basis for the specific documents for each workplace.
- 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 factories, and that considers energy management as one of the Group's basic management principles. An energy management system according to ISO 50001 has been implemented to fulfil this commitment.

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 code of ethics through the whistle-blowing channel, among others. With regard to external stakeholders, the Group has a procedure – the public service hotline – that regulates the presentation of complaints, reports and suggestions for improvement.

d) Adherence to voluntary programmes

The voluntary programmes to which the Group adheres also contain environmental protection commitments, such as:

- The environmental protection code of the Responsible Care programme: designed to establish a clear preventive policy to avoid and control the environmental impact of companies' facilities and operations, in accordance with the best environmental practices of the chemical industry. This code is a management system similar to the EMAS and ISO 14001 systems that are used as support instruments for developing the programme. In 2018 the degree of compliance with the Responsible Care Programme was 97.8% (2017: 97.7%).
- In the Global Compact programme: (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".

e) Environmental investments, expenses and grants

In 2018 the Group made investments for the purpose of improving and protecting the environment, among which, it is worth noting those related to the change to membrane technology at the Sabiñánigo and Vila-seca I factories for a total amount of EUR 16,205 thousand (2017: EUR 31,250 thousand).

The expenses incurred by the Group for the protection and improvement of the environment in 2018 amounted to EUR 16,770 thousand (2017: EUR 18,692 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental legislation on reducing emissions and soil remediation.

In 2018 the Group received grants for greenhouse gas emission allowances amounting to EUR 1,746 thousand (2017: EUR 1,261 thousand) and from the Institute for Energy Diversification and Savings ("IDAE") for energy saving amounting to EUR 2,291 thousand (2017: EUR 3,036 thousand).

In 2018 the Group also received EUR 2,837 thousand as compensation for indirect greenhouse gas emission costs arising from its electricity consumption.

8.3. Regulatory environment

The Group —because of the industry in which it operates— is subject to strict environmental regulations, in terms of emissions, soil remediation and regulation of substances.

a) Industrial emissions

Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control), transposed into Spanish legislation through Spanish Law 5/2013, requires that the integrated environmental authorisations be adapted at all facilities 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 (BAT reference documents) applicable in each case.

Spanish 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.

Regarding the BREF for the large volume organic chemical industry ("LVOC"), on 21 November 2017, the Official Journal of the European Union published the Commission Implementing Decision (EU) 2017/2117 establishing best available techniques (BAT) conclusions. In the case of the Ercros Group, the application of 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, while the formaldehyde plants, also affected by this BREF, have already been adapted to the new requirements.

The application of the BREF of the common waste water and waste gas treatment and management systems ("CWW"), whose BAT conclusions were published in the Official Journal of the EU on 9 June 2016, also involve carrying out certain actions at all the Group's facilities before 9 June 2020, which are already under way.

Before 11 December 2017, in compliance with the BREF for the chlor-alkali industry, the Group stopped its activity at the mercury electrolysis plants at the Flix and Vila-seca I factories that required a general restructuring of the production process for chlorine and its derivatives. For the adaptation of these factories to the chlor-alkali BREF, the Catalan Regional Government renewed its respective integrated environmental authorisations ("IEA") in 2018.

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 respect to 1990 levels. The aforementioned amendment was transposed into Spanish law through Law 13/2010. This legislative package establishes the rules for the allocation of free allowances and implements a new auction system.

Based on this legislative package and in accordance with the resolution from the Under Secretariat of State for the Environment, of 18 November 2014, the Group has 1,944,959 European Emission Allowances ("EUA") allocated to it at zero cost for the 2013-2020 period, of which 237,862 EUA correspond to 2018 (2017: 243,593 EUA).

On 19 March 2018, Directive (EU) 2018/410 of the European Parliament and the Council amending Directive 2003/87/EC —establishing a regime for greenhouse gas emissions allowances trading for the 2021-2030 period, was published and is pending transposition into Spanish legislation. In February 2019, the Group is expected to submit its application for emission allowances for the 2021-2025 period.

c) Soil remediation

Spanish Royal Decree 9/2005, establishing the list of potentially soil contaminating activities and the criteria and standards for declaring soil contaminated, requires industries to characterise its soils and 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 —Law 5/2017, on fiscal and financial measures amending Legislative Decree 1/2009, on contaminated waste and soils that includes the concept of historical pollution. According to the aforementioned law, all pollution or alteration in the soil that occurred prior to 28 August 1994 is considered historical. In relation to 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 contaminated 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.

The cost of performing its environmental remediation responsibilities are fully provisioned.

(i) Flix soil and reservoir

In relation to the soil of the Flix factory, throughout 2018, actions contained in the environmental adaptation plan –submitted to the government in February 2017– which describes the actions to be carried out to improve the quality of the soil and the groundwater at the factory, as well as the steps to follow to eliminate possible mercury emissions after closure of the electrolysis plant in December 2017 were carried out.

These actions include procedures carried out on the soil of the former trichloroethylene and perchloroethylene plants in which soil vapour extraction ("SVE") plants have been installed and the dismantling and demolition of the former Exterior and Alsuta warehouses and the installation of SVE plants on the resulting plots. Another SVE plant was installed –not envisaged in the plan– in electrolysis areas III and IV. Likewise, after the closure of the electrolysis plant, a tank was built for storing and transporting mercury according to the requirements established in the EU Directive on mercury. The emptying and cleaning of all the facilities was completed in 2018 and they are scheduled for dismantling in 2019.

On 24 July 2018, Ercros and Acuamed reached a settlement agreement establishing the compensation to be paid by Ercros to Acuamed amounting to EUR 11,331 thousand [see chapter 8.6 (a) (v) below].

(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. The competent authorities approved the control and monitoring plan for soil and groundwater at the Sabiñánigo and Monzón factories. Lastly, also with the approval of the authorities, a pilot test was launched to improve the quality of the groundwater of the land the Group holds at the Palos de la Frontera premises, disposed of in 2015.

(iii) Cardona 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 DGQA. The land clearance and revegetation tests included in phase 1 were carried out in 2018.

With respect to Terrera Vella –which the Group was operating when the activity at the Cardona factory ceased–, Ercros presented an updated restoration plan for the mine dump to the DGQA in 2017. In the plan, it proposed surface water management compatible with the environment and consistent with the Vall Salina comprehensive

restoration project, the purpose of which is to make it possible to potentially use the saline resources at Terrera Vella in the future. Currently, the Group is awaiting approval of the plan.

(iv) El Hondón land

On 21 January 2019, Ercros received two notices from the Directorate General of the Environment and Mar Menor of the Regional Government of Murcia (i) declaring the end of the voluntary recovery procedure of the El Hondón land –where its former Cardona factory was located– and (ii) the start of a procedure to declare the soil of this plot contaminated. The notices firstly named Ercros the party responsible for carrying out the necessary clean-up and recovery work on the land as the party responsible for the contamination and, secondarily named the current owners of the site.

At the time, vis-à-vis Reyat Urbis, S.A., Ercros assumed the cost of the decontamination of the plots awarded to it in the reparcelling project definitively approved by the Cartagena City Council in 2013. To cover the costs of this obligation, at 31 December 2018, Ercros had recognised a provision amounting to EUR 5,403 thousand, equivalent to 25% of the total estimated recovery cost, which is the percentage assigned to Reyat Urbis, S.A. in the reparcelling project.

Based on this obligation, in 2011 Ercros, together with the other owners of the land at the time, Podesca –a company owned by the Regional Government of Murcia and the Cartagena City Council in the process of liquidation– and Solvia Development, S.L.U., signed an agreement to proceed, within the framework of the new residential use envisaged in the subdivision plan and in the reparcelling project, to remediate the contaminated soils.

In 2018 Solvia Development, S.L.U. sold its portion of the land to the Cartagena City Council, which took over its obligation to remediate the land acquired, becoming the majority owner of the El Hondón area.

Although, as envisaged in the reparcelling project, the remediation of the El Hondón land is an obligation assumed by its owners, the Regional Government of Murcia –in application of the Spanish Contaminated Waste and Soils Act (*Ley de Residuos y Suelos Contaminados*)– it has opted to commence a proceeding to have the soil declared contaminated that could result in the party responsible for the contamination, i.e. Ercros, being declared the primary party responsible for its remediation.

The aforementioned law establishes that the obligation to remediate the contaminated soil only extends to leaving it suitable for the use they had when the aforementioned contamination occurred that, in this case, would be industrial use, which is less demanding with regard to remediation work than that required for residential use.

The designation of Ercros as the party primarily responsible for the remediation of the El Hondón land for industrial use does not prevent Ercros from passing on the aforementioned costs to the landowners. Therefore, based on the information available at the date of preparation of this report –22 February 2019–, Ercros does not believe it is necessary to recognise any provisions in addition to those already recognised.

On 20 February 2019, Ercros submitted a pleading to the Directorate General of the Environment and Mar Menor of the Department of Employment, Universities, Industry and Environment of the Regional Government of Murcia in which it stated, among other aspects, that Ercros is not obligated to guarantee a soil quality appropriate for the new residential uses envisaged in the current urban planning approved and, in addition, requesting that the administrative proceeding be suspended to prepare and conclude the various technical studies proposed by Ercros in relation to the land's industrial use. The directors do not believe that it is necessary to recognise any provisions in addition to those already recognised.

d) Serious accidents involving hazardous substances

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

8.4. Environmental indices

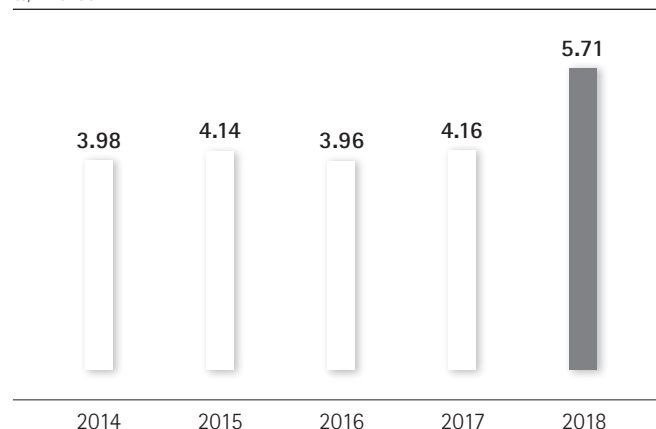
The following is the performance in 2018 of the main environmental indices used by the Group to control emissions:

- The emissions index increased 51.4% due to the incorporation of new compounds in the calculation of the index, according to the procedure in force. The aforementioned procedure establishes that the calculation of the index must incorporate all compounds that the Group is obliged to control according to the IEA of each production facility. During the review of the Vila-seca II IEA, three new compounds were added to those that must be controlled and, since 2018, they have been taken into consideration in the calculation of the index.
- Direct greenhouse gas emissions fell 10.6% in 2018, on par with the Ercros Group's decrease in production.

Consumption:

Energy ¹

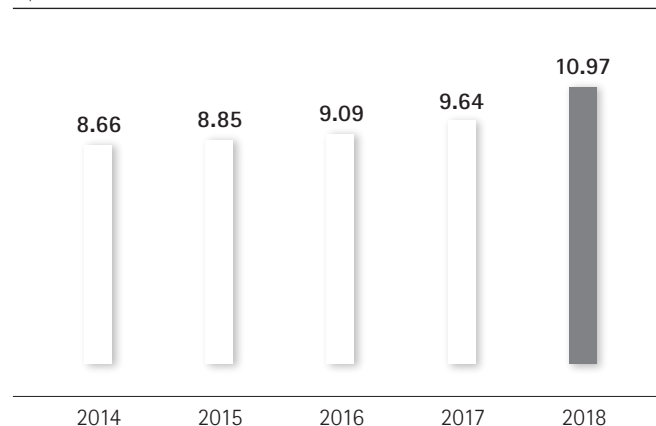
GJ/T PRODUCED

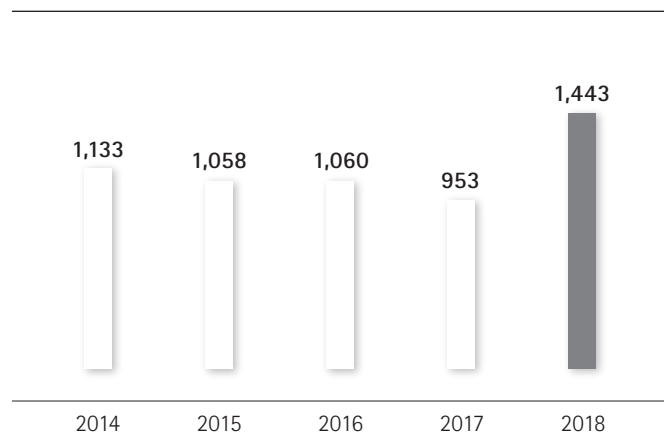


¹ Energy consumption includes electricity and fossil fuel consumption.

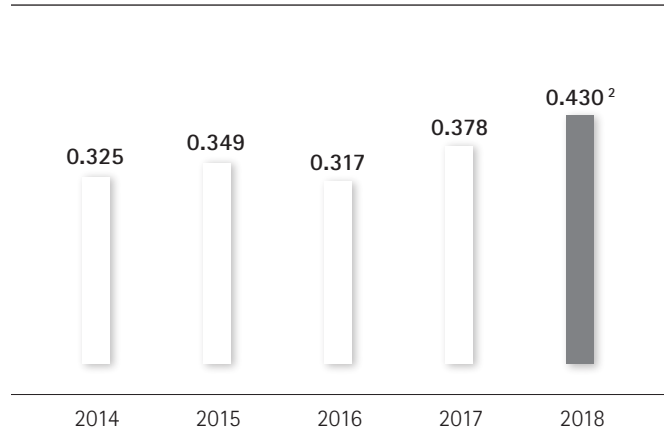
Water

M³/T PRODUCED



Emissions:**Emissions index¹**

¹ The emissions index is calculated based on data on the emissions into the atmosphere and water, the waste generation at each production facility and on factors that depend on the products involved.

Greenhouse gases¹T OF CO₂ EQUIVALENT/T PRODUCED

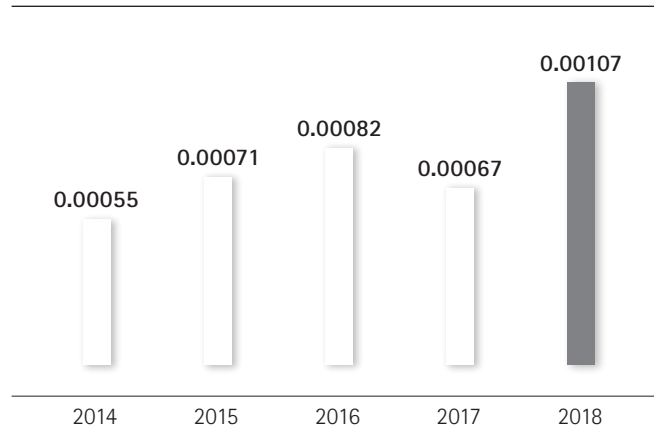
¹ Direct and indirect emissions of CO₂ equivalent (Scope 1 and 2).

² Pending external verification.

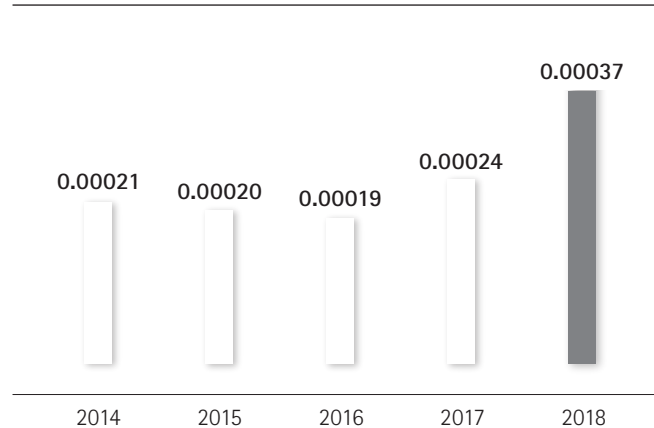
In 2018 the direct and indirect greenhouse gas emissions (Scope 1 and 2), calculated according to ISO 14064 guidelines, amounted to 486,451 thousand tonnes of CO₂ equivalent and are pending verification (2017: 672 thousand tonnes of CO₂ equivalent, already verified).

