



Ercros

**CORPORATE SOCIAL
RESPONSIBILITY REPORT**

STATEMENT OF NON-FINANCIAL INFORMATION

2022



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To avoid the repetition of terms and facilitate reading, unless the context otherwise dictates, any use of the masculine pronoun in this document is to be read so as to refer indistinctly to all persons, men or women.

1

LETTER FROM THE CHAIRMAN



Dear Madams and Sirs,

Although 2022 was the year we put the global coronavirus epidemic behind us, it was also the year of the war in Ukraine and its consequences, including the exponