

C O R P O R A T E
S O C I A L R E S P O N S I B I L I T Y
R E P O R T

2019

STATEMENT OF
NON-FINANCIAL INFORMATION





1	Letter from the Chairman	2
2	Verification certificate	4
3	Purpose, methodology and materiality	5
4	Introduction	6
5	Business model	10
6	Non-financial risks	16
7	Contribution to the sustainable development goals ("SDGs")	19
8	Respect for human rights	24
9	Fight against corruption and bribery	29
10	Environmental matters	34
11	Staff matters	46
12	Gender diversity and equal opportunities	56
13	Supply chain	67
14	Social matters	76
15	Dialogue and transparency	83
16	Degree of compliance with the indicators contained in the CSR guide for the chemical and life sciences sector	89
17	Responsibility for the statement of non-financial information	105

Company name: Ercros, S.A.
Tax Identification Number: A-08000630
Registered office: Diagonal Av. 593-595, 08014 Barcelona-SPAIN
Tel.: +34 934 393 009
Fax: +34 934 308 073
E-mail: ercros@ercros.es
www.ercros.es

Barring those cases in which the comprehension of the text so requires, all references contained in this document using the masculine gender will be considered as indistinctly referring to all persons, men or women, in order to avoid the repetition of terms and to facilitate the reading thereof.

1

LETTER FROM THE CHAIRMAN



Ladies and Gentlemen,

In 2019 we have continued to improve our governance as part of our commitment to society. The board of directors approved the criminal risk prevention manual, which develops a plan for the prevention of the commission of offences and includes the procedures and controls that exist for the prevention and mitigation of such risks. The board also approved the criminal compliance policy, which defines the principles of conduct for strengthening the Group's business ethics culture.

With this same purpose, last year we expanded the dissemination and training on the code of ethical conduct, such that almost 99% of the people who make up our staff have stated that they know and are committed to complying with this code of ethics in the development of their professional activity in the Group.

This corporate social responsibility report/statement of non-financial information provides an account of the degree to which we have complied with the voluntary programmes and commitments in which we participate. The EcoVadis rating, which qualifies and quantifies our performance in relation to the environment, sustainability and governance, which awarded us the "Platinum" seal and places us among the top 1% of companies in our sector. Our progress report on the UN Global Compact programme, which has renewed our "advanced" rating. The recommendations of the code of good governance for listed companies, of which we comply with 94%. And the practices contained in the global chemical industry's Responsible Care programme.

In this report we also explain the targets we have set ourselves to achieve CO₂ neutrality by 2050 and our contribution to the fight against climate change. An example of this is the implementation of improvements introduced in the production and logistics processes that allowed us to save 2,671 tonnes of CO₂ in 2019. Our efforts to reduce emissions earned us recognition from the UN, which included Ercros in its SDG good practices dossier and selected it as one of the 101 best business practices to contribute to the fight against climate change.

Prevention in relation to occupational safety has borne fruit and in 2019 we reached the lowest accident frequency rate among our own staff in our history. In recognition of our commitment to safety, the Spanish chemical industry awarded the Aranjuez, Cerdanyola and Flix factories the 2018 Safety Award. However, absenteeism due to common illness has yet to be resolved. The adverse performance of this index again in 2019 confirmed the worsening trend of recent years. To try to reverse this problem, common in the Spanish industrial sector, we have designed several plans and campaigns that promote healthy living habits.

The Group's workforce has remained stable, following the completion at the end of last year of the collective layoff we launched following the closure of the mercury electrolysis plants in December 2017. In 2019 we reached the first Agreement with the trade union representatives to improve the general collective agreement for the chemical industry. This will allow for the alignment of the working conditions of all Group employees, regardless of their company of origin, and incorporates other labour improvements.

In 2019 women accounted for 16.5% of staff. Although this percentage is increasing steadily every year, it is doing so too slowly for us to achieve our gender equality objectives in the medium term. To speed up this process, we are carrying out information and awareness-raising actions.

The training of Group employees is a key tool for maintaining competitiveness and achieving safe work. In 2019, 93% of the Group's staff took part in some type of training activity.

On many occasions, given their experience and professional competence, our staff has been asked to participate in conferences and round tables on different subjects. Similarly, the Group strives to disseminate our activity through workplace visits. During the past year, we organised 35 visits in which more than 1,300 people participated.

Broadly speaking, these were our main corporate social responsibility milestones in 2019, achievements that would not have been possible without the involvement and work of all members of the Group; a group that, year after year, confirms its excellence in environmental protection, ethical governance and work towards prevention.

This social responsibility report includes a chapter explaining the main non-financial risks to which the Ercros Group is subject, including environmental risk, regulatory risk and claims risk. These risks are inherent to the performance of our activity or a consequence of external factors, so we try to control and mitigate them even knowing that it is impossible to eliminate them completely.

As required by law, the external certification company Bureau Veritas has verified this statement of non-financial information and has rated the corporate social responsibility report "excellent".

Antonio Zabalza Martí
Chairman and CEO of Ercros

Barcelona, 21 February 2020

2 / VERIFICATION CERTIFICATE

	
Bureau Veritas Certification	
Declaro que Según exige la	
Ley 11/ 2018	
Se ha verificado el estado de información no financiera correspondiente al ejercicio 2019 por la Entidad de Certificación de tercera parte e independiente Bureau Veritas, en lo que respecta a su estructura, contenido y fuentes de información de	
ERCROS	
Y que como resultado de este proceso de verificación Bureau Veritas Certification expresa que	
<ul style="list-style-type: none">• El contenido del estado de información no financiera está basado y soportado por datos y registros comprobados como ciertos. Asimismo, la información, su tratamiento, los cálculos, gráficos, etc., han sido oportunamente comprobados y verificados.• La trazabilidad y relevancia entre información de base y contenido de los objetivos es adecuada.	
Conforme a esto Bureau Veritas Certification establece, que el contenido del estado de información no financiera publicada por ERCROS se considera adecuada y conforme.	
27 Febrero de 2020	
	
Fdo: Lidón Bové Marco Validador Jefe Bureau Veritas Certification	

3 / PURPOSE, METHODOLOGY AND MATERIALITY

This corporate social responsibility report of Ercros S.A. and its consolidated group ("CSR Report"), which includes the statement of non-financial information for 2019, was approved by the Company's board of directors in its meeting on 21 February 2020 and passed the verification of Bureau Veritas.

The content of the statement of nonfinancial 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.

Where possible, the numerical indicators quantifying the relevant information collected in each chapter of this report are presented at the beginning of the chapter, and throughout the text, an attempt is always made to present the figures for the year analysed compared, at least, with those of the previous year to show its evolution.

The sustainable development goals ("SDGs"), compliance with which is facilitated by the actions related to the chapter in question, are also included in each chapter.

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 Spanish Chemical Industry Business Federation (Federación Empresarial de la Industria Química Española "Feique") in collaboration with Forética, rated "excellent" by Bureau Veritas. In turn, it includes the indicators required for the certification of an ethical and socially responsible management system in accordance with the SGE 21:2008 standard.

The materiality of the Ercros Group in those matters of special relevance in the field of social responsibility that may have an impact on its activity and results is also included in this CSR Report. Issues related to regulatory changes, the fight against climate change and the decarbonisation of the industry (replacement of fossil fuels with renewable energy), the cleaning-up of industrial land, the reduction of emissions and waste, the optimisation of consumption and resources, accidents affecting people and facilities and gender equality are the most sensitive issues for the Group.

The CSR Report is available on Ercros' web page (<http://www.ercros.es>) and on the web page of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores "CNMV") (<http://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 Catalan Regional Government (Responsabilitat social a Catalunya "Rscat") (<https://treball.gencat.cat/ca/rscat/mapa-experiencies>).

4

INTRODUCTION



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 –21 February 2020– the share capital of Ercros amounted to EUR 31,475 thousand, represented by 104,916 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 of directors. The board is comprised by Antonio Zabalza Martí, Chairman and CEO, within the "executives" category; Lourdes Vega Fernández and Carme Moragues Josa, directors, within the "independent" category; and Laureano Roldán Aguilar and Eduardo Sánchez Morondo, directors, within the "other external" 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 2019 product sales were affected by the continuation of the downward phase of the chemical cycle resulting from the slowdown in industrial activity in the developed world. After four years of uninterrupted escalation, in the second half of 2018 the prices of most raw materials began to drop and, consequently, the prices of final products, pressured by weak demand and abundant supply. As the year has progressed, this situation corrected itself slightly.

Between 2018 and 2019, product sales fell slightly (-0.1%), despite the increase in volume of products sold (+14.4%), due to the generalised drop in prices, except in the case of active pharmaceutical ingredients that continued to rise. Product sales amounted to EUR 638,737 thousand.

Expenses in 2019 amounted to EUR 628,169 thousand, 2.4% up on 2018. Procurement and supply invoices increased by 0.4%. As prices were pushed downwards, the slight increase in purchases was due to the increase in raw materials acquired, due increased production.

The evolution of income and expenses lead to a 14.4% drop in ebitda that stood at EUR 60,904 thousand.

In 2019 two different line items, not subject to the ordinary activity, that did not have a balancing entry in 2018 were recognised: the sale of a piece of land, which generated a capital gain of EUR 3.1 million, and the impairment of investment property, which amounted to EUR 5.6 million.

After accounting for depreciation and amortisation, which was slightly higher than in 2018 (+0.8%), and finance costs, which fell by 20.3%, in addition to recognising income of EUR 414 thousand from investees and EUR 8,418 thousand from income tax, 2019 profit stood at EUR 31,043 thousand, 30.4% lower than the profit obtained in 2018.

In 2019 the Group paid the public authorities EUR 26,000 thousand in relation to taxes, fees and Social Security contributions representing 84% of the Group's profit, 11% up on 2018 (2018: EUR 23,528, representing 53% of profit).

Likewise, it obtained grants from public authorities amounting to EUR 11,777 thousand (2018: EUR 3,649 thousand), broken down as follows (i) compensation for indirect greenhouse gas emission costs, EUR 6,056 thousand; (ii) greenhouse gas emission allowances, EUR 4,936 thousand; (iii) capital investments in energy savings, EUR 472 thousand; (iv) grants for R&D projects, EUR 118 thousand; and (v) grants through the Fundación Estatal para la Formación en el Empleo ("Fundae": a Spanish state foundation that promotes employment), EUR 195 thousand.

The average headcount in 2019 was 1,297 people, seven more than in 2018, distributed among 10 production facilities, all located in Spain.

a) Consolidate income statement

EUR THOUSAND

	Year 2019	Year 2018 ¹
Income	689,073	684,802
Sales of products	638,737	639,543
Rendered services	31,045	32,397
Other operating income	13,466	8,364
Reversal of provisions and other extraordinary income	2,233	1,821
Change in inventory	444	2,677
Net result from divested properties	3,148	0
Expenses	-628,169	-613,690
Procurements	-343,573	-341,780
Supplies	-96,171	-96,027
Employee benefit expenses	-83,127	-79,870
Other operating expenses	-97,461	-89,659
Provisioning and other extraordinary expenses	-7,837	-6,354
Ebitda	60,904	71,112
Amortization	-26,576	-26,365
Impairment of investment properties	-5,615	0
Ebit	28,713	44,747
Finance cost and exchange rate differences	-6,502	-8,161
Share in associates profit	414	1,132
Earnings before tax	22,625	37,718
Income tax expense	8,418	6,876
Profit for the year	31,043	44,594

¹ The profit and loss account for fiscal year 2018 has been restated to include the application of NIFF 16 in order to make it comparable with that corresponding to fiscal year 2019.

b) Sales by business

EUR THOUSAND

	Year 2019	Year 2018
Chlorine derivatives	391,635	394,388
Intermediate chemicals	189,587	193,992
Pharmaceuticals	57,515	51,163
Ercros Group	638,737	639,543

c) Ordinary ebitda ¹ by business

EUR THOUSAND

	Year 2019	Year 2018
Chlorine derivatives	37,944	54,903
Intermediate chemicals	14,708	12,696
Pharmaceuticals	10,708	8,046
Ercros Group	63,360	75,645

¹ Ordinary ebitda is calculated by subtracting from the ebitda that appears in the profit and loss account those items that are extraordinary in nature, which do not affect business activity.

d) 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 equipments Resins Paints Tanning industry
Pharmaceuticals	Aranjuez	Erythromycins Fusidic acid Fosfomycins	Antibiotics Skin infections Antibiotics

e) Markets

In 2019, 48% of the Group's sales were exported. The European Union ("EU") is the main destination of foreign sales and represents 28% of the Group's total sales. The OECD represent 9% of the Group's sales and the rest of the world's countries, 11%.

In 2019 France, Italy and the US remained the primary export destinations. These three markets alone account for 36% of foreign sales.

The intermediate chemicals and pharmaceuticals divisions are most active abroad –the first exported 65% of its sales and the second, 92%–, 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 34% 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 and sells its products in 88 countries. 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 ("TCCA") and in Spain it leads in sales of caustic soda, sodium hypochlorite, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds and is ranked second in the PVC and glues and resins market.

5

BUSINESS MODEL



SDGs TO WHICH IT CONTRIBUTES



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 electrochemical unit ("ECU").

The profit margin of the ECU is determined: (i) on the income side, by the selling price of the co-produced caustic soda and the profitability of the various chlorine applications; and (ii) on the cost side, by the price of electricity, which accounts for approximately 45% of production costs, and the cost of raw materials consumed in the production of chlorine derivatives.

Caustic soda is a basic chemical reagent widely used in the industry (the main consumers are the aluminium sector –and, therefore, the automotive industry– and the paper industry), its demand is growing at 1.5 times the growth of GDP and it is sold worldwide.

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 consumed by the Group itself to manufacture derivative products (sodium hypochlorite, hydrochloric acid, trichloroisocyanuric acid and the EDC/VCM/PVC chain) and the remainder is supplied by pipeline to one customer.

Chlorine is mainly used to manufacture PVC. PVC is a thermoplastic in high demand across the globe. Beyond its specific technical properties, compared to other petroleum-based plastics, it has the advantage of being composed, in part, by chlorine joining the chain 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 almost all the chlorine. In fact, in the production of PVC, the Group uses both internally-produced and externally purchased EDC. The choice of one or the other option depends on several factors: (i) the availability of chlorine 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 closely linked to that of construction, its main market. The margin of this product is determined at any given time by the ratio between its selling price and variable manufacturing costs, in particular the price of external EDC, the price of ethylene and the manufacturing cost of chlorine.

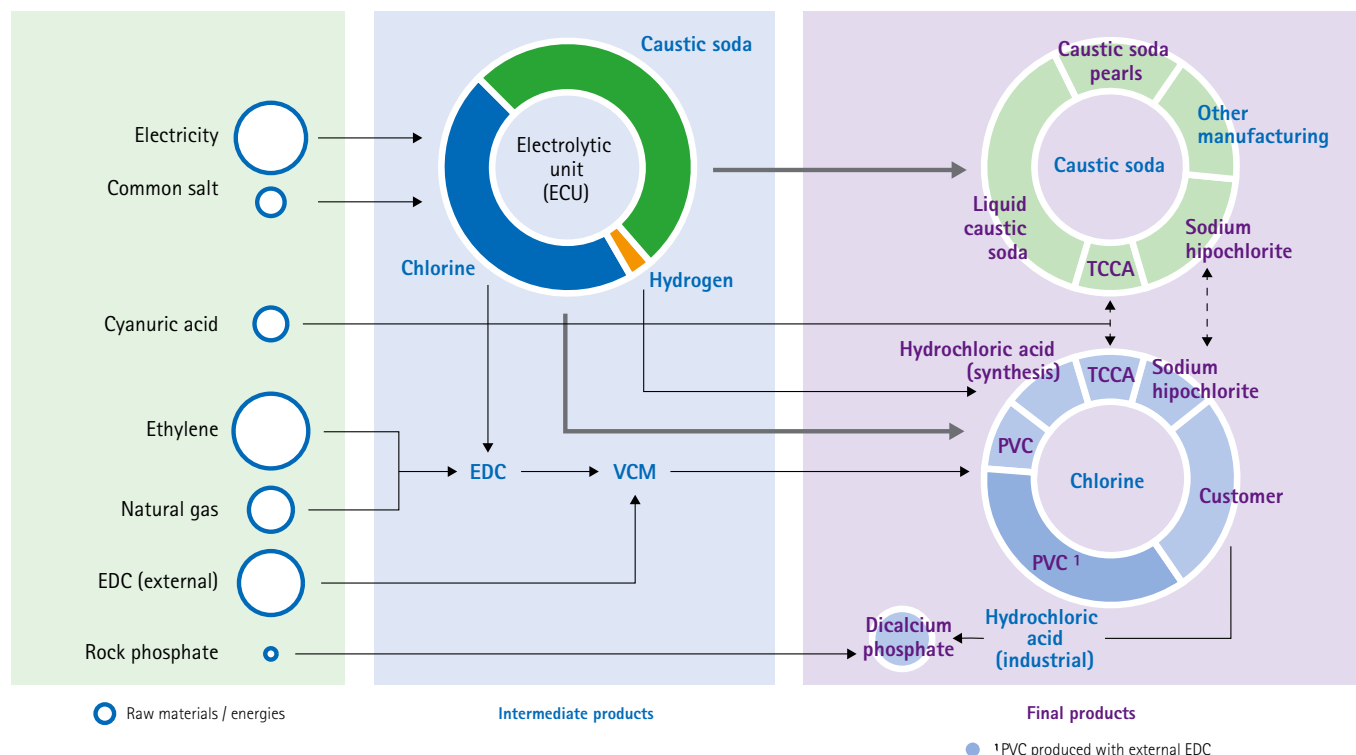
The full operation of the capacity expansions of the membrane electrolysis plants, carried out between 2017 and 2019 to mitigate the loss of production resulting from the closure of two plants due to the banning of mercury technology at the end of 2017, has brought chlorine and caustic soda production closer to the levels that existed before such closures.

Part of the additional chlorine available has been used to produce EDC, allowing the Group to reduce its external EDC purchases –which was the temporary solution adopted due to the decrease in chlorine produced– and replace it with our own EDC. In 2018, 92% of the EDC required in the PVC chain came from external sources, whereas, in 2019 this percentage was reduced to 83% and is expected to fall to 68% in 2020. This operational change led to an increase in the profitability of PVC.

Another portion of the additional chlorine served to increase the supply required by the customer of this product, with which the Group has an agreement that in 2019 was extended until the end of 2021.

In 2020 the chlorine derivatives division faces the challenge of optimising the expansion of the capacity of electrolysis plants by increasing the volume of sales of its own caustic soda (the margin of which is higher than that of the caustic soda sold) and of chlorine derivatives; all of this in a context of greater supply on the market and the weakness of the main sectors of application and, consequently, of widespread transfer of prices. At the medium term, the challenge for the division is to cope with the termination of the agreement with the chlorine customer without affecting the profitability of the business. On the other hand, at long term, the challenge is to assume the costs arising from the industry decarbonisation goals and to increase the weight of products with greater added value and expanding markets.

Outline of the chlorine-caustic soda process



The input of 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 Spanish Electrical Network (Red Eléctrica de España "REE") to which the regulated costs must be added. Although the caustic soda market is global, the electrical cost of production is specific to the Iberian market and, in particular, the Spanish market due to the different levels of regulated costs in each country, therefore, electricity is a component that affects the Group's competitiveness.

On the other hand, in the last 10 years, the Group has been receiving remuneration for the interruptibility service of the electricity supply to the chlorine and caustic soda plants it provides REE, which is fixed through one or two annual auctions. The amount of this remuneration has gradually reduced each year, so that in 2019 the amount received was five times less than that obtained in 2009. At 2018 year end, an auction was held for the interrupt ability service for the first six months of 2020. For the first time, the Group did not opt for any batch because the low remuneration of the batches did not offset the cost entailed by the service requirements (production losses, plant shutdown and start-up costs, minimum obligatory energy consumption during the service provision period, etc.) and because the Group expects to offset a portion of the remuneration with the improvements to be introduced by the future Spanish Royal Decree on the Statute of energy-intensive consumers and with greater modulation of production and, therefore, electricity consumption.

The Group is also exploring bilateral long-term renewable energy purchase agreements, known as PPAs ("Power Purchase Agreements"), and the possibility of installing solar panels on land owned by Ercros that is not currently used for any industrial activity. It also continues to implement operational measures aimed at making its processes more energy efficient. With these measures, the Group's strategy is to reduce energy consumption and the future cost of this supply, and to ensure that it comes from renewable sources to be in a position to meet the decarbonisation goal set out in the draft Spanish National Integrated Energy and Climate Plan (Plan Nacional Integrado de Energía y Clima "Pniec") and reinforce the recent Government Declaration on the climate and environmental emergency, in keeping with the targets set by the European Commission in the Green Pact.

Europe's goal of being climate-neutral by 2050 has initiated a process of convergence between the electricity price paid by the Group and that of its European competitors. This is very relevant given that Europe is the natural market for the products of the Group's energy-intensive plants. In addition, the modernisation of the plants undertaken in parallel with the expansion of production capacity has led to greater energy efficiency and a higher utilisation ratio.

The other raw material in the chlorine and caustic soda production process is sodium chloride and the Ercros Group has signed very long-term 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 based on the situation of this market. 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. The price of natural gas is determined, fundamentally, by the price of a barrel of oil, the dollar/euro exchange rate and, at short term, by the situation of European stocks depending, among other things, on the weather.

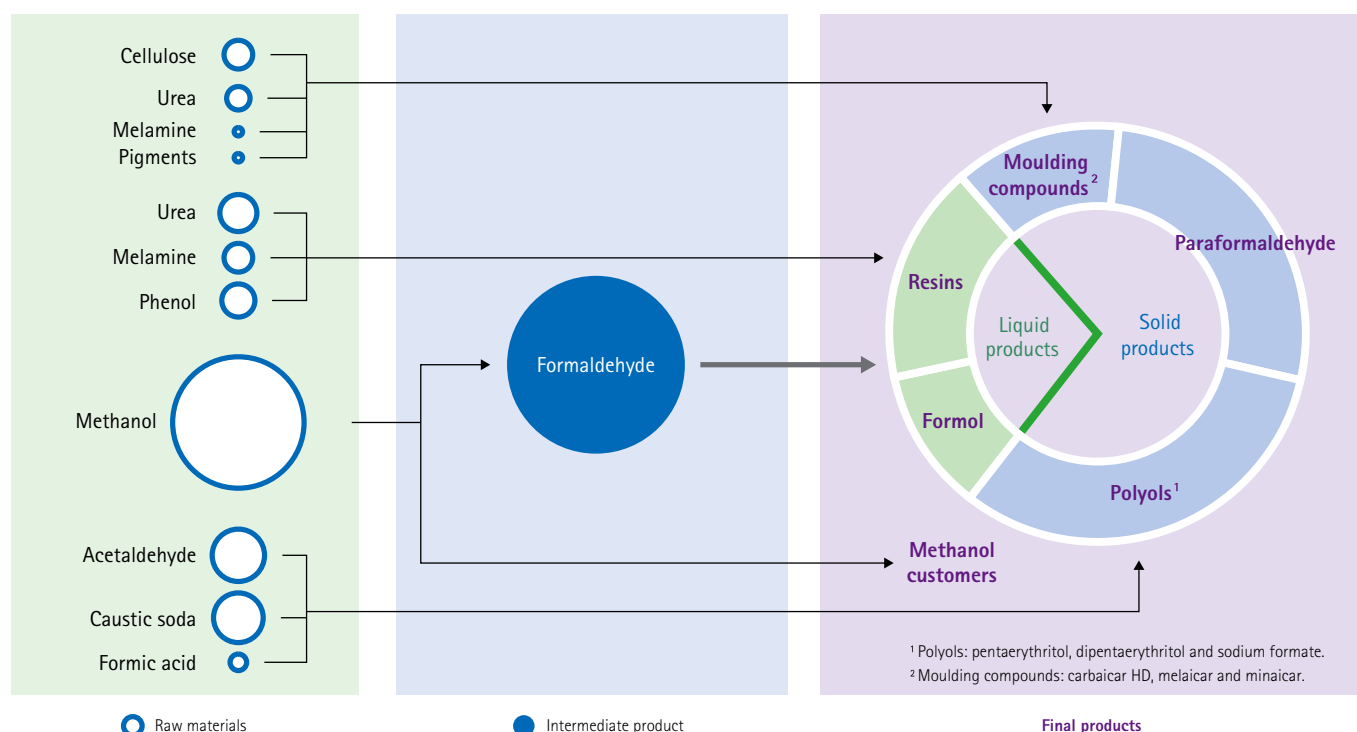
5.2 Formaldehyde chain

Formaldehyde is the main product of the intermediate chemicals division and its primary raw material is methanol. Procurement of methanol represents around 30% of the division's total costs. For some 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. The Group has agreements with various suppliers of this raw material, of varying duration; however, in view of the current downward trend in the price of procurements, the strategy followed has been to opt for short-term agreements.