Volatile organic compounds ("VOCs")

T/T PRODUCED

**Discharges and waste:****Evolution of the discharges of chemical oxygen demand ("COD")**

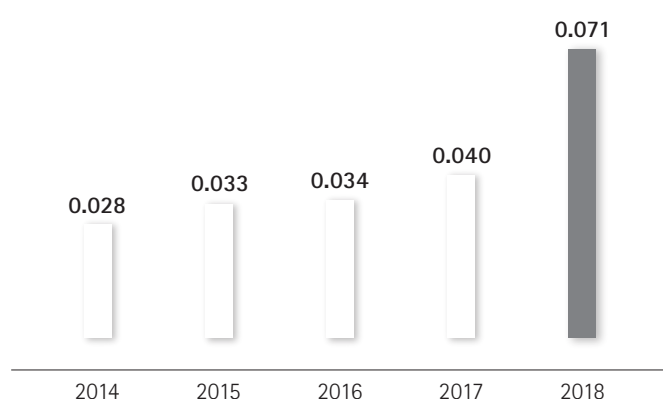
T/T PRODUCED



Waste by type and method of elimination:

Generation of total waste

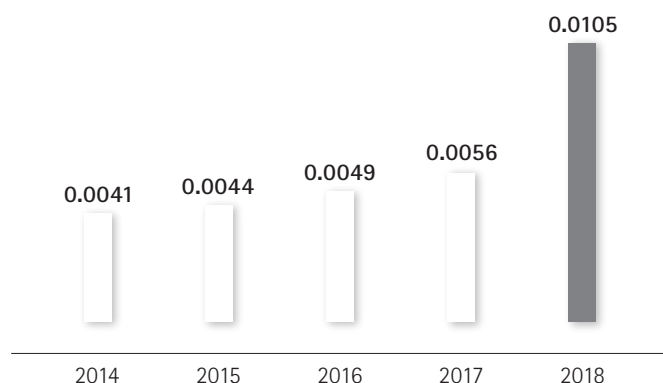
T/T PRODUCED



In 2018 the amount of total waste increased due to the stoppage and subsequent dismantling of the electrolysis plants that operated with mercury technology.

Generation of hazardous waste

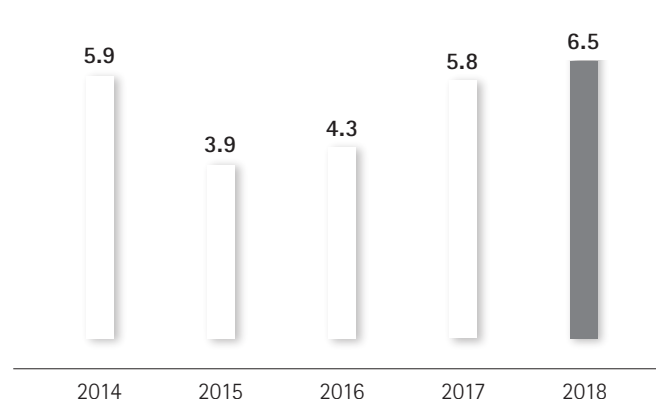
T/T PRODUCED



In 2018 the amount of hazardous waste increased for the same reason total waste increased.

Recovered waste over total waste generated

% OF TOTAL WASTE GENERATED



8.5. Environmental impacts

a) Circular economy

(i) Sustainability of consumption

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

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

In relation to energy efficiency, the facilities that account for the largest portion of energy consumed (Sabiñánigo, Tarragona, Vila-seca I and Vila-seca II) are ISO 50001 certified.

Other consumption reduction achievements arising from freight transport are explained in chapter 11.3 e).

(ii) Sustainable use of resources

The sustainable use of resources is one of the main goals of the Group's environmental policy and, therefore, its facilities: (i) have cooling towers to save water and energy; (ii) optimise their processes; (iii) are committed to the progressive replacement of old equipment with other more energy-efficient equipment; (iv) have systems for reusing process water; (v) replace the boilers to suit the

factory's needs; (vi) have installed systems for using condensates and waste gas flows; and (vii) utilise systems to use waste hydrogen, generated in the processes, as fuel in boilers.

(iii) Waste prevention and management

The Group carries out significant actions in relation to waste management and prevention, such as: (i) changes in the processes to minimise waste; (ii) improvements in planning processes to minimise losses of raw materials and products; (iii) the installation of a plant for recovering solvents for reuse in the Aranjuez facility; (iv) the prioritisation of the procurement of raw materials in bulk to minimise packaging waste; (v) in relation to mercury, the construction of two warehouses, in compliance with European (Directive 2011/97/EU) and Spanish (Order AAA/661/2013) regulations for temporary storage of metallic mercury recovered from the chlor-alkali facilities; and (vi) has the necessary containers, in keeping with storage and transport regulations, where the mercury has been stored until it can be managed in the authorised inerting plants.

b) Fight against climate change

In order to contribute to the fight against climate change, the Group's facilities carry out a series of actions, including: (i) replacing fossil fuel with others with lower greenhouse gas emissions; (ii) controlling leaks in the cooling equipment and replacing those that do not comply with standards; (iii) annual verification of emissions by an accredited entity; and (iv) using waste hydrogen from the processes as a fuel in the boilers.

c) Accidents with environmental consequences

In 2018 there were no incidents or accidents at the Group's factories with environmental consequences.

On 27 August 2018, there was a fatal accident when a tanker loaded with sodium chlorite from the Sabiñánigo factory tipped over which led to the driver's death and more than 12,000 litres of product to spill into the Aspe River [see chapter 11.3 c)].

8.6. Environmental risk

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

The Group performs 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 according to 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 it issues regular reports on the reduction of emissions achieved in its industrial activities [see paragraph 8.4 above].

All the Ercros Group's facilities, with the exception of Monzón, have conducted their environmental risk analyses. In 2018 those corresponding to the Tarragona and Cerdanyola facilities and the El Racó de Pubilla landfill in Flix were carried out.

In recent years, legal requirements have become more demanding and have given rise to significant changes in the chemical industry, in Europe and in Spain at the federal and regional levels. The Ercros Group makes a significant effort to adapt to this new legal framework and carries out 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 handling 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 assume the costs of cleaning-up or remediating contaminated soils and sites.

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

a) Lawsuits and penalties

In 2018 and up to the date of approval of this CSR report –22 February 2019–, the following are the new significant lawsuits and updates in relation to the main lawsuits of environmental importance pending resolution in 2018.

(i) In relation to the Company

- On 25 October 2018, the Office of the Public Prosecutor specialising in environmental and town planning crimes resolved to close the criminal investigation in relation to the allegedly wrongful acts with an environmental impact at several of the Group's production facilities.
- The prosecution also proposed to the Huelva Deputy Public Prosecutor of the Environment submitting a complaint against Ercros, Electroquímica Onubense, S.L., Salinas del Odiel, S.L. and Geotécnica y Cimientos S.A. for the alleged perpetration of a crime against natural resources and the environment and a crime of concealment, all associated with the factory in Palos de la Frontera, Huelva, disposed of in 2015. To date the Group has not been informed that this complaint has been filed.

It is worth noting that, within the framework of the aforementioned proceeding, Ercros diligently addressed all the requests for information and documentation made by the Prosecutor's Office. Likewise, on several occasions it reiterated its request to appear at the proceeding, although the Prosecutor's Office has always declined the aforementioned request, indicating that neither the events reported nor the indications of a crime have been sufficiently defined and that it continues to study the many available documents.

(ii) In relation to the Aranjuez factory

- The penalty for the one-off failure to meet an emission limit established in the IEA of the Aranjuez factory amounting to EUR 16 thousand.

(iii) In relation to the Cardona factory

- On 19 December 2017, due to the decision of the Tax Board of the Regional Government of Catalonia to partially uphold the economic-administrative claim submitted by Ercros in which it challenged the exploitation rate for the brine collector corresponding to the first quarter of 2015; the Catalanian Water Agency ("ACA") notified Ercros of the decision that (i) voided the aforementioned rate and (ii) indicated that a new decision to remedy the defects alluded to by the Tax Board will be handed down.

- 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 decision on the application of the repayment fee for phase I of the brine collector as of 1 January 2016. The Tax Board partially upheld the economic-administrative claim and the ACA handed down a decision enforcing the Tax Board's decision to partially uphold the claim on 28 March 2018.

- On 2 January 2019, Ercros filed an appeal for judicial review and lodged a claim against the Tax Board's resolution in which it dismissed the pleadings made by Ercros regarding the ACA's resolution on the amortisation rate of phase I of the brine collector beginning from 31 March 2017.

(iv) In relation to the Cerdanyola factory

- The appeal for judicial review filed by Ercros with the High Court of Justice of Catalonia against the decision of the Regional Government of Catalonia on the IEA of the Cerdanyola factory, is awaiting judgment. The purpose of the appeal is to void the 20 mg/m³ formaldehyde emission limit established in that resolution as it is not based on any regional or state regulation that may be applicable to this factory's activities.

On 5 October 2018, the High Court of Justice of Catalonia handed down a decision in favour of the second judicial review proceedings before it, filed by Ercros against the decision of the Secretary of the Environment and Sustainability of the Regional Government of Catalonia in relation to the immaterial modification of the IEA for the Cerdanyola factory for the unification of the sources of emissions of gases into the atmosphere. As in the preceding case, the emission limit for formaldehyde contained in this decision was challenged, as well as the emission limits for VOCs and TOC that were voided by the judgment.

(v) In relation to the Flix factory

- On 27 July 2018, the High Court of Justice of Catalonia handed down a judgment in favour of Ercros by which it partially upheld the appeal for judicial review filed in relation to the ex officio review of the 2010 water charge for the Flix factory. From a practical standpoint, the argument made by the claim upheld by the judgment entails, voiding the decision against which the appeal was filed and that the amounts unduly paid as a result of the review of the 2010 water charge be reimbursed or compensated.

On 18 July 2017, the appeal for judicial review filed by the Regional Government of Catalonia against the High Court of Justice of Catalonia's judgment that partially upheld the appeal filed by Ercros regarding 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 claim of EUR 207 thousand in favour of Ercros –which will be returned to it by means of compensation in the amount of the quarterly settlement of the water charge– as a result of the favourable resolutions in the appeals lodged against the ex officio review of the 2012 and 2013 water charges.

On 24 October 2017, the High Court of Justice of Catalonia 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 17 December 2018, expert evidence was heard within the framework of the judicial review proceeding before the High Court of Justice of Catalonia challenging the ex officio review of the 2015 water charge for the Flix factory. As of today's date, the Group is waiting to be notified of the period within which conclusions are to be presented.

On 8 February 2018, Ercros filed an appeal against the 25 August 2017 decision of the Tax Board of the Regional Government of Catalonia dismissing the economic-administrative claim filed by Ercros against the review of the water charge for the first three quarters of 2015.

- On 24 July 2018, Ercros reached a withdrawal agreement with Acuamed with respect to the complaint for breach of the agreement entered into with Acuamed and the Flix City Council, through which Ercros granted the use of its landfill to Flix. On 22 November, the judicial review division of the High Court of Justice of Catalonia resolved to close these proceedings without ruling on the costs.
- On 24 July 2018, Ercros and Acuamed –in response to a request from the second chamber of the Appellate Court of Tarragona– reached a settlement agreement setting the indemnity to be paid by Ercros to Acuamed in the amount of EUR 11,331 thousand in compliance with the judgment of the Appellate Court of Tarragona as a contribution to the cost of the decontamination work on the Flix reservoir carried out by Acuamed.
- On 2 November, the agreement was approved by the Appellate Court of Tarragona that declared the Ercros's third-party liability arising from this proceeding had concluded and thus closed the proceedings.

(vi) In relation to the Tortosa factory

- On 13 December 2018, the High Court refused to grant leave to proceed to the cassation appeal filed by the Regional Government of Catalonia against the judgment of the High Court of Justice of Catalonia upholding the appeal filed by Ercros against the IEA of the Tortosa factory granted by the Ministry of Environment and Sustainability of the Regional Government of Catalonia establishing a TOC emission limit on all the factory's processes without any regulatory basis.

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

- On 16 May 2018, the General Technical Secretary of the Department of Employment, Business and Knowledge of the Regional Government of Andalusia handed down a decision, within the framework of the disciplinary proceeding, confirming the imposition on Ercros of a EUR 20 thousand fine for the alleged perpetration of a serious administrative offence due to the inadequate upkeep of a power line. Ercros filed an appeal for judicial review against the aforementioned resolution the hearing for which has not been set.
- On 17 July 2017, the Ministry of the Environment and Territorial Planning of the Regional Government of Andalusia, in relation to the investigations initiated against Ercros at the request of the Prosecutor's Office, for an alleged environmental crime perpetrated between 2008 and 2015 in the Palos de la Frontera factory, –established via resolution 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 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.

8.7. Environmental actions

In 2018 the Group carried out significant environmental actions, including:

- In relation to the Flix factory, the actions envisaged in the environmental remediation plan were carried out in accordance with the autonomous government. These actions include procedures carried out on the soil of the former trichloroethylene and perchloroethylene plants, electrolysis III and IV, in which SVE plants have been installed. In addition, the old Exterior and Alsuta warehouses have been dismantled and demolished and SVE plants have been installed on the resulting plots.

Likewise, after the closure of the electrolysis plant, all the facilities were emptied out and cleaned and installations and tanks suitable for storing and transporting mercury were built.

A mini site on soil remediation at the factory was created on the corporate website that provides information on the activities being carried out in relation to this matter [www.ercros.es → Business and products → Facilities → Flix → Remediation of Flix soil].

- In relation to the Vila-seca I factory, after the electrolysis plant that operated with mercury technology was closed, the tasks of cleaning and dismantling the cells that operated with the aforementioned material commenced. A facility for storing mercury and tanks for its subsequent transport were also built.
- Remediation of the soil of the Vila-seca I and Vila-seca II factories.
- Approval by the competent authorities of the control and monitoring plan for the soil and groundwater at the Sabiñánigo and Monzón factories.
- The launch, with the approval of the authorities, of a pilot test to improve the quality of the groundwater of the land the Group holds at the Palos de la Frontera premises.
- The construction of a soundproof wall at the Almussafes factory to minimise the impact of its acoustic emissions on the neighbouring town.
- The consolidation of the new range of ErcrosGreen+ resins, featuring ultra-low formaldehyde emissions, thereby advancing its progress on compliance with the most demanding environmental policies, along with the standards and recommendations of the construction industry applied in Europe, the US and Japan. In this connection, and in response to market demand, the types of resin within this family have expanded.

- At the Aranjuez factory, the installation of new cooling equipment and closed circuits, the start-up of a new water catchment and the rationalisation of the services have made it possible to reduce water consumption by 48,000 m³, representing an 18% reduction. Significant energy savings have also been obtained at the factory. While 29,700 MW were consumed in 2017, only 27,600 MW were consumed in 2018, representing a 7% reduction.

a) Protection of biodiversity

The Ercros Group collaborates on programmes to protect habitats and biodiversity in areas adjacent to its production facilities or directly linked to its industrial activity. More specifically:

- In Flix, since 2001, Ercros has collaborated with and is a member of the board of trustees of the Sebes Nature Reserve, located opposite the factory. It is also a member of the Sebes management plan monitoring committee.

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

In 2018 the Ercros Group and the Flix City Council signed an extension of their collaboration agreement through which the Group contributes EUR 20 thousand to the Municipal Council towards the Sebes nature reserve management plan.

- In Cardona, it collaborates with the Regional Government of Catalonia and the Cardona City Council in the recovery of the Vall Salina located there, 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 mine dump.
- 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 EU action plan for the 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.
- Joining the Operation Clean Sweep programme, an action plan also promoted by the EU that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.

- Joining the "Don't Blame Plastic" campaign promoted by the major industrial plastic associations that offers accurate and verified information to explain the benefits of this material with solid data.

b) Technical disclosure

The Ercros Group's experience in relation to environmental protection matters has garnered it the recognition of institutions, associations and other companies and, therefore, in 2018, several representatives of the Group were asked to participate in various forms, such as:

- The presentation of the new ErcrosBio range to the Bureau of the Economy, Industry and Competitiveness Committee of the Congress of Deputies of Spain.
- A speaking engagement at the workshop on the new European plastics strategy for a circular economy, organised by the Packaging, Transport and Logistics Technology Institute ("Itene"), in which the ErcrosBio range was also presented.
- Participation in the seminar organised by the United Nations Environment Programme ("UNEP") on dismantling, waste management and contaminated sites associated with the chlorine-caustic soda industry, held in Montevideo, Uruguay.
- Participation in the round table organised by the industrial engineering company Inerco on the application of the Industrial Emissions Directive ("IED") in various industries, in which the Group explained its experience changing the technology in its chlorine manufacturing process.
- Participation in the debate on industry and sustainability held within the framework of the International Salon on the Complete Water Cycle ("lwater"), in which the Group explained its experience managing aqueous effluents from its factories and the innovations it applies to minimise their impact on the environment.

9.1. Materiality of the chapter

The Ercros Group's main asset is its staff and, therefore, it seeks to provide them with quality employment and continuous training and ensure their occupational health and safety.