79% of the formaldehyde produced is used to manufacture derivatives, both liquid and solid. The latter, which represent 67% of the business' revenue, have greater added value than liquids and their market is global with exports representing 92%. 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 in the oil and gas sector, and in the manufacture of automotive resins, paints, printing inks, antifreeze, synthetic lubricants, and electrical and sanitary components. The margin for this group of products benefits from recognition by the market of its quality and the know-how applied in its production.

Outline of the formaldehyde process



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.

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.

The challenge for this business in 2020, in an adverse economic environment, is to improve margins on some products and consolidate the position in other geographical areas. At medium term, the challenge for the intermediate chemicals division is to consolidate the launch of new ranges of resins (ErcrosGreen+ and ErcrosTech), with improved environmental and technological performance; and in the long term, it is to remain a global leader based on qualitative differentiation from competitive products, mainly of Asian origin, while maintaining its competitiveness.

5.3 Active Pharmaceutical Ingredients

The activity of the pharmaceuticals division is focused on the production of raw materials and generic APIs, mainly, from the antibiotic family. The division is also specialised in producing active and intermediate ingredients for third parties, tailored-made for customers.

The main value of this business is that it is a global leader, both due to its control of the fermentation processes, as well as its capacity to obtain sterile products. Its high level of internationalisation (it exports 92% 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 meticulous audits of customers and the demanding licenses from the health authorities that affect the industrial facilities, the manufacturing processes and the distribution of the products, of the Group as well as customers, increase their loyalty.

The main challenge of this business at short 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, as well as making better use of the installed fermentation capacity by increasing the sales volume of fusidic acid, all within a context of pressure on margins due to the increase in the price of key raw materials. At medium and long term, the strategy is to expand the product portfolio; to meet the quality requirements of customers and regulatory bodies; and to face 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 (48%) and markets its products in 88 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 sodium hydroxide 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.

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.

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 TCCA–, use of which peaks in the spring and summer, and PVC, consumption of which is slower in the cold 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 Group adapts (modulates) the production of those products that are more energy-intensive, sodium chlorate in particular, to increase the rate of production when the price of electricity (pool price plus variable regulated components) is lower.

In an outlook for a multiple-year economic cycle, products from the chlorine derivatives division are the most cyclical. In the 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. From 2016 to the first half of 2018 the cycle remained at the high end, in a context of demand pressure, supply shortages and high prices; however, from the latter date, the trend shifted, marked by oversupply, falling prices and, in general, the weakening of world markets, entering a recessive chemical cycle that is expected to last until 2021.

Electricity prices also vary significantly from one year to the next, which increases the cyclical nature of the Group's annual results.

6

NON-FINANCIAL RISKS



6.1 Main risks

The Ercros Group's activity involves various risks that are classified into different types, based on 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. In general, the Ercros Group is subject to operating, non-financial and financial risks.

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.

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

On 19 December 2019, the managers of the businesses presented the risk maps for each business to the board of directors identifying the most relevant risks for 2020 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 aforementioned maps, the Group has implemented controls aimed at mitigating the risks detected.

In addition to non-financial risks, the corporate governance report describes operating and financial risks. The main non-financial risks that may affect the Group are explained below:

a) Environmental risk (relevant)

All Ercros Group factories have environmental management systems in place to minimise the potential impact of the industrial activity on the environment. Even so, in the course of their activity, these centres are subject to risks that may cause environmental harm, such as accidental emissions of harmful substances or fires.

The Group (i) performs the official monitoring of its environmental performance; (ii) conducts external verifications of its sustainability management system; and (iii) carries on its business activity in accordance with the emission limits set forth in the applicable laws, relevant licences and based on the voluntary agreements it has signed. Furthermore, it has implemented indices to evaluate its overall emissions into the water and the atmosphere and waste generation, enabling it to verify the performance of its environmental management. The Group periodically reports on the reduction of emissions achieved in its industrial activity.

In 2019 all Ercros Group centres conducted their environmental risk analysis, with the exception of Monzón. This centre is considered a low-risk centre and, therefore, in accordance with the Spanish Environmental Responsibility Act (Ley de Responsabilidad Ambiental) it is not required to perform such an analysis; however, in 2020 whether such an analysis should be carried out will be assessed.

b) Risks related to changes in regulations

In recent years legal requirements in relation to environmental matters have become increasingly demanding and have given rise to significant changes in the chemical industry, in Europe, Spain and at the autonomous community level. 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 dangerous goods.

Certain of the rules, restrictions 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.

As regards changes in the energy market, the Group's main risk is the uncertainty arising from the absence of a stable legal framework and the impossibility of knowing at medium term the amount of remuneration and administrative exemptions for energy-intensive companies. This prevents the Group from making predictions about the price of this supply, the weight of which is very significant in its variable costs. To mitigate the impact of this risk, the Group carries out actions to improve energy efficiency and encourages modulated consumption and the use of renewable energy to reduce the price and environmental impact.

The serious accident that occurred on 14 January 2020 at the factory of a chemical company in Tarragona, in which three people died and seven people were injured, in addition to there being significant material damage to industrial facilities, has called into question the safety and warning measures of factories in the chemical industry. The regional and local authorities have reacted by supporting the demands of local residents, which could translate into even stricter regulations for the entire sector. It is also foreseeable that government licenses and permits will be tightened, which could affect industrial activity.

By 2020, as a result of the entry into force of IMO 2020 requiring ships to use very low-sulphur fuel or install scrubbers (exhaust gas cleaning systems), a significant rise in maritime transport costs is expected. The Ercros Group has negotiated new shipping agreements to minimise the impact on freight rates as much as possible.

c) Claims risk due to soil remediation

The Ercros Group has a long history of industrial activity and, although it has always complied with and applied the law as it stands at any given time, 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 affected soils and sites.

The Ercros Group has submitted soil control and remediation and landscape regeneration projects to the competent authorities for all land that has been identified as affected [see chapter 10.3 c)].

d) Risk of employee claims

Occasionally, the Ercros Group must face claims from former employees, or their heirs, related to compensation for damages arising from asbestos exposure and public 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.

In this connection, in 2019, two new proceedings were commenced and are pending a decision from the courts. In addition, a new proceeding for public benefit surcharges related to mercury exposure has come to light. To mitigate this risk, the Group has recognised provisions for the amounts it expects could be claimable in the legal proceedings that are still pending resolution.

e) Human resources risk

The Ercros Group analyses the risks arising from human resource management, including the risk of low productivity due to the high rate of staff absenteeism (4.4% in 2019), which in some workplaces can make it difficult to cover all production shifts. To mitigate the impact of this risk, multidisciplinary working groups have been created to analyse the specific causes and propose concrete solutions.

The Group is also subject to talent risk as a result of the departure of key employees. To mitigate this risk, the Group: (i) offers facilities to staff for the performance of their work with the implementation of social measures and measures to promote a work-family life balance, flexible working hours, etc.; (ii) facilitates personal and professional growth with training plans, payment for master's and postgraduate degrees, and prioritises internal promotion to fill vacant positions; and (iii) encourages loyalty to the Group through long-service bonuses, pension plans and life and health insurance. Given that the level of staff turnover is very low (average service of 19 years in 2019), the Group does not feel it is necessary to implement talent management programmes.



7

CONTRIBUTION TO
THE SUSTAINABLE
DEVELOPMENT
GOALS ("SDGs")



The 17 sustainable development goals ("SDGs") are the result of an agreement reached by the UN member states to set an agenda, with a time horizon of 2030, to benefit people, the planet and prosperity.

The Ercros Group's commitment to the SDGs has been recognised by the UN, which in September 2019 included it in its good practices dossier. In this dossier, the international organisation recognises the Group for reducing its rate of greenhouse gas emissions and its total rate of emissions. Likewise, within the framework of the UN Climate Change Conference (COP 25) held in December 2019 in Madrid, the UN Global Compact included the Ercros Group among the 101 best business initiatives contributing to the fight against climate change.

The UN included the Ercros Group in its SDGs good practices dossier

In the performance of its activities, the Ercros Group takes into account compliance with the 17 SDGs (explained below), although some of them are particularly relevant: Clean water and sanitation ("SDG 6"); Decent work and economic growth ("SDG 8"); Industry, Innovation and infrastructure ("SDG 9"); Climate action ("SDG 13"); Life below water ("SDG 14"); and Life on land ("SDG 15").



To contribute to **SDG 1 – No poverty**, the Ercros Group guarantees adequate wages, does not discriminate against vulnerable groups, favours the communities around its factories, provides training to its employees, implements equality policies, pays fair prices to its suppliers and manages social action programmes to help groups at risk of poverty.

Chapters

- 8. Respect for human rights
- 11. Staff matters
- 12. Gender diversity and equal opportunities
- 14. Social matters



To contribute to **SDG 2 – Zero hunger**, the Ercros Group innovates in new packaging that reduces food waste, produces efficient raw materials for the food and agriculture sector, establishes healthy eating programmes for employees and makes donations to local food banks.

Chapters

- 5. Business model
- 11. Staff matters
- 14. Social matters



To contribute to **SDG 3 – Good health and well-being**, the Ercros Group has a health and prevention management system in its workplaces, manufactures pharmaceutical products, reduces the environmental impact of its facilities and promotes a healthy lifestyle among its employees.

Chapters

- 5. Business model
- 8. Respect for human rights
- 10. Environmental matters
- 11. Staff matters
- 12. Gender diversity and equal opportunities
- 14. Social matters



To contribute to **SDG 4 – Quality education**, the Ercros Group offers training opportunities to its employees, recruits interns, collaborates with university research centres and sponsors activities at schools and universities.

Chapters

- 11. Staff matters
- 14. Social matters
- 15. Dialogue and transparency



To contribute to **SDG 5 – Gender equality**, the Ercros Group implements equality policies and plans, guarantees non-discrimination on the basis of gender, studies ways to increase the presence of women in the Group, guarantees a work-life balance and establishes a policy of zero tolerance for any form of violence against women.

Chapters

- 8. Respect for human rights
- 11. Staff matters
- 12. Gender diversity and equal opportunities



To contribute to **SDG 6 – Clean water and sanitation**, the Ercros Group manufactures chlorine and essential derivatives for disinfecting, treating and purifying water for drinking, sustainably manages water in all its factories and ensures that the wastewater from its facilities is free of pollutants.

Chapters

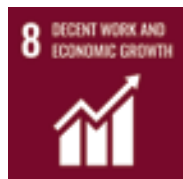
- 5. Business model
- 10. Environmental matters
- 13. Supply chain



To contribute to **SDG 7 – Affordable and clean energy**, the Ercros Group implements an energy policy at its production facilities, invests in efficient technology and renewable energy, reduces energy consumption and reuses waste hydrogen as an energy source.

Chapters

- 5. Business model
- 10. Environmental matters
- 13. Supply chain



To contribute to **SDG 8 – Decent work and economic growth**, the Ercros Group guarantees decent working conditions for people working at its facilities, supports trade union freedom and collective bargaining, promotes respect for human rights through the application of a code of ethical conduct, complies with tax laws and regulations and boosts the local economy.

Chapters

- 8. Respect for human rights
- 9. Fight against corruption and bribery
- 11. Staff matters
- 12. Gender diversity and equal opportunities
- 14. Social matters



To contribute to **SDG 9 – Industry, innovation and infrastructure**, the Ercros Group has sustainable, quality facilities and factories, invests in R&D+i to promote technological development, analyses and mitigates the risks to which it is subject and develops efficient technologies to improve the management of natural resources and reduce the environmental impact.

Chapters

- 5. Business model
- 10. Environmental matters
- 13. Supply chain
- 14. Social matters



To contribute to **SDG 10 – Reduced inequalities**, the Ercros Group provides employees with decent working conditions and wages, promotes respect for human rights, does not discriminate on the basis of gender, age or origin, adopts equality policies within the Group and encourages activity in those towns where it has its facilities.

Chapters

- 8. Respect for human rights
- 11. Staff matters
- 12. Gender diversity and equal opportunities
- 14. Social matters



To contribute to **SDG 11 – Sustainable cities and communities**, the Ercros Group integrates and collaborates with the populations where its factories operate, reduces the pollution of its facilities, improves the transport systems of its goods, applies circular economy principles that enable it to reduce and reuse waste, informs its stakeholders in a transparent manner and sponsors local entities.

Chapters

- 10. Environmental matters
- 13. Supply chain
- 14. Social matters
- 15. Dialogue and transparency



To contribute to **SDG 12 – Responsible consumption and production**, the Ercros Group develops sustainability objectives and indicators in all its processes, integrates circular economy criteria, develops products that minimise food waste, promotes energy efficiency, invests in R&D+i to increase the productivity of its facilities and improves its packaging with more sustainable materials.

Chapters

- 5. Business model
- 8. Respect for human rights
- 10. Environmental matters
- 14. Social matters



To contribute to **SDG 13 – Climate action**, the Ercros Group reduces its greenhouse gas emissions and in general its emissions to soil, water and air implements improved logistics and transport to reduce its CO₂ emissions, in general reduces its CO₂ emissions with the aim of achieving neutrality by 2050, reports its emission rates transparently and introduces circular economy criteria into its activities.

Chapters

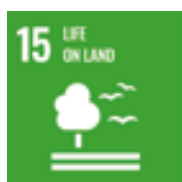
- 5. Business model
- 10. Environmental matters
- 13. Supply chain
- 15. Dialogue and transparency



To contribute to **SDG 14 – Life below water**, the Ercros Group avoids the loss of micro-plastics in the normal operation of its facilities, invests in research into new biodegradable materials, does not emit polluting waste into its effluents and protects the biodiversity of the environment of its production facilities.

Chapters

- 10. Environmental matters
- 14. Social matters
- 15. Dialogue and transparency



To contribute to **SDG 15 – Life on land**, the Ercros Group reduces the environmental impact of its facilities, protects the biodiversity around its production facilities, sustainably manages raw materials and sponsors environmental protection organisations.

Chapters

- 10. Environmental matters
- 14. Social matters
- 15. Dialogue and transparency



To contribute to **SDG 16 – Peace, justice and strong institutions**, the Ercros Group complies with legislation, has a mandatory code of ethics for all people working at its facilities, combats corruption, fraud and bribery, encourages respect for human rights, promotes transparency and dialogue with stakeholders and implements internal and external audit and control processes.

Chapters

- 8. Respect for human rights
- 9. Fight against corruption and bribery
- 14. Social matters
- 15. Dialogue and transparency



To contribute to **SDG 17 – Partnerships for the goals**, the Ercros Group aligns its social responsibility strategy with the SDGs and integrates it into its corporate culture, signs voluntary compliance agreements, meets and reports on measurable sustainable development goals, actively participates in business associations and organisations, and shares its performance and commitments with society.

Chapters

- 8. Respect for human rights
- 9. Fight against corruption and bribery
- 11. Staff matters
- 13. Supply chain
- 14. Social matters
- 15. Dialogue and transparency

8

RESPECT FOR HUMAN RIGHTS



8.1 Materiality of the chapter

The principle of respect for human rights is part of the culture of everyone who makes up the Ercros Group and is applied in all its areas of activity. A firm commitment to respecting and protecting the freedom, well-being and dignity of people is a key part of sustainable business development.

The corporate responsibility policy, the implementation of a code of ethics, participation in voluntary external programmes and compliance with international ratings that evaluate environmental performance, good governance and sustainability are some of the elements used by the Ercros Group to support its respect for human rights.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ The complaint was not admitted for processing.

8.2 Regulatory framework

The Ercros Group makes every effort to ensure that social responsibility and respect for human rights, both in the Group itself and in its environment, are part of day-to-day decisions and work.

These principles are contained in the corporate social responsibility policy and are implemented through regulations, policies, manuals, plans and procedures that specify the Group's actions in all spheres.

a) CSR policy

The Group assumes the principles of social responsibility set out in its CSR policy, the basic principles of which are:

- Comply with the law, including international standards and guidelines.
- Protect the health and integrity of people and ensure the safety of facilities by minimising risks.
- Preserve the environment, prevent pollution and reduce the raw material consumption.
- Adopt and integrate equal opportunities and treatment between women and men in the course of its business.
- Support human rights and public freedoms.
- Satisfy the needs of customers and engage in product stewardship throughout the value chain.

b) The code of ethics

The Ercros Group employee code of ethical conduct ("code of ethics") sets out the standards of ethical and responsible conduct that staff must comply with in their professional activities within the Group. The board of directors, management, staff and contractor employees working at the Group's facilities are subject to the code of ethics. Failure to comply with the code of ethics may result in disciplinary action imposed by the audit committee and enforced by human resources management.

In 2019 to make it easier for all employees to read and understand the code of ethics, the Group prepared summary, including the main values that should motivate those subject to it, in the performance of their work.

98.6% of the Ercros Group's staff have signed a commitment to comply with the code of ethics and 16 training meetings were held on the matter in 2019 (2018: 197 meetings). This reduction in the number of meetings is due to the fact that in 2018 practically all the Group's employees obtained training on the code of ethics.

Failure to comply with the code of ethics may result in disciplinary action

c) The whistle-blowing channel

Together with the code of ethics, there is a whistle-blowing channel procedure that establishes the mechanism by which complaints can be filed about alleged breaches of the aforementioned regulations. The compliance committee – a body that reports to the audit committee – is responsible for managing and ensuring the confidentiality of the events reported and that no retaliation is sought against those who file complaints.

In 2019 a complaint was submitted to the whistle-blowing channel, which was not accepted for processing (in 2018 no complaints were submitted through this channel).

8.3 External voluntary programmes and agreements

The Ercros Group assumes voluntary commitments and enters programmes and agreements with more ambitious objectives than those applicable to it by law, 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.
- 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 10 universal principles. The 2018 report presented in 2019 was classified as "advanced".

- The guide for applying CSR in the chemical and life sciences industry: promoted by Feique in collaboration with Forética, contains 183 indicators, with a compliance level of "excellent" that is explained in chapter 16.
- 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 2019 the Group obtained "Platinum" classification with 77/100 points (2018: 75 points), placing the Group among the top 1% of companies.
- 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 49. In terms of the other three, it partially complies with two and can explain its non-compliance with the other. In 2019 the degree of compliance with the recommendations contained in the CGG for listed companies applicable to the Group stood at 94.2% (2018: 96.2%).
- The XIX 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 the 'Respect for Legality' and the '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."
- 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, the ISO 14001, ISO 14064, ISO 50001 and EMAS standards are applied in environmental matters; the ISO 9001 standard in quality matters, and the OHSAS 18001 standard in occupational health and safety matters.

Ercros assumes voluntary commitments with more ambitious objectives than those applicable to it by law

8.4 Relations 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 52% of sales. The Group exports 28% of sales to other countries in the EU and 9% to other Organisation for Economic Co-operation and Development ("OECD") countries, while the remaining 11% goes to countries in the rest of the world, with India and China leading the way. In 2018 the destination percentages of its sales were the same as in 2019.

With regard to purchases, 48% of procurements and supplies come from Spain; 21% from the EU; 13% from the OECD; and 18% 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:

- Agreements with suppliers of logistics, goods and services contain a clause whereby they undertake to abide by their own code of ethics or the Group's code of ethics in their interactions with the Ercros Group. In all orders, acceptance is tacit through the introduction of 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. It is understood that the ethical criteria governing the Ercros Group's transactions must be the same in all the countries in which it operates.

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, which requires that suppliers' reputations be analysed.

In 2019, eight reputational reports were prepared –one for a power company and four for strategic raw material companies, among others– all of which were favourable. With the reports prepared in 2019, the Group has covered the reputational analysis of suppliers that represent 52% of the amount of total purchases.

In 2020 the Group aims to carry out reputational analyses of 16 supplier companies representing up to 62% of total expenditure in 2019.

The Group ensures that its stakeholders comply with the law, regardless of the country of origin

A hand with dark nail polish holds a magnifying glass, focusing on a blurred background of a sunset or sunrise. The right side of the image is a solid green vertical band.

9

**FIGHT AGAINST
CORRUPTION
AND BRIBERY**

9.1 Materiality of the chapter

Corruption and fraud harm economic development and weaken democracy and social justice; the Ercros Group is aware of this and is making every effort to combat these practices. Therefore, year after year, the mechanisms for controlling fraud and corruption are more comprehensive and far-reaching.

The code of ethics, the anti-corruption and crime prevention policy, the criminal risk prevention manual, the compliance committee and the financial control systems are some of the key elements within the Group's reach to fight corruption and bribery.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



9.2 Main activities

In 2019 the Ercros Group joined the code of best tax practices, promoted by the Forum of Large Companies, a collaborative body of the Spanish State Tax Agency (Agencia Tributaria, "AEAT").

The aim of this code is to increase the effectiveness of the AEAT's controls and to reduce legal uncertainty in companies, as well as the litigation that arises between both parties. The code defines best tax practices as those that lead to the reduction of significant tax risks and the prevention of those behaviours likely to generate them.

On 31 October 2019, the Ercros board of directors approved the criminal risk prevention manual, which establishes the Group's model for the organisation, prevention, management and control of criminal risks, in relation to the system of criminal liability of legal entities established in section 31 bis. of the Spanish Criminal Code (Código Penal).

This manual develops a plan for the prevention of the commission of crimes and compiles the procedures and controls that exist for the effective prevention and mitigation of criminal risks, which make up the model for the prevention of such risks.

At the aforementioned meeting, the board of directors also approved the criminal compliance policy, which sets out the principles of conduct to promote a culture of business ethics at all levels of the organisation, consistent with the values of the Ercros Group. These principles include: its culture of respect for the environment and natural resources, its commitment to service to build solid, long-term relationships with its stakeholders based on trust and its economic and social values.

Lastly, in 2019, the conflict of interest procedure came into force, which details those situations that may generate a conflict between an employee and the Group and how both parties should conduct themselves. These situations include (i) engaging in private activities that may conflict with the Group's interest; (ii) taking advantage of business opportunities that arise because they work for the Group for their own personal gain; (iii) using the Group's position or assets for personal gain; and (iv) offering and receiving gifts and courtesies.

The criminal risk prevention manual establishes the model for the organisation, prevention, management and control of criminal risks

9.3 The corporate social responsibility policy

In relation to the CSR policy, among the principles related to the fight against corruption and bribery assumed by the Group, the following are of note: (i) compliance with the current law; (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.

9.4 The code of ethics

The code of ethics pays special attention to the way in which employees should conduct themselves in relation to the fight against corruption and bribery. Among the rules included, the following stand out: (i) cooperation with the authorities responsible for the fight against fraud and money laundering; (ii) control of accounting records and books so that they clearly and accurately record all transactions performed by the Group; (iii) the obligations of staff who perform activities related to administration and accounting to enhance internal control and the reliability of the accounting; (iv) the prohibition of any conduct that could constitute bribery, attempted bribery, or exerting undue influence on public authorities or officials and regulatory bodies; and (v) the requirements that commercial transactions with foreign countries must meet.

The code of ethics pays particular attention to the conduct of employees in relation to the fight against corruption and bribery

9.5 The anti-corruption and crime prevention policy

The object of the anti-corruption and crime prevention policy 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: (i) zero tolerance for corruption in business and other criminal activities; (ii) cooperation with the responsible authorities; (iii) the implementation of a criminal detection, prevention and control model; and (iv) the application of corrective measures to those who engage in corrupt practices.

9.6 The internal control system

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 and in the conflicts of interest procedure. Additionally, the Company's directors must submit to article 41 of the board regulations.

In 2019 the internal audit service, which provides a systematic and disciplined approach to assessing and improving the effectiveness of risk management, control and governance processes, carried out eight audits, resulting in 32 recommendations for changing or improving operating procedures. Before the end of the year, 27 of these measures had been successfully implemented.