Likewise, the Group works to create a company in which equality, work-life balance and the absence of discrimination are values assumed by all.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Accident frequency rate ¹	2.5	1.8
Absenteeism rate ²	4.9	3.9
Average headcount	1,372	1,290
Percentage of women on staff	14.9%	15.7%
Official drills	22	13
Internal drills	43	45

¹ Number of accidents with own staff on leave for every million hours worked.

² Percentage of workdays lost out of the total theoretical workdays to be worked in the year.

9.2. Human resources management

In accordance with the CSR plan, the code of ethics, and the XIX general collective agreement for the chemical industry, management of the Group's human resources is based on the following principles: ensuring staff commit to the social responsibility principles; promoting their personal and professional development; adjusting their level of training to the business' needs; providing a working environment in which there are 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 to achieve these objectives are: the sustainability management system; training; the joint committees among representatives of the Group and employees; internal communication channels and the whistle-blowing channel procedure to file complaints related to breaches of the code of ethics.

The working time of the Ercros Group's staff is regulated at each workplace based on the activity carried out. The administrative staff at the Aranjuez, Sabiñánigo and Monzón factories have compressed workdays. At the other factories (with the exception of the summer months at the Tarragona complex), staff work a split shift. At the corporate offices in Barcelona, staff have flexible split shifts, except in the summer when they have a compressed workday.

Manual workers who carry out their activity in the production departments at the factories work in shifts. In addition, there is staff on duty 24 hours a day in the production and maintenance, customer service and information systems areas to handle any unexpected issue.

In compliance with section 88, of Spanish Organic Law 3/2018, of 5 December, on personal data protection, the Group is drafting an internal policy defining the modalities of exercising the right to digital disconnection in the work environment and training and awareness activities for staff regarding a rational use of technological tools that avoids the risk of computer fatigue.

9.3. Staff evolution

In 2018 the Ercros Group's average headcount was 1,290 people, 82 people less than in 2017. At year-end, there were 1276 people on staff, 45 people less than in 2017.

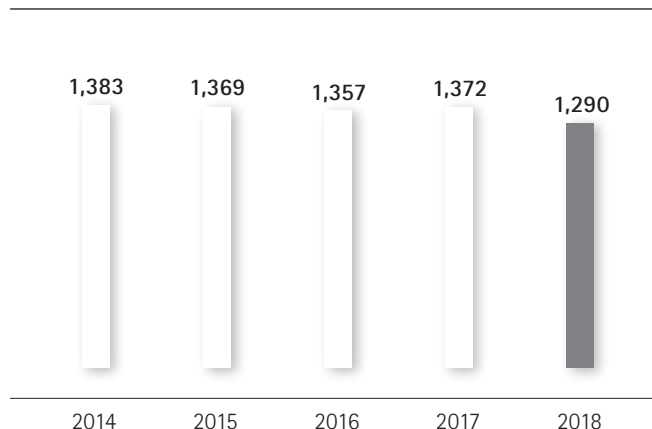
The reason for this reduction in staff was the collective redundancy carried out in December 2017. The reason for this collective redundancy was the closure of the mercury electrolysis plants. All employees included in the collective redundancy (100) were offered the possibility of being transferred to one of the Group's other workplaces pursuant to the voluntary partial retirement requests received. In 2018 the Group terminated the employment contracts of 55 people (2017: 36 people), of which 32 accepted the Group's transfer offer (2017: 14) people. In 2019 –the collective redundancy is expected to conclude on 31 December– the employment contracts of an additional nine people will be terminated.

The collective redundancy and the generational change has led to an increase in the percentage of women on staff; in 2018 women represented 15.7% of staff (2017: 14.9%) [see chapter 10.4].

However, the collective redundancy did not affect staff distribution by job category that has remained stable: technicians represent 41.7% (2017: 42.5%) of staff; manual workers and service personnel represent 42.9% (2017: 42.4%); and administrative staff represent 15.2% (2017: 14.9%).

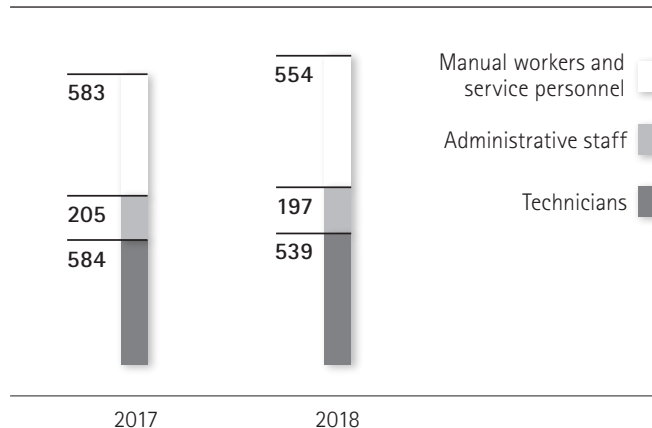
Evolution of average headcount

NUMBER OF EMPLOYEES



Average headcount by job category

NUMBER OF EMPLOYEES



In 2018 the Group continue to offer quality employment to its staff as demonstrated by the fact that 90.1% of staff had an indefinite-term contract at the end of the year (the same percentage as in 2017). In 2017 and 2018, all jobs had a job description.

The Ercros Group's workplaces are all located within Spain, which is the country of origin of practically all staff members. 97.9 % of employees come from Spain (2017: 98.4%) and only 27 people are from other countries (2017: 21 people).

9.4. Union rights and relations

The legislative framework governing the Group's working relationships is the XIX general collective agreement for the chemical industry and the legislation on this matter. The current collective agreement applies to the 2018-2020 period. All Ercros employees are covered by the aforementioned Ercros agreement.

On 24 October 2018, the Sabiñánigo facility held trade union elections in which the UGT, CCOO and SOA obtained three union representatives each.

The Group has several standing committees comprised representatives from the Group and the trade unions that specifically address equality, training, safety, health and the environment; compliance with the collective agreement; and control of the pension plan. Whenever necessary, joint committees to address specific subject matters are also expressly created. Each workplace also has its own committees.

9.5. Occupational health and safety

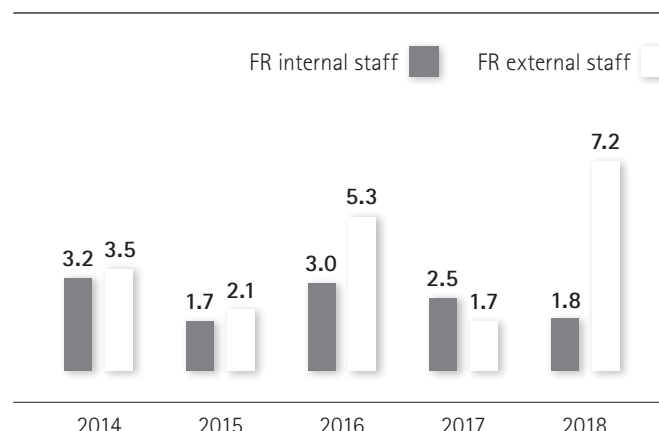
All the Ercros Group's production facilities have certified their occupational health and safety management system in accordance with OHSAS 18001:2007 (occupational health and safety management systems), a certification that they renewed in 2018.

a) Accident rate

In 2018 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 29.9% compared to last year (2017: 2.5 vs 2018: 1.8). In contrast, the frequency rate among staff of contractors that provide services at the Group's workplaces experienced a significant increase from 1.7 in 2017 to 7.2 in 2018. This in turn led to an increase in the overall accident frequency rate –which measures the number of accidents, with and without leave, for own and outsourced staff– which rose from 3.1 in 2017 to 3.8 in 2018. In comparison to the overall accident frequency rate for the last five years, this rate is 2.1% lower.

In the last year, there were 13 accidents –12 of which involved medical leave compared to 11 accidents in 2017– eight with medical leave. Of these 13 accidents, five involved own staff (2017: eight accidents) and eight involved outsourced staff (2017: three accidents).

Evolution of the accident frequency rate¹



¹ Accident frequency rate: number of accidents with leave for every million hours worked.

In 2018 the accident frequency rate among women who work for the Ercros Group was zero; it is worth noting that women represent 15.7% of the average headcount.

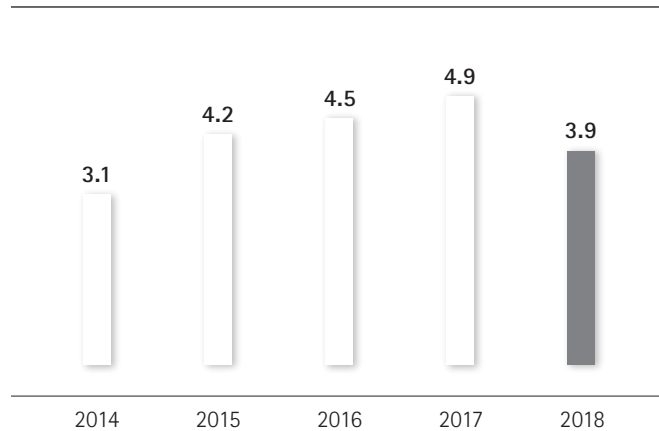
Each factory has an inter-company committee comprised representatives from the facility and contracted companies that coordinates the activities related to prevention, the accident rate, management procedures, training plans, etc. In 2018 the inter-company committees held 20 meetings (2017: 22 meetings).

b) Absenteeism

Absenteeism due to common illness evolved positively between 2017 and 2018, falling from 4.9% to 3.9%; reversing the upward trend that had taken hold in recent years. This change occurred in part thanks to the plan launched by the Group with the following measures: (i) greater coordination between the Group and both mutual entities 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.

On 2018 the absentee rate was higher among men (5.8) than women (2.7), as occurred in 2017 (7.9 men and 3.5 women). The total number of hours of absenteeism due to common illness in the Ercros Group in 2018 was 92,440 hours.

There is currently no diagnosed occupational disease at the Ercros Group related to the activity it engages in. However, the Group must respond to claims related to asbestos exposure filed by former employees or their heirs. These types of liabilities are not attributable to the Group's current management rather, they are claimed of the Group as the universal successor of companies that have been defunct for many years [see paragraph e) below].

Rate of absenteeism¹

¹ Rate of absenteeism: hours of absenteeism (according to the definition of the general collective agreement for the chemical industry) over the total hours of possible work per 100.

c) 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 that of contractors. Epidemiological studies on the most frequent pathologies are also carried out at each production facility.

Every year, the Group runs a prevention campaign to reinforce the aspects of prevention that performed worst in the previous year. In 2018 the campaign was presented in the form of a calendar and the slogan was "Work safely", highlighting themes such as cleanliness and order, road safety, the importance of signalling and the need to always use personal protective equipment.

The significant increase in the accident rate among outsourced staff in 2018 led the group to run a prevention campaign in 2019 to promote safety among this group. The campaign's slogan is "Safety: the goal of everyone who works at this facility".

In 2018 the Group held 45 informational events on prevention (2017: 37 events), attended by 4,744 people (2017: 2,096 people), and gave 181 courses on this subject (2017: 63 courses), with a total attendance of 2,974 people (2017: 1,618 people).

Courses taught in 2018**Attendees**

Back workshop	543
Job risks	391
First aid	387
Preventive culture	286
Emergencies	223
Semi-automatic defibrillator	208
Fire extinction	155
Road safety	110
Accident prevention	110
Shift work	92
Burns (diphtherine)	63
Work permits	56
Basic life support	50
Handling chemicals	46
Occupational stress management	39
Prevention of occupational hazards (basic level)	36
Legionnaires' disease	34
Use of forklifts	29
Work in confined spaces	22
Risks and preventive measures in electrical jobs	18
Work at height	13
Use of personal protective equipment ("PPE")	13
Risks and preventive measures in welding jobs	8
Prevention of musculoskeletal disorders	5
Explosive atmospheres ("ATEX")	5
Noise exposure	5

Total**2,947****Events held in 2018****Attendees**

Blood pressure	1,134
Flu vaccination campaign	1,358
Summer: risks and heat stroke	508
Colorectal cancer prevention	227
Skin cancer prevention	223
Breast cancer prevention	223
World diabetes day campaign	223
World glaucoma day campaign	223
Spring and allergies	166
Cardiovascular risk prevention	111
Risks due to overexertion in the manual handling of loads	110
World day for safety and health at work campaign	57
Risks of working in hot environments	57
Burn risks Actions and disinfection	42
Cold and freezing	42
Hyperlipidemia	30
Reducing alcohol consumption	6
Smoking cessation	4

Total**4,744**

d) Audits and drills

All factories periodically carry out safety audits and emergency drills. The drills involve both internal employees and outsourced staff who regularly provide their services at the factories, as well as –occasionally– staff from other organisations and neighbouring companies. In 2018 13 official drills (2017: 22 drills), 45 internal drills (2017: 43 drills) and five drills within the framework of the Spanish Centre for Emergency Responses During Transportation of Hazardous Goods ("Ceret") agreement, to provide assistance in the event of a road accident (2017: four drills), were performed [see chapter 11.3 e)].

e) Claims

Occasionally, the Group must face claims from former employees, or their heirs, related to compensation for damages arising from asbestos exposure and benefit surcharges for a lack of safety measures for exposure to asbestos.

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 claimed 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.

On 20 June and 21 September 2018, the Ercros Group reached two settlement agreements with respect to the claims that have been lodged against it in relation to this matter, leaving nine claims active. The Group has recognised provisions for the amounts it expects could be claimable in the legal proceedings that are still pending resolution.

In 2018 the Madrid Provincial Labour and Social Security Inspectorate reimbursed Ercros for the penalty amounting to EUR 4 thousand imposed on the Aranjuez factory in 2016, due to non-compliance with the Spanish 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 penalty that was revoked on 31 May 2017 by Labour Court number 24 of Madrid, which upheld the appeal lodged by Ercros.

f) Success stories

At 2018 year end, the Tarragona factory completed 20 consecutive years without any accidents with leave among its own staff; the Monzón factory completed four, the Flix factory completed three; the Aranjuez factory completed two, and the Cerdanyola and Almussafes factories of completed one. In addition, the corporate offices in Barcelona completed 26 years without work accidents.

The Group was awarded the following prizes for its commitment to health and safety during the year:

- The 2017 Safety Plus prize awarded by the Feique to the Tarragona complex comprised the Tarragona, Vila-seca I and Vila-seca II facilities. The aforementioned award recognises production facilities with more than 300 workers with an annual accident frequency rate equal to zero; i.e., those that did not have any work accidents with leave among their own staff.
- The 2017 Safety Plus prize awarded by the Feique to the Aranjuez factory recognises production facilities with more than 50 workers with no work accidents with or without leave.

9.6. 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 human resources management model and is a response to its commitment to balance the personal expectations of its staff with the Group's needs and availabilities.

In 2018 93% of the Group's staff (2017: 80%) received training, with an average of 37.5 hours of training per person (2017: 23.6 hours).

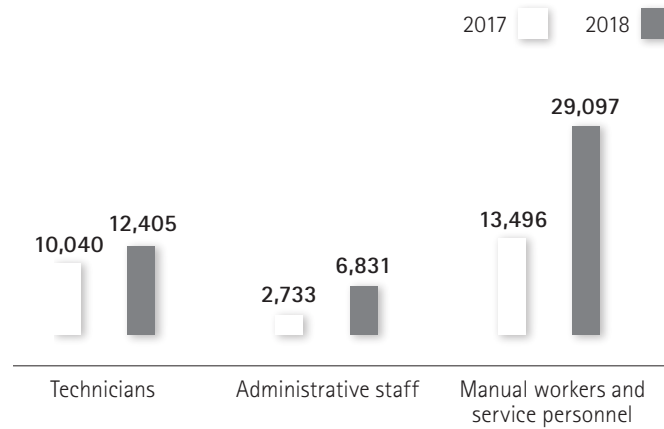
Throughout the year, the Group organised 575 training courses that were attended by 3,415 participants for a total of 48,384 educational hours (2017: 3,663 participants received training on 376 training courses for a total of 32,346 educational hours). Of these courses, 192 received a subsidy through Fundae –a Spanish state foundation that promotes employment–, which were attended by 1,059 people for a total of 17,266 educational hours.

The expense incurred in training amounted to EUR 302 thousand (2017: EUR 265 thousand), of which EUR 199 thousand came from the subsidy granted by Fundae.

In 2018 manual workers and service personnel received 29,097 hours of training (2017: 13,497 hours); technical personnel received 12,405 hours (2017: 10,040 hours) and administrative personnel received 6,831 hours (2017: 2,733 hours).

Training by job category

HOURS PER YEAR



The areas that receive the most attention in the training plan are technical and health prevention, logistics, specific training in the job position and technical development. In 2018 each employee received an average of 10.4 hours of training on health and environmental prevention (2017: five hours).

Since 2010, the Group has provided all new hires training and a welcome manual that includes corporate information of general interest and specific information on the production facility where they will be working. In 2018 the welcome manual was delivered to 147 new hires.