The internal audit service proposed 32 recommendations for improvement, of which 27 have already been implanted

The external audit service, Ernst & Young ("E&Y") prepares an annual report on the Ercros Group's internal control and fraud risk that has received a rating of "favourable" every year.

In 2019, as in 2018, 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 result of the financial transparency with which it operates.

9.7 The compliance committee

The compliance committee, which reports to the audit committee, is comprised the manager of the internal audit service, Xavier Álvarez García, and the manager of the legal service, Asunción Loste Madoz.

The compliance committee ensures staff compliance with the code of ethics

Its functions include monitoring the policies, procedures and controls established in relation to the control of criminal risks and, in general, monitoring compliance with the code of ethics by all Ercros Group personnel.

In 2019 the compliance committee met on nine occasions (the same as in 2018) and carried out 25 of the 58 internal control system tasks assigned to it, which together with those performed in previous years, represents a degree of implementation of 98%.

Likewise, in the second quarter of 2019, the compliance committee provided training on the prevention of criminal risks in all Ercros Group factories, with the aim of raising awareness among workers of the prevention of criminal risks, as well as reporting information on the content of the code of ethics and the whistle-blowing channel. Training on the subject is planned for the corporation's staff in 2020

9.8 Proceedings and lawsuits

The group tries to minimise the fiscal risk arising from its activities. To that end, it strives to comply meticulously with its tax obligations, and avoids taking decisions based on aggressive or controversial interpretations of tax regulations. Nor does it attempt to plan its operations so as to minimise its tax charge through companies located outside of Spain. The Ercros Group receives advisory services from external tax experts to comply with tax regulations and not to assume risks in the interpretation of the regulations.

However, occasionally, the tax authorities use criteria for interpreting the regulations applicable with respect to the activities carried out by the Group which give rise to discrepancies with the criteria used by it.

In 2017 Ercros submitted a statement of defence to the Central Economic-Administrative Tribunal ("TEAC") contesting the definitive tax assessment issued by the tax authorities after their review of the Aranjuez factory due to the exemption applied on the consumption of ethyl alcohol used to manufacture medicine in 2011 and 2012 amounting to EUR 5,300 thousand, of which EUR 4,488 thousand relates to the tax rate and EUR 812 thousand to late-payment interest. On 5 February 2020, the TEAC dismissed that appeal and Ercros is now preparing an appeal before the Administrative Division of the National Court of Appeals (Audiencia Nacional). The Company has guaranteed, by means of credit insurance, payment of the amount resulting from this assessment, although it has not made any provision as it believes that its claims will be upheld by the National Court of Appeals.

In 2019 the Ercros Group was the subject of a tax audit in relation to the tax on economic activities for the Almussafes factory's for 2015–2018, with an adjustment of EUR 449 thousand and a sanction of EUR 118 thousand. A tax audit of VAT on imports and import duties for 2017 is currently underway and no relevant contingencies are expected to arise. Likewise, it has the last four years open for review for the other taxes applicable to it.

In accordance with the CNMV's release of 25 November 2019, the Group reports that on 12 February 2020, the headquarters and factories of Vila-seca I and Vila-seca II were searched by Tarragona Criminal Investigations Court no. 2, the investigation of which is currently underway. In accordance with the good governance practices established by the Group, the audit committee has initiated an internal investigation that will also include a forensic analysis by an independent external company. On the basis of the information available at the date of preparation of these consolidated financial statements, no matters have been identified that could have a significant impact, since the investigation is still at an early stage and it is not possible to objectively evaluate the consequences and impact, if any, that might arise.

10

ENVIRONMENTAL
MATTERS



10.1 Materiality of the chapter

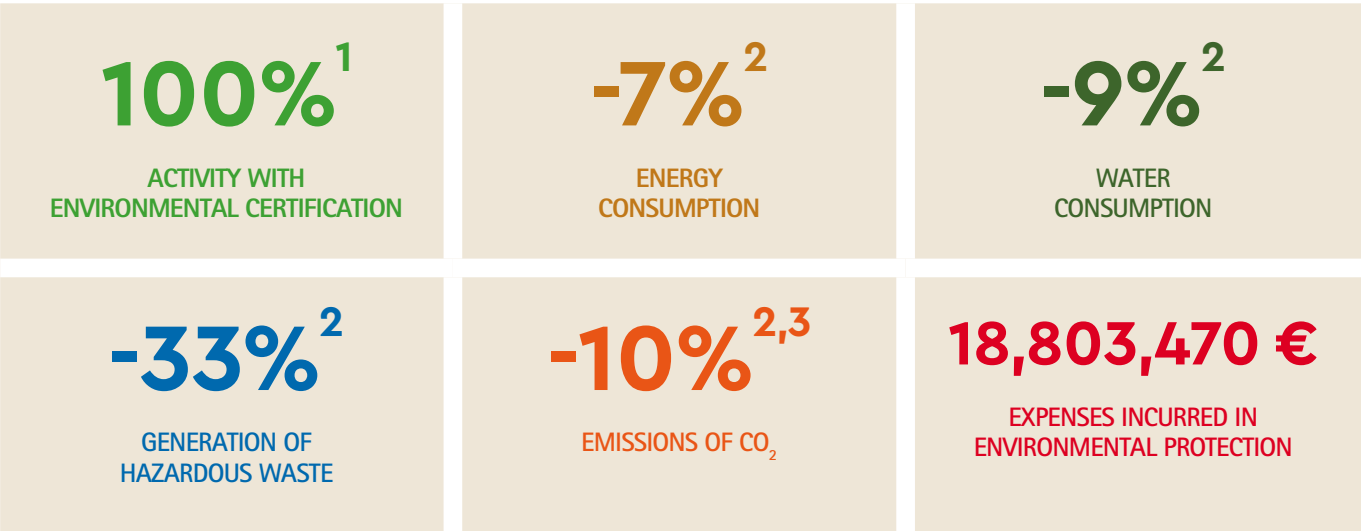
The Ercros Group incorporates environmental criteria in its decision-making and works to minimise its potential negative effects on the environment. It monitors its impacts, establishes safer and more efficient management models, and analyses and mitigates the environmental risks to which it is subject.

The Group adheres to the strictest European standards, certifies its facilities, joins voluntary programmes, invests to protect the environment and repairs any damage caused to the environment of its production facilities.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ The activity with environmental certification includes the percentage of factories certified with ISO 14001 over the total number of factories.

² Percentage reduction between 2018 and 2019 (units/ton produced).

³ Pending external verification.

10.2 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 implementing the most advanced technologies and improving the production processes to reduce emissions to air and water at the source; making the most rational use of energy and raw materials; applying the most suitable waste treatment 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.
- Reduce discharges to water and atmospheric emissions, especially greenhouse gases due to their effects on climate change.
- Making sustainable use of natural and energy resources.
- 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 that is comprised the general business manager, the division managers, the industrial and factory managers, and the managers of integrated logistics, human resources, general secretariat and the secretariat of 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) Internal regulatory framework

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

- The code of ethics, which contains the rules that Ercros Group staff must comply with in relation to environmental protection: (i) identify and communicate any actual or potential situation that may affect the environment; (ii) consider the risk of damaging the environment before carrying out any operation;

(iii) promote the reduction of emissions, discharges and waste generated; (iv) promote the rational use of energy and natural resources; and (v) 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 was updated in 2019 to adapt it to the new ISO 45001 occupational health and safety standard, which in 2020 will replace the current OHSAS 18001 [see chapter 11.5].
- 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 and that was also updated in 2019.
- 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. To meet this commitment, the energy management system has been implemented in accordance with the ISO 50001 standard at those centres that account for more than 80% of the Ercros Group's energy consumption.

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.

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.

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

- The UNE-EN ISO 14064-1:2012 standard on specifications for the quantification and declaration of greenhouse gas emissions.
- The 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 (in the phase of transitioning to the UNE-EN-ISO 50001:2018 standard).

c) Adherence to voluntary programmes

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

- The Responsible Care programme, an initiative of the global chemical industry that in Spain is promoted by the Feique, designed to establish a preventive policy the objective of which is to avoid and control the environmental impact of companies' facilities and operations, in accordance with the best environmental practices of the chemical industry.
- The Global Compact, promoted by the UN, principles 7, 8 and 9 of which establish that "Businesses should support a precautionary approach to environmental challenges", "Businesses undertake initiatives to promote greater environmental responsibility" and "Businesses should encourage the development and diffusion of environmentally friendly technologies", respectively.
- The Operation Clean Sweep programme, an action plan promoted by the EU that aims to avoid the loss of micro-plastics to the environment, especially the aquatic environment.
- The ECVI Charter signed in 2019, which is promoted by the European Council of Vinyl Manufacturers ("ECVM") to measure and monitor the production, use and disposal of vinyl (EDC, VCM and PVC) with a view to, where appropriate, reducing their environmental impact.

- The RE4Industry project, under the European Horizon 2020 framework promoted in Spain by the Ministry of Science and Innovation, for the promotion of 100% renewable energy in energy-intensive industries, which the Group joined in 2019.
- The VinylPlus commitment, signed by Europe's leading PVC manufacturers to develop more environmentally responsible ways of producing, using and recycling PVC.

d) Environmental investments, expenses and grants

In 2019 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 8,512 thousand (2018: EUR 16,205 thousand).

The expenses incurred by the Group for the protection and improvement of the environment in 2019 amounted to EUR 18,804 thousand (2018: EUR 16,770 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental legislation on reducing emissions and soil remediation.

In 2019 the Group received grants: (i) for greenhouse gas emission allowances amounting to EUR 4,936 thousand (2018: EUR 1,746 thousand); (ii) for compensation for indirect greenhouse gas emission costs arising from electricity consumption in 2016, 2017 and 2018 amounting to EUR 6,056 thousand (2018: EUR 1,190 thousand); and (iii) for energy savings amounting to EUR 472 thousand (2018: EUR 311 thousand).

10.3 External regulatory environment

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

a) Industrial emissions

Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control), transposed into Spanish law through Law 5/2013, requires that the integrated environmental permits 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 ("Bref") 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 regulations with force of law.

Regarding the Bref for the large volume organic chemical industry ("LVOC"), on 21 November 2017, the Official Journal of the European Union ("EU") published the Commission Implementing Decision 2017/2117 establishing BAT conclusions. In the case of the Ercros Group, the application of the aforementioned BAT, which must be carried out before 22 November 2021, is leading to changes at the EDC and VCM production plants that are currently being implemented, while the formaldehyde plants, also affected by this Bref, have already been adapted to the new requirements.

The environmental permits for the plants in Almussafes, Aranjuez, Tarragona, Vila-seca II and Tortosa are in the process of adapting to the new Bref.

The application of the Bref of the common wastewater 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 underway.

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 215,734 EUA correspond to 2019 (2018: 237,862 EUA). It should be noted that the Flix factory was not involved in the emissions trading market in 2019, as it reduced its production and did not reach the minimum required to be included.

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 emission allowances trading for the 2021–2030 period. In January 2019, Spanish Royal Decree 18/2019 was published, which develops aspects contained

in that directive, relating to the application of the regime for greenhouse gas emissions allowances trading for the 2021–2025 period. In 2019 the centres included submitted the application for the grant at zero cost of individual emission rights for the aforementioned period.

c) Environmental 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 Catalan Regional Government 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 above act, 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.

In 2019 provisions were made for various soil remediation activities amounting to EUR 6,662 thousand (2018: EUR 4,320 thousand).

(i) Flix reservoir

On 23 January 2019, Ercros paid EUR 11,332 thousand to Acumamed in connection with the cleaning of the Flix reservoir, which put an end to Ercros' civil liability in this connection.

(ii) Remediation of industrial soil

Over the past year, the Group continued with its characterisation and remediation work on the soil at the Aranjuez, Flix, Vila-seca I and Vila-seca II factories in accordance with the projects submitted to the authorities. In turn, at the Sabiñánigo and Monzón factories the control and monitoring plan for soil and groundwater approved by the authorities is underway. In the rest of the Group's centres, the annual preventive controls of groundwater continue to be carried out. Lastly, also with the approval of the authorities, work is being carried out to improve the aquifer on the land the Group holds at the premises of the Palos de la Frontera factory.

(iii) Cardona mine dumps

The Group is restoring the Terrera Nova mine dump in Cardona –where saline waste extraction activity concluded in 2012– in accordance with the plan approved by the Directorate General of Environmental Quality and Climate Change of the Catalan Regional Government (Direcció General de Qualitat Ambiental "DGQA"). The land clearance and revegetation tests included in phases 1 and 2 were carried out in 2019.

With respect to Terrera Vella –which the Group was operating when the activity at the Cardona factory ceased in 2017–, Ercros presented an updated restoration plan for the mine dump to the DGQA in the same year. 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

In 2003, vis-à-vis Reyat Urbis, S.A., Ercros assumed the cost of the decontamination of the plots awarded to it in the subdivision project. To cover the costs of this obligation, at 31 December 2019, Ercros had recognised a provision amounting to EUR 5,142 thousand, equivalent to 25% of the total estimated recovery cost, which is the percentage assigned to Reyat Urbis, S.A. in the re-parcelling project.

Based on this obligation, in 2011 Ercros and the other owners of the land at the time (currently, the Cartagena City Council is the primary owner of the land and has assumed 75% of the cost of remediation of the plot) signed an agreement to proceed, within the framework of the new residential use envisaged in the subdivision plan and in the subdivision project, to remediate the contaminated soils.

Despite the fact that the subdivision project specifies that the recovery of the El Hondón land is an obligation assumed by its owners, the Government of the Region of Murcia –in application of the Spanish Contaminated Waste and Soils Act (Ley de Residuos y Suelos Contaminados)– it opted to commence a proceeding to have the soil declared contaminated. Although the autonomous community government itself cites the above act, in the sense 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.

On 21 January 2019, Ercros received two notices from the Directorate General of the Environment and Mar Menor of the Region of Murcia (i) declaring the end of the voluntary recovery procedure of the El Hondón land –where its former Cartagena 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. In turn, it declared Ercros' obligation to proceed with the perimeter fencing of the site, which the Ercros Group did after reaching an agreement with the Cartagena City Council.

On 20 February, Ercros submitted a statement of defence requesting an evidentiary stage to conduct a study supplementing the technical aspects on which the proceeding to have the soil declared contaminated was based, and stating that, among other aspects, it was not obligated to guarantee a soil quality appropriate for the residential use envisaged in the current urban planning. The request was granted and Ercros conducted the study, which was submitted on 10 October 2019.

On 17 October, Ercros received notification from the autonomous community government declaring the El Hondón sector as contaminated soil. Ercros, in turn, claiming that the decision was unlawful, filed an administrative appeal for reversal, which at the date of preparation of this report, had yet to be ruled on.

d) Major accidents involving dangerous substances

Spanish Royal Decree 840/2015, known as Seveso III, approving control measures for the risks inherent to major accidents involving dangerous substances, requires the production facilities to which it applies (Almussafes, Aranjuez, the Tarragona complex, Flix, Sabinánigo and Tortosa) to have an up-to-date safety report, to periodically perform preventive inspections and simulations of major accidents, implement a site emergency plan and investigate accidents that occur and report them to the authorities.

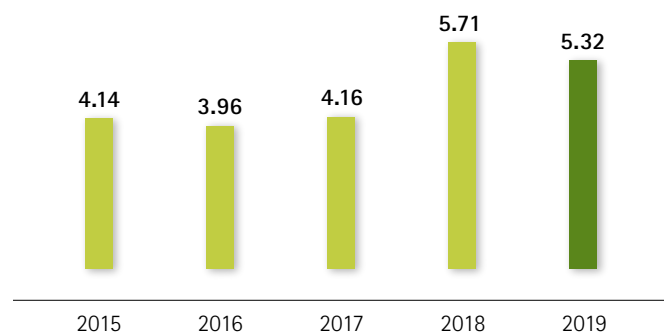
10.4 Environmental indices

Most of the environmental indices showed positive trends over the past year, as a result of the Ercros Group's efforts to reduce its impact on the environment, as can be seen below.

Consumption:

Energy ¹

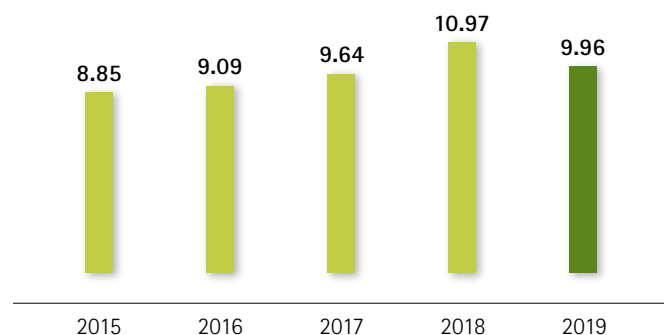
GJ/T PRODUCED



¹ Energy consumption includes electricity and fossil fuel consumption.

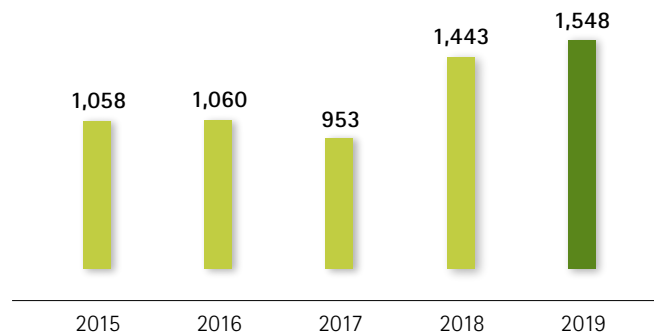
Water

M³/T PRODUCED



Emissions:

Emissions index ¹

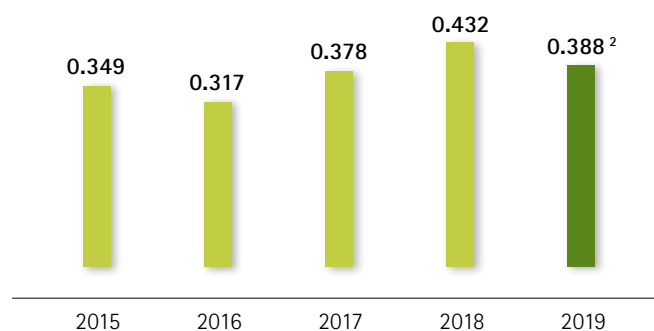


¹ The emissions index is calculated based on data on emissions to air and water, the waste generation at each production facility and on factors that depend on the danger of the environmental impact of the products involved.

The emissions index increased by 7.3% due to process fluctuations, without any significant increase in any of the parameters. In 2018 new compounds were included in the formula for calculating this index, which led to an increase.

Greenhouse gases ¹

T OF CO₂ EQUIVALENT/T PRODUCED



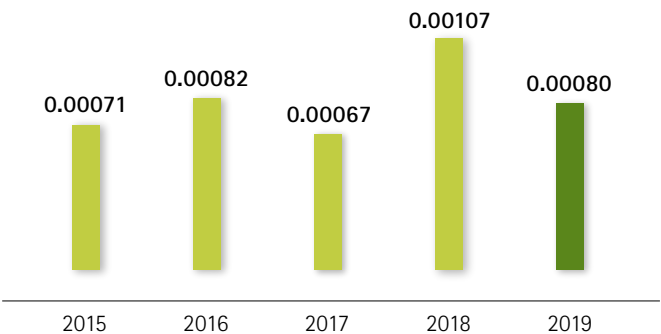
¹ Emisiones directas e indirectas de CO₂ equivalente (alcance 1 y 2).

² Pendiente de verificación externa.

In 2019 the direct and indirect greenhouse gas emissions, calculated in accordance with ISO 14064 guidelines, in absolute terms, amounted to 490 thousand tonnes of CO₂ equivalent and are pending verification (2018: 488 thousand tonnes of CO₂ equivalent).

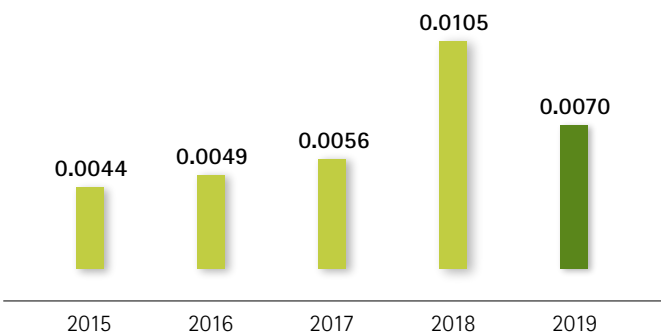
Volatile organic compounds ("VOCs")

T/T PRODUCED



Generation of hazardous waste

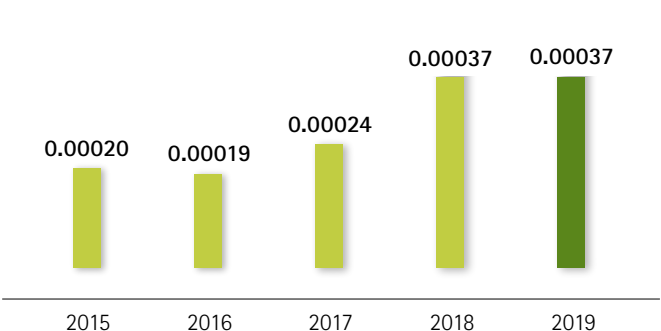
T/T PRODUCED



Discharges and waste:

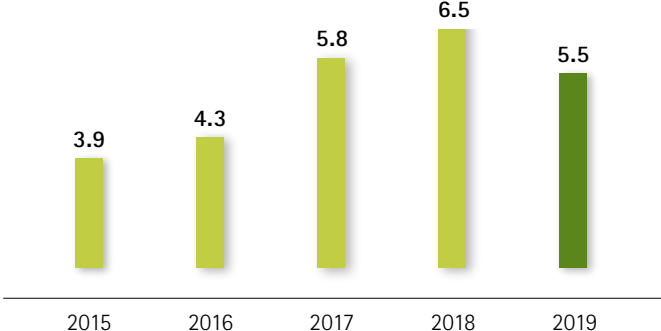
Evolution of the discharges of chemical oxygen demand ("COD")

T/T PRODUCED



Recovered waste over total waste generated

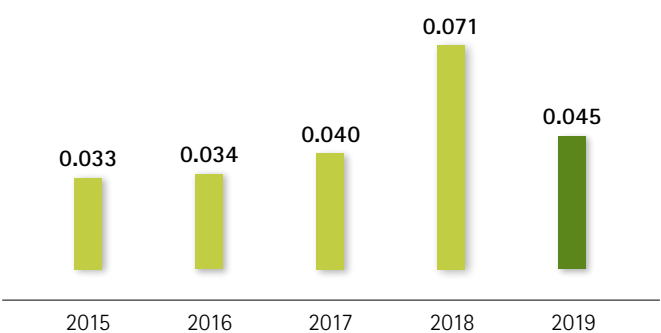
% OF TOTAL WASTE GENERATED



Waste by type and method of elimination:

Generation of total waste

T/T PRODUCED



The percentage of recovered waste decreased in 2019 compared to 2018 as 2018 was an exceptional year because a significant amount of recoverable waste was generated as a result of the dismantling of the Flix facilities.

10.5 Environmental impacts

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) wastewater 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 wastewater; and (iv) regenerated wastewater 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 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) shielding of focal points of acoustic emission; (ii) enclosure of the equipment with the highest noise emissions; (iii) placement of silencers on equipment and maintenance thereof; and (iv) elimination of mercury-vapour lamps and installation of sodium-vapour lamps.

b) Circular economy

(i) Sustainability of consumption and sustainable use of resources

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.

At the end of 2017, the Group switched to membrane technology in the chlorine manufacturing processes, which is more efficient in terms of electricity consumption (-22% MWh per unit of chlorine produced). 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.

In 2019 the Group joined the RE4Industry project for the promotion of 100% renewable energy in energy-intensive industries. Likewise, the Ercros Group is also exploring bilateral long-term renewable energy purchase agreements, known as PPAs (Power Purchase Agreements), and the possibility of installing solar panels on land owned by Ercros that is not currently used for any industrial activity. With these measures, the Group's strategy is to reduce energy consumption and the future cost of this supply, and to ensure that it comes from renewable sources to be in a position to meet the decarbonisation goal set out in the draft Spanish National Integrated Energy and Climate Plan (Plan Nacional Integrado de Energía y Clima "Pniec") and reinforce the recent Government Declaration on the climate and environmental emergency, in keeping with the targets set by the European Commission in the Green Pact.

In order to make sustainable use of resources, the Group's centres: (i) have closed circuit cooling systems to save water and energy; (ii) optimise their processes; (iii) are committed to the progressive replacement of old equipment with others that are more energy efficient; (iv) have systems for reusing process water; (v) have systems installed to use condensates and waste gas flows; (vi) utilise systems to use waste hydrogen, generated in the processes, as fuel for the boilers; and (vii) they consume regenerated water from the treatment plant, when this possibility exists.

Other actions to reduce consumption are those derived from the transport of goods, which are explained in chapter 13.3.

(ii) 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 solvent recovery plant for reuse in the Aranjuez facility; (iv) the prioritisation of the procurement of raw materials in bulk to minimise packaging waste; and (v) the construction of two mercury storage facilities, in accordance with the regulations on the storage and transport of this product, where the mercury recovered from the dismantled electrolysis plants has been deposited, pending its management in the authorised inerting plants.

c) 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 fuels with others with lower greenhouse gas emissions; (ii) improving manufacturing processes to reduce energy consumption; (iii) controlling leaks in refrigeration equipment and replacing those that do not comply with the standards; (iv) consuming the waste hydrogen from the processes as fuel for the boilers; (v) replacing equipment with others that are more efficient in terms of energy consumption; (vi) conducting energy audits; and (vii) annual verification of emissions by an accredited entity.

The Group's climate change targets for 2030 are: (i) reduce its direct and indirect emissions by 25% compared to 2015, based on current production; (ii) reduce its energy consumption by 20% compared to 2015, based on current production; (iii) ensure that 1% of its consumption is produced from renewable energy generated at Ercros' own facilities; (iv) ensure that 70% of the electricity consumed comes from renewable sources; (v) reduce water consumption by 30% compared to 2015; and (vi) ensure that 90% of its consumption is energy certified. By 2050, the Group expects to be carbon neutral.

In recognition of the effort made in the fight against climate change, in 2019, the UN included Ercros in its SDGs good practices dossier. The dossier highlights that Ercros has reduced its greenhouse gas emissions by 11% in 2018 and its total emissions by 15.5% on a like-for-like basis with respect to 2017.

Likewise, the UN Global Compact selected Ercros as one of the 101 best business initiatives to contribute to the fight against climate change.

In 2019 the Group signed the ECVI Charter to measure and control the production, use and disposal of EDC, VCM and PVC, with the aim of reducing their environmental impact, if applicable; and joined, as a "Gold" member, the Business and Climate Foundation (Fundación Empresa y Clima "FEC"), a private institution that is a reference for climate change mitigation in companies.

d) Accidents with environmental consequences

In 2019 there were no incidents or accidents at the Group's factories with environmental consequences.

On 9 April, there was an accident involving a tanker transporting formaldehyde from the Tortosa factory. There were no injuries or spillage of product, which was transferred to another tanker for removal.

On 26 August, an accident occurred when a truck carrying a container of liquid chlorine from the Sabiñánigo factory overturned. The accident had no consequences either for the driver or for the environment, as the container was fitted with safety measures to protect it in the event of tipping.

10.6 Litigation and sanctions

In 2019 and up to the date of approval of this CSR Report –21 February 2020–, there has been significant litigation and updates in relation to the main lawsuits of environmental importance pending resolution in 2018 in particular:

a) In relation to the Cardona factory

- In December 2017, due to the decision of the Tax Board of the Catalan Regional Government to partially uphold the economic claim submitted by Ercros in which it challenged the exploitation rate for the Llobregat brine collector corresponding to the first quarter of 2015; the Catalan Water Agency (Agència Catalana de l'Aigua "ACA") voided the aforementioned rate and indicated that a new decision to remedy the defects of the previous one will be handed down. Subsequently, in 2018, the Tax Board of the Catalan Regional Government partially upheld Ercros' claim in relation to the same rate, in this case corresponding to the first quarter of 2016.

On 2 January and 9 October 2019, Ercros filed two appeals related to the rates for the first quarters of 2017 and 2018.

The legal proceedings are being conducted before the Catalan High Court (Tribunal Superior de Justícia de Catalunya "TSJC"), which is awaiting a decision in its various stages.

b) In relation to the Cerdanyola factory

- The judicial review appeal filed by Ercros before the TSJC against the decision of the Catalan Regional Government on the Integrated Environmental Authorisation ("IEA") of the Cerdanyola factory, is still 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 12 November 2019, the Secretariat for the Environment and Sustainability of the Catalan Regional Government appealed to the Supreme Court (Tribunal Supremo) against the decision in favour of Ercros 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 volatile organic compounds ("VOC") and total organic carbon ("TOC") which were voided by the judgment. Ercros is currently preparing the notice of opposition to this appeal.

c) In relation to the Sabiñánigo factory

- On 18 November 2019, Ercros made submissions against the disciplinary proceedings commenced by the Ebro River Control Authority (Confederación Hidrográfica del Ebro "CHE") for alleged non-compliance on the part of the Sabiñánigo factory with the IEA and, in particular, for exceeding the dumping limits for suspended solids and mercury.

d) In relation to the Flix factory

- On 23 January 2019, Ercros paid the indemnity of EUR 11,331 to Acuamed as a contribution to the cost of the decontamination work on the Flix reservoir carried out by Acuamed, having reached a settlement agreement in response to a request from the Court of Appeals of Tarragona (Audiencia Provincial de Tarragona "APT"). The APT declared that Ercros' third-party liability arising from this proceeding had concluded and thus closed the proceedings.
- On 26 February, Ercros appealed to the TSJC for the ex officio review of the 2015 water charge. Currently, the court had yet to schedule the case for voting and handing down judgment. In previous years, Ercros challenged the reviews of that the charge for 2010, 2011, 2012, 2013 and 2014. Certain of these challenges have already been resolved in Ercros' favour and others are pending judgment.
- On 9 May, the National Court of Appeals upheld the appeal filed by Ercros concerning a surcharge on the 2013 discharge control charge of the CHE, annulled the prior resolution of the Central Economic-Administrative Tribunal (Tribunal Económico Administrativo Central "TEAC") and ordered the refund of the amount paid by Ercros plus late-payment interest. On 6 November of the same year, Ercros made submissions to the TEAC against the aforementioned charge for 2018.
- On 30 May 2019, the ACA resolved to commence disciplinary proceedings for failure to adhere to the dumping limits (suspended matter and pH) set in the environmental authorisation. Submissions were made and a proposed resolution was received confirming the sanction of EUR 3.8 thousand.
- On 2 August, Ercros paid a fine of EUR 25 thousand imposed by the DGQA, for the emission of particles in the atmosphere during an inspection, corresponding to an emission source of the dicalcium phosphate plant.

e) In relation to the Huelva salt mine

- On 10 July 2019, the Judicial Review Court No. 8 of Seville dismissed the appeal filed by Ercros against the decision of the General Technical Secretariat of the Ministry of Employment, Business and Knowledge of the Regional Government of Andalusia for a serious administrative offence in the field of industry, associated with an episode of bird mortality due to the lack of signalling of the electrical installations at its site in the Huelva salt mine. Ercros paid a sanction of EUR 22 thousand.

f) In relation to the Palos de la Frontera factory

- On 22 and 23 October 2019 and 30 January 2020, the Criminal Court of First Instance No. 2 in Moguer (Huelva) obtained an expert opinion in relation to the complaint brought by the Crown Prosecution against Ercros, Electroquímica Onubense and Salinas del Odiel, for an alleged offence against natural resources and the environment.

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.

10.7 Environmental protection activities

a) Main environmental activities

Of the activities carried out in 2019, the following are of note:

- Soil remediation at the Aranjuez, Flix, Vila-seca I, Vila-seca II factories, as well as work to improve the aquifer on the land at the former Palos de la Frontera factory [see section 10.3 c) (ii)].
- Dismantling of the electrolysis plants that operated with mercury technology at the Flix (completed) and Vila-seca I factories (underway). The mercury recovered from these facilities has been stored in tanks suitable for transport, in a facility built specifically for this purpose, for subsequent shipment to an authorised manager for inerting and disposal of the inerted product in salt mines, in accordance with European regulations. In the case of Flix, more than half of the recovered mercury has already been inerted in a specialised treatment centre.
- At the Flix plant, the dicalcium phosphate plant's drying gas cleaning system has been replaced by one with greater separation efficiency.

- At the Aranjuez factory, the new storage facility for hazardous liquid waste and the replacement of a boiler at the solvent recovery plant with another that considerably improves environmental performance.
- 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.
- Saving 2,671 tonnes of CO₂ (2018: 1,650 tonnes) thanks to the logistical and operational improvements introduced in the transport of its goods [see chapter 13.3].

b) 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.

In 2019 the Ercros Group and the Flix Municipal Council signed an extension of their collaboration agreement through which the Group contributes EUR 20 thousand towards the Sebes nature reserve management plan.

- In Cardona, it collaborates with the Catalan Regional Government and the Cardona Municipal 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 Catalan Plan of Natural Interest Areas (Pla d'Espais d'Interès Natural "PEIN"), through the reforestation of the spaces recovered after the end of operations at Terrera Nova mine dump [see section 10.3 c) (iii) above].
- Joining the Operation Clean Sweep programme, an action plan also promoted by the EU that aims to avoid the loss of micro-plastics to the environment, especially the aquatic environment.
- Sponsorship of the Conservation and Recovery of Marine Animals Foundation (Fundació per a la Conservació i Recuperació d'Animals Marins "CRAM").

11

STAFF
MATTERS



11.1 Materiality of the chapter

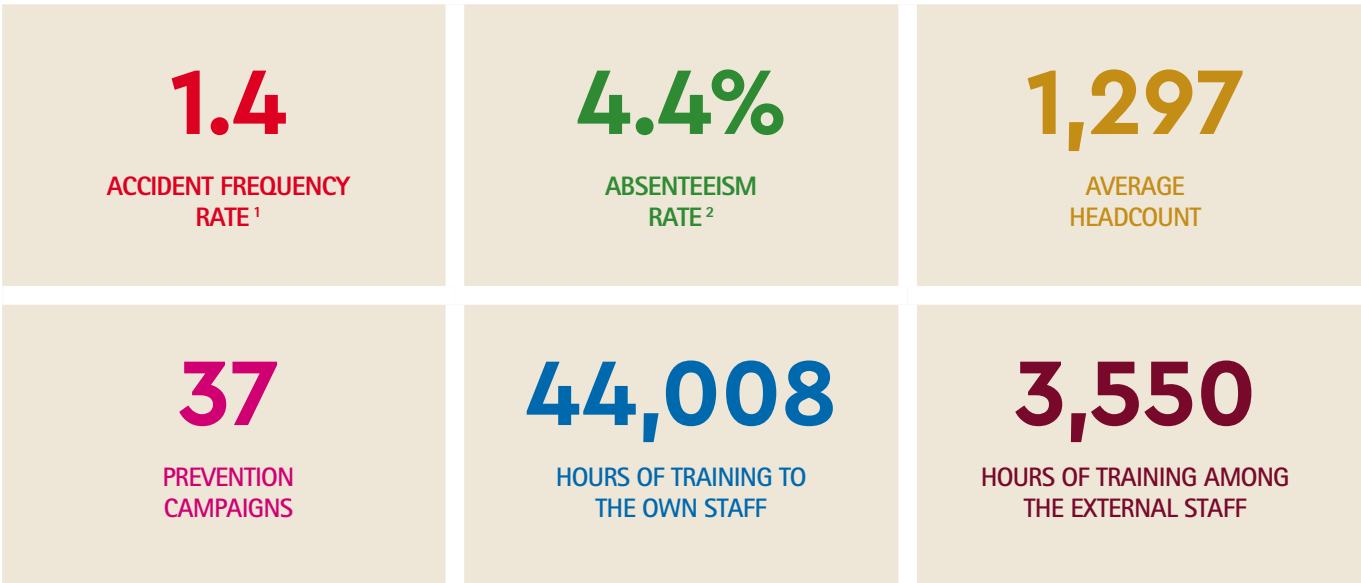
The Ercros Group's commitment to its employees is focused on creating quality employment in a safe, healthy, diverse and inclusive environment that allows for the development of internal talent.

Therefore, it maintains a close relationship with the workers' representatives and implements training and equality plans, as well as safety and prevention campaigns.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



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

² Percentage of days lost over the total number of theoretical days to work in the year.

11.2 Human resources management

In accordance with the CSR plan, the code of ethics, and the 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 staff at the Aranjuez, Sabiñánigo, Flix 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.

11.3 Staff description

In 2019 the Ercros Group's average headcount was 1,297 people, seven people more than in 2018. At year end, the Group's staff was composed of 1,289 people, 13 people more than in 2018.

In 2019 the collective layoff that began in 2017 was completed due to the closure of the mercury electrolysis plants at the Flix and Vila-seca I factories and the salt production plant in Cardona. The layoff affected 98 people, 46 of whom were transferred to the Group's other workplaces; 32 refused this transfer and opted for dismissal and the corresponding compensation; and the remaining 20, aged over 60, opted for early retirement.

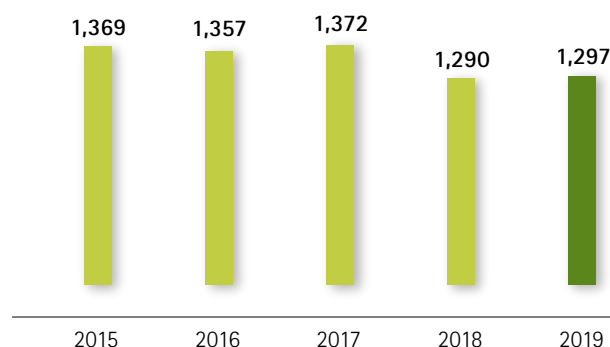
In 2019 the Group's average headcount was 1,297 people, 7 more than in 2018

The presence of women in the workforce grew in 2019, from 15.7% in 2018 to 16.5% in 2019. The collective layoff and the generational change explain this evolution, which, although far from the gender quality objective, shows a positive trend [see chapter 12.4].

Headcount distribution by job category had very little variation with respect to 2018: technical staff represented 42.5% (2018: 42%) of workforce; manual workers and service staff represented 42.3% (2018: 43%); and administrative staff represented 15.1% (2018: 15%).

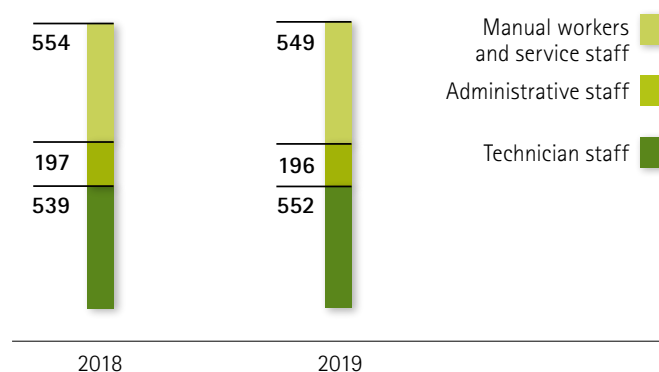
Evolution of the average headcount

NUMBER OF EMPLOYEES



Average headcount by job category

NUMBER OF EMPLOYEES



At the end of 2019, 90.1% of the workforce had an indefinite-term contract (the same percentage as in 2018), revealing the high quality of employment offered by the Ercros Group. Likewise, the average length of service of Ercros staff in 2019 was 18.7 years (2018: 19.1 years). In 2019 and 2018, all jobs had a job description.

All the Ercros Group's workplaces are located in Spanish territory and this is also the origin of almost all staff: 96.6% of the workers are Spanish (2018: 97.9%) and 3.4% come from other countries.

11.4 Union rights and relations

The regulatory framework governing the Ercros Group's working relationships is the XIX general collective agreement for the chemical industry in force for the 2018–2020 period. All Ercros employees are covered by the aforementioned Ercros agreement.

In 2019 union representatives and the Group's management approved the 1st agreement to improve the general collective agreement for the chemical industry, with two main goals: (i) the alignment of the working conditions of all Ercros Group employees, regardless of their company of origin (it should be remembered that in 2005 the Group acquired Aragonesas, Industrias y Energía and, almost one year later, Derivados Forestales Group XXI); and (ii) the incorporation of measures to improve labour relations such as prevention, health and environmental protection policies, salary improvements, training plans, measures against absenteeism, equality plans, etc.

The Almussafes, Vila-seca I and Vila-seca II centres held union elections with the following results: UGT obtained five representatives at Almussafes, four at Vila-seca I and six at Vila-seca II; CCOO obtained four representatives at Almussafes, two at Vila-seca I and two at Vila-seca II; and, lastly, the USO obtained three representatives at Vila-seca I and one representative at Vila-seca II.

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.

11.5 Occupational health and safety

All the Ercros Group's production facilities have certified their occupational health and safety management system in accordance with the OHSAS 18001:2007 standard (Occupational Health and Safety Management Systems), a certification that they renewed in 2019.

Throughout 2019, the Ercros Group migrated from the OHSAS 18001 standard to the new occupational health and safety regulation, the ISO 45001 standard, which is much more stringent than the previous one. It is expected that by September 2020, all the Group's workplaces will have adapted to this new safety standard.

a) Accident rate

The Ercros Group's accident rate in 2019 was low. The overall accident frequency rate ("AFR"), which measures the number of accidents with and without leave among in-house and external personnel, stood at 2.5 compared to 3.8 in 2018, a reduction of 34%; the lowest figure in the last 10 years and, compared to the average for the last five years, the reduction is 27%.

In 2019 the accident frequency rate among own staff was also fell from 1.8 to 1.4, the lowest figure in the Ercros Group's history. The accident frequency rate also decreased among external staff, from 7.2 in 2018 to 4.6 in 2019.

Last year, there were eight accidents with medical leave and none without leave, compared to 12 accidents with leave and one without leave in 2018. Of these eight accidents, three involved own staff (2018: four accidents) and five involved external staff (2018: eight accidents).

All accidents that occur in the Ercros Group's facilities are subsequently analysed to see if any improvements can be made in the safety measures applied. In 2019 it was determined from this analysis that most accidents were due to the lack of risk perception of the people involved in the accident and to inadequate or poorly planned manoeuvres.

In 2019 the accident frequency rate among women working at the Ercros Group was zero; however, it should be noted that the presence of women is practically symbolic in the manual workers and service personnel category, which usually has the highest accident rates.

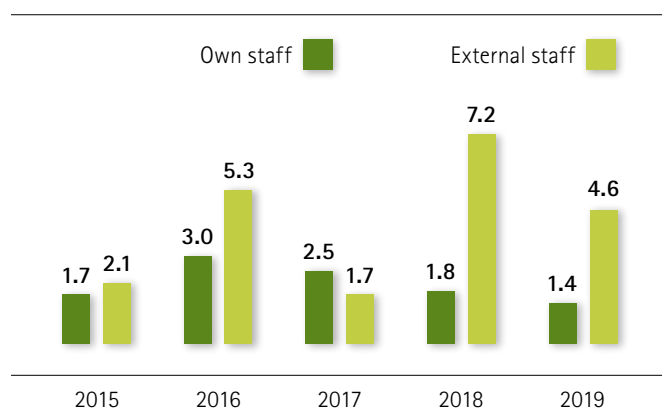
In 2019 the accident frequency rate was the lowest in the last 10 years

Each factory has an inter-company committee comprised representatives from the facility and contractors, that coordinates the activities related to prevention, the accident rate, management procedures, training plans, etc. In 2019 the inter-company committees held 19 meetings (2018: 20 meetings).

The Group develops annual campaigns that aim to draw attention to safety. The slogan of the 2019 campaign was "Safety, a common goal of everyone who works at this facility", which emphasised the importance of coordination between all the companies working at the factories, regardless of whether they are own or external staff, to avoid accidents.

The Ercros Group's own workers designed the 2020 safety campaign and thanks to a competition, 65 graphic proposals were submitted, with the winning campaign being "Safety is not a joke".

Evolution of the accident frequency rate ¹



¹ Number of accidents with sick leave for every million hours worked.

b) Absenteeism

El absentismo por enfermedad común tuvo una evolución negativa entre 2018 y 2019, al pasar del 3,9% al 4,4%.

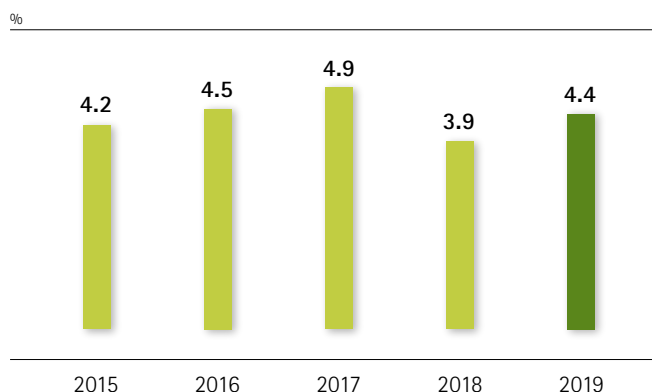
To reverse this situation, the Ercros Group is implementing a plan with the following measures: (i) greater coordination between the Group and both mutual entities for accidents at work it has contracted; (ii) monitoring staff with higher levels of absenteeism and (iii) regular contact with staff on sick leave by their workplace medical service. In the workplaces with the highest absenteeism rates, multidisciplinary working groups have been created to analyse the specific causes and propose concrete solutions.

The factories with the most absenteeism have created work groups to propose specific solutions

On 2019 the absenteeism rate was higher among men (4.9%) than women (2.5%), (2018: 3.8% among men and 4.4% among women). The total number of hours lost to absence from work due to common illnesses was 100,592 hours (2018: 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 historical claims related to asbestos exposure filed by former employees or their heirs [see subsection d) below].

Absenteeism rate ¹



¹ Hours of absenteeism (as defined in the general agreement of the chemical industry) out of total possible hours of work per 100.

c) Prevention campaigns

In addition to the annual safety campaign explained in section a) above, the Group also carries out actions and campaigns aimed at 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.

In 2019 the Group ran 37 prevention campaigns (2018: 45 events), attended by 2,397 people (2018: 4,744 people), and gave 132 courses on this subject (2018: 181 courses), with a total attendance of 5,257 people (2018: 2,947 people).

Courses taught in 2019

Participants		Participants	
Work permits	487	Handling chemicals	71
Preventive culture	436	Use of forklifts	60
Burns (diphtherine)	366	Prevention of occupational hazards (basic level)	48
Work in confined spaces	360	Noise exposure	34
Emergencies	330	Accident analysis	28
Job risks	294	Industrial safety fundamentals	27
First aid	266	Back workshop	25
Semi-automatic defibrillator	243	Healthy habits	23
Prevention of musculoskeletal disorders	239	Sleep disorders	21
Fire extinction	237	Legionnaires' disease	14
Use of personal protective equipment ("PPE")	204	Risks and preventive measures in welding jobs	12
Annual sustainability plan. Policy and manual	200	Transport of dangerous goods ("ADR")	11
Basic life support	185	Loading and unloading of dangerous goods	8
Shift work	178	Safe preventive measures	8
Operational control	163	Safety in mechanical work	8
Accident prevention	152	Explosive atmospheres ("Atex")	7
Risks and preventive measures in electrical jobs	120	Lifting platforms	5
Adaptation to the ISO 45001 standard	113	Loader handling	4
Occupational stress management	98	Formaldehyde risks and preventive measures	4
Work at height	83	Display screen equipment ("DSE")	4
External cleaning of tanks with chemical agents	79	Road safety	2
Total		5,257	

Events held in 2019

Participants	
Flu vaccination	1,283
Risks related to heat and heatstroke	265
Breast cancer prevention	221
Cardiovascular risk prevention	165
Colorectal cancer prevention	124
Prostate cancer prevention	97
Smoking cessation	73
Blood pressure	55
Risks of working in hot environments	50
Burn hazards: actions and disinfection	50
Hepatitis A vaccination	8
Promotion of physical activity	6
Total	2,397

d) Claims

Occasionally, the Group must face claims from former employees, or their heirs, related to damages actions 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.