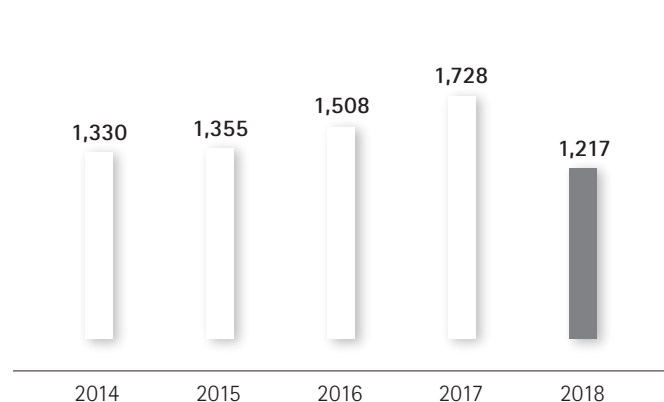
Ercros has signed 29 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2018 51 professional training, undergraduate and graduate students availed themselves of this option (2017: 52 students) [see chapter 12.4 d)].

The Group is also responsible for training outsourced staff who regularly provide their services at the factories. During the year, the staff of these companies received 1,217 hours of training (2017: 1,728 hours).

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.

Evolution of the training of outsourced staff

HOURS PER YEAR



The training committee, comprised both representatives from the Group's management and the trade unions, meets annually, coinciding with the preparation of the training plan and, exceptionally, at the proposal of either of the parties. The training committees of the Group's workplaces held 24 meetings in 2018.

9.7. Tables with additional data**Headcount by country of origin**

NUMBER OF EMPLOYEES AT YEAR END

	31-12-17	31-12-18
Spain	1,300	1,249
Rest of the EU	9	14
Rest of OECD countries	1	1
Rest of the world	11	12
Total	1,321	1,276

Headcount by type of contract and job category

NUMBER OF EMPLOYEES AT YEAR END

	31-12-17				31-12-18			
	Total	Technicians	Administrative staff	Manual workers	Total	Technicians	Administrative staff	Manual workers
Indefinite term	1,190	536	179	475	1,150	504	162	484
Temporary	121	20	20	81	102	19	24	59
Part time	10	5	4	1	24	13	5	6
Total	1,321	561	203	557	1,276	536	191	549

Headcount by type of contract and age

NUMBER OF EMPLOYEES AT YEAR END

	31-12-17					31-12-18				
	Total	< 25	25-40	41-55	> 55	Total	< 25	25-40	41-55	> 55
Indefinite term	1,190	3	218	655	314	1,150	7	254	695	194
Temporary	121	17	76	20	8	102	14	67	20	1
Part time	10	⁽¹⁾	⁽¹⁾	⁽¹⁾	10	24	⁽¹⁾	⁽¹⁾	⁽¹⁾	24
Total	1,321	20	294	675	332	1,276	21	321	715	219

¹ The Group has no staff in these age ranges who work part time.

Dismissals by age and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2017			Year 2018		
	Total	Men	Women	Total	Men	Women
< 25 years old	⁽¹⁾	⁽¹⁾	⁽¹⁾	1	1	⁽¹⁾
25-40 years old	8	6	2	13	13	⁽¹⁾
41-55 years old	23	22	1	23	22	1
> 55 years old	9	9	⁽¹⁾	22	17	5
Total	40²	37	3	59²	53	6

¹ The Group has no people dismissed in these age ranges.

² 93.2% of dismissals in 2018 and 90% in 2017 were related to the collective redundancy.

Dismissals by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2017			Year 2018		
	Total	Men	Women	Total	Men	Women
Technicians	12	12	⁽¹⁾	21	18	3
Administrative staff	2	1	1	5	3	2
Manual workers and service personnel	26	24	2	33	32	1
Total	40²	37	3	59²	53	6

¹ No women in this job category were dismissed in 2017.² 93.2% of dismissals in 2018 and 90% in 2017 were related to the collective redundancy.**Training by job category and gender**

NUMBER OF HOURS IN THE YEAR

	Year 2017			Year 2018		
	Total	Men	Women	Total	Men	Women
Technicians	10,040	6,835	3,205	12,405	8,444	3,962
Administrative staff	2,733	1,536	1,198	6,831	2,676	4,156
Manual workers and service personnel	13,497	13,223	274	29,097	24,143	4,954
Total	26,270	21,593	4,677	48,333	35,262	13,071

Evolution of headcount by facility

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2017	Year 2018
Factories	1,126	1,216
Tarragona complex	311	295
Vila-seca II	143	139
Vila-seca I	139	129
Tarragona	30	27
Sabiñánigo	212	213
Aranjuez	204	204
Flix	112	63
Almussafes	109	110
Tortosa	108	109
Cerdanyola	96	103
Cardona	34	0
Monzón	29	29
Sales	34	31
Corporate	123	133
Ercros	1,372	1,290

Accident frequency rate by gender ¹

Year 2017			Year 2018		
Total	Men	Women	Total	Men	Women
2.51	2.51	(2)	1.76	1.76	(2)

¹ Accident frequency rate: number of accidents with leave for every million hours worked.

² In 2017 and 2018 there were no accidents with or without leave among female staff.

Absenteeism rate by gender ¹

Year 2017			Year 2018		
Total	Men	Women	Total	Men	Women
4,9	7,9	3,5	3,9	5,8	2,7

¹ Rate of absenteeism: hours of absenteeism (according to the definition of the general collective agreement for the chemical industry) over the total hours of possible work multiplied by 100.

10.1. Materiality of the chapter

The Ercros Group is convinced that equal opportunities among men and women contribute to improving the well-being of societies and the economic development of the planet. Thus, it implements policies to increase the number of women on staff and ensure their access to any job.

Furthermore, the code of ethics includes the obligation of employees to maintain a work environment absent of aggressiveness and intimidation, particularly in relation to sexual harassment.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Women/headcount	14.9%	15.7%
Women/executive positions	20.0%	19.4%
Female directors/board members	40.0%	40.0%
Female technicians/technicians	16.8%	18.7%
Female administrative staff/administrative staff	49.3%	49.2%
Female manual workers/manual workers	1.0%	0.9%

10.2. Management of equal opportunities

The Ercros Group has an equal opportunities and non-discrimination committee ("equality committee"). This committee, made up of representatives of the Group's 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.

In 2018 the committee met on one occasion to, among other matters, analyse the 2017 equality report. The Group has had an equality plan that determines the guidelines in this area since 2010.

In the last quarter of 2018, an analysis was conducted of the status of gender equality at the Group's various workplaces to gather information so that Ercros can define and implement specific actions to progress towards equal opportunities in 2019.

In 2018 the Feique recognised the Ercros Group's work in the "Equality" category of the 2nd CSR awards of the chemical industry. The jury for the awards recognised the Group's commitment to achieving a greater balance in the hiring of men and women and the significant degree to which it has implemented best practices and initiatives to ensure greater female presence in the Group.

10.3. Regulatory environment

In equality matters, the benchmark regulations applied by the Group are: the Spanish Equality Act; the 6th principle of the Global Compact agreement and chapter XVII on equal opportunities of the XIX general collective agreement for the chemical industry.

The Group also has applicable internal regulations to ensure compliance with the equality and non-discrimination goals:

- 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, rejects any kind of discrimination, abuse or bullying, especially sexual harassment, and promotes work-life balance.
- The equality and non-discrimination policy, which promotes actions that contribute to effective equality, ensures non-discrimination and prevents and punishes 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 that avail themselves of any of the measures it contains [see paragraph 10.6 below].
- Article 8 of the code of ethics that requires Group staff:
 - (i) to treat one another with respect, fostering teamwork;
 - (ii) to promote equal treatment of men and women, in particular with regard to access to employment, training, professional promotion and working conditions; (iii) not to engage in any behaviour that entails any type of discrimination, abuse or offence as a result of gender or sexual orientation, fostering a working environment free of aggressiveness or intimidation, particularly with regard to sexual harassment; and (iv) to ensure that hiring, promotions and access to training of staff is based on skills and performance of their professional duties, and their professional experience.
- Article 10 of the same code: (i) guarantees the work-life balance of staff and promotes measures that facilitate this; and (ii) ensures that those who choose to avail themselves of any work-life balance measures do not suffer any retaliation or discrimination.
- The whistle-blowing channel procedure that facilitates the reporting sexual or gender-based harassment and, in general, breaches of the rules contained in the code of ethics.
- The best practices manual that regulates the process for hiring staff for basic positions, standardises the hiring criteria and enables the candidate best suited to the characteristics of each vacant position to be hired.
- 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 that ensures neutrality in the Group's image and written and verbal language and provides guidelines to staff on the use of language that respects human diversity, without renouncing the necessary clarity and precision.

10.4. Hiring processes and gender equality

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.

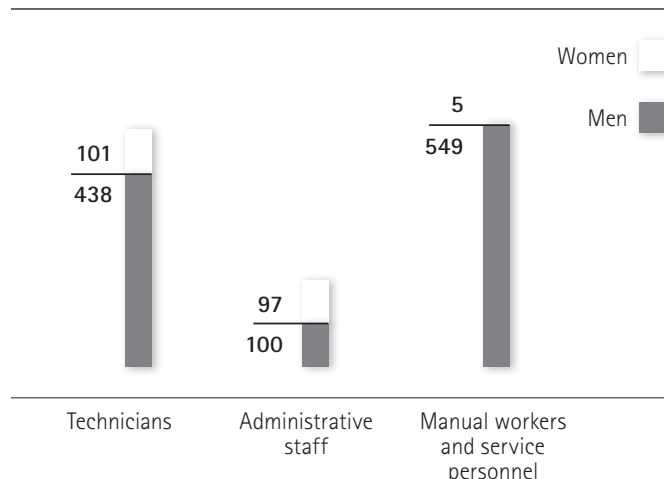
The Group is aware that it has a way to go before it achieves its gender equality goal in all the job categories, particularly the production category, given its production industry and its main characteristics. Consequently, it is preparing an action plan to change this situation.

Between 2017 and 2018, the percentage of female staff at the Group rose from 14.9% to 15.7%. This year-on-year variation, although modest, is higher than what had become customary in recent years and is due to both the generational change and that more men than women were dismissed in the collective redundancy in 2018.

By job category, there is only gender balance among administrative staff, although it is worth noting the increase in female technicians that in 2017 represented 16.8% and in 2018 rose to 18.7%. The Group must continue to increase the presence of women among manual workers and service personnel.

Distribution of job categories by gender in 2018¹

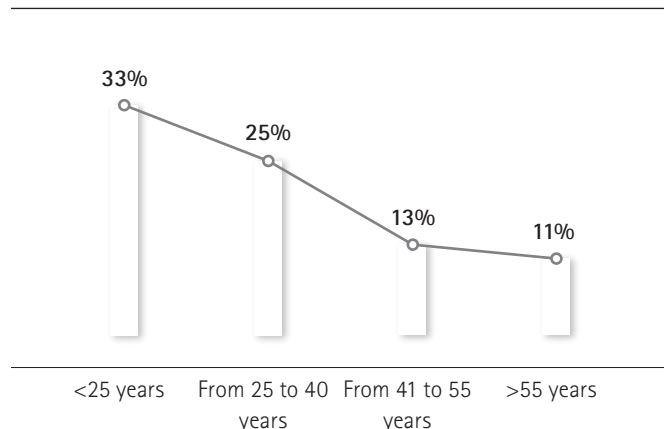
AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

¹ The tables with the data are provided at the end of the chapter.

The staff distribution by age and gender confirms that the generational change of employees of the Ercros Group is leading to an increase in female staff. As the following graphic shows, as staff becomes younger, there are more women. Women represent 11% of staff 55 years and older; 12.6% of staff between the ages of 41 and 55; 24.9% of staff between the ages of 25 and 40; and 33.3% of staff below the age of 25.

Female staff by age range in 2018¹

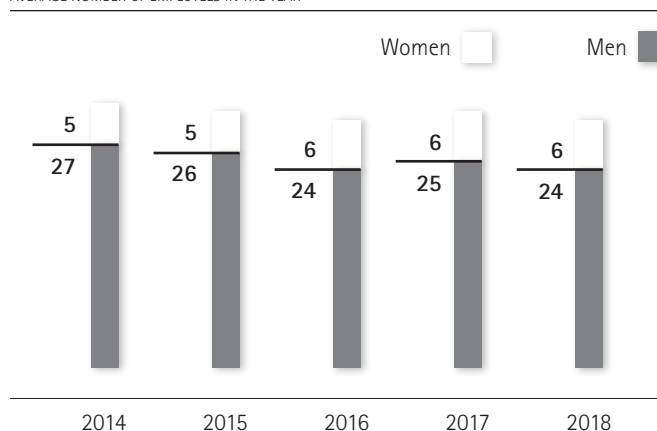
% OF WOMEN OVER THE TOTAL AVERAGE STAFF

¹ The tables with the data are provided at the end of the chapter.

Between 2017 and 2018, the number of women that hold executive positions, six, remained unchanged. However, in percentage terms, the number of women out of the total number of executives has increased slightly from 19.4% to 20.0%, since there was one male executive less in 2018 (from 31 to 30 executives).

Evolution of executive staff by gender¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

¹ The tables with the data are provided at the end of the chapter.**10.5. Remuneration**

As explained in paragraph 10.3 above, the Group's regulations include the principle of non-discrimination among its employees. Specifically, the code of ethics addresses, among other matters, the obligation to promote equal treatment in relation to working conditions and not to discriminate based on gender.

In accordance with the internal regulations, there is no gender-based salary discrimination, where discrimination means—for the purposes of this report and in the absence of a legally established percentage—that the average wage gap between genders is higher than 20%.

As can be gathered from the information provided in the following table, the wage gap is independent of the job categories, since in certain job categories the average salary paid to women is higher than that paid to men, as is the case of women in professional group 5, who, on average, earn up to 4.3% more; women also earn more in professional groups 3 (1.8%) and 2 (1.2%). On the other hand, in other categories women's salaries are lower than those of men, as occurs with women in professional group 6 who on average earn 16.3% less; technicians who earn 16.2% less; executives, who earn 9% less; those in professional group 4, who earned 4.5% less and senior technicians who earn 4% less.

Average salary and wage gap by job category and gender in 2018¹

EUROS

	Women	Men	Difference	Gap (%)
Managers ²	121,679	133,765	-12,086	-9.0
Senior technicians	65,146	67,869	-2,722	-4.0
Technicians	41,625	49,653	-8,028	-16.2
Professional group 6 ³	34,929	41,722	-6,793	-16.3
Professional group 5	37,412	35,880	1,532	4.3
Professional group 4	28,455	29,795	-1,340	-4.5
Professional group 3	27,172	26,686	486	1.8
Professional group 2	23,458	23,178	280	1.2

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration (the Ercros Group does not remunerate anyone with variable remuneration) was taken after applying the necessary adjustments to avoid distortions and facilitate consistent comparison. For example, the Ercros Group has eliminated bonuses for length of employment and specific supplements for the job, such as bonuses for working at night, on bank holidays, in shifts, etc.).

² When calculating executive staff, the chairman, whose remuneration is explained below, and senior executives, comprised three men and whose average salary in 2018 was EUR 248 thousand, were excluded.

³ The classification of the professional groups is established by the collective agreement for the industry. Groups 2, 3 and 4 include operators. Group 2 includes staff with the lowest salaries and group 4 includes staff with the highest salaries; groups 5 and 6 include supervisors.

The salary analysis by age provided below shows that in the same job category, as the age of employees increase so do their salaries; even after eliminating the effect of seniority. There are only two exceptions (professional group 5 and professional group 6), both due to the fact that these groups are not representative of the groups affected and the specific aspects of certain jobs.

Likewise, in the same age range, as the job category increases, so does the salary. In this case, there are also two exceptions; employees below the age of 25 and between the ages of 25 and 40; both of which are the result of the aforementioned causes.

Average salary by job category and age in 2018¹

EUROS

	< 25 years	25-40 years	41-55 years	> 55 years
Managers ²	(4)	(4)	120,001	137,470
Senior technicians	(4)	59,059	67,737	82,791
Technicians	(4)	37,087	48,594	58,695
Professional group 6 ³	31,903	32,056	38,574	45,421
Professional group 5	35,106	33,574	36,544	38,290
Professional group 4	26,787	28,805	30,027	32,365
Professional group 3	20,117	25,840	27,373	28,108
Professional group 2	23,337	22,993	23,108	26,125

¹ To calculate the average remuneration for each job category, the corresponding average fixed remuneration (the Ercros Group does not remunerate anyone with variable remuneration) was taken after applying the necessary adjustments to avoid distortions and facilitate consistent comparison. For example, the Ercros Group has eliminated bonuses for length of employment and specific supplements for the job, such as bonuses for working at night, on bank holidays, in shifts, etc.).

² When calculating executive staff, the chairman, whose remuneration is explained below, and senior executives, comprised three men and whose average salary in 2018 was EUR 248 thousand, were excluded.