In 2019 two new actions for damages related to exposure to asbestos have been initiated, which are *sub judice*. In addition, a new proceeding for public benefit surcharges related to mercury exposure has come to light. The Group has recognised provisions for the amounts it expects could be claimable in the legal proceedings that are still pending resolution.

e) Audits and drills

All workplaces periodically conduct safety audits and emergency drills. The drills involve both internal employees and external staff who regularly provide their services at the factories, as well as –occasionally– staff from other organisations and neighbouring companies. In 2019 16 official drills (2018: 13 drills), 42 internal drills (2018: 45 drills) and five drills within the framework of the Spanish Centre for Emergency Responses During the Transport of Dangerous Goods (Centro español de respuesta ante emergencias durante el transporte de productos químicos peligrosos "Ceret") agreement, to provide assistance in the event of a road accident (2018: four drills), were performed.

f) Success stories

At 2019 year end, the Tarragona factory had completed 21 consecutive years without any accidents with leave among its own staff; the Monzón factory had completed five, the Flix and Aranjuez factories had completed three; the Cerdanyola factory had completed two, and the Sabiñánigo, Vila-seca II and Tortosa factories had completed one. In addition, the corporate offices in Barcelona completed 27 years without work accidents.

The Group's commitment to health and safety was recognised during the year with the Aranjuez, Cerdanyola and Flix factories having been awarded the 2018 Safety Award by the Feique. This award recognises production facilities in the chemical industry with more than 50 workers with an annual accident frequency rate equal to zero; i.e., those that did not have any work accidents with or without leave among their own staff.

11.6 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 2019, 93% of the Group's staff (2018: 93%) received training, with an average of 33.9 hours of training per person (2018: 37.5 hours).

93% of the Group's headcount received training in 2019

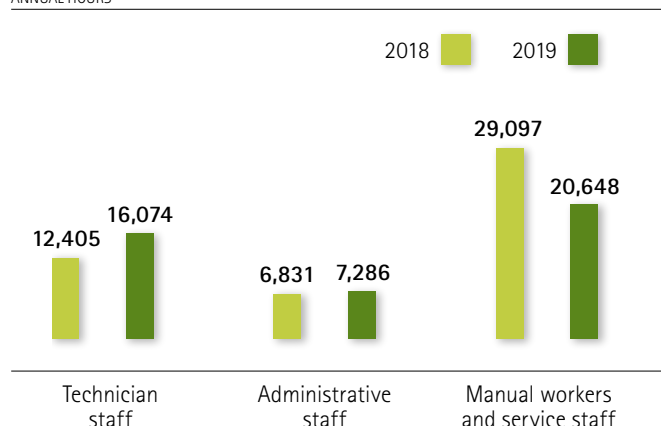
Throughout the year, the Group organised 611 training courses that were attended by 5,704 participants for a total of 44,008 educational hours (2018: 3,415 participants received training on 575 training courses for a total of 48,384 educational hours). Of these courses, 210 received a subsidy through the State Foundation for Employment Training (Fundación Estatal para la Formación en el Empleo "Fundae"), which were attended by 1,537 people for a total of 19,001 educational hours.

The expense incurred for training amounted to EUR 337 thousand (2018: EUR 302 thousand), of which EUR 195 thousand came from the subsidy granted by Fundae.

In 2019 manual workers and service personnel received 20,648 hours of training (2018: 29,097 hours); line personal received 16,073 hours (2018: 12,405 hours) and administrative staff received 7,285 hours (2018: 6,831 hours).

Training by job category

ANNUAL HOURS

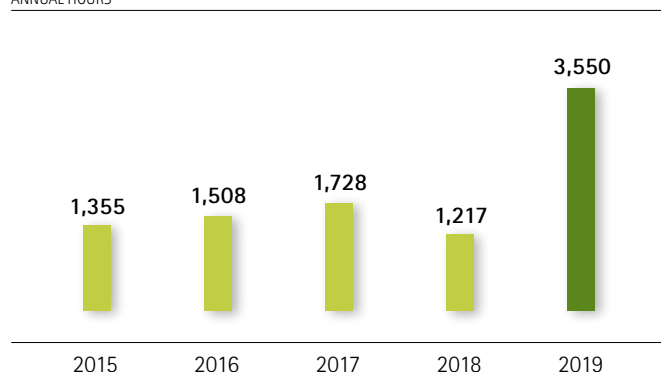


The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2019, these companies' staff received 3,550 hours of training (2018: 1,217 hours). The increase in training hours is due to the greater number of courses at the Tarragona complex due to the implementation of a new authorisation system to be able to provide service at these facilities, which led to a redoubling of training in health, safety and the environment.

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 training for external staff

ANNUAL HOURS



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 25 meetings in 2019 (2018: 24 meetings).

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 2019 each employee received an average of 9.8 hours of training on safety and the environment (2018: 10.4 hours).

The Group provides all new hires training pertinent to their job and a welcome manual that includes corporate information of general interest and specific information on the production facility where they will be working. In 2019, 97 new hires received the welcome manual.

In 2019 training in skills development was promoted: the Almussafes centre implemented the "Develop-T" programme aimed at promoting leadership and people management skills among plant managers; the Cerdanyola and Tortosa facilities implemented the "Focus" programme to work on time management, leadership and personnel management; and at headquarters in Barcelona, the "Together we are stronger" conferences were held to improve the functioning of high-performance human teams.

Ercros has signed 31 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2019, 62 professional training, undergraduate and graduate students availed themselves of this option (2018: 51 students). All students who do an internship at the Ercros Group all remunerated in the form of a scholarship. If the amount to be received is stipulated by the study centre, this amount will be paid; in other cases the amount is determined based on the education level of the scholarship recipient.

11.7 Tables with additional data

Headcount by country of origin

NUMBER OF EMPLOYEES AT THE YEAR END

	31-12-2018	31-12-2019
Spain	1,239	1,245
Rest of EU	14	13
Rest of OECD countries	1	1
Rest of the world	22	30
Total	1,276	1,289

Headcount by type of contract and job category

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2018				31-12-2019			
	Total	Technician staff	Administrative staff	Manual workers	Total	Technician staff	Administrative staff	Manual workers
Indefinite term	1,150	504	162	484	1,162	522	167	473
Temporary	102	19	24	59	108	19	23	66
Part time	24	13	5	6	19	9	4	6
Total	1,276	536	191	549	1,289	550	194	545

Headcount by type of contract and age

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2018					31-12-2019				
	Total	< 25	25-40	41-55	> 55	Total	< 25	25-40	41-55	> 55
Indefinite term	1,150	7	254	695	194	1,162	5	259	675	223
Temporary	102	14	67	20	1	108	16	68	22	2
Part time	24	⁽¹⁾	⁽¹⁾	⁽¹⁾	24	19	⁽¹⁾	⁽¹⁾	⁽¹⁾	19
Total	1,276	21	321	715	219	1,289	21	327	697	244

¹ In the Group's workforce, there are no people working part-time in these age ranges.

Dismissals by age and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2018			Year 2019		
	Total	Men	Women	Total	Men	Women
<25 years old	1	1	0	0	0	0
25-40 years old	13	13	0	1	1	0
41-55 years old	23	22	1	3	3	0
>55 years old	22	17	5	8	8	0
Total	59¹	53	6	12¹	12	0

¹ 93.2% of the 2018 layoffs and 58.3% of 2019 are related to the collective dismissal file.

Dismissals by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2018			Year 2019		
	Total	Men	Women	Total	Men	Women
Technician staff	21	18	3	6	6	0
Administrative staff	5	3	2	0	0	0
Manual workers and service staff	33	32	1	6	6	0
Total	59¹	53	6	12¹	12	0

¹ 93.2% of the 2018 layoffs and 58.3% of 2019 are related to the collective dismissal file.

Training by job category and gender

NUMBER OF HOURS IN THE YEAR

	Year 2018			Year 2019		
	Total	Men	Women	Total	Men	Women
Technician staff	12,405	8,444	3,962	16,074	10,406	5,668
Administrative staff	6,831	2,676	4,156	7,286	3,072	4,213
Manual workers and service staff	29,097	24,143	4,954	20,648	19,119	1,529
Total	48,333	35,262	13,071	44,008	32,598	11,410

Evolution of headcount by facility

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2018	Year 2019
Factories	1,126	1,138
Tarragona Complex	295	306
Vila-seca II	139	147
Vila-seca I	129	133
Tarragona	27	26
Sabiñánigo	213	218
Aranjuez	204	211
Flix	63	53
Almussafes	110	107
Tortosa	109	113
Cerdanyola	103	101
Monzón	29	30
Sales	31	32
Corporate	133	127
Ercros	1,290	1,297

Accident frequency rate by gender ¹

Year 2018			Year 2019		
Total	Men	Women	Total	Men	Women
1.76	1.76	0	1.40	1.40	0

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

Absenteeism rate by gender ¹

%

Year 2018			Year 2019		
Total	Men	Women	Total	Men	Women
3.9	3.8	4.4	4.4	4.9	2.5

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.

12

GENDER DIVERSITY
AND EQUAL
OPPORTUNITIES



12.1 Materiality of the chapter

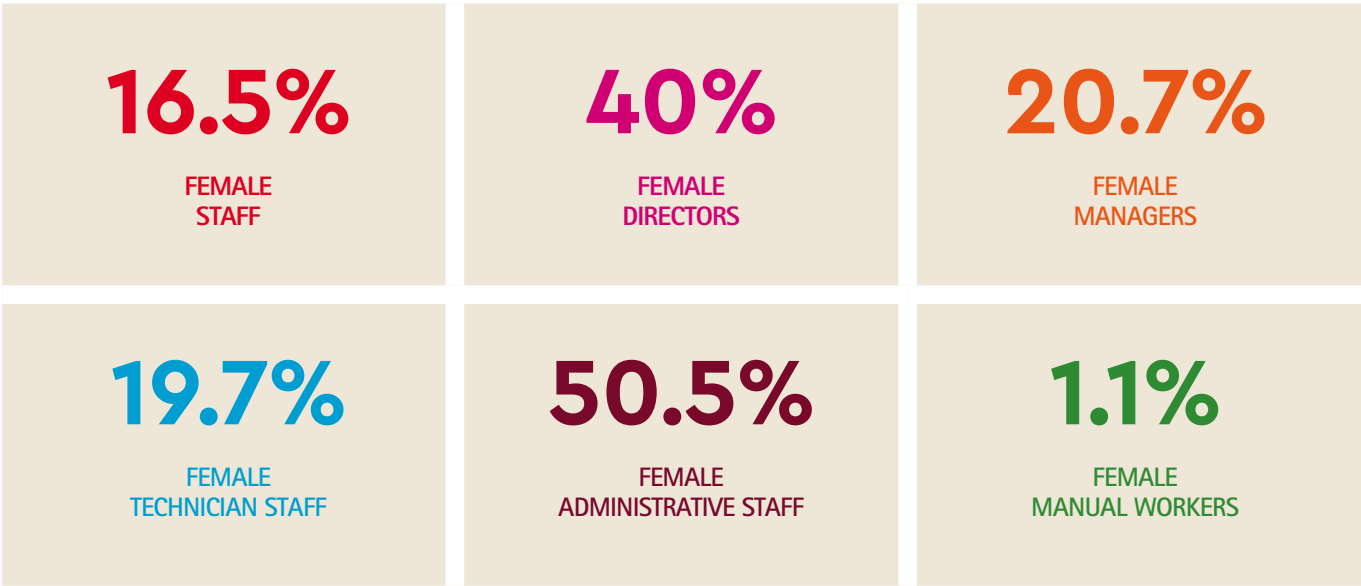
The presence of women in the Ercros Group's workforce is growing slowly but steadily year after year, despite operating in a sector, industry, where gender equality is still a distant goal.

The implementation of the equality plan, the equality and non-discrimination policy, the work-life balance policy and, above all, staff involvement are the tools available to the Ercros Group to work towards gender diversity and equal opportunities.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



12.2 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 2019 the committee met on one occasion to, among other matters, analyse the 2018 equality report. The committee agreed to launch a new section in the Group's internal newsletter to explain the role of women in the Group and to implement new equality awareness actions in 2020.

On 8 March 2019, coinciding with International Women's Day, all Ercros Group workplaces participated in rallies to demand equality and non-discrimination at work. In addition, the Almussafes factory held an information day on equality in which the Group's procedures related to the equality and work-life balance policy, the manual on the prevention of harassment and the functioning of the whistle-blowing channel were reviewed.

In 2019 María Carmen Cruzado, manager of the Ercros Group's pharmaceuticals division, was awarded the Carmen Zamorano Prize for equality by the socialist group of Aranjuez.

12.3 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 current 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 equal 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.
- The equality and non-discrimination policy, which promotes actions that contribute to effective equality, ensures non-discrimination and prevents and punishes sexual harassment.

- The board of directors' diversity policy [see section 12.8 b) below].
- The director selection policy [see section 12.8 b) below].
- The work-life balance policy, which facilitates the implementation of measures to reconcile personal and professional life.
- 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; (iii) not to engage in any behaviour that entails any type of discrimination, abuse or offence as a result of gender or sexual orientation; 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.
- 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 for the prevention of sexual and psychological harassment.
- The procedure for hiring and managing interns, which defines the general criteria for hiring and managing interns (hiring, schedule, remuneration, oversight, etc.) [see section 12.4 below].

12.4 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.

Between 2018 and 2019, the percentage of female staff at the Ercros Group rose from 15.7% to 16.5%. An increase in keeping with the slow but steady trend of recent years towards a greater female presence. However, the Group is aware that it is still far from achieving its goal of gender equality in all job categories, particularly in that of manual workers and service personnel, given its production industry and its main characteristics.

Between 2018 and 2019, the percentage of women in the headcount increased by 5%

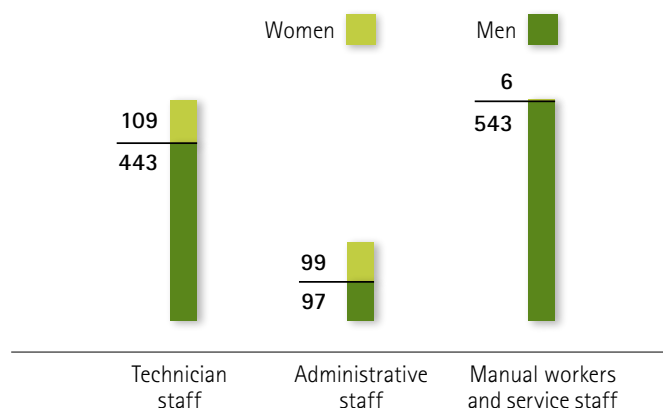
In 2019 the average number of women in this category was six (five in 2018); changing this trend is proving difficult, among other reasons, because of the lack of female candidates in the hiring processes for these jobs.

Among technicians, the presence of women is increasing, standing at 19.7% in 2019 compared to 18.7% in 2018. Women account for 50.5% of administrative staff, which is more than men (2019: 99 women and 97 men, 2018: 97 women and 100 men).

The procedure for hiring interns approved in 2019 contains a positive discrimination clause with respect to the under-represented gender in the corresponding professional category, which aims to establish measures that lead to gender balance. Among two candidates on equal footing, the one belonging to the under-represented gender will be chosen.

Distribution of job categories by gender in 2019 ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

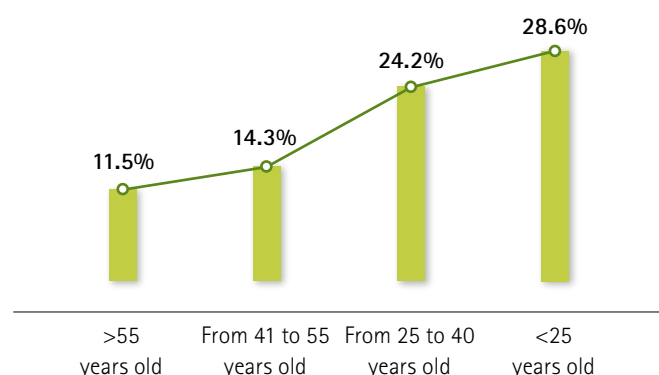


¹ Tables with comparative data for 2018 are provided at the end of the chapter.

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 graph shows, as staff becomes younger, there are more women. Women represent 11.5% of staff 55 years and older; 14.3% of staff between the ages of 41 and 55; 24.2% of staff between the ages of 25 and 40; and 28.6% of staff below the age of 25.

Female headcount by age range in 2019 ¹

% OF WOMEN ON THE TOTAL AVERAGE HEADCOUNT

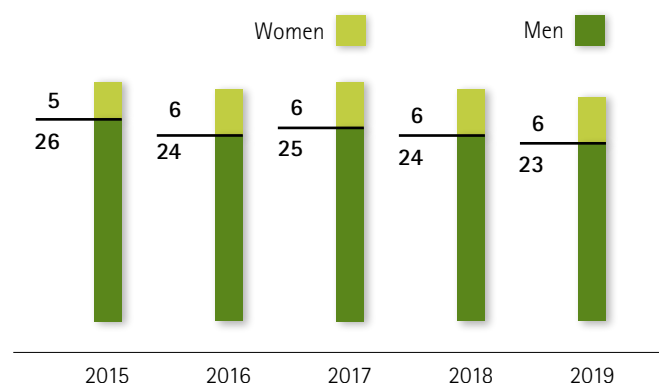


¹ Tables with comparative data for 2018 are provided at the end of the chapter.

Between 2018 and 2019, 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 20.0% to 20.7%, since there was one male executive less in 2019 (from 30 to 29 executives).

Evolution of executive staff by gender ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR



¹ Tables with comparative data for 2018 are provided at the end of the chapter.

12.5 Remuneration

As explained above, the Group's regulations include the principle of non-discrimination among its employees.

In accordance with this principle 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 in 2019 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 groups 3 and 2, who earn up to 2.4% and 2% more, respectively; and in professional groups 5 in which men and women earn practically the same salary.

In the lower job categories the average salary of women is higher than that of men

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 16.7% less; women who belong to professional group 4 who earn 4.6% less; female senior line personnel who earn 11.8% less; female line personnel who earn 7.3% less; and female executives who earn 4.1% less.

Average salary and wage gap by job category and gender ¹

EUROS

	Year 2019 ²			
	Women	Men	Difference	Gap (%)
Managers ³	126,395	131,808	-5,413	-4.1
Senior technicians	64,497	73,153	-8,656	-11.8
Technicians	44,627	48,143	-3,516	-7.3
Professional group 6 ⁴	35,056	42,089	-7,033	-16.7
Professional group 5	35,864	36,001	-137	-0.4
Professional group 4	28,788	30,189	-1,401	-4.6
Professional group 3	28,086	27,432	654	2.4
Professional group 2	24,156	23,678	478	2.0

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration has been taken (the Group does not remunerate anyone with variable remuneration) after applying the necessary adjustments to avoid distortions and facilitate a homogeneous comparison. For example, seniority bonuses and job-specific bonuses (such as bonuses for working at night, on holidays, shifts, etc.) have been removed.

² The comparison with the 2018 financial year can be found in section 12.9. Additional tables.

³ In calculating management, the president, whose remuneration is explained below, and senior management, consisting of three men and whose average salary in 2019 was 269 thousand euros, have been excluded.

⁴ The classification of professional groups is that established by the sectoral collective agreement. Groups 2, 3 and 4 include operators and female operators, group 2 with people with the lowest wages and group 4 with those with the highest wages; and in groups 5 and 6, supervisors and female supervisors are included.

The salary analysis by age in 2019 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 three exceptions: two by only a small amount in professional groups 2 and 3; and another in professional group 5 due to the fact that there is little numerical representation of the group 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 is an exception for employees below the age of 25 for the same reasons as mentioned above

Average salary by job category and age ¹

EUROS

	Year 2019 ²			
	< 25 years old	25–40 years old	41–55 years old	> 55 years old
Managers ³	⁵	⁵	120,323	140,802
Senior technicians	⁵	57,325	68,275	81,481
Technicians	⁵	36,705	48,379	58,039
Professional group 6 ⁴	⁵	33,525	39,814	43,465
Professional group 5	35,984	33,494	36,584	36,154
Professional group 4	27,310	29,405	30,116	30,780
Professional group 3	21,388	26,355	28,202	28,094
Professional group 2	23,932	23,633	23,633	25,208

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration has been taken (the Group does not remunerate anyone with variable remuneration) after applying the necessary adjustments to avoid distortions and facilitate a homogeneous comparison. For example, seniority bonuses and job-specific bonuses (such as bonuses for working at night, on holidays, shifts, etc.) have been removed.

² The comparison with the 2018 financial year can be found in section 12.9. Additional tables.

³ In calculating management, the president, whose remuneration is explained below, and senior management, consisting of three men and whose average salary in 2019 was 269 thousand euros, have been excluded.

⁴ The classification of professional groups is that established by the sectoral collective agreement. Groups 2, 3 and 4 include operators and female operators, group 2 with people with the lowest wages and group 4 with those with the highest wages; and in groups 5 and 6, supervisors and female supervisors are included.

⁵ In the Group workforce, there is no person in these categories who is in these age ranges.

With regard to board members, average remuneration per director in 2019 was EUR 148 thousand (2018: EUR 144 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 2019, amounted to EUR 562 thousand (2018: EUR 547 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 44 thousand in 2018 (2018: EUR 43 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 THOUSAND

	Executive director (1 person)		External director (4 persons)	
	2018	2019	2018	2019
Fixed remuneration	498.7	504.6	43.4	43.9
Variable remuneration ¹	0	0	—	—
Payments in kind	19.60	21.7	—	—
Life insurance premiums	28.6	36.0	—	—
Total	546.9	562.3	43.4	43.9

¹ According to the directors' remuneration policy, the executive director is the only member of the board of directors who can receive variable remuneration up to a maximum of 40% of his annual gross salary. In 2018 and 2019, the variable remuneration of said director was 0%.

12.6 Disabilities

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

In 2019 there were 20 people in this situation on staff (the same as in 2018), representing 1.5% of the average headcount for the year.

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 category ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2018	Year 2019
Technicians	5	5
Administrative staff	4	4
Manual workers and service personnel	11	11
Total	20	20

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

12.7 Work-life balance and employment benefits

The collective agreement and its corresponding improvement signed by Ercros Group management and the union representatives, establish the employment benefits and 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 of which all Ercros Group employees are beneficiaries.
- 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, under the current law, involves tax savings for covered employees. In 2019, 918 people (469 workers and 449 family members) were members of 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 for –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.

12.8 Diversity on the board

a) Gender equality

The Ercros board of directors 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 14 of the good governance for listed companies ("CGG") for listed companies 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 Ercros board is gender balanced

b) Director 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) the regulations of the board; (ii) the policy for the selection of directors; and (iii) the diversity policy of the Ercros board of directors.

c) Composition of the board of directors

Name	Training and professional experience ¹	Category	Date of last appointment
Antonio Zabalza Martí	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). 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.	Executive	10-06-16 (AGM) ²
Lourdes Vega Fernández	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 Et Innovation and a full professor of the Gas Research Centre of the Petroleum Institute of Abu Dhabi.	Independent	10-06-16 (AGM)
Carme Moragues Josa	She has a B.S. in Economics and Business from the UB and completed the management development program at the IESE Business School. 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.	Independent	23-06-17 ³ (AGM)
Laureano Roldán Aguilar	He has a B.S. in Economics and Business from Comillas Pontifical University ("Icade"), with a focus in Accounting and Business Management. He was the sole director of the Torras Group and is currently the CEO and director of the aforementioned company.	Others external	10-06-16 (AGM)
Eduardo Sánchez Morondo	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. Among others, he has held the following positions: professor at the University of Oviedo, chairman and CEO of Dow Chemical Ibérica and Dow France, and deputy chairman of Dow Europe. he has been the chairman and founder of the Bonheur business group.	Others external	10-06-16 (AGM)

¹ The full CV of the directors can be found at www.ercros.es/ board of directors.

² AGM: annual general shareholders' meeting.

³ On June 23, 2017, the ordinary shareholders' meeting ratified the appointment by co-option of the independent director, Ms. Moragues Josa, made by the board of directors on March 21 of the same year.