³ The classification of the professional groups is established by the collective agreement for the industry. Groups 2, 3 and 4 include operators. Group 2 includes staff with the lowest salaries and group 4 includes staff with the highest salaries; groups 5 and 6 include supervisors.

⁴ The Ercros Group has no staff in these age categories in these age ranges.

With regard to board members, average remuneration per director in 2018 was EUR 144 thousand (2017: EUR 135 thousand). This amount includes both the remuneration of the executive director, for all remuneration (fixed salary, in-kind payments and life insurance premium paid by the Group on his behalf), which in 2018, amounted to EUR 546 thousand (2017: EUR 514 thousand). It also includes the average remuneration for non-executive directors for fixed remuneration—these directors do not receive any other type of remuneration— which amounted to EUR 43 thousand in 2018 (2017: EUR 40 thousand).

All non-executive directors receive the same amount regardless of their job on the board, their gender or any other type of consideration.

The Group publishes an annual report on director remuneration in accordance with section 541 of the Spanish Corporate Enterprises Act and Circular 2/2018, of 12 June of the CNMV.

Individual remuneration of directors

EUROS

	Antonio Zabalza		Laureano Roldán		Eduardo Sánchez		Lourdes Vega		Carme Moragues	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Fixed remuneration	474,911	498,657	41,320	43,386	41,320	43,386	41,320	43,386	36,155 ¹	43,386
Variable remuneration ²	0	0	—	—	—	—	—	—	—	—
Payments in kind	20,708	19,602	—	—	—	—	—	—	—	—
Life insurance premiums	19,311	28,637	—	—	—	—	—	—	—	—
Total	514,930	546,895	41,320	43,386	41,320	43,386	41,320	43,386	36,155	43,386

¹ In 2017 the remuneration of the director, Ms Moragues Josa, was less than the other non-executive directors because she joined on 21 March. In 2018 this difference no longer existed because all directors—men and women— were members of the board from the beginning of the year.

² According to the directors' remuneration policy, the executive director, Mr Zabalza Martí, is the only member of the board who may receive variable remuneration—up to a maximum of 40% of his gross annual salary—. In 2017 and 2018, at the request of the person concerned, the variable remuneration of the aforementioned director was 0%.

10.6. Disabilities

El Grupo cumple con el RealThe Group complies with Spanish Royal Legislative Decree 1/2013, of 29 November approving the revised text of the General Act on the Rights of Persons with Disabilities and their Social Inclusion (*Ley General de derechos de las personas con discapacidad y de su inclusión social*). According to that law, 2% of employees at companies with more than 50 permanent employees must have a disability greater than or equal to 33%, unless alternative measures are applied.

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

In 2018 there were 20 people in this situation on staff (2017: 18 people), representing 1.6% of the average headcount for the year (2017: 1.3%).

Given the type of productive activity carried out at the Ercros Group's factories, they are not fully adapted to people with disabilities. However, the corporate offices in Barcelona are accessible to persons with reduced mobility.

Staff with disabilities by job category¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2017	Year 2018
Technicians	5	5
Administrative staff	3	4
Manual workers and service personnel	10	11
Total	18	20

¹ Number of persons of the average staff with a disability equal to or greater than 33%.

10.7. Work-life balance and employment benefits

The work-life balance policy and the collective agreement establish the employment benefits and the work-life balance measures that the Group makes available to its employees.

The Group offers its employees the following benefits:

- Contributions to pension plans and mutual entities: after the modification carried out in 2017, all Group employees are beneficiaries of the Ercros Group pension plan.
- Life and accident insurance: 100% of the Group's employees are covered by life insurance paid for by it.
- Medical insurance: the Group manages the arrangement of a group 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 covered employees. In 2018 883 people (391 workers and 492 family members) joined the Group's group health plan.
- Measures to support studying.
- Repayable advances.
- Work cafeteria, vouchers or supplements for food.
- Transport bonuses or supplements.
- Measures to support maternity/paternity: childbirth 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 a work-life balance.

10.8. Diversity on the board of directors

a) Gender equality

The Ercros board is egalitarian. Of the five board members, two are female independent directors, representing 40% of the board, 66.6% of the supervisory and control committees, and 100% of the independent directors. Therefore, Ercros has reached the gender diversity goal established in its board diversity policy and in recommendation 14th of the code of good governance for listed companies ("CGG") that proposes achieving an adequate balance between men and women on the board and attempting to ensure that, in 2020, the number of female directors account for at least 30% of all board members.

The criteria evaluated by the board to approve the appointments of Lourdes Vega Fernández and Carme Moragues Josa, included not only improving 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, it has also been strengthened and enriched by the skills and merits that these directors provide.

b) Directors' selection process

The processes for filling 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 all other 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 annual general meetings that approve the appointment or re-election of the director.

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

(i) Regulation of the board

Article 8.3 of the board regulations 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 candidate selection procedure, the board must strive to achieve a balance in its composition that enriches 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.

(iii) The Ercros' board diversity policy

On 21 December 2017, the board 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:

- Avoid all types of discrimination, whether due to race, gender, age, disability, etc.
- Achieve an adequate balance between men and women and 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.
- 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 industry, human resources, R&D, sustainability, etc.

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

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>He has a B.S. and PhD in Economics from the University of Barcelona ("UB") and a MSc. and PhD from the London School of Economics (University of London). He was a Post-doctoral Fellow at the University of Chicago, and an assistant professor in the Department of Economics at the London School of Economics. Since 1982 he has been a professor of Economic Theory at the University of Valencia.</p> <p>Among other positions he has held that of Secretary-General of Planning and Budgets; Secretary of State for Finance and manager of the Cabinet of the Spanish President.</p> <p>On several occasions he has acted as a consultant for the World Bank, the International Monetary Fund and the OECD. He has been a board member of: Minas de Almadén; Transmediterranea; Instituto Nacional de Industria; Instituto de Crédito Oficial; Iberia and Instituto Nacional de Hidrocarburos.</p>	Executive	10-06-16 (AGM) ¹
Lourdes Vega Fernández	<p>She has a PhD in Physical Sciences from the University of Seville and was a post-doctoral Associate at the School of Chemical Engineering at Cornell University (US). She is the founder of Alya Technology & Innovation and a full professor of the Gas Research Centre of the Petroleum Institute of Abu Dhabi.</p> <p>Among others, she has held the following positions: In the business field, she was the general manager of Matgas, a strategic alliance between Air Products, the Spanish National Research Council ("CSIC") and the Autonomous University of Barcelona ("UAB"); she was the global manager of technology for that group and manager of R&D for the subsidiary Carburos Metálicos.</p> <p>In the field of R&D, she was the global coordinator of three consortium research projects: the Cenit Sost-CO₂, the European H₂ Trust project and the BioQuim_recue project and led the Spanish CO₂ Technological Platform's working group on CO₂ uses.</p> <p>In the academic field, she was a professor and deputy-manager of external and international affairs of the Higher Technical School of Chemical Engineering of Rovira i Virgili University in Tarragona and a scientific researcher at the CSIC. She was a visiting scholar in the Department of Chemical Engineering at the University of Southern California, US.</p>	Independent	10-06-16 (AGM)
Carme Moragues Josa	<p>She has a B.S. in Economics and Business from the UB and completed the management development program at the IESE Business School.</p> <p>She began her career in the research Department of the Chamber of Commerce, Industry and Navigation of Barcelona and later joined PricewaterhouseCoopers, where she remained until 2017 as a partner-auditor.</p> <p>She is a member of the Spanish Institute of Chartered Accountants, Spanish Official Auditors' Register and expert accountant certified by the Spanish Register of Expert Accountants. She was also a member of the Technical Committee of the Catalonia Institute of Chartered Accountants.</p>	Independent	21-06-17 ² (JGO)

Name	Training and professional experience	Category	Date of last appointment
Laureano Roldán Aguilar	<p>He has a B.S. in Economics and Business from Comillas Pontifical University ("Icade"), with a focus in Accounting and Business Management.</p> <p>Among others, he has held the following positions: auditor at Espaccontrol, Deloitte and E&Y from 1987 to 1991, and director of the Internal Audit Department of Banco Árabe Español, S.A. from 1991 to 1993. He was the sole director of the Torras Group and is currently the CEO and director of the aforementioned company.</p>	Other non-executive directors	10-06-16 (AGM)
Eduardo Sánchez Morroondo	<p>He has a B.S. in Chemistry from the University of Oviedo and received his PhD in Chemistry (Technical Chemistry) from the same university in 1980.</p> <p>Among others, he has held the following positions: From 1975 to 1980 he was a chemistry professor at the University of Oviedo. From 1980 to 2002 he worked for several subsidiaries of Dow Chemical group, holding various positions of relevance: chairman and CEO of Dow Chemical Ibérica and Dow France, and deputy chairman of Dow Europe. He was a member of the steering committee of British Petroleum España and, since 2002 he has been the chairman and founder of the Bonheur business group, which groups together various companies.</p>	Other non-executive directors	10-06-16 (AGM)

¹ AGM: annual general meeting.

² On 23 June 2017, the shareholders at the annual general meeting ratified the appointment by co-opting of the independent director Ms Moragues Josa made by the board on 21 March 2017.

10.6. Tables with additional data

Headcount by age and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-17			31-12-18		
	Total	Men	Women	Total	Men	Women
< 25 years	20	12	8	21	14	7
25-40 years	294	229	65	321	241	80
41-55 years	675	601	74	715	625	90
> 55 years	332	278	54	219	195	24
Total	1,321	1,120	201	1,276	1,075	201

Headcount by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2017			Year 2018		
	Total	Men	Women	Total	Men	Women
Technicians	584	486	98	539	438	101
Administrative staff	205	104	101	197	100	97
Manual workers and service personnel	583	577	6	554	549	5
Total	1,372	1,167	205	1,290	1,087	203

Evolution of executive staff by gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

Current year	Total	Men	Women	Women/total executives (%)
2014	32	27	5	15.6
2015	31	26	5	16.1
2016	30	24	6	20.0
2017	31	25	6	19.4
2018	30	24	6	20.0

Headcount by type of contract and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-17			31-12-18		
	Total	Men	Women	Total	Men	Women
Indefinite term	1,190	1,021	169	1,150	982	168
Temporary	121	92	29	102	72	30
Part time	10	7	3	24	21	3
Total	1,321	1,120	201	1,276	1,075	201

11.1. Materiality of the chapter

Through product stewardship, the Ercros Group takes responsibility for ensuring the entire supply chain of its products from the raw materials that enter its factories to the final products that reach its customers.

The code of ethics defines the rules of conduct that workers must observe in their relationships with suppliers and customers.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Claim rate	0.138	0.246
Inter-company meetings	22	20
Transport accident drills	4	5
Customer satisfaction surveys	1,083	1,389
Meetings with suppliers	215	240
Recycled pallets	27.0%	28.0%

11.2. Suppliers

The Group requires the inclusion of social responsibility criteria, in keeping with the rules included in the code of ethics, in agreements with suppliers of logistics, goods and services and raw materials, containers and packaging; it establishes the terms of service and requirements; and promotes a safe distribution of products that minimises 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 programme, Article 17 of the code of ethics and its internal procedures.

Suppliers must pass an initial accreditation and in their agreements and/or orders they must include clauses on safety, environmental protection and ethical compliance.

Every time a new warehouse is procured, the Group conducts a preliminary audit to confirm its suitability. For warehouses that will be used for products classified as food additives, an external critical points analysis company conducts an audit every three years to confirm the soundness of the storage.

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

In addition, the Group carries out follow-up audits on external transport and storage companies and suppliers of raw materials, containers and packaging when the Group considers convenient to improve the service contracted [see chapter 13.5].

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 transport, particularly in relation to hazardous goods and safety-related topics, proposing actions for environmental improvement and analysing the reports prepared in case of accidents and the reports on customer claims, among other matters. 240 meetings were held in 2018 (2017: 215 meetings).

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 9 paragraphs 9.5 a) and 9.6]. In 2018 20 inter-company committee meetings were held across all the Group's factories (2017: 22 meetings).

The suppliers provide the Group with the mandatory SDS of the raw materials they consume, specifying the uses to which the raw materials are destined [see paragraph 11.4 d) below].

The Group signs voluntary mutual assistance agreements in the event of accidents during transportation and signs agreements to deal with transport and distribution accidents [see paragraph 11.3 f) 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 the Feique it participates in the Spanish Goods Transport Confederation ("CETM").

In the province of Tarragona, the agreement between the Chemical Business Association of Tarragona ("AEQT") and the Service Business Association of 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 and containers 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 attempts to negotiate supply agreements with customers where the sale prices of its products are indexed to the cost of raw materials, above all in those products in which the raw materials have more weight.

The Group's three main raw materials are methanol, electricity and ethylene, which represent 42% of the total amount of consolidated purchases and more than 40% of the total cost of the chlorine, formaldehyde, and PVC manufacturing processes, respectively.

Methanol is the main raw material of the intermediate chemicals division and is produced from natural gas. The Group has signed supply agreements with various international suppliers from different areas and with different intervals to avoid supplier concentration risk and prevent agreements from renewing at the same time. In 2018 the Group was able to maintain the suspension of the 5.5% tariff on methanol imports to the EU, in the face of opposition from certain member countries, which would have been detrimental to the Group's interests [see chapter 5.2].

Electricity is the main supply of the chlorine derivatives division that purchases it from two of the main electricity resellers in Spain and France. The agreements with these companies are annual and are renewed upon termination. Currently, the Group is exploring PPAs. The implementation of membrane technology in the electrolytic plants –which is 30% more efficient in terms of electricity consumption– has made it possible to reduce this supply by 30% [see chapter 5.1].

The second most important raw material of this business is ethylene –a petroleum-based product. The supply of these materials is guaranteed through the agreements that Group has signed with two local suppliers and that it has been renewing upon maturity based on the Group's needs. This product is supplied by pipeline that connects suppliers directly to the Group's facilities.

11.3. Distribution and transport

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— freight transport by sea and rail, rather than opting for road transport. At times, the Group transports active pharmaceutical ingredients via aircraft when the volume shipped is reduced and the shipping distance is large.

The distribution of APIs in Europe must meet the principles and directives of the best practices regulated by the good distribution practices ("GDP"), which require that the quality of the APIs be insured from the moment they leave the factory until they are received by customers, including storage and transport. The Ercros Group implemented the GDP in its pharmaceuticals division in late 2017, which involved conducting risk analyses of product distribution routes and their validation.

GDP are established in Directive 2003/94/EC, although its precursor dates back to 1949, and GDP are 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), of 19 March 2015.

The Group has been granted authorised economic operator status ("AEO") by the Customs and Excise Department of the Spanish State Tax Agency. This certificate highlights the EU economic operators that can be considered trusted partners in customs matters. In 2018 the Spanish State Tax Agency conducted a renewal audit the result of which was satisfactory, enabling the Group to renew the aforementioned certificate.

Furthermore, the Ercros Group forms part of the working group for the transportation of chlorine of the Cefic, the goal of which is to reduce the transport risk of this material and develop recommendations.

In 2018 the review of the model transport agreement began with the goal of adapting it to the new legislation, particularly Spanish Royal Decree 563/2017, of 2 June, indicating the new requirements for stowage of goods. In the past year, training was provided to the logistics managers at the Group's factories on the scope of this new legislation and its practical application to the loading of vehicles.

In 2018 paraformaldehyde produced in the intermediate chemicals division was declassified as a flammable solid, according to legislation on the international transport of dangerous goods. The new classification of this product makes it possible to optimise the logistics processes in which it is involved, resulting in better services being provided to the Group's custom five accident intervention drills were carried out (2017: four drills).

a) Transport by sea

The Ercros 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 the dispatch of the goods and the production facilities, 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. The delivery of goods by pipeline is also the priority form of distribution to other companies in Tarragona's industrial zone.

In 2018 due to the need to purchase EDC and caustic soda and caustic code, the maritime transport of bulk products increased exponentially [see chapter 5.1].

b) Rail transport

The Group uses transport by rail in containers for destinations in which its service needs are covered and the costs are adequate.

The Ercros Group uses the railway for the procurement of phosphate rock from Morocco. In 2018 the Group renewed its service agreement with Renfe for the transport of phosphate rock between the Port of Tarragona and the Flix factory until 2020.

Inter-modal transport (combined with road transport) is used for the distribution of finished products that have to travel medium and long distances.

c) Road transport

The Group uses road transport when other means (sea or rail) are not available for freight transport —both raw materials and finished products. Nevertheless, it is common to combine this type of transport with the previous two.

In 2018 the steady rise of the price of diesel fuel led to slight quarterly upward recalculations of the transport rates when applying the formulas established in the agreements. Furthermore, the trend towards the concentration of companies in the industry has led to the merger of two of the Group's main transport operators.