12.9 Tables with additional data

Headcount by age and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2018			31-12-2019		
	Total	Men	Women	Total	Men	Women
<25 years old	21	14	7	21	15	6
25-40 years old	321	241	80	327	248	79
41-55 years old	715	625	90	697	597	100
>55 years old	219	195	24	244	216	28
Total	1,276	1,075	201	1,289	1,076	213

Headcount by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2018			Year 2019		
	Total	Men	Women	Total	Men	Women
Technician staff	539	438	101	552	443	109
Administrative staff	197	100	97	196	97	99
Manual workers and service staff	554	549	5	549	543	6
Total	1,290	1,087	203	1,297	1,083	214

Evolution of executive staff by gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

Year	Total	Men	Women	Women/total executives (%)
2015	31	26	5	16.1
2016	30	24	6	20.0
2017	31	25	6	19.4
2018	30	24	6	20.0
2019	29	23	6	20.7

Headcount by type of contract and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2018			31-12-2019		
	Total	Men	Women	Total	Men	Women
Indefinite term	1,150	982	168	1,162	983	179
Temporary	102	72	30	108	76	32
Part time	24	21	3	19	17	2
Total	1,276	1,075	201	1,289	1,076	213

Average and wage gap by job category and gender¹

EUROS

	Year 2018				Year 2019			
	Women	Men	Difference	Gap (%)	Women	Men	Difference	Gap (%)
Managers ²	121,679	133,765	-12,086	-9.0	126,395	131,808	-5,413	-4.1
Senior technicians	65,146	67,869	-2,722	-4.0	64,497	73,153	-8,656	-11.8
Technicians	41,625	49,653	-8,028	-16.2	44,627	48,143	-3,516	-7.3
Professional group 6 ³	34,929	41,722	-6,793	-16.3	35,056	42,089	-7,033	-16.7
Professional group 5	37,412	35,880	1,532	4.3	35,864	36,001	-137	-0.4
Professional group 4	28,455	29,795	-1,340	-4.5	28,788	30,189	-1,401	-4.6
Professional group 3	27,172	26,686	486	1.8	28,086	27,432	654	2.4
Professional group 2	23,458	23,178	280	1.2	24,156	23,678	478	2.0

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration has been taken (the Group does not remunerate anyone with variable remuneration) after applying the necessary adjustments to avoid distortions and facilitate a homogeneous comparison. For example, seniority bonuses and job-specific bonuses (such as bonuses for working at night, on holidays, shifts, etc.) have been removed.

² In calculating management, the president, whose remuneration is explained above, and senior management, consisting of three men and whose average salary in 2019 was 269 thousand euros, have been excluded.

³ The classification of professional groups is that established by the sectoral collective agreement. Groups 2, 3 and 4 include operators and female operators, group 2 with people with the lowest wages and group 4 with those with the highest wages; and in groups 5 and 6, supervisors and female supervisors are included.

Average salary by job category and age¹

EUROS

	Year 2018				Year 2019			
	<25 years	25–40 years	41–55 years	>55 years	<25 years	25–40 years	41–55 years	>55 years
Managers ²	⁴	⁴	120,001	137,470	⁴	⁴	120,323	140,802
Senior technicians	⁴	59,059	67,737	82,791	⁴	57,325	68,275	81,481
Technicians	⁴	37,087	48,594	58,695	⁴	36,705	48,379	58,039
Professional group 6 ³	31,903	32,056	38,574	45,421	⁴	33,525	39,814	43,465
Professional group 5	35,106	33,574	36,544	38,290	35,984	33,494	36,584	36,154
Professional group 4	26,787	28,805	30,027	32,365	27,310	29,405	30,116	30,780
Professional group 3	20,117	25,840	27,373	28,108	21,388	26,355	28,202	28,094
Professional group 2	23,337	22,993	23,108	26,125	23,932	23,633	23,633	25,208

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration has been taken (the Group does not remunerate anyone with variable remuneration) after applying the necessary adjustments to avoid distortions and facilitate a homogeneous comparison. For example, seniority bonuses and job-specific bonuses (such as bonuses for working at night, on holidays, shifts, etc.) have been removed.

² In calculating management, the president, whose remuneration is explained above, and senior management, consisting of three men and whose average salary in 2019 was 269 thousand euros, have been excluded.

³ The classification of professional groups is that established by the sectoral collective agreement. Groups 2, 3 and 4 include operators and female operators, group 2 with people with the lowest wages and group 4 with those with the highest wages; and in groups 5 and 6, supervisors and female supervisors are included.

⁴ In the Group staff, there is no person who is in these age ranges.



13

SUPPLY
CHAIN

13.1 Materiality of the chapter

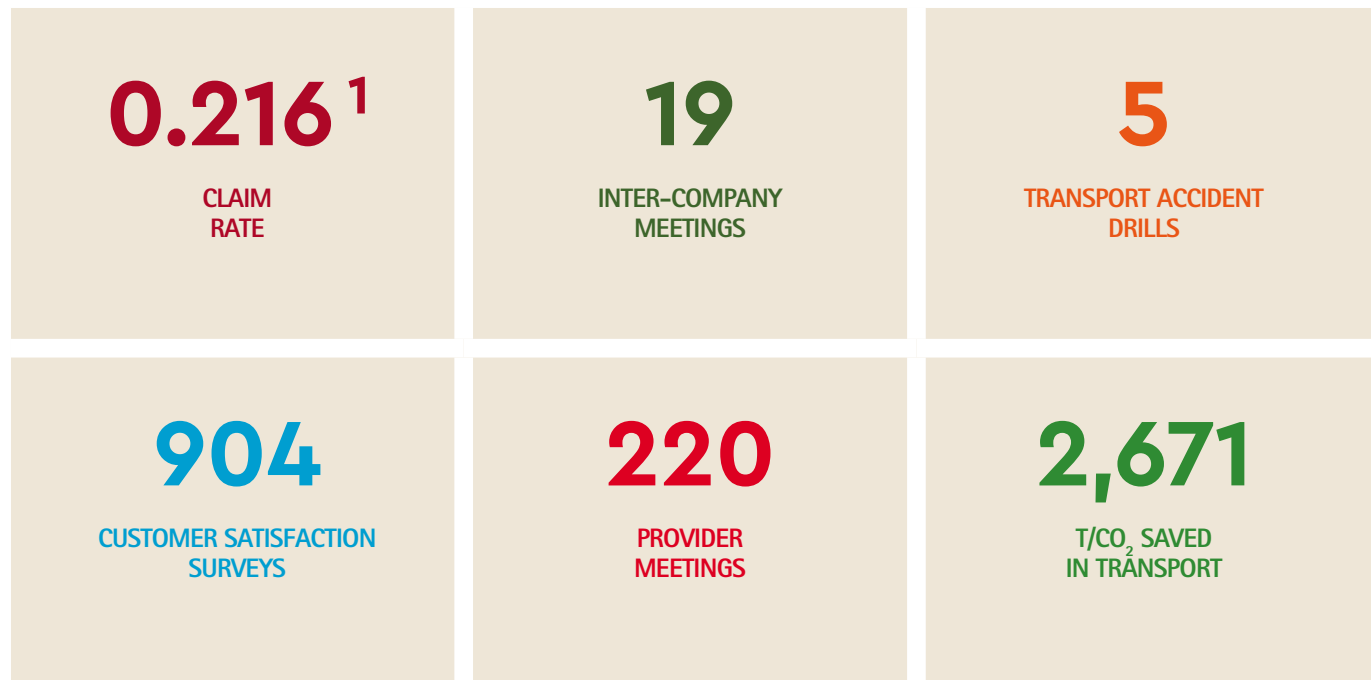
Respect for the principles of corporate social responsibility leads the Ercros Group to give priority not only to the criteria of price and quality in the configuration of its supply network, but also to other criteria linked to the social, environmental and ethical performance of its supplier companies and the recipients of its products.

The continuous assessment of its suppliers, the integration of ethical clauses in agreements with them, control over the transport of goods and product stewardship along the value chain are some of the tools used by the Group to manage its entire supply chain in a sustainable and socially responsible manner.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Number of tons of products affected by a customer non-conformity on the number of tons sold.

13.2 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 service conditions 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, among which the procedure for adding suppliers that ensures suppliers with adequate reputational references are hired is of particular note.

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

Agreements with suppliers include ethical and sustainability clauses

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

In addition, the Group conducts follow-up audits of external transport and storage companies and suppliers of raw materials, containers and packaging with the aim of improving the service contracted.

Every time a new warehouse is procured, the Group conducts a preliminary audit to confirm its suitability. In the case of warehouses intended for products classified as food additives, an audit is carried out by an external company every three years to confirm the validity of the storage and compliance with the requirements.

The Group also holds individual meetings with suppliers of raw materials, containers, packaging and transport, where they discuss the quality of the service provided, the entry into force and application of new regulations concerning transport, particularly in relation to dangerous goods and safety-related topics, proposing actions for environmental improvement, analysing the reports prepared in case of accidents and assessing reports on customer claims. In 2019, 220 meetings with suppliers were held (2018: 240).

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. In 2019, 19 inter-company committee meetings were held across all the Group's factories (2018: 20 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.

The Group signs voluntary mutual assistance agreements in the event of accidents during transportation and signs agreements to deal with transport and distribution accidents.

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 Confederation of Transport of Merchandise (Confederación Española de Transporte de Mercancías "CETM").

In the province of Tarragona, the agreement between the Chemical Business Association of Tarragona (Associació Empresarial Química de Tarragona "AEQT") and the Service Business Association of Tarragona (Associació d'Empreses de Serveis de Tarragona "AEST") allows certification of service companies that hire their members including the Group.

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 agreements 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 39% of the total amount of consolidated purchases and more than 40% of the total cost of the chlorine, formaldehyde, and PVC manufacturing processes, respectively.

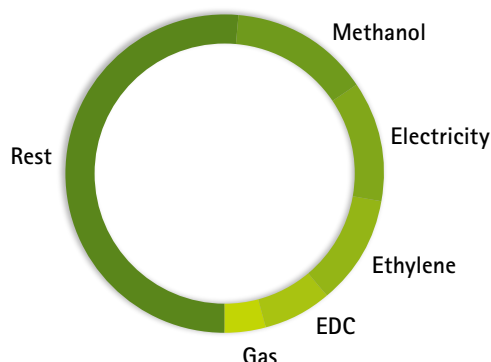
Methanol is the main raw material of the intermediate chemicals division and is produced from natural gas. The Group has signed supply agreements with various international suppliers from different areas and with different intervals to avoid supplier concentration risk and prevent agreements from renewing at the same time. In 2019 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. Similarly, the exemption from import duty on liquid caustic soda in Europe, requested by a consumer in Ireland, has been stopped.

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 Power Purchase Agreements ("PPAs"). The Ercros Group is also studying the possibility of installing solar panels on land it owns, which currently has no industrial activity, to reduce electricity costs and contribute to the growth of renewable energy.

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.

The five main raw materials

% OF PURCHASES IN 2019



13.3 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. The Group uses aircraft as a means of transport when, as occurs with active pharmaceutical ingredients, the volume shipped is small and the 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.

In 2019 the Ercros Group managed to save 2,671 tonnes of CO₂ (2018: 1,650 tonnes) thanks to logistical and operational improvements, enabling it to reduce the distance travelled in the transport of caustic soda and caustic potash by 3.8 million kilometres (2018: 2.3 million kilometres) and continued to increase its storage capacity with tanks in port terminals to bring caustic soda closer to customers.

In 2019 it also fulfilled its caustic soda self-sufficiency goal at the Sabiñánigo factory, thereby avoiding the movement of more than 45,000 tonnes from the Vila-seca I factory, with the subsequent reduction of costs and emissions.

Logistical and operational improvements have saved 2,671 tonnes of CO₂ in 2019

The Ercros Group has been granted authorised economic operator status ("AEO") and approved exporter status ("AE") by the customs and excise department of the Spanish State Tax Agency. Such status indicates EU economic operators that can be considered trusted partners in customs matters.

Furthermore, the Ercros Group forms part of the working group for the transportation of chlorine of the European Chemical Industry Council ("Cefic"), the goal of which is to reduce the transport risk of this material and develop recommendations.

In 2019 the Ercros Group worked to obtain the acceptance of the various countries to which it exports of the new regulations approved in 2018 that declassified paraformaldehyde as a flammable solid in accordance with international regulations concerning the 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 customers and a reduction in distribution costs.

In accordance with the distribution code of the Responsible Care programme, in 2019, five transport accident intervention drills were carried out (2018: five drills). These drills were carried out in all the centres that have joined the Ceret programme.

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. When selecting ships, the Group requires a maximum age, certain construction materials and CDI certifications (annual inspections carried out by the Chemical Distribution Institute for ships carrying liquid products in bulk).

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.

The pipeline connection is the priority route for transporting products between ports and factories

In 2019 the transport of EDC and caustic soda by sea decreased, thanks to the increase in the production capacity of the Vila-seca I factory, which has reduce the need to purchase these products.

By 2020, as a result of IMO 2020 coming into force, which requires that ships use very low-sulphur fuel or install scrubbers (exhaust gas cleaning systems), a significant rise in maritime transport costs is expected. The Ercros Group has negotiated new shipping agreements to minimise the impact on freight rates as much as possible.

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. Intermodal transport (combined with road transport) is used for the distribution of finished products that have to travel medium- and long-distances, as well as for the supply of various raw materials to the Group's factories from Europe.

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

In 2019 the continuous strikes of the French railway company forced the Group to seek alternative ways to ensure supply to the factories.

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.

When selecting transport companies, the Ercros Group conducts audits prior to their contracting their services and requires, especially for the transport of dangerous goods, the SQAS certification ("Safety and Quality Assessment System") promoted by Cefic that enables the safety, environmental management and quality levels of distributors, warehouses, transport services and tank cleaning stations to be evaluated

In 2019, although the price of diesel remained stable, transport tariffs rose due to the increase in drivers' salaries caused by the lack of personnel in this sector and the increase in obligatory detours for trucks on motorways, despite protests from the sector.

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 associations of carriers, 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, to improve customer service and reduce transport time and costs [see section 13.3 above].

The Group brings the shipping points of its products closer to customers to reduce transport time and costs

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 pharmaceutical products 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 the majority of customers. It is important to remember that this business exports 92% of its products to countries across the globe.

e) Achievements and recognitions

Among the Group's achievements in relation to improving distribution service and sustainability in 2019, the following is worth noting:

- 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 own shortage, while bringing the product closer to customers, consequently reducing the distance travelled for delivery and, thereby CO₂ emissions [see section 13.3 above].
- The contracting of new storage space for tablets for treating swimming pool water in Barcelona, Tarragona and Lyon to bring the product closer to customers.
- In compliance with the new provisions established in Spanish Royal Decree 70/2019, a circular has been sent to customers and carriers indicating the obligation not to unload liquid dangerous goods directly from tanks into packaging, which should be conducive to the safety of operations. In addition, visits were paid to those customers who requested it to advise them on the changes they must implement in their facilities.
- In 2019 the vacuum salt and cyanuric acid agreements were adapted to ensure the volume and quality of these raw materials in the Group's manufacturing processes following the increase in production capacity implemented throughout the year.
- The start of a new project, together with information systems management team, to integrate the Group's computer system with that of the liquid product storage company with which the Group works in various cities. This project, which is scheduled to conclude in 2020, will simplify the processes and improve the information offered to customers, since it will be obtained in real time.
- The Group improved the issuance of documents corresponding to the export of products in sea containers, enabling it to increase its agility in forwarding these documents to the customers, improving service and eliminating possible costs due to delays.
- The launch of a new sodium chlorite Intermediate bulk container ("IBC") recovery and recycling system to reuse the pallet and the cage. In 2019, 53% of containers were recovered (2018: is 30%).
- The purchase of 29% recycle pallets (2018: 28% recycle pallets).
- The thickness of plastic bags containing paraformaldehyde was reduced, and tests have been conducted on the reduction and use of recycled material for the manufacture of pentaerythritol bags. Both are expected to be fully effective by 2020.

- 2019 Pilot award granted by the Government of Aragon for logistics excellence obtained by the Sabiñánigo factory in recognition of its excellent practices in terms of supply chain structure and planning.

f) Mutual assistance agreements

The company collaborates in preventing emergencies and provides help, advice and technical assistance in the event of transport accidents involving dangerous goods, through its participation in the European International Chemical Environment network ("ICE") and Ceret and the agreement on the maritime transportation of dangerous 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.

13.4 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 (swimming pool water treatment products) directly reach the final consumer.

The sustainability management system applied by the Group includes the commitments that it assumes in relation to 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, taking into account the delivery deadlines and on the terms agreed, to ensure that there are no customer claims.
- 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. In 2019 all factories successfully passed the certification audit.

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.

On the other hand, the FDA has approved the authorisation of the Good Manufacturing Procedures ("GMP") issued in 2019 by the Spanish Medicines Agency (Agencia Española del Medicamento "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.

At the Flix factory, the dicalcium phosphate plant –a product intended for the manufacture of animal feed– is certified under the Feed Chain Alliance ("FAC"), an internationally accepted quality standard that guarantees product safety and quality along the supply chain.

b) Customer service centre ("CSC")

The CSC is the body responsible for customer relations with regard to claims, 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 2019 an external consultancy firm carried out a diagnostic analysis of the functioning of CCS with the aim of undertaking a project for the reorganisation and digitisation of CCS in 2020.

c) Customer satisfaction

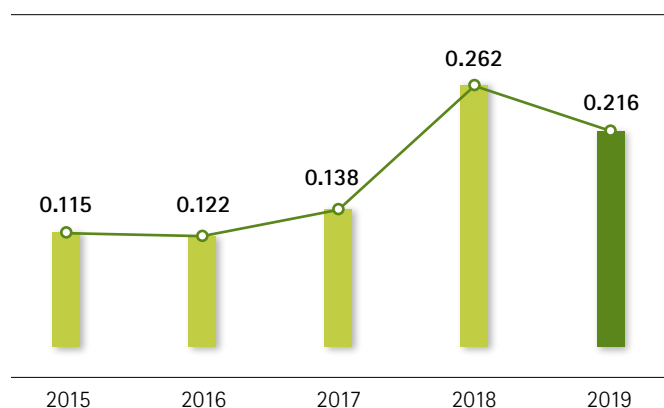
To measure the degree of customer satisfaction and improve the service it provides to customers, the Group conducts surveys and records the claims it receives, through a rate that measures the volume of products affected by a customer non-conformity in relation to the total volume of own and third-party products distributed.

The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2019, 904 customer surveys were sent with a response rate of 22.5% (2018: 1,389 surveys).

In 2019 the claim rate was 0.216 (2018: 0.262), representing a year-on-year improvement of 17.6%. The number of tonnes claimed by customers fell by 5.9% despite the fact that the volume sold increased by 14.4%.

More than 70% of the claims correspond to problems with product quality and transport.

Evolution of the claim rate ¹



¹ Claim rate: number of tonnes of products affected by a customer non-conformity over the number of tons 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.

The Group provides its customers with the SDS of the products it sells to them, which cover the ES for the uses of these products. 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, in accordance with the European Reach regulations, on the registration, evaluation and authorisation of chemical substances, and CLP, on classification and labelling of substances, which oblige companies to register the production and marketing of certain chemical substances. The SDS are reviewed and updated when new information emerges on the substances or when law concerning them is amended. In 2019 the Group began to provide SDS to customers in non-EU languages with the regulations applicable in the country of destination of the product (China, India, South Korea, Serbia and Russia).

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 Luclid dossier be updated (database that includes all Reach information). In 2019, 5 dossiers were updated.

The Ercros Group has endorsed the Reach "Action plan for the review/improvement of registration dossiers" promoted by Cefic and the European Chemicals Agency ("ECHA"). Pursuant to this agreement, during the 2020–2026 period it undertakes to evaluate the information on its substances submitted to the Reach registry and, if necessary, to improve the content thereof pursuant to their risks.

The Ercros Group is leading at European level the preparation of the registration dossiers for the authorisation of the commercialisation of biocide disinfectants containing trichloroisocyanuric acid and sodium chlorite. In this connection, it is contacting its EU customers to find out what biocidal uses they have for these products and to prepare authorisation dossiers that will help these customers comply with the regulations on the evaluation of biocidal substances, which are expected to be approved in the near future, with the least possible economic impact.

In 2019 the Group analysed the impact of Brexit on the marketing of its products and the purchase of raw materials in the United Kingdom and has taken the necessary steps to comply with the new regulations that will result from this country's withdrawal from the EU.

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

- It has joined, through the Feique, a collaboration agreement on explosive precursors, promoted by the Secretary of State for Security of the Ministry of the Interior, the purpose of which is to fight against the diversion of chemical products towards the illicit manufacture of explosive.
- It collaborates with the Organisation for the Prohibition of Chemical Weapons ("OPCW") [see chapter 14.4 (b)].

e) Achievements

- In 2019 the Ercros Group made improvements to some of its products to adapt them to its customers' requirements, including: (i) the micro-encapsulation of fragrances in swimming pool water treatment tablets ("TCCA"); (ii) the development of a new nucleating agent in its ErcrosBio PLA product range that improves the crystallinity of this bioplastic while lowering production costs; (iii) the development of 11 new bioplastic formulations, to improve its technical, mechanical and 3D printing properties; (iv) a new PVC formulation suitable for 3D printing; (v) the adaptation of the pentaerythritol production facilities so that part of its raw material, acetaldehyde, comes from a renewable source and so that this product can be sold as such; (vi) the extension of the ErcrosGreen+ resin catalogue; (vii) the extension of the Carbaicar HD quality to practically all its moulding compounds production; and (viii) the development of two new pharmaceutical products ready for industrial implementation.
- Aenor has awarded the Ercros Group the Company Registration Certificate, as recognition and evidence that its management system complies with the ISO 9001:2015 standard for the marketing of sulphuric acid, caustic soda, caustic potash, potassium carbonate, hydrochloric acid and ferric chloride. This is the first quality certificate for independently marketed products.

14

SOCIAL
MATTERS



14.1 Materiality of the chapter

The Ercros Group is committed to and involved in all areas where it operates and, in particular, the communities where its workplaces are located, based on its belief that its development as a company is linked to the social development of its surroundings.

Therefore, it collaborates on solidarity campaigns, sponsors local entities, finances environmental projects, participates in the training of children and young people, and maintains close ties with local and sectoral associations.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



14.2 Stakeholders

Stakeholders are those organisations, groups or individuals that can affect or be affected by the activities of a company. In accordance with the Ercros Group's social responsibility plan, its most relevant stakeholders are:

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

Each workplace has its own stakeholders, which it defines by preparing a social map taking into account its area of influence, its sector, the community to which it belongs, etc.

The social map is dynamic and updated periodically. It includes the relationship of the stakeholders of each centre and is an essential tool for managing the relationship of the factories with their environment. In 2019 the Group's various workplaces included 418 stakeholders in their social maps.

In 2019, for the fourth consecutive year, Ercros' factories in Sabiñánigo and Monzón renewed the Aragon socially responsible business (Responsabilidad Social de Aragón "RSA") seal, awarded by the government of this autonomous community along with the Spanish Confederation of Business Organisations (Confederación Española de Organizaciones Empresariales "CEOE"), the Spanish Confederation of Small and Medium-Sized Enterprises (Confederación Española de la Pequeña y Mediana Empresa "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.

14.3 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 2019 it is estimated that the Group's activity generated 3,113 indirect and induced jobs¹, representing an average of 3.29% of the active population of the municipalities where the factories are located. The active population of each town was calculated based on the activity rate of the respective province.

¹ To calculate the indirect and induced jobs, the average workforce of the Ercros Group in 2019 was multiplied by 2.4, following the criteria set out by the Feique.

In 2019 the Ercros Group paid the public authorities EUR 26,000 thousand (2018: EUR 23,528 thousand) in relation to taxes, fees and social security contributions.

To minimise the negative impact of plant closures at the Flix factory, the Ercros Group has a plan to reindustrialise the area. The consulting company, YGroup, which specialises in reindustrialisation processes, has taken on the search for new projects capable of generating employment in this municipality. The Group 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 electrotechnical and automated systems.

14.4 Main activities

The Ercros Group plays an active and committed role in the development of the sectors in which it operates and in the towns where it has its workplaces. It maintains collaborative ties with the educational community and research centres, and supports non-governmental organisations. It also runs campaigns to promote staff health and social volunteering.

The following are main activities carried out in 2019:

a) In the environmental protection field

The main environmental activities are described in chapter 10. Environmental matters.

b) In the social field

- Sponsorship of 24 social entities or initiatives (2018: 17), to which it contributed EUR 108 thousand (2018: EUR 136 thousand), of which the following are of particular note: Conservation and Recovery of Marine Animals Foundation ("CRAM"); the Sebes Nature Reserve in Flix; the Catalan Society of Chemistry (Societat Catalana de Química "SCQ"); the Sustainable Aranjuez Association; the San Vicente de Paul shelter in Aranjuez; the Nadal Jove Volunteers Association in Tortosa; the Forat del Vent Institute in Cerdanyola; the Almussafes Basketball Club; the Photographic Group Association in Monzón; the La Canonja Football Club; the Sant Pere i Sant Pau Volleyball Club in Tarragona; the Institute of the Ebro in Flix; the Sabiñánigo Sports Group; the Sabiñánigo Archers Association; the Ibon Ballet School in Sabiñánigo; and the Friends of Serrablo Association.
- Contributions to business groups amounting to EUR 76 thousand (the same amount as in 2018).

- Purchases made from special employment centres and/or reintegration companies, for a value of EUR 295 thousand (2018: EUR 327 thousand).
- Training two future inspectors for the OPCW in the Almussafes factory.
- Agreements entered into with the Flix Municipal Council to contribute to the proper functioning of the day-care and music school and to carry out a comprehensive intervention in the Company's neighbourhood.
- The agreement reached with the Sabiñánigo Municipal Council, whereby the Ercros Group will finance 75% of the installation of the town's emergency alert system.
- The collaboration agreement entered into with the Alto Gállego region through which the local government has digitised part of the historical documents of the century-old Sabiñánigo factory.

The Group provided sponsorships amounting to EUR 108 thousand in 2019

c) In the health and safety field

- A study of psychosocial risks for all the Group's employees. Based on this study, and depending on the results, the Group will be able to define and implement appropriate measures to prevent these potential risks. The survey, which is voluntary, involved 881 workers, representing 69.3% of the workforce.
- 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.
- 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.

- Among these campaigns the following are of note: the organisation of workshops on healthy breakfasts and sleep hygiene in the pharmaceuticals division; the campaign carried out during the summer months in the Tarragona complex to raise awareness about the benefits of drinking water and warning of the importance of protecting the skin from solar radiation; and the campaign carried out in the corporate offices in Barcelona offering fruit to all employees one day a week.
- The voluntary agreement entered into at the European level with formaldehyde manufacturers to limit workers' exposure to this material, anticipating the EU's regulatory requirements.
- Holding of the 2nd safety poster competition, open to all Group staff and their families, which received 65 graphic submissions.

d) In the training field

- Visits to the Group's production facilities by secondary school and university students throughout 2019.
- Collaboration with the Catalan Society of Chemistry in relation to the International Year of the Periodic Table, to promote activities aimed at young people interested in science and technology.
- Also within the framework of the celebration of the International Year of the Periodic Table, several educational centres in the areas surrounding the factories' used educational material prepared by Ercros to teach the periodic table in compulsory secondary education, post-secondary education and vocational school classes.
- Participation of the Aranjuez factory in the "4º ESO + Empresa" project organised by the Autonomous Community of Madrid to bring the educational system and the working environment closer together.
- Participation, as a collaborating company, in the chemistry department of the University of Valencia to assess the process of obtaining of the Euro bachelor international quality seal.
- Participation in the employment day promoted by Quimicova, the association of chemical companies of the Valencian Regional Community and the University of Valencia, to promote the recruitment of talent among students.
- The collaboration agreement entered into with the University of Barcelona to carry out an archaeological intervention on the grounds of the Flix factory.
- Collaboration with the Valencia Fire Department to train them on safety and chemical emergencies.

- Participation in the Terres de l'Ebre Employment Forum organised by Rovira i Virgili University and the Tortosa Chamber of Commerce, with the aim of attracting and retaining talent in Terres de l'Ebre.

62 students did internships at the Ercros centres in 2019

- Collaboration agreements with secondary schools to hire interns. In 2019, 35 secondary students and students from other centres did their internships at the Group (2018: 30 students).

The schools with which agreements are maintained are: Colegio Salesianos Loyola, Colegio Valle del Miro, IES Islas Filipinas, IES Vicente Aleixandre and IES Lope de Vega in Aranjuez; Institut Vidal i Barraquer and IES Comte de Rius, in the Tarragona Complex; IES Mor de Fuentes in Monzón; IES Biello Aragón and the Centro Público Integrado de Formación Profesional Pirámide in Sabiñánigo; the Centro Público Integrado de Formación Profesional Corona de Aragón in Sabiñánigo and Monzón; IES de l'Ebre in Tortosa and Escola Lluïsa Cura in Barcelona.

- The agreements with the following universities for internships for graduate and postgraduate students: In 2019 27 university students did internships with the Group (2018: 21 students).

The University centres are: the University of Barcelona ("UB"), the Complutense University of Madrid ("UCM"), Rey Juan Carlos University ("URJC"), the Polytechnic University of Madrid ("UPM") and the European University, in Aranjuez; the Polytechnic University of Catalonia ("UPC") in the Tarragona Complex; Rovira i Virgili University ("URV") in the Tarragona Complex and in Tortosa; San Jorge University ("USJ"), Polytechnic University of La Almunia, the Madrid Open University ("Udima"), the University of Zaragoza ("Unizar") and the Autonomous University of Madrid ("UAM") in Sabiñánigo.

e) Collaboration in the research field

- Collaboration programmes with the Centre for Technological and Industrial Development (Centro para el Desarrollo Tecnológico Industrial "CDTI") for the development of a new system for the combined manufacture of magnesium hydroxide and potassium nitrate from common extraction methods in API fermentation processes.

- The ErcrosBio PLA Premium collaboration programme for the development of bioplastic formulations for 3D printing, together with the technological centre Leartiker from Vizcaya and the Catalan Plastic Centre of the Polytechnic University of Catalonia.
- The agreement signed with Leartiker for the development of standard PVC for 3D printing formulations for the Monzón composite factory.
- The agreements for the development of research projects with the Institute of Chemical Technology (Instituto de Tecnología Química "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 Universitat Rovira i Virgili for a project to develop and characterise new types of resins.
- The agreement, through the Office of the Transfer of Research Results ("OTRI") of the University of Zaragoza, to study the possibility of using alternative solvents in the production of hydrogen peroxide.
- Collaboration with the Catalan 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 University of Barcelona and the Polytechnic University of Catalonia for technical advice on the restoration and revegetation of the Terrera Vella mine dump in Cardona.
- The contract with the Instituto Químico de Sarriá ("IQS"), to carry out studies on the development of industrial processes for generic drugs and thermal stabilisation of copolymers
- Participation on the board of trustees of the Foundation for the Development of New Hydrogen Technologies in Aragon.
- Sponsorship of the Autonomous University of Madrid-Ercros chair, the main objective of which is to promote research, teaching and study activities in the field of pharmaceutical chemistry.
- Collaboration on the doctoral thesis "New Bioplastics with Barrier Properties" by José Ignacio Valero, a chemical engineer and member of the Group's R&D+i department. His thesis is the result of a collaboration agreement signed between the Ercros Group and the UPC.

f) In the social volunteering field

- Participation in the Fundación Seur's "Caps for a new life" campaign to collect plastic caps to help treat children with serious health issues. In 2019, 230 thousand caps were collected (2018: 352 thousand).
- The food collection campaign, through which 1,400 kilos of food have been collected for Caritas, the Red Cross and the Food Bank.
- The participation of workers from the Almussafes centre in the 5th Solidarity Race to raise funds for a neurological disease considered rare, organised by the Almussafes Association of Industrial Parks and Estates.
- Collaboration in the project to expand the dining room and kitchen of the Centro de Transeúntes San Vicente de Paul shelter in Aranjuez.

14.5. Awards and recognitions

Throughout 2019, the Ercros Group has been recognised for its good work in different areas, for which it has received the following awards and recognition:

- The Aranjuez, Cerdanyola and Flix factories were awarded the 2018 Safety Award by the Feique. The award recognises production facilities in the chemical industry with more than 50 workers that did not have any work accidents among their own staff in the last year.
- Inclusion in the UN's SDGs good practices dossier, in recognition of the reduction in the rate of greenhouse gas emissions and the total rate of emissions on a like-for-like basis with respect to the previous year.
- The UN Global Compact selected Ercros as one of the 101 best business initiatives to contribute to the fight against climate change
- Internationalisation award presented by the Cerdanyola Business Association in recognition of the export capacity of the factory located there.
- Internationalisation award presented by the Tarragona Chamber of Commerce in recognition of Ercros' work related to foreign trade.

The UN included Ercros in its SDGs good practices dossier

14.6. Knowledge sharing

In 2019 the experience and skills of Ercros staff has led them to participate in conferences, round tables and talks on the most diverse areas of knowledge. The main activities have been:

- The participation of the general business manager in the conference "Climate Change and Energy Transition. Decarbonisation of Industry", organised by the law firm Uría & Menéndez.
- The participation of the chlorine derivatives division's head of R&D+i at the Quimiaragón 2019 Scientific Business Forum during the conference "Contribution of chemistry to sustainable development: 2030 agenda and SDGs".
- The participation of the head of Ercros' environment and quality department in the "Conference on the application of the Spanish Environmental Responsibility Act" organised by Baker Mackenzie, Alenta and Marsh & McLennan in which Ercros shared its knowledge on conducting environmental risk analyses.
- The participation of the head of technical prevention at the Tarragona industrial complex in a talk on occupational health and safety held at the Comte de Rius Institute in Tarragona.
- The manager of the Tarragona industrial complex participated in the second public advisory panel of the Tarragona chemical industry –a space where civil society and the chemical industry can communicate– organised by the AEQT.
- The inclusion of the manager of the Tarragona industrial complex in a round table discussion on the situation of the chemical industry organised in Tarragona by the publication, Indicador de la economía, in collaboration with the AEQT.
- The participation of the Cerdanyola factory's head of industrial relations in the "5th professional training conference" at the La Románica Institute in Cerdanyola, to bring the working world closer to the secondary-level laboratory techniques students.
- The participation of a member of the Group's line personnel from the Sabiñánigo centre's R&D+i department in the round table discussion, "Professional women in engineering and architecture in Aragon" organised by the University of Zaragoza.

- The collaboration of Ercros' head of records management with the University of Barcelona on seminars on research and professional opportunities in the field of archivists.
 - The participation of the head of the department of quality and environment of the chlorine derivatives division in Radio Ciutat de Tarragona's "Study at the URV" programme in relation to the degree in chemistry taught entirely in English offered by the university in Tarragona.
 - The collaboration of the pharmaceuticals division's head of R&D+i in the round table discussion, "Science, technology, and the chemical industry. Designing the future." promoted by Expoquimia as part of the "Expoquimia on the road" programme.
 - The participation of a researcher from the plastics R&D+i department, in the conference held in Bologna (Italy) "PVC pipes in Europe. More than 80 years of sustainable performance." promoted by the PVC4Pipes platform.
 - The participation of the head of biopolymer sales in the master's degree in packaging management offered by the IQS, at the University of Comillas in Madrid.
 - The participation of the head of the basic chemistry R&D+i department in EuroChlor's general assembly to report on the activities carried out by the sodium chlorate commission, which Ercros chairs.
 - The participation of the head of the plastics R&D+i department of the chlorine derivatives division in the 13th Science Festival organised by the Barcelona City Council, with the talk "The chemical elements and their role in the area of health and water".
- ("EPRA"); Asociación de Fabricantes de Química Fina ("Afaquim"); International Methanol Producers and Consumers Association ("IMPCA"); Asociación de Empresas con Gran Consumo de Energía ("AEGE"); European Biocidal Product Forum ("EBPF"); and Plataforma de los plásticos ("EsPlásticos").
 - 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. It should be noted that in 2019 Ercros has assumed greater responsibilities in some of these entities, such as:

14.7 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
- The appointment of Ercros as managing director of Aguas Industriales de Tarragona, S.A. ("Aitasa"), a company that mainly supplies industrial water to chemical companies in Camp de Tarragona through its own distribution network.
- The appointment of Ercros as the industry representative on the board of the Consorci d'Aigües de Tarragona ("CAT").
- The appointment of the manager of Tarragona's industrial complex as chairman and managing director of Dixquímics, the entity that manages the network of pipes that connects the companies in the southern industrial estate to one another and to the port of Tarragona.
- The appointment of Ercros as the representative of the chemical, rubber and plastic industry to the Tarragona Chamber of Commerce.
- The appointment of the manager of the Almussafes factory as chairman of the Management and Modernisation Entity ("Entidad de Gestión y Modernización EGM") of the North Almussafes Industrial Estate.



15

DIALOGUE AND
TRANSPARENCY

15.1 Materiality of the chapter

Transparency in communication and effectiveness in dialogue are essential tools for building trust between companies and their stakeholders. Therefore, the Ercros Group actively communicates and listens to employees, customers, shareholders, authorities and society in general.

Opening the doors of its factories, maintaining a fluid relationship with shareholders, responding promptly to the media, listening to its employees and knowing its customers' level of satisfaction are just some of the tools that the Ercros Group uses to promote dialogue and transparency.

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



15.2 Accountability

Every year the Group publishes a CSR Report, which 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/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 Catalan Regional Government ("Rscat" (<https://treball.gencat.cat/ca/rscat/mapa-experiencies>), 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 code of good governance ("CGG"), which is part of the annual corporate governance report; (ii) with the Responsible Care programme, audited by the Feique; and (iii) with the CSR rating, which aims to improve environmental and social practices by taking advantage of the influence of global supply chains, which EcoVadis rates each year.

The Group reports on the meetings held with the authorities and political groups, as well as with institutional investors and is registered in the stakeholder register of the Catalan Regional Government.

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 voluntary 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.

The public service hotline procedure regulates communication with society.

15.3 Main activities

Throughout 2019, the Ercros Group has carried out many activities to promote dialogue with its stakeholders and to explain its business performance in a transparent manner. Below are the main activities carried out, grouped based on their target audience.

a) With society in general

- The annual economic and financial report, which contains the most relevant economic and financial figures for the year.
- The annual corporate governance report, 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 publication of this CSR Report, 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 2019 the Group worked on a new development that will be active in 2020.
- The digital newsletter that contains the most relevant information published by the Group. 12 newsletters were sent in 2019 to an average of 138 recipients (2018: nine newsletters to an average of 134 recipients).
- Update of the LinkedIn, Vimeo, Flickr, and RSS 2.0 tools.

Ercros encourages dialogue with its stakeholders and explains its activity in a transparent manner

b) With stakeholders

(i) In general

- The celebration of open house days and arranged visits aimed at Ercros Group employees and their families; the educational community; and neighbourhood, business and social associations, etc. In 2019, 35 visits were held at the Group's various facilities, which were attended by a total of 1,308 people (2018: 35 visits with 1,095 participants).
- The workplaces added particular impetus to strengthening their relationship with stakeholders and, therefore, have held 122 meetings with their stakeholders, compared to 44 meetings in 2018.
- The public service hotline, which regulates the submission of complaints, reports and suggestions for improvement. In 2019, as an initial step in promoting the use of this communication tool, an audit was conducted to analyse how little it is used by the stakeholders of the Group's production facilities of the social maps of the factories.

1,308 individuals visited the Ercros facilities in 2019

(ii) With staff

- Internal memorandums are the means of providing specific information to the Group's staff. In 2019, 141 memorandums were sent (2018: 105 memorandums).
- The dialogue improvement plan, a tool to promote internal communication through cascading meetings. In 2019, 963 meetings were held that were attended by 3,936 people (2018: 885 meetings, attended by 4,304 people). Workers from the corporate offices in Barcelona joined the dialogue improvement plan for the first time.
- The internal newsletter associated with the dialogue improvement plan, 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 2019 four newsletters were published –the same number as in 2018– and a new section was added entitled "Our people", which will contain an interview with an Ercros employee in each publication.

- 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 2019, 25 improvement suggestions were submitted (2018: 37 suggestions).
- Open house days for employees, family members and former employees in Vila-seca I, Aranjuez, Almussafes and Tortosa.
- Team building days held for staff of the corporate offices in Barcelona.
- The participation of the workers of the Tarragona industrial complex in the "16th Sustainability Conference", with the aim of sharing knowledge related to quality, the environment, technical and health prevention, energy and compliance with the code of ethics.

(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 office and policy for contacting and communicating with shareholders, institutional investors and voting advisors. In 2019 the shareholder office responded to 235 requests for information (2018: 217). It also sent 30 briefing notes (2018: 59) to the 278 shareholders (2018: 263) who requested them.
- 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.

(iv) With the securities market

- Significant events disseminated through publication on the websites of the CNMV and Ercros, which are the means of communication with the securities market. In 2019 the Group issued 34 significant events (2018: 63 significant events). This decrease is due to the completion in March 2019 of the treasury share purchase programme, during which significant events were sent each week.
- Regular meetings with investors who follow Ercros' market price. In 2019 the Group held 65 meetings with analysts and investors (2018: 59 meetings).
- Participation in a roadshow in Madrid and Barcelona in which the Group contacted 14 fund managers.
- The participation in the 2019 MedCap Forum in Madrid where Spanish medium and small cap companies held meetings with European investors. 65 contacts were made with analysts and fund managers, 8 of them foreign (2018: 59 contacts, 12 of them foreign).

(v) With media

- Press releases are the main tool for contact with the media. In 2019, 68 press releases were issued (2018: 101). This decrease is due to the completion in March 2019 of the treasury share purchase programme, during which a press release was sent each week.
- The press conference to announce the annual results for the previous year, given by the Chairman of Ercros, Antonio Zabalza, held at the Group's corporate offices.
- Conducting interviews, responding to requests for information or writing articles were other activities carried out in the interest of information transparency.

(vi) With neighbours

- Announcements of general or local interest, that are distributed by the factories to their external stakeholders. In 2019 an average of 14 announcements per factory were issued (2018: 9 announcements).
- The visit by the representatives of the Casa de Aragón to the factory in Cerdanyola

(vii) With authorities

- The visit of the secretary general of industry and small and medium enterprises of the Ministry of Industry, Trade and Tourism to the Tortosa factory, to see the expansion of the centre's production capacity and improvements made in relation to its energy efficiency.
- The director general of industry's visit to the Vila-seca I facilities to see *in-situ* the improvements and expansion of production capacity carried out at this factory.
- The visit of the mayor of Campredó district of the municipality of Tortosa to the factory there.
- The visit of the first deputy mayor of Flix to the factory to see some equipment that is no longer in use that could be donated to the science museum, which would be part of the museums of Catalonia.
- The participation of the manager of the Almussafes factory in a business meeting on digital transformation with the mayor of Almussafes and the director general of industry and energy of the Regional Government of Valencia.
- The visit of representatives of business associations from Cerdanyola, Montcada and Ripollet and members of the Cerdanyola Municipal Council and the Autonomous University of Barcelona to the Cerdanyola factory.
- The recognition of transparency by the OPCW following the inspection of the Almussafes factory, as part of the random inspections of production facilities in member countries. International inspectors and representatives of the Ministry of Industry, Trade and Tourism and the Spanish Army participated in the visit.

(viii) With customers

In 2019 Ercros participated in three international fairs with its own stand:

- The Pharmaceutical Division presented its APIs at the Pharmaconex and Convention on Pharmaceutical Ingredients ("CPhI") Worldwide trade fairs in Cairo and Frankfurt, respectively. Agents, customers and suppliers visited Ercros' stands with the aim of opening up new business channels and commercial opportunities.
- The swimming pool water treatment business participated in the Pool & Wellness Fair held in Barcelona, where the new tablets for treating swimming pool water that incorporate fragrances using micro-encapsulation were presented. The new packaging designs for Ercros' own brands, Delsa and Azuli, were also on display at the fair.

In addition, line personnel and sales staff from the Group's three divisions participated in the industry's most important trade fairs.

- The pharmaceuticals division participated in the DCAT fair, held in New York; the Farmaforum fair, held in Madrid; the Pharmagreb fair held in Algiers; and the CPhI fairs held in Shanghai, Abu Dhabi and New Delhi.
- The chlorine derivatives division participated in the Spatex fair, held in the United Kingdom; the Tecnova fair, held in Madrid; the Pool and Spa Expo fair, held in New Orleans; the Smagua fair, held in Zaragoza; the Identiplast fair, held in London; the Vinyl Sustainability Forum, held in Prague; the Chemplast fair, held in Madrid; and the K-2019 fair, held in Düsseldorf.
- The intermediate chemicals division participated in the Interzum fair, held in Cologne; the Ligna fair, held in Hannover; the congress on sustainable chemistry organised by SusChem, held in Madrid; the Baekeland international symposium, held in Tarragona; the Sicam fair, held in Pordenone (Italy); the Exposólidos+Polusólidos fair, held in Barcelona; the Powtech 2019 fair, held in Nuremberg; the European Coating Show, held in Nuremberg; the American Fuel & Petrochemical Manufactures fair, held in Texas; the European Mini-conference Methanol, held in Porto; the European Petrochemical Association, held in Berlin; the International Furniture Components and Accessories Show in Pordenone; the Trade Fair for Plastics and Rubber, held in Düsseldorf; and the Latin American Petrochemical Annual Meeting, held in Buenos Aires.

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. 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. It also carries out periodic internal controls to determine the degree of compliance with the dialogue improvement plan and the satisfaction of its employees.

External audits enable Ercros to assess its efficiency and effectiveness

15.4 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 Ernst & Young ("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 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 visit Report is verified by Bureau Veritas in accordance with Spanish Law 11/2018, of 28 December. In the past, every time that it has done so, it has given it a rating of "excellent".

A close-up photograph of an elderly person's hand holding a black pen, writing on a medical chart. The chart has a grid with various medical indicators like 'PAIN', 'GLUCOSE', 'TEMP', 'CO SAT', 'PR', 'HR', 'RR', 'TAC', and 'PATIENT NAME'. The background is a solid green color.

16

DEGREE OF
COMPLIANCE WITH
THE INDICATORS
CONTAINED IN THE
CSR GUIDE FOR THE
CHEMICAL AND LIFE
SCIENCES INDUSTRY

Verification certificate



16.1 Ethics and values

A. Basic level:

1. Existence of certain fundamental social responsibility values or principles at the Ercros Group

Yes.

2. Existence of a monitoring and control system for legal requirements affecting the business

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

In other areas (labour, trade, tax, finance, etc.), the Group subscribes to various publications, databases and alert services.

3. Existence of a register of complaints of unfair competition

Yes.

4. Effective member of a business association

Several of them, both sectoral and regional in scope [see chapter 14.7].

5. Existence of a formal code of ethics and conduct

Yes [see chapters 8.2 b) and 9.4].

B. Advanced level:

6. Existence of an ethical management programme or policy for the implementation of social responsibility

Yes. The Company has a CSR policy approved by the board, which was updated on 18 February 2016 to adapt its content to recommendation 54 of the CGG.

7. Effective commitment to Responsible Care

Yes, since 1994.

8. Effective commitment to aspirational principles of social responsibility

To the Global Compact programme and the EcoVadis' CSR rating [see chapter 8.3].

C. Level of excellence:

9. Public dissemination of the code of ethics

The Group carries out dissemination campaigns to raise awareness and, where appropriate, compliance with the code of ethics among its stakeholders, which can be consulted on the website. Employees and providers of logistics, goods and services have undertaken to comply with the standards of this code.

10. Existence of specific training on ethical values

The Group provides specific training on ethical values to its staff and, in particular, to new employees.

11. Existence of internal dialogue mechanisms: CSR committee and dedicated manager

The ethics and social responsibility committee (comité de ética i responsabilidad social "CERS") –which is composed of the heads of the areas directly involved in social responsibility– is responsible for advising management on initiatives related to social responsibility; identifying risks related to social responsibility; and preparing the CSR Report. The CERS is a standing committee that acts as a consultative, internal, collective body and meets twice a year.

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

12. Existence of an anti-corruption policy

Yes [see chapter 9.5].

13. Number of convictions related to discrimination, corruption, bribery and competition laws

None.

16.1 Ethics and values

14. Effective commitment to social responsibility initiatives

The Group has been a member of the Global Compact programme, promoted by the UN, and indirectly, of Forética (owner of the SGE21 standard) through the Feique since 2000.

15. Measurement of indicators, their evolution and improvement targets

Yes.

16. Publication and presentation of a social responsibility report

Yes [see chapter 15.2].

16.2 Human resources

A. Basic level:

1. Convictions/sanctions related to legal requirements on integration of the disabled, occupational risk prevention, the Spanish Equality Act, etc.