In 2018 the road transport industry experienced various situations that generated conflict and that are expected to last for an extended period of time. On the other hand, the central and autonomous governments have implemented or are expected to implement measures that affect the industry, such as the mandatory diversion of lorries to motorways, the possible application of the Eurovignette —a levy that carriers must pay for travelling on the road— or increasing the tax on diesel fuel. Furthermore, among the carriers' own customers, it is becoming more common for the drivers

themselves to be obligated to carry out the loading and unloading, payment periods are lengthening and transport auctions are being carried out at the lowest price. These measures are leading to labour conflicts in the industry and lockouts are being threatened for 2019. Additionally, the increase in activity and the few incentives offered by the lorry driving profession are leading to a lack of drivers and pressure to improve working conditions that is translating into an increase in transport rates.

The Ercros Group, through the Feique, continues to lobby the government to authorise vehicles weighing up to 44 tonnes. This would make the Spanish industry more competitive and would allow it to overcome the disadvantage it has compared to other countries in which they have already been authorised. However, despite the fact that this measure would result in clear environmental improvements and that it would help to counteract the lack of drivers, the strong opposition of certain transport associations, particularly those comprised self-employed workers, make this goal hard to achieve.

The Ercros Group continues its strategy to bring its product distribution points closer to customers, in order to reduce transport time and costs. In 2018 the Group contracted new tanks and warehouses in El Ferrol, in addition to those it already has available in Barcelona, Bilbao, Tarragona, Seville and Genoa for the storage of caustic soda. For potash, it contracted new tanks in the ports of Tarragona, Seville and Genoa.

In 2018 it also fulfilled its caustic soda self-sufficiency goal at the Sabiñánigo factory, thereby avoiding the transport of more than 45,000 tonnes/year from the Vila-seca I factory, with the subsequent reduction of costs and emissions.

The distribution of caustic soda from these points in 2018 allowed the Group to reduce lorry journeys by more than 2,300 thousand Km and reduce CO₂ emissions by 1,650 tonnes/year. These figures are expected to continue increasing in 2019.

On 13 April 2018, there was a landslide on the N-330 motorway on its way through the Monrepós Mountain Pass, Huesca, as a result of which lorries were prohibited from passing for seven days. This required lorries going to and from the Sabiñánigo factory to take detours, increasing the distance travelled and, therefore, the costs. Despite this, all the scheduled deliveries were made to the Group's customers.

On 27 August 2018, there was a fatal accident in which a tanker loaded with sodium chlorite coming from the Sabiñánigo factory tipped over. The accident occurred on the N-134 motorway on the French side of the Somport Mountain Pass, Pyrénées-Atlantiques. As a result of the accident, the driver died and more than 12,000 litres of product was dumped into the Aspe River. The rescue efforts were labour-intensive and required the motorway to be blocked off for more than two days. The French authorities are still investigating the accident to determine the causes.

d) Air transport

Air transport is regularly used in the pharmaceuticals division since it is in keeping with the characteristics of the active ingredients the Group manufactures.

Customers of these high added value products are able to assume the cost of this type of transport. In addition, the volumes shipped are much lower than in other businesses and are easily transported in the cargo hold of commercial aircraft.

It is also important to consider that the transport of APIs does not present any danger and it is subjected to certain temperature and safety conditions that aircraft can provide.

Lastly, air transport is without a doubt the most rapid means to cover the long distances between the Aranjuez factory and customers. It is important to remember that this business exports 91.1% of its products to countries across the world.

e) Achievements

Among the Group's achievements in relation to improving the efficiency of distribution in 2018, the following is worth noting:

- The launch, with an entirely satisfactory result, of the supply plans for those raw materials and finished products (caustic soda and caustic potash, potassium carbonate and EDC) that were affected by the closure of the electrolysis plants with membrane technology and the subsequent operational restructuring of the chlorine business.
- The expansion of the network of tanks and warehouses to receive and distribute outsourced caustic soda, caustic potash and sodium carbonate to continue supplying customers despite the Group's lack of own product, while bringing the product closer to customers, consequently reducing the distance travelled for delivery and, thereby CO₂ emissions; and also offering better service to customers.
- The contracting of new storage space for tablets for treating swimming pool water in Barcelona and Lyon to bring the product closer to customers.
- The start of a new project, together with information systems management team, to integrate the Group's computer system with that of Tepsa, the liquid product storage company with which the Group works in various cities. This project, which is scheduled to conclude in 2019, will simplify the processes and improve the information offered to customers, since it will be obtained in real time.
- The improvements to expedite the process of issuing documents for shipments via shipping containers.

- The progress made on unifying the assignment of transport of the products sold.

Other achievements in 2018 included a reduction in consumption and the following environmental improvements associated with freight transport:

- The launch of a new sodium chlorite IBC container recovery and recycling system to reuse the pallet and the cage. In 2018 30% of containers were recovered and the goal for 2019 is 90%.
- The purchase of 28% recycle pallets (2017: 27% recycle pallets).
- The work to reduce the gauge (plastic thickness) of big-bag containers for paraformaldehyde, resulting in less waste generation.

f) 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 bulk 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.

11.4. Customers

Practically all 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 sustainability management system applied by the Group includes the commitments that it assumes vis-à-vis its customers in relation to quality, service, product stewardship, etc. The Group signs industry or product agreements to ensure the responsible use of the products it sells and legal compliance. Furthermore, it provides customers with a customer service centre ("CSC").

In relation to its customers, the group aims to:

- Satisfy their 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 on best product stewardship practices.
- Comply with the legal requirements and voluntary agreements signed.

a) Quality management

The quality requirements applied by the Group –established in the sustainability management system– are based on the international standard UNE-EN ISO 9001:2015, which was renewed in 2015. As part of the process of adapting to the new version of the standard, in 2018 all factories satisfactorily passed the certification audits.

Nine products of the pharmaceuticals division have been approved by the Food and Drug Administration ("FDA") –the agency responsible for regulating drugs in the US– these products represent 85% of this division's production volume.

Between 10 and 14 December 2018, the FDA audited the Aranjuez factory as part of the process begun as a result of the application submitted in the US by several customers to launch a new drug that contains an active ingredient produced in the pharmaceuticals division. The audit focused on two products, sterile intravenous sodium fosfomycin and fosfomycin tromethamine. Both products received pre-approval from the US authorities and, therefore, the products are expected to be able to be launched in this market shortly.

On the other hand, the FDA has approved the authorisation of the good manufacturing procedures ("GMP") issued in 2019 by the Spanish Medicines Agency ("AEM"), having approved the audits performed by the AEM. This is one of the FDA's first approvals after reaching an agreement with the European Medicines Agency, whereby they mutually recognise the audits of manufacturing plants for human medicinal products to avoid duplicating audits and reduce the expenses of the agencies and the companies audited.

b) Customer service centre ("CSC")

The CSC is the body responsible for customer relations with regard to complaints, technical assistance requests, queries, suggestions, etc. It also manages customer orders, except for active pharmaceutical ingredients, which are managed directly by the corresponding sales departments.

The premise of the CSC is to always be attentive to and continuously improve customer relations. It is governed by the general procedures that impact it and by its own specific procedures. In 2018 the CSC updated 20 of its own procedures (the same number as in 2017).

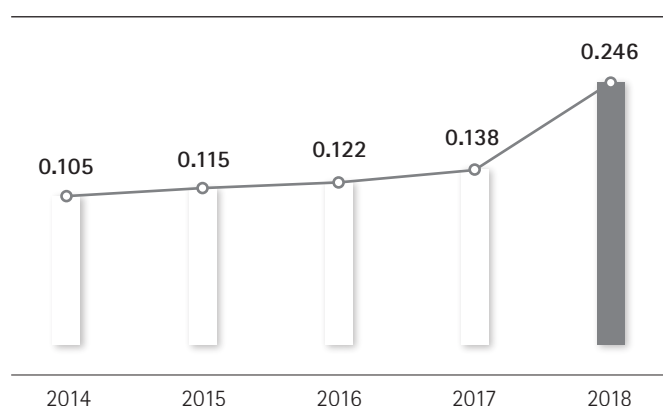
c) Customer satisfaction

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 products affected by a customer non-conformity 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 2018 1,389 customer surveys were sent with a response rate of 32.2% (2017: 1,083 surveys).

In 2018 this claim rate was 0.246 (2017: 0.138). The increase in the claim rate between 2017 and 2018 was mainly due to the increase in non-conformities associated with transport, in particular, bulk transport. The Group has taken the measures necessary to reverse this trend.

Evolution of the claim rate¹



¹ Claim rate: number of tonnes of product affected by a customer non-conformity over number of tonnes sold.

d) Product stewardship

The Group makes its knowledge and resources available to customers in order to engage in 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 SDS from its suppliers for the raw materials it consumes [see paragraph 11.2 above], the Group in turn provides customers with SDS for the products it sells, that contain 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 SDS for all products manufactured and of the products and mixtures that it sells in the languages of the EU requested by the sales departments and the CSC, according to 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. The SDS are reviewed and updated when new information emerges on the substances or when legislation concerning them is amended.

The Group updates the Reach records that, either due to new information on properties of the substances or due to studies of new exposure scenarios, require that the lucid dossier be updated (database that includes all Reach information). In 2018 four dossiers were updated.

In 2017 Reach registration dossiers were prepared for 14 substances manufactured by the pharmaceuticals division (that had to be presented before 1 June 2018) and were presented to the European Chemicals Agency. The corresponding registration number has already been obtained for each of these substances.

In 2018 the Group submitted the application dossiers for authorisation to sell biocide products for oxygenated water and sodium hypochlorite. This authorisation process is under way and it may take between three and four years for authorisation to be obtained. Meanwhile, the Group is in the "transition period" where it may continue to sell the products until the authorisations are resolved.

The Ercros Group has signed agreements with organisations and the public authorities to collaborate on the stewardship of particularly sensitive products:

- In 2018 it joined the protocol, signed by the Feique and the Secretary of State for Security of the Internal Affairs Ministry against the diversion of non-controlled chemical substances likely to be used for the illicit manufacture of explosives.
- It has signed, through the Feique, a collaboration agreement on drug precursors, promoted by the Secretary of State for Security of the Internal Affairs Ministry, the purpose of which is to fight against the diversion of chemical products towards the illicit manufacture of drugs.
- In 2018 the Group collaborated with the Organisation for the Prohibition of Chemical Weapons ("OPCW") through a training taught by experts from the Tortosa factory to two chemical engineers from developing countries.

e) Achievements

- In 2018 the Ercros Group migrated –in only six months and without interrupting its commercial operations– to a new, more efficient business management system, which helps the Group better manage processes: from managing customers to the supply chain.
- In relation to the CSC, improvements were made to order management making it possible to reduce the shipment time for export orders to customers by 80%. Likewise, the time used for training CSC staff led to a 10% increase in their versatility, i.e., their capacity to manage any order, shipment or request regardless of the source or business area.
- The Group also made improvements to certain of its products, such as: (i) the microencapsulation of additives in the tablets for the treatment of swimming pool water; (ii) the expansion of the catalogue of ErcrosGreen+ resins in response to customer demand; and (iii) the improvement of the HD quality of moulding compounds.
- It also promoted the creation of new products, such as: (i) ErcrosBio, a plant-based, compostable and biodegradable bioplastic; and (ii) ErcrosFlex a PVC free of phthalates and all other types of plasticiser.

12.1. Materiality of the chapter

The Ercros Group wants its economic progress to have a positive social impact in all areas where it has a presence. To that end, it participates in the social reality, paying special attention to populations where its production facilities are located.

Its sponsorship of local entities, collaboration with solidarity campaigns, financing of environmental projects and affiliation with local and industry associations are just some examples of the Group's commitment to the area.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Contracting of trainees	52	51
Indirect jobs created	2,432	2,252
Local sponsorship amounts (EUR thousand)	196	136
Contributions to company groups (EUR thousand)	92	96
Stakeholders (organisations)	393	409
Purchases from special employment centres (EUR thousand)	299	327

12.2. 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 in its social map its stakeholders based on who has their headquarters or performs their activity in the same municipality, area of influence, industry, etc.

In addition to a list of each facility's stakeholders, the social map contains 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 2018 the Group's workplaces had 409 organisations listed as stakeholders in their social maps.

Last year, Ercros' factories in Sabiñánigo and Monzón renewed the Aragon socially responsible business ("RSA") seal, awarded by the government of this autonomous community along with the Spanish Confederation of Business Organisation ("CEOE"), the Spanish Confederation of Small- and Medium-Sized Enterprises ("Cepyme") and the trade unions UGT and CCOO. This seal recognises best practices in social responsibility matters of the Aragon production facilities in terms of sustainability and their adherence to the principles of awareness, commitment, training and transparency.

12.3. Social and economic contribution

One of the Group's main contributions to society is the jobs generated by its business. Most of the production facilities are located in towns with a population of less than 15,000, meaning that these towns are highly dependent on the Group. In 2018 it is estimated that the Group's activity generated 2,252 indirect and induced jobs, which represents an average of 3.2% of the active population of the municipalities where the factories are located.

In an effort to minimise the negative impact of the plant closures at the Flix factory, since 2015, the Ercros Group has maintained a contract with the MOA BPI Group, a consulting firm specialising in reindustrialisation processes. According to this contract, the consulting firm is responsible for seeking out new projects capable of generating employment in this municipality. It also has collaboration agreements with the secondary school in the aforementioned town, one to promote training its workers and another to jointly develop an educational course on electro technical and automated systems.

12.4. Main actions

The Group is committed to the future of the industries 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. Lastly, it cooperates with environmental and social organisations, among others.

The main actions with social repercussions carried out in 2018 are as follows:

a) In the environmental protection field [see chapter 8.7]

- The launch of a new capacity in the electrolytic plant at the Vila-seca I and Sabiñánigo factories, so that all of the chlorine production is carried out through membrane technology recognised as the best available technology ("BAT").
- The dismantling and cleaning up of the former mercury electrolysis plant at the Vila-seca I factory and the construction of warehouses for the storage and subsequent transport of mercury.
- The soil remediation and monitoring work at the Flix, Vila-seca I, Vila-seca II, Sabiñánigo and Monzón factories.
- The collaboration with the Sebes Nature Reserve in Flix, amounting to EUR 20 thousand.
- The revegetation of the land released following the closure in 2012 of the Terrera Nova mine dump in Cardona and the presentation of the updated restoration plan for the Terrera Vella mine dump, which ceased its activities in 2017.
- Joining the Operation Clean Sweep programme, an EU action plan that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.

b) In the social field

- Contributions to business groups amounting to EUR 96 thousand (2017: EUR 92 thousand).
- Purchases made from special employment centres and/or reintegration companies, for a value of EUR 327 thousand (2017: EUR 299 thousand).
- The celebration of the Sabinánigo factory's centennial. For the aforementioned celebration, a commemorative book was published for the centennial, it was awarded the city's gold medal and organised a series of festivities for shareholders, institutions and employees and their families.
- Sponsorship of 17 local entities and associations (2017: five) to which it contributed EUR 136 thousand (2017: EUR 196 thousand). The difference in the amount is due to the sponsorship in 2017 of the Mediterranean Games of Tarragona that received a majority portion of the budget allocated for these purposes.

Among the sponsorship activities it is worth noting the following: the Almussafes Women's Basketball Club; the Aranjuez Early Intervention Centre for people with intellectual disabilities; the Junior Achievement foundation; Business Night, organised by the Cerdanyola del Vallès Business Association; the Flix municipal council music school and the day-care and retirement home; the Ibon Ballet School and the Sabinánigo sports teams; the La Canonja Football Club of Tarragona; and the Red Cross of Tortosa.

- The participation of the safety coordinator of the Ercros Group as a speaker in the workshop on chemical risk, prevention measures and response; organised by the Military Emergencies Unit.

c) In the health and safety field [see chapter 9.5]

- Annual general flu and tetanus vaccination campaigns.
- Specific campaigns and informational 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 facilities.
- 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 training field [see chapter 9.6]

- The collaboration agreement signed between the Flix factory and the town's secondary school to develop a University-level educational course on electro technical and automated systems.
- Visits to the Group's production facilities by secondary school and university students throughout 2018.
- Participation of the head of the quality and environmental technical department of the Tarragona complex in the "Tools for professional development in the industry" Master's programme of the chemistry department of the Rovira i Virgili University.
- Participation of the Tarragona complex in the accreditation programme that allows workers from the complex to accredit the professional skills acquired in their job to obtain official qualifications.
- The participation of the Tortosa manager in a round table discussion on opportunities for economic growth in Terres de l'Ebre, organised by the Rovira i Virgili University and the Cadena Ser.
- The visit of experts from the UB to Terrera Nova de Cardona to verify, on site, the restoration work being carried out by the group.
- The collaboration agreements for hiring trainees with secondary schools and other organisations, such as: Pinto's IES Vicente Aleixandre; Madrid's IES Lope de Vega; Valdemoro's Valle del Miro school; Barcelona's IES Lluïsa Cure, l'Escola Jesuïtes de Bellvitge and IES Francesc Vidal i Barraquer, Tarragona's IES Compte de Rius and IES Vidal i Barraquer; Zaragoza's Centro Integrado de Formación Profesional Corona de Aragón; Monzón's IES Mor de Fuentes; Sabinánigo's IES Biello de Aragón; Tortosa's IES de l'Ebre; the Centro de Nuevas Profesiones and the Aragonese Institute of Employment ("Inaem"). In 2018 30 secondary students and students from other centres did their internships at the Group (2017: 32 students).
- The agreements with the following universities for internships for graduate and postgraduate students: Valencia's International University of Valencia a ("VIU"); Madrid's Rey Juan Carlos University ("URJC"), Science and Technology University ("IUCT"), Madrid Complutense University ("UCM"), International Business School ("IMF") of Camilo José Cela University, the Centre for Higher Studies in the Pharmaceuticals Industry ("Cesif") and the European University of Madrid ("UEM"); Tarragona's Rovira i Virgili University ("URV"); Logroño's La Rioja International University ("UNIR"); and Zaragoza's University of Zaragoza ("Unizar") and San Jorge University ("USJ"). In 2018 21 university students had internships at the Group (2017: 20 students).
- The training of plastics ambassadors, aimed at the technicians of the Monzón factory. The goal of this day was to provide them with arguments to dispel negative clichés about this product.

e) In the research field

- The agreements signed with the technological centres, the Polymat Institute of the University of the Basque Country and the Materials Technological Institute ("ITM") of the Polytechnic University of Valencia ("UPV") to develop the ErcrosFlex range.
- The collaboration programme with the Industrial Technological Development Centre ("CDTI"), in which the Group participates with two other Spanish companies on the development of the ErcrosBio range.
- The Technological Innovation collaboration programme of the Regional Government of Catalonia for ErcrosBio Premium 3D printing, together with Leartiker, from Bizkaia, Leitat from Terrassa and the Catalanian Plastic Centre of the Polytechnic University of Catalonia ("UPC").
- The agreements for the development of research projects with the Institute of Chemical Technology ("ITQ"), which is part of the UPV, to continue optimising the polyol manufacturing process.
- The agreement with the Technological Centre of Catalonia ("Eurecat") and the URV for a project to develop and characterise new types of resins.
- 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 Catalanian Geological Institute on the installation of trihedral satellite reflectors in Cardona to measure natural geological movements in the Vall Salina of Cardona.
- Agreements with the UB and the UPC for technical advice on the restoration and revegetation of the Terrera Vella mine dump in Cardona.
- Participation on the board of trustees of the Foundation for the Development of New Hydrogen Technologies in Aragon.
- Sponsorship of the UAM-Ercros chair, whose main objective is to promote research, teaching and study activities in the field of pharmaceuticals chemistry.
- Collaboration on the doctoral thesis "New sustainable formulas for thermoplastic compounds" by Martí Hortós, a chemical engineer and member of the Group's R&D department. His thesis is the result of a collaboration agreement signed between the Ercros Group and the UPC.

f) In the social volunteering field

- The Aranjuez facilities joining of the Mariola solidarity campaign for the collection of second-hand clothes and shoes to finance the projects of the NGO Global Humanitaria's in Guatemala and India.
- The campaign to collect hygiene and cleaning products in Aranjuez at the request of the local shelter.
- The participation of a group of workers from Almussafes in the solidarity race organised by the Association of Industrial Parks and Estates ("APPI") to collect funds for research on rare diseases.
- The participation in the Christmas workshop organised by the Monzón Municipal Council to distribute sweets to local children.
- The annual "Lids for a New Life" campaign, in the framework of the collaboration agreement with the Seur Foundation, which collected 352 thousand plastic lids at the Group's facilities in 2018 (2017: 374 thousand lids) 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 participation of company employees in the Green Volunteer day, promoted by Cicloplast, that consisted of picking up plastic litter.
- The participation of company employees in the collection and classification of food in the Christmas campaign of the Great Food Collection, organised by the Food Bank of Catalonia.
- The donation by company employees of 40 kilos of used clothing to the Formació i Treball Foundation, focusing on training and reintegrating people at risk of social exclusion into the workforce.
- Participation of company staff in the Christmas campaign to collect new and used toys for the Red Cross and the Joia Foundation.

12.5. Partnership

The Ercros Group participated directly and actively in the following industry or regional organisations:

- Organisations in the chemical industry: 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").
- 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"); and Asociación de Parques y Polígonos Industriales de Almussafes ("APPI").
- 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 28 December 2018, Luis Gállego, the manager of the Sabiñánigo factory, was recognised as the best executive of Huesca by the Association of Executives and Managers of Aragon ("ADEA"), which recognised his work to maintain the Sabiñánigo factory's leadership position 100 years on.

12.6. Voluntary agreements

The Group has assumed voluntary commitments, some promoted by the chemical industry, with more ambitious targets than those contemplated by prevailing legislation [see chapter 6.3].

In 2018 it reached an agreement with the Flix Municipal Council to give renewed momentum to the factory's Colonia housing development. According to the aforementioned agreement, the Group will assign to the Municipal Council, free of charge, roads and leisure spaces located in this neighbourhood and will contribute EUR 786 thousand to the project to improve the Colonia.

13.1. Materiality of the chapter

Dialogue, active listening and transparency are the basic pillars that define how the Ercros Group interacts with its stakeholders. The Group periodically reports to the public authorities and its own employees, subcontractors, shareholders, investors, neighbours, customers and suppliers and the media on matters related to its business.

The Group also undergoes various audits each year to guarantee the transparency and accuracy of the information provided.

Contribution to compliance with the following SDGs



Main indicators

	Year 2017	Year 2018
Press releases sent to the media	66	101
Significant event published	50	63
Open house days	33	35
Internal memorandums to staff	46	105
Suggestions for improvement made by staff	28	37
Requests for information from shareholders	390	217

13.2. Accountability

The Group annually publishes a corporate social responsibility report ("CSR") that includes the statement of non-financial information. The report also includes the degree of compliance with the 183 indicators contained in the CSR guide for the chemical and life sciences industry, published by the Feique, in collaboration with Forética.

The CSR report is published on the Ercros Group's web page and on the web page of 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/memrse>), 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 Regional Government of Catalonia ("Rscat" (<http://rscat.gencat.cat/ca/>)), 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 E&Y as part of the annual corporate governance report; (ii) with the seven codes of the Responsible Care programme, audited by the 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, rated each year by EcoVadis [see chapter 6.3].

In the interest of transparency, the Group reports on the meetings held with the authorities and political groups, as well as with institutional investors [see paragraphs 13.3 b) (iv) and (vii) below] and is registered in the register of interest groups of the Regional Government of Catalonia.

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 investors with regard to the confidentiality of information, insider information, conflicts of interest, transactions with treasury stocks and market manipulation. 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 internal code of conduct on matters related to the stock market 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.

In 2018 the Group updated its code of ethics, highlighting the obligations and prohibitions that those subject to the code must assume in relation to the main stakeholders: civil servants and regulatory bodies, private individuals, suppliers, customers, competitors and the community.

13.3. Main actions

The measures implemented in 2018 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 corporate social responsibility report, published annually, which reports on everything related to sustainable development and the Group's non-financial information.
- The updating and improvement of the corporate web page. In 2018 the homepage of the website was updated to improve its browsability and a micro site was included to provide information on the status of the remediation of the Flix soil.

- The digital newsletter that contains the most relevant information published by the Group. Eight newsletters were sent in 2018 to an average of 134 recipients (2017: eight newsletters to an average of 99 recipients).
- Update of the 2.0 tools, Vimeo, Flickr, LinkedIn and RSS.

b) With stakeholders

(i) In general

- Open house days and arranged visits: aimed at staff and their families, neighbourhood, business and social associations, etc. and the educational community. In 2018 35 visits were held at the Group's various facilities, which were attended by a total of 1,095 people (2017: 33 visits with 1,011 participants).

(ii) With staff

- Internal memorandums are the means of providing specific information to the Group's staff. 105 memorandums were sent in 2018 (2017: 46 memorandums).
- The dialogue improvement plan ("DIP"), a tool to promote internal communication through cascading meetings. In 2018 885 meetings were held that were attended by 4,304 people (2017: 834 meetings, attended by 3,506 people).
- The internal newsletter associated with the DIP, which contains information from the cascading meetings and contains a common section –with general information on the Group and relevant information on its factories and departments– and a section specific to each factory. In 2018 four bulletins were published (2017: six bulletins).
- Updating the virtual noticeboard that contains information of interest to staff. It is freely accessible by employees, acts as a corporate intranet and is hosted on the Ercros Group's server.
- The suggestions competition: channels and rewards suggestions for improvement proposed by staff. In 2018 37 improvement suggestions were submitted (2017: 28 suggestions).
- The open house days for employees and families in Sabinánigo, as part of the factory's centennial; and in Almussafes.
- The integration workshop for the Group's technicians.

(iii) With shareholders

- The Group has a shareholder's office with a dedicated manager that channels the dialogue and the relationship with shareholders and investors. The Group also has a procedure that regulates the operation of the shareholder's office and a communication and contact policy with shareholders, institutional investors and voting advisers. In 2018 the shareholder office responded to 217 requests for information (2017: 390 requests), the lower number is because there were fewer queries regarding premium payment incidents. Furthermore, it sent 59 briefing notes (2017: 43 briefing notes) to the 263 shareholders (2017: 257 shareholders) who requested them. This increase is due to the increase in the number of briefs reporting on the purchase of treasury shares.
- The corporate web page has a specific menu for "Shareholders and investors" in accordance with the requirements of Circular 3/2015 of the CNMV, which is periodically updated with information of interest to 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 2nd Shareholder Day was held as part of the Sabiñánigo factory's centennial.
- The launch of the "Shareholders" publication to be published every four months will enable the Group's shareholders to get to know the Company better and find responses to their requests for information.

(iv) With securities market

- Significant events are disseminated through publication on the websites of the CNMV and Ercros, which are the means of communication with the securities market. In 2018 the Group issued 63 significant events (2017: 50 significant events).
- Regular meetings with investors who follow Ercros' market price. In 2018 the Group held 59 meetings with investment analysts (2017: 28 meetings).
- The participation in the 2018 MedCap Forum where Spanish medium and small-cap companies held meetings with European investors. Antonio Zabalza, Ercros's chairman, participated in the inaugural conference.

(v) With media

- Press releases are the main tool for contact with the media. In 2018 101 press releases were issued (2017: 66 press releases).
- The crisis training workshop given to media as part of the emergency drill carried out at the Almussafes factory.
- The invitation extended to the media to the events surrounding the centennial of the Sabiñánigo factory.

(vi) With neighbours

- Briefing notes of general or local interest that are distributed by the factories to their external stakeholders. In 2018 an average of nine briefing notes per factory were issued (2017: ten briefing notes).
- The visit of the Cerdanyola Business Association to the facilities of the factory and the designation of the head of industrial relations of Cerdanyola as a member of the association.
- The invitation extended to associations and local authorities to the events surrounding the centennial of the Sabiñánigo factory.
- The updated communication procedure with the Company, establishing the way in which the Group must conduct its social relations and the disclosure of information.
- The updated public service hotline procedure that gathers suggestions, queries and complaints from local stakeholders with respect to the Group. In 2018 no suggestions or complaints were submitted through the LAP (the same as in 2017).

(vii) With government

- The visit by a delegation of the Turkish Ministry of the Environment to the Aranjuez factory to see how the contaminant register promoted by the Spanish Ministry of Agriculture, Fisheries and Food operates due to the factory's good work and in-depth knowledge of the workings of this system.
- The meeting of the director of the Almussafes factory with the mayor of the aforementioned town, within the framework of the meeting of managers of the business parks and industrial states association with the municipal council.
- The participation of the president of the Regional Government of Aragon, the regional ministers of Economy, Industry and Employment; and Citizens and Social Rights, and Rural and Sustainable Development; the mayor of Sabiñánigo accompanied by the rest of the city council and other regional and local authorities in the celebration of the factory's centennial.

- The gold medal of the city of Sabiñánigo awarded to the factory in recognition of its 100-year history.
- The visit by the mayor and the local responsible of economic development of Tortosa to the factory's facilities after their respective appointments.
- The visit by the minister of Territory and Sustainability of the Regional Government of Catalonia to the Ercros Group's factory in Flix to monitor the dismantling of the former plants.
- The participation of the director of the Tarragona complex in a meeting of the AEQT with the Spanish minister of Industry, Commerce and Tourism.
- The visit of the secretary-general and the director-general of Industry and Small- and Medium-Sized Businesses, of the Spanish Ministry of Industry, Commerce and Tourism, to the Tarragona complex.
- The participation of the mayor of Almussafes in the emergency drill conducted at the factory.

(viii) With customers

- Participation, with its own stand, at CPhI Worldwide, the world's most important trade fair for the pharmaceuticals industry, which was held in Madrid.
- The participation of technicians and sales staff from the Group's three divisions in the industry's most important trade fairs. The pharmaceuticals division participated in the DCAT trade fair in New York; CPhI trade fairs held in Shanghai, Abu Dhabi and New Delhi and the Interphex trade fair held in Tokyo. The chlorine derivatives division participated in the Swimming Pool & Wellness Forum held in Madrid; the Pool & Spa trade fair in Las Vegas; the Piscine Global trade fair in Lyon; the Fensterbau trade fair in Nuremberg, the PlastItalia trade fair in Milan, and the Matelec and Veteco trade fairs in Madrid. The intermediate chemicals division participated in the American Fuel & Petrochemical Manufacturers trade fair held in San Antonio, Texas; the European Petrochemical Association trade fair, held in Vienna; the Latin American Petrochemical Annual Meeting held in Cancun; and the meeting of producers and consumers of methanol organised by the International Methanol Producers and Consumers Association on Lake Como.

13.4. Transparency bonus

In 2018 the Feique recognised the Ercros Group's work in the "Transparency" category of the 2nd CSR awards of the chemical industry. The jury for the awards recognised the quality of the Group's corporate social responsibility report as an informational tool of the organisation that contains the activities, processes and decisions taken in relation to social responsibility.

The Group was also a finalist for the business transparency award given out by the Accounting and Business Administration Association ("AECA") in the listed companies' category of the Ibex Medium and Small Cap.

13.5. Audits

The Group subjects its financial statements and other reports, as well as its production processes and products, its sustainability certifications, etc. to various audits.

The external auditor E&Y conducts the mandatory audit of the financial statements of the Company and the consolidated Group. E&Y also reviews the information provided in the corresponding directors' reports, in the annual corporate governance report and in the directors' remuneration report and, since 2018, reviews that the Group presents the statement of non-financial information as part of the directors' report, within the context of the audit of the financial statements for the year.

The statement of non-financial information contained in the CSR is verified by Bureau Veritas in accordance with Spanish Law 11/2018, of 28 December. Bureau Veritas has verified the CSR report in the past and every time that it has done so it has given it a rating of "excellent".

Annually, Aenor audits the proper performance of the sustainability management system (ISO 9001, ISO 14001 and OHSAS 18001) in all production facilities, as well as in the sales 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 9.5 d)]. The production facilities also host audits from customers and regulatory bodies, which are particularly exhaustive and numerous in the pharmaceuticals division.

In turn, the Group audits its suppliers and conducts satisfaction surveys among its customers [see chapter 11.2 and 11.4 e)]. It also carries out periodic internal controls to determine the level of compliance with the DIP and the degree of satisfaction of its employees.

14.1. 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 12.5].

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

Yes [see chapter 7.3. 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 18 February 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 and to the CSV rating of EcoVadis [see chapter 6.3].

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. Employees and suppliers of logistics, goods and services have committed to comply with the rules of this code.

The code, which has been updated in 2018, can be consulted through the corporate website.

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 CSR report. 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

Yes. On 19 April 2018, the board of directors unanimously approved the anticorruption and crime prevention policy.

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

None.

14.1. 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 SGE 21 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 13.2].

14.2. 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.

None.

2nd. Existence of an equality plan

Yes [see chapter 10.2].

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 2017 and 2018, the accident frequency index, which measures the number of accidents with loss of own personnel for each million hours worked, was reduced by 29.9%, going from 2.5 in 2017 to 1.8 in 2018.

6th. Fatal accidents in employees

No.

B. Advanced level:

7th. Index of frequency of accidents in contractors

In 2018 the index was 7.3 (2017: 1.7).

8th. Existence of a prevention policy

Yes.

9th. Deadly accidents among contractors

No, but the driver of a truck not contracted by the Group died during the transport of the Group's product.

10th. Index of occupational diseases in employees

0.