None.

2. Existence of an equality plan

Yes [see chapter 12.2].

3. Existence of a human rights plan

There is no human rights plan defined as such but its contents are covered by the equality plan and the Global Compact programme.

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

None.

5. Accident frequency rate among own staff

Between 2018 and 2019 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 22% compared to last year from 1.8 in 2018 to 1.4 in 2019.

6. Fatal accidents among employees

No.

B. Advanced level:

7. Accident frequency rate among contractors

In 2019 the rate was 4.6 (2018: 7.2).

8. Existence of a prevention policy

Yes.

9. Fatal accidents among contractors

No.

10. Occupational disease rate among employees

0.

11. Application of the collective agreement

Yes, the XIX general agreement for the chemical industry for the 2018–2020 period and the 1st agreement to improve the general collective agreement for the chemical industry are in force.

12. Absenteeism rate (calculated based on the parameters of the collective agreement for the chemical industry)

In 2019 the rate was 4.4% (2018: 3.9%).

13. Implementation of a certified health and safety management system

All production facilities have their occupational health and safety management system certified by AENOR in accordance with the OHSAS 18001 standard.

14. Percent of jobs with job descriptions

All jobs have job descriptions.

15. Satisfaction surveys every three years

Yes.

16. Percent of indefinite-term contracts

In 2019 indefinite-term contract accounted for 90.1% of total contracts (the same percentage as in 2018).

17. Employees with performance evaluations

None.

18. Existence of training plans

Yes [see chapter 11.6].

19. Existence of a welcome manual for new employees

Yes [see chapter 11.6].

16.2 Human resources

20. Training hours per employee

An average of 33.9 hours of training per employee (2018: 37.5 hours)

21. Employee training investments and expenses

The expense incurred in training amounted to EUR 337 thousand (2018: EUR 302 thousand), of which EUR 195 thousand came from the subsidy granted by Fundae.

22. Percent of employees who have received training

In 2019, 93% of the workforce (the same percentage in 2018) received training.

23. Percentage of employees who are women

In 2019 women represented 16.5% of the workforce (2019: 15.7%).

24. Percentage of executives who are women

Between 2018 and 2019, 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 20.0% to 20.7%, since there was one male executive less in 2019 (from 31 to 29 executives) [see chapter 12.4].

25. Participation of employee representatives in training matters

Through the training committee that prepares the annual training plan. This joint committee is comprised representatives of the Ercros Group management and the employees.

26. Participation of employee representatives in the health and safety matters

The unions form part of the security, occupational health and environment committee, as well as the health and safety committees at each workplace.

27. Participation of employee representatives in environmental matters

The unions also form part of the security, occupational health and environment committees, as well as the health and safety committees at each workplace.

C. Level of excellence:

28. Existence of talent management programmes

Given that the level of staff turnover is very low, the Group does not feel it is necessary to implement talent management programmes. However, when it considers it necessary, it applies active policies to retain its employees; by way of salary or by paying for master's and postgraduate degrees.

29. Existence of career plans

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

30. Existence of measures related to flexible working hours that support a work-life balance

Yes [see chapter 12.7].

31. Programmes to promote telecommuting

Yes. The Group offers its employees the necessary resources to perform all or a portion of their work from home when the type of work permits.

32. Work-life balance policy

Yes [see chapter 12.7].

33. Existence of contractor training programmes

Yes, mainly on risk prevention, occupational health and environmental protection.

34. Hours of contractor training

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2019 these companies' staff received 3,550 hours of training (2018: 1,217 hours).

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

Yes [See chapter 8.2 c)].

36. Existence of a diversity management policy

Yes [see chapter 12.8].

16.2 Human resources**37. Existence of measures to support studying**

Yes [see chapter 12.7].

38. Existence of repayable advances

Yes [see chapter 12.7].

39. Existence of pension plans

Yes [see chapter 12.7].

40. Existence of life and accident insurance

Yes [see chapter 12.7].

41. Existence of health insurance

Yes [see chapter 12.7].

42. Existence of disease prevention, vaccination, etc. campaigns

Yes [See chapter 14.4 c)].

43. Existence of work cafeteria, vouchers or supplements for food

Yes [see chapter 12.7].

44. Existence of transport bonuses or supplements

Yes [see chapter 12.7].

45. Existence of maternity/paternity support measures

Yes [see chapter 12.7].

46. Existence of employee stock options

No.

47. Employee volunteering activities and programmes

See chapter 14.4 f).

48. Existence of a contingency plan

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

16.3 Shareholders and investors

A. Basic level:

1. Identification of values and objectives related to transparency, loyalty and sustainable value creation

The values and objectives are defined in the Ercros Group's mission and principles of conduct.

2. Identification of responsible parties

There is a shareholder office [see chapter 15.3 b) (iii)].

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

In 2019 the degree of compliance with the recommendations contained in the CGG for listed companies applicable to the Group stood at 94.2% (2018: 96.2%).

4. Publication of the annual corporate governance report

Yes.

5. Significant events and other communications to the regulatory bodies

In 2019 the Group submitted 34 significant events (2018: 63 significant events).

6. Number of meetings of the annual general meeting

On 14 June 2019, the Company held its annual general meeting (2018: 15 June 2018).

7. Attendance at the annual general meeting

The meeting was attended by 7,315 shareholders owning 78,974,341 shares, representing 73.208% of the subscribed capital.

8. Presentations of results achieved

Each year, two reports are presented corresponding to the Ercros Group's results in the first and second half of the year and two interim notes, with the results for the first and third quarters.

B. Advanced level:

9. Existence of a shareholder area on the web page

The web page has a specific section for "Shareholders and investors" in accordance with the requirements of Circular 3/2015 of the CNMV, which includes the improvements introduced in 2018 to respond to the information needs of shareholders [see chapter 15.3 b) (iii)].

10. Existence of specific shareholder relations systems

The Ercros Group has a shareholder office with a dedicated manager who channels the dialogue and the relationship with shareholders and investors. It also has a procedure that regulates the operation of the shareholder office and a policy for communicating with and contacting shareholders, institutional investors and voting advisors [see chapter 15.3 b) (iii)].

C. Level of excellence:

11. Existence of a dedicated manager responsible for the dialogue with shareholders

The manager of the shareholder office.

12. Existence of periodic newsletters for shareholders

No.

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

13. Existence of regular meetings.

Yes [see chapter 15.3 b) (iii)].

14. Existence of mechanisms to encourage participation

Shareholders are encouraged to participate in the general meeting through absentee and proxy voting and by paying for attendance.

15. Inclusion of the Ercros Group in sustainability ratings

The Ercros Group has been participating in the EcoVadis CSR rating since 2013 [see chapter 8.3].

16.4 Environmental matters

A. Basic level:

1. Existence of an environmental/sustainability policy

The Group has a sustainability policy that provides the reference framework that governs the Ercros Group's actions in relation to sustainability matters and aims to protect people and the environment, ensure product stewardship and satisfy the needs of its customers.

2. Commitment to pollution prevention

Yes [see chapter 10.2 a)].

3. Biennial report on environmental matters associated with the business

Reporting on environmental matters associated with the Ercros Group's activity is included in the directors' report and in the CSR Report, which are published annually.

4. Convictions and serious sanctions

See chapter 10.6.

5. Value of fines for non-compliance with legal requirements

See the answer above.

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

In 2019 there were no incidents or accidents at the Group's production facilities with environmental consequences. Yes, there were two accidents involving two trucks from the Tortosa and Sabiñánigo centres without consequences for either the drivers or the environment [see chapter 10.5 d)].

B. Advanced level:

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

Yes, 100%.

8. Environmental protection investments and expenses

The expenses incurred by the Group for the protection and improvement of the environment in 2019 amounted to EUR 18,804 thousand (2018: EUR 16,770 thousand).

9. Hours per employee of safety and environmental awareness/training

In 2019 each employee received an average of 9.8 hours of training on safety and the environment (2018: 10.4 hours).

10. Water consumed per tonne produced

The specific water consumption was 9.96 m³ per tonne produced in 2019 (2018: 10.97 m³/tonne).

11. Energy consumed per tonne produced

The consumption of electricity and other fuels in 2019 was 5.32 GJ per tonne produced (2018: 5.71 GJ/t).

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

In the absence of external verification, in 2019, the Ercros Group emitted 0.388 tonnes of CO₂eq per tonne produced (2018: 0.432 t of CO₂eq/t).

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

In 2018 the Ercros Group emitted 0.00013 tonnes of nitrogen oxide per tonne produced. At the time of the approval of this CSR Report –21 February 2020– the Group did not yet have the data corresponding to 2019, so it will be reported on in the next CSR Report. In 2017 the Ercros Group emitted 0.00012 tonnes of nitrogen oxide per tonne produced.

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

In 2018 the Ercros Group emitted 0.00006 tonnes of sulphur dioxide per tonne produced. At the time of the approval of this CSR Report –21 February 2020– the Group did not yet have the data corresponding to 2019, so it will be reported on in the next CSR Report. In 2017 the Ercros Group emitted 0.00007 tonnes of sulphur dioxide per tonne produced.

16.4 Environmental matters

15. Tonnes of suspended solids ("SS") emitted per tonne produced

In 2018 the Ercros Group emitted 0.000017 tonnes of suspended solids per tonne produced. At the time of the approval of this CSR Report –21 February 2020– the Group did not yet have the data corresponding to 2019, so it will be reported on in the next CSR Report. In 2017 the Ercros Group emitted 0.000009 tonnes of suspended solids per tonne produced.

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

In 2019 the Ercros Group emitted 0.00080 tonnes of volatile organic compounds per tonne produced (2018: 0.00107 t/t).

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

In 2019 the chemical oxygen demand of the Ercros Group's discharges was 0.00037 tonnes per tonne produced (2018: 0.00037 t/t).

18. Tonnes of heavy metals discharged per tonne produced

In 2018 the Ercros Group emitted 0.0000023 tonnes of heavy metals per tonne produced. At the time of the approval of this CSR Report –21 February 2020– the Group did not yet have the data corresponding to 2019, so it will be reported on in the next CSR Report. In 2017 the Ercros Group emitted 0.0000015 tonnes of heavy metals per tonne produced.

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

In 2018 the Ercros Group emitted 0.000013 tonnes of phosphorus per tonne produced. At the time of the approval of this CSR Report –21 February 2020– the Group did not yet have the data corresponding to 2019, so it will be reported on in the next CSR Report. In 2017 the Ercros Group emitted 0.0000077 tonnes of phosphorus per tonne produced.

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

In 2018 the Ercros Group emitted 0.000021 tonnes of nitrogen per tonne produced. At the time of the approval of this CSR Report –21 February 2020– the Group did not yet have the data corresponding to 2019, so it will be reported on in the next CSR Report. In 2017 the Ercros Group emitted 0.000011 tonnes of nitrogen per tonne produced.

21. Total tonnes of waste generated per tonne produced

In 2019 the Ercros Group generated 0.045 tonnes of total waste per tonne produced (2018: 0.071 t/t).

22. Tonnes of hazardous waste generated per tonne produced

In 2019 the Ercros Group generated 0.0070 tonnes of hazardous waste per tonne produced (2018: 0.0105 t/t).

23. Percentage of recovered waste in relation to waste generated

In 2019 the Ercros Group's recovered waste accounted for 5.5% of the total waste generated (2018: 6.5%).

24. Description of recovery projects

See chapter 10.7 a).

C. Level of excellence:

25. Description of programmes or actions to protect habitats and biodiversity

See chapter 10.7 b).

16.5 Supply chain/suppliers and contractors

A. Basic level:

1. Existence of control mechanisms for raw material records

The Ercros Group checks that the uses of the products it manufactures are included in the exposure scenarios ("ES") of the Safety data sheets ("SDS") supplied by the raw materials suppliers. It also checks and has the certifications of all packaging intended for the shipment of dangerous goods.

B. Advanced level:

2. Do agreements with suppliers include ethical and human rights clauses?

Yes [see chapters 8.2 b) and 13.2].

3. Do agreements with suppliers include safety, health and environmental clauses?

Yes. In its agreements with suppliers, the Ercros Group includes an initial accreditation and in their agreements and/or orders they must include clauses on safety, environmental protection and ethical compliance.

4. Existence of supplier/contractor assessment procedures

Yes [see chapter 13.2].

C. Level of excellence:

5. Description of success stories

See chapter 13.3 e).

6. Supplier/contractor audits

The integrated logistics management conducts audits of suppliers, carriers and storage terminals, as well as annual assessments.

7. Hours of training for suppliers/contractors

In 2019 the staff of companies providing goods and services received 3,550 hours of training (2018: 1,217 hours).

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

Yes [see chapter 13.2].

9. Existence of intranet for suppliers/contractors

Indirectly from the AEQT. The Ercros Group favours direct and personal communication via email.

10. Working group meetings

Each factory has an inter-company committee comprised representatives from the facility and contractors, that coordinates the activities related to prevention, the accident rate, management procedures, training plans, etc. In 2019 the inter-company committees among all the factories held 19 meetings (2018: 20 meetings).

16.6 Customers and consumers

A. Basic level:

1. Penalties and/or convictions in relation to regulations on the registration, evaluation and authorisation of chemicals ("Reach") and the classification, labelling and packaging of chemicals ("CLP").

None.

2. Existence of confidentiality or customer data protection clauses

The collaboration agreements signed with future customers and customers in charge of developing new products include confidentiality clauses. All agreements signed by the Ercros Group include a data protection clause in relation to the data of the signatory parties.

3. R&D+i expenses

In 2019 investments and expenses related to innovation and technology amounted to EUR 6,099 thousand (2018: EUR 5,983 thousand).

4. Existence of a register of claims and their resolution

There is an internal procedure for customer claims, which explains how claims should be handled and the minimum data to be included in the claims register.

5. Accidents per tonne transported

On 9 April, there was an accident involving a tanker transporting formaldehyde from the Tortosa factory. There were no injuries or spillage of product, which was transferred to another tanker for removal.

On 26 August, an accident occurred when a truck carrying a container of liquid chlorine from the Sabiñánigo factory overturned. The accident had no consequences either for the driver or for the environment, as the container was fitted with safety measures to protect it in the event of tipping.

B. Advanced level:

6. Existence of a customer care service

Yes, the customer service centre ("CSC") [see chapter 13.4 b)].

7. Claim rate

In 2019 the claim rate, which measures the volume of non-compliant products issued in relation to the total volume issued, was 0.216 (2018: 0.262).

8. Customer satisfaction surveys

The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2019, 904 customer surveys were sent with a response rate of 22.5% (2018: 1,389 surveys).

9. At least 85% of the production activities are subject to quality certification

100% [See chapter 13.4 c)].

10. Safety data sheets on marketed products

Yes [see chapter 13.4 d)].

C. Level of excellence:

11. Life cycle analysis of the main products

The Ercros Group has not carried out the life cycle analysis of its products as such, but it designs, produces and distributes its products from a life cycle perspective to minimise their impact.

12. Percentage of products for which there is a risk analysis in terms of their use, consumption and disposal

All the dangerous chemicals that the Ercros Group buys and sells have their SDSs containing the corresponding exposure scenarios.

13. Endorsed voluntary initiatives aimed at the control and safe use of chemicals

See chapter 13.4 d).

14. Complaints and/or sanctions related to the marketing and advertising of products and services.

Not applicable to the Ercros Group¹.

¹ Ercros does not carry out any marketing or advertising activities.

16.6 Customers and consumers

15. Portal or area for consumers and customers

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

16. Existence of an accessibility policy and actions

The Ercros Group's facilities contain proper signage, in several languages.

For safety reasons, due to the type of products manufactured, the Group's production facilities have restricted access for people with severe physical disabilities.

17. Description of success stories about improvements to existing products

See chapter 13.4 e).

18. Description of success stories about packaging materials, packing and packaging

See chapter 13.3 e).

19. Description of success stories about distribution efficiency

See previous indicator.

16.7 Contribution to and cooperation with society

A. Basic level:

1. Identification of products and their contribution to social welfare (direct and indirect)

The Ercros Group has different information media that explain the applications of the products it markets and their social contribution: the web page, the CSR Report, the corporate video, etc.

B. Advanced level:

2. Direct jobs generated

In 2019 the Ercros Group's average workforce was 1,297 people (2018: 1,290 people).

3. Indirect and induced jobs generated

In 2019 it is estimated that the Group's activity generated 3,113 indirect and induced jobs (2018: 3,096 jobs) [see chapter 14.3].

4. Total employment generated/employed in the municipality

The employment generated by the Ercros Group represents an average of 3.29% of the active population in the municipalities where the production facilities are located ¹.

5. Billings/sales

In 2019 sales amounted to EUR 638,737 thousand, slightly less (0.1%) than the previous year's sales of EUR 639,543 thousand.

6. Value of total investments made

In 2019 the investments made amounted to EUR 33,572 thousand (2018: EUR 31,586 thousand).

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

In 2019 the Ercros Group paid the public authorities EUR 26,000 thousand (2018: EUR 23,528 thousand) in relation to taxes, fees and social security contributions.

8. Displaced or resettled populations

None.

9. Integration initiatives implemented

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

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

See chapters 10.2 and 10.5.

C. Level of excellence:

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

In 2019 the value of sponsorships per employee was EUR 83.3 (2018: EUR 105.7 euros).

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

Not applicable ².

13. People in disadvantaged circumstances or at risk of exclusion in employment

None.

14. Description of voluntary initiatives or actions aimed at ensure community health and safety

See chapter 14.4 c) and f).

15. Value of purchases made from special employment centres and/or integration companies

In 2019 the Ercros Group made purchases from special employment centres and/or reintegration companies amounting to EUR 295 thousand (2018: EUR 327 thousand).

¹ The active population of each town was calculated based on the activity rate of the respective province.

² The Ercros Group's portfolio does not allow for this type of activity.

16.7 Contribution to and cooperation with society

16. Description of infrastructure and public service projects in the community

See chapter 14.4 b).

17. Existence of training programmes for the local community

The production facilities have agreements with local academic centres to hire student trainees [see chapter 14.4 d)].

18. Activities carried out with the educational community (schools, vocational training centres and universities)

See chapter 14.4 d).

19. Activities carried out with the media

In 2019, 68 press releases were issued (2018: 101 press releases). The communications department attends to and facilitates the work of the media with respect to the Ercros Group [see chapter 15.3. b) (v)].

20. Activities carried out with the public authorities

See chapter 15.3 b) (vii).

21. Activities carried out with the legislative chambers

See chapter 15.3 b) (vii).

22. Activities carried out with business organisations

See chapter 14.7.

23. Activities carried out with trade unions

The Ercros Group maintains frequent personal contact with the trade union organisations represented in the Group and participates in the seminars and events organised by them [see chapter 11.4].

Contributions to employee business groups in 2019 amounting to EUR 76 thousand (the same amount as in).

Indirectly, through the Feique, the Ercros Group participates in institutions with a trade union presence, such as the Observatory of Chemistry and the Forum for Chemistry and Society.

24. Activities carried out with consumer and user organisations

The Ercros Group participates, through Cicloplast, in the Packaging and Society platform that acts as a forum for dialogue and the exchange of experiences between organisations, institutions and citizens.

25. Activities carried out with environmental groups

The Ercros Group, together with the Natura Freixe group, is involved with the board of trustees of the Sebes Nature Reserve, located across from the Flix factory, and in the committee for monitoring the Sebes management plan [see chapter 14.4 b)].

26. Activities carried out with professional organisations

Through the business organisations in which it participates.

27. Activities carried out with the scientific community (centres, universities, etc.)

See chapter 14.4 e) and 14.6.

28. Activities carried out with neighbouring companies

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

29. Activities carried out with neighbourhood associations

By sending information and documentation of interest from the Ercros Group [see chapter 15.3 b) (vi)].

30. Activities carried out with other associations or groups (cultural, sports, social, etc.)

See chapter 14.4 b) and f).

16.8 Communication and dialogue

A. Basic level:

1. Existence of a person with assigned communication functions

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

2. Existence of a corporate publication

The internal newsletter associated with the Dialogue Improvement Plan, which contains the information provided at the cascading meetings. In 2019, 4 newsletters were published (the same as in 2018) [see chapter 15.3 b) (ii)].

3. Existence of a web page

Yes, www.ercros.es.

4. Existence of an internal communication procedure

Yes, the Ercros Group has an internal corporate communication procedure.

B. Advanced level:

5. Existence of a web page in Spanish

The corporate web page is in Spanish, English and Catalan.

6. Publication of the annual report

Every year, the Ercros Group presents the economic and financial report, the corporate governance report, the report on director remuneration and the corporate social responsibility report [see chapter 15.2].

7. Issuance of public announcements

The Ercros Group periodically sends out announcements that are of general or local interest, which are distributed to external stakeholders based on their content. In 2019 an average of 14 announcements per workplace were issued (2018: nine announcements).

8. Existence of a protocol for the management and evaluation of suggestions, queries, complaints, requests or the like

For suggestions, queries or complaints from external stakeholders, the Ercros Group has the public service hotline procedure and the suggestion contest that channels and rewards suggestions for improvement proposed by staff. In 2019, 25 improvement suggestions were submitted (2018: 37 suggestions).

9. Existence of recorded internal meetings

Through the Dialogue Improvement Plan, which is a tool to promote internal communication through cascading meetings that has been implemented at all of the Group's workplaces. In 2019, 963 cascading meetings were held that were attended by 3,936 people (2018: 885 meetings, attended by 4,304 people).

C. Level of excellence:

10. Regular publication of a sustainability report or CSR Report

The Ercros Group prepares the CSR Report, which has been published annually since 2016.

11. Existence of a regular external newsletter

Since 2014, the Ercros Group has had a digital newsletter, which can be requested through the corporate web page and that allows recipients to periodically receive the most relevant news published by the Ercros Group [see chapter 15.3 a)].

12. Organisation of external open house days

See chapter 15.3 b) (i).

13. Existence of a protocol for the management of external suggestions

The public service hotline procedure [see chapter 15.3 b) (i)]

14. Existence of a public advisory panel

Through the Feique and the AEQT.

16.8 Communication and dialogue

15. Description of CSR campaigns

The Ercros Group carries out several social responsibility campaigns each year [see chapter 14.4].

16. Regular opinion surveys

In 2019 the production facilities did not conduct opinion surveys among their stakeholders, as these are conducted every three years.

17. Use of the 2.0 tools

Use of the 2.0 tools, Vimeo, Flickr, LinkedIn and RSS.

18. Existence of an intranet or staff area

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

19. Existence of regular internal newsletter

The newsletter associated with the dialogue improvement plan. Four newsletters were published in 2019 (the same number as in 2018).

20. Organisation of open house days for employees and/or family members

The celebration of open house days and arranged visits aimed at Ercros Group employees and their families; the educational community; and neighbourhood, business and social associations, etc.

In 2019, 35 visits were held at the Group's various facilities, which were attended by a total of 1,308 people (2018: 35 visits with 1,095 participants).

17 / RESPONSIBILITY FOR THE STATEMENT OF THE NON-FINANCIAL INFORMATION



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 21 de febrero de 2020, ha aprobado el estado de información no financiera correspondiente al ejercicio anual terminado el 31 de diciembre de 2019, 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, 21 de febrero de 2020

Antonio Zabalza 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

DIRECTORY

Corporation

Headquarter

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

Shareholders office

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

Chlorine derivatives division

Headquarter

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

Basic chemicals

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

Customer service centre ("CSC")

E-mail: cac@ercros.es

East zone:

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

West zone:

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

Export:

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

Sales office in France

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

Plastics

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

Customer service centre ("CSC")

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

Water treatment

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

Customer service centre ("CSC")

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

Production facilities

Flix factory

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

Monzón factory

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

Sabiñánigo factory

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

Tarragona industrial complex

Tarragona factory

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

Vila-seca I factory

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

Vila-seca II factory

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

Intermediate chemicals division

Headquarter

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

Customer service centre ("CSC")

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

Sales office in China

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

Innovation and technology department

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

Production facilities

Almussafes factory

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

Cerdanyola factory

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

Tortosa factory

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

Pharmaceuticals division

Headquarter and Aranjuez factory

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

Commercial department

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

This report on corporate social responsibility was published
in Barcelona in April 2020.

Coordination: General secretariat of Ercros

© Ercros, S.A. April 2020

Design: maestra vida s.l.



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