11th. Application of the collective agreement

Yes, in force the XIX general collective agreement for the chemical industry for the 2018-2020 financial years.

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

In 2018 the index was 3.9% (2017: 4.9%).

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 2018 permanent contracts accounted for 90.1% of total contracts (the same percentage as in 2017).

17th. Employees with performance appraisals

None.

18th. Existence of training plans

Yes [see chapter 9.6].

19th. Existence of a welcome manual for new employees

Yes [see chapter 9.6].

14.2. Human resources

20th. Hours of training per employee

In 2018 the average number of training hours per employee was 37.5 hours of training per person (2017: 23.6 hours).

21st. Spending and investment in employee training

The expenditure incurred in training amounted to EUR 302 thousand (2017: EUR 265 thousand), of which EUR 199 thousand s came from the credit granted by the Fundae.

22nd. Employees who have received training on the total

In 2018 93% of the Group's staff received training (2017: 80%).

23rd. Women over total employees

In 2018 women represented 15.7% of the workforce (2017: 14.9%).

24th. Women directive on the total of managers

Between 2017 and 2018 the number of women in management positions has not changed, six. However, in percentage terms, the presence of women over the total number of managers has increased slightly, from 19.4% to 20.0%, as there was one male director less in 2018 (from 31 to 30 directives) [see chapter 10.4].

25th. Participation of employee representatives in the training area

Through the training committee that prepares the training plan every year. This commission of joint composition is composed of representatives of the Ercros Group 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

Given that the level of staff rotation is low, the Group does not consider to be necessary to implement talent management programs. However, when is considers necessary, it applies active policies to retain its employees; through salary payments or through the payment of master's and postgraduate degrees.

29th. Existence of career plans

Yes. The Group offers assistance for the training of its employees.

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

Yes [see chapter 10.7].

31st. Telework promotion programs

Yes. The Group offers to its workers the necessary resources so that, when the type of work to be performed permits so, they can carry out all or part of the working day in teleworking.

32nd. Conciliation policy

Yes [see chapter 10.7].

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 goods suppliers and services, which operate in their work centres. Throughout 2018, the personnel of these companies received 1,217 hours of training (2017: 1,728 hours).

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

Yes [see chapter 6.2. c)].

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

Yes [see chapter 10.8. b) (iii)].

14.2. Human resources**37th. Existence of measures to support the study**

Yes [see chapter 10.7].

38th. Existence of repayable advances

Yes [see chapter 10.7].

39th. Existence of pension schemes

Yes [see chapter 10.7].

40th. Existence of life and accident insurance

Yes [see chapter 10.7].

41st. Existence of medical insurance

Yes [see chapter 10.7].

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

Yes [see chapter 12.4 e)].

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

Yes [see chapter 10.7].

44th. Existence of bonuses or transport complements

Yes [see chapter 10.7].

45th. Existence of measures to support maternity/paternity

Yes [see chapter 10.7].

46th. Existence of stock options for employees

No.

47th. Volunteer activities and programs for employees

See chapter 12.4. f).

48th. Existence of a contingency plan

Yes. Existence of a data recovery plan, in case of disaster or massive failure of the computer system.

14.3. 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 Group.

2nd. Identification of responsible

There is a shareholder office [see chapter 13.3. b) (iii)].

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

In 2018 the degree of compliance with the recommendations of the CBG applicable to the Group remained at 96.2% (the same as in 2017).

4th. Publication of the annual corporate governance report

Yes.

5th. Relevant events and other communications to regulatory bodies

Throughout 2018, the Group presented 63 relevant events (2017: 50 relevant events).

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

On 15 June 2018, the Company held its ordinary general meeting of shareholders (in 2017 the meeting was held on 23 June).

7th. Attendance at the general meeting of shareholders

Attended at the general meeting 7,526 shareholders holding 78,794 thousand shares, representing 71% of the subscribed capital with voting rights, of which 15.3% were represented and 55.7% were represented.

8th. Presentation of results

In each fiscal year, two reports are presented corresponding to the results of the Ercros Group 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 menu "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 13.3. b) (iii)].

10th. Existence of specific systems of relation with shareholders

The Ercros Group has a shareholder's 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 and a policy of communication and contact with shareholders, institutional investors and voting advisors [see chapter 13.3. b) (iii)].

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

Yes. In 2018 the publication "Shareholders" was launched every four months.

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

Yes [see chapter 13.3. 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 Group in sustainability indexes

The Ercros Group participates since 2013 in the CSV rating of EcoVadis [see chapter 6.3].

14.4. Environment**A. Basic level:****1st. Existence of an environment/sustainability policy**

The Group has a sustainability policy, the last revision of which dates from 9 November 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 [see chapter 8.2 a)].

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 2018 there has been no conviction. By contrast, the High Court of Justice of Catalonia has estimated the contentious-administrative appeal filed by Ercros against the Department of Territory and Sustainability of the Regional Government of Catalonia and has annulled the emission limit values of formaldehyde, total organic carbon and organic compounds volatile, established in the Resolution of 6 October 2014, which authorized a non-substantial modification of the integrated environmental authorization ("IEA") requested by Ercros [see chapter 8.6. a) (iv)].

5th. Value fines for breach of legal requirements

See the previous answer.

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

During 2018, there were no incidents or accidents with environmental consequences in the Group's production centres. There has been a spill due to an accident involving a truck from a production centre of the Group [see chapter 11.3. c)].

B. Advanced level:**7th. At least 85% of Ercros Group' 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 2018 amounted to EUR 16,770 thousand (2017: EUR 18,692 thousand).

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

In 2018 each employee received an average of 10.35 hours in training activities related to technical, health and environmental prevention (2017: five hours).

10th. Water consumed per tonne produced

The specific water consumption was 10.97 m³ per tonne produced in 2018 (2017: 9.64 m³/t).

11th. Energy consumed per tonne produced

Electricity and other fuel consumption in 2018 was 5.71 GJ for each tonne produced (2017: 4.16 GJ/t). The absolute consumption of energy has decreased by 12.5%, mainly, the consumption of electricity.

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

In the absence of external verification, in 2018, the Ercros Group will have issued 0.430 tonnes of CO_{2eq} for each tonne produced (2017: 0.378 t CO_{2eq}/t).

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

In 2017 the Ercros Group issued 0.00012 tonnes of NOx for each tonne produced. At the time of approval of this CSR report –22 February 2019– the Group does not yet have the data corresponding to 2018, so it will be informed of this in the next CSR report. In 2016 the Ercros Group issued 0.00011 tonnes of NOx for each tonne produced.

14.4. Environment

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

In 2017 the Ercros Group issued 0.00007 tonnes of SO₂ for each tonne produced. At the time of approval of this CSR report –22 February 2019– the Group does not yet have the data corresponding to 2018, so it will be informed of this in the next CSR. In 2016 the Ercros Group issued 0.00007 tonnes of SO₂ for each tonne produced.

15th. Tonnes of suspended particles ("SS.PP.") emitted per tonne produced

In 2017 the Ercros Group issued 0.000009 tonnes of SS.PP. per tonne produced. At the time of approval of this CSR report –22 February 2019– the Group does not yet have the data corresponding to the 2018 fiscal year, so it will be informed of this in the next CSR report. In 2016 the Ercros Group issued 0.000010 tonnes of SS.PP. for each tonne produced.

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

In 2018 the Ercros Group issued 0.00107 tonnes of VOCs compounds for each tonne produced (2017: 0.00067 t/t).

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

In 2018 the COD of the Ercros Group discharges was 0.00037 tonnes for each tonne produced (2017: 0.00024 t/t).

18th. Tonnes of heavy metals discharged per tonne produced

In 2017 the Ercros Group issued 0.0000015 tonnes of heavy metals discharged for each tonne produced. At the time of approval of this CSR report –22 February 2019– the Group does not yet have the data corresponding to 2018, so it will be informed of this in the next CSR report. In 2016 the Ercros Group issued 0.00000139 tonnes of heavy metals discharged for each tonne produced.

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

In 2017 the Ercros Group issued 0.0000077 tonnes of P discharged for each tonne produced. At the time of approval of this CSR report –22 February 2019– the Group does not yet have the data corresponding to 2018, so it will be informed of this in the next CSR report. In 2016 the Ercros Group issued 0.0000039 tonnes of P discharged for each tonne produced.

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

In 2017 the Ercros Group emitted 0.000011 tonnes of N discharged per tonne produced. At the time of approval of this CSR report –22 February 2019– the Group does not yet have the data corresponding to 2018, so it will be informed of this in the next CSR report. In 2016 the Ercros Group issued 0.000013 tonnes of N discharged for each tonne produced.

21st. Tonnes of total waste generated per tonne produced

In 2018 the Ercros Group generated 0.071 tonnes of total waste generated per tonne produced (2017: 0.040 t/t).

22nd. Tonnes of hazardous waste generated per tonne produced

In 2018 the Ercros Group generated 0.0105 tonnes of hazardous waste per tonne produced (2017: 0.0056 t/t).

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

In 2018 the valued waste of the Ercros Group accounted for 6.5% of the total waste generated (2017: 5.8%).

24th. Description of recovery projects

See chapter 8.6.

C. Level of excellence:

25th. Description of programs or actions for the protection of habitats and biodiversity

See chapter 8.7 a).

14.5. Supply chain/suppliers and contractors**A. Basic level:****1st. Existence of control mechanisms of raw material records**

The Ercros Group verifies that the uses of the products it manufactures are included in the exposure scenarios ("ES") of the safety data sheets ("SDS") supplied by the suppliers of raw materials. Likewise, it checks and disposes of the certifications of all the containers destined to the expedition of dangerous goods.

B. Advanced level:**2nd. Do provider contracts include ethical and human rights clauses?**

Yes [see chapter 6.2].

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 11.2].

C. Level of excellence:**5th. Description of success stories**

See chapter 11.3. e).

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 2018 the personnel of the companies providing goods and services received 1,217 hours of training (2017: 1,728 hours).

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

Yes [see chapter 12.3].

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 2018 20 meetings of inter-company committees were held among all the factories (2017: 22 meetings).

14.6. 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 the Ercros Group include the data protection clause of the signatory parties.

3rd. Expenditure on R+D

Investments and expenses made in innovation and technology in 2018 reached the figure of EUR 5,983 thousand (2017: EUR 6,036 thousand).

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

On 27 August 2018, a fatal accident occurred when a tank lorry loaded with sodium chlorite coming from the Sabiñánigo factory overturned. The accident occurred on the N-134 motorway on the French side of the Somport Mountain Pass, Pyrénées-Atlantiques. As a result of the accident, the driver died and more than 12,000 litres of product was dumped into the Aspe River [see chapter 11.3 c)].

B. Advanced level:

6th. Existence of a customer service

Yes, the customer service centre ("CSC") [see chapter 11.4 b)].

7th. Index of claims

In 2018 the claims index, which measures the volume of non-conforming products issued in relation to the total volume shipped, was 0.246 (2017: 0.138).

8th. Conduct customer satisfaction surveys

The commercial management of each business periodically surveys to know the degree of customer satisfaction. In 2018 1,389 surveys were sent to clients with a response rate of 32.2% (2017: 1,083 surveys).

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

100% [see chapter 11.4 a)].

10th. Safety data sheets on marketed products

See chapter 11.4 d)].

C. Level of excellence:

11th. Life cycle analysis of the main products

The Ercros Group has not carried out the life cycle analysis of its products as such, but carries out the design, production and distribution of them from the perspective of the life cycle to minimize their impact.

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

All the hazardous chemical substances purchased and sold by the Ercros Group have their SDS containing the corresponding exposure scenarios.

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

See chapter 11.4 d)].

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

Not applicable to the Group¹.

¹ Ercros Group does not perform marketing or advertising actions.

14.6. Customers and consumers**15th. Portal or area for consumers and customers**

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

16th. Existence of an accessibility policy and actions

The facilities of the Group are properly signposted, in several languages.

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

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

See chapter 11.4 e).

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

See chapter 11.3 e).

19th. Description of success stories about distribution efficiency

See chapter 11.3 e).

14.7. 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 2018 the average Ercros Group workforce was 1,290 people (2017: 1,372 people).

3rd. Indirect and induced jobs generated

In 2018 it is estimated that the Group's activity generated 2,252 indirect and induced jobs (2017: 2,432 jobs) [see chapter 12.2].

4th. Total employment generated/occupied in the province

The employment generated by the Ercros Group represents an average of 3.2% of the active population of the municipalities where the production centres are located ¹.

5th. Billing/sales

In 2018 sales reached EUR 639,543 thousand, a slightly lower amount (0.4%) than the sales of the previous year, which reached EUR 641,793 thousand.

6th. Value of the total investments made

In 2018 investments were executed amounted EUR 32,163 thousand (2017: EUR 44,666 thousand).

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

In 2018 the Group paid the public administration an amount of EUR 23,528 thousand (2017: EUR 28,727 thousand) as tributes, taxes, fees and social security contributions.

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 8.7 y 12.4 a).

C. Level of excellence:

11th. Value of sponsorships, patronage, donations, etc. per employee

In 2018 the value of sponsorships per employee was EUR 105.7 (2017: EUR 143.4).

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 12.4 c).

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

In 2018 the value of the purchases made by the Ercros Group to special employment centres and/or insertion companies was EUR 327 thousand (2017: EUR 299 thousand).

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

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

14.7. Contribution and cooperation with society**16th. Description of infrastructure projects and public services to the community**

See chapter 12.4 b).

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 12.4 d)].

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

See chapter 12.4 d).

19th. Development of activities with the media

In 2018 101 press releases were sent (2017: 66 press releases). The communication department attends and facilitates the work of the media regarding the Ercros Group [see chapter 13.3. b) (v)].

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

See chapter 13.3 b) (vii).

21st. Development of activities with legislative chambers

See chapter 13.3 b) (vii).

22nd. Development of activities with business organizations

See chapter 12.5.

23rd. Development of activities with trade union organizations

The Ercros Group maintains frequent personal contacts with the representative trade union organizations in the Group and participates in the seminars and events they organize [see chapter 9.4].

Contributes to employee company groups in 2018, amounting to EUR 96 thousand (2017: EUR 92 thousand).

Indirectly, through Feique, the Ercros Group 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 12.4 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 12.4. d).

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 13.3 b) (vi)].

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

See chapter 12.4 b) y f).

14.8. 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 ("DIP"), which contains the information provided in cascade meetings. In 2018 four bulletins were published (2017: six bulletins) [see chapter 13.2. 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 Group presents the Economic and financial report, the corporate governance report, the Directors' remunerations report and the corporate social responsibility report [see chapter 13.2].

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 2018 an average of nine communications per centre was sent (2017: ten communications per centre).

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

For suggestions, queries or complaints from external stakeholders, the Ercros Group 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 2018 37 suggestions for improvement were presented (2017: 28 suggestions).

9th. Existence of internal protocol meetings

Through the DIP, which is the tool to promote internal communication through the realization of meetings in cascade and that is implemented in all work centres. In 2018 885 meetings were held in cascade in which 4,304 people participated (2017: 834 meetings with an attendance of 3,506 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, the Ercros Group 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 13.3 a)].

12th. Organization of external open days

See chapter 13.3 b) (i).

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

The procedure of the LAP [see chapter 13.3 b) (vi)].

14th. Existence of a public advisory panel

Through Feique and AEQT.

14.8. Communication and dialogue**15th. Description of CSR campaigns**

Ercros Group conducts several CSR annually [see chapter 12.4 f)].

16th. Periodical conduct of opinion polls

In 2018 production centres did not conduct opinion polls among their stakeholders, since they are held every three years.

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

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

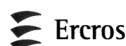
19th. Existence of an internal periodical newsletter

The bulletin associated to the DIP. In 2018 four bulletins were published (2017: six).

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 2018 35 visits were held to the different facilities of the Group in which 1,095 people participated (2017: 33 visits with the participation of 1,011 people).



Responsabilidad del estado de información no financiera

La presente diligencia tiene por objeto hacer constar que el consejo de administración de Ercros, S.A., en su reunión de 22 de febrero de 2019, ha aprobado el estado de información no financiera correspondiente al ejercicio anual terminado el 31 de diciembre de 2018, de acuerdo con lo previsto en los artículos 44 del Código de Comercio y 253 de la Ley de Sociedades de Capital («LSC»).

El presente estado de información no financiera 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 y el capítulo III de la LSC, que han sido modificados por la Ley 11/2018, de 28 de diciembre.

Este estado de información no financiera 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 estado de información no financiera ofrece una explicación detallada de la 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, 22 de febrero de 2019

Antonio Zabalba Martí
Presidente y consejero delegado

Lourdes Vega Fernández
Vocal

Laureano Roldán Aguilar
Vocal

Daniel Ripley Soria
Secretario no consejero

Carme Moragues Josa
Vocal

Eduardo Sánchez Morrondo
Vocal

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Tarragona factory

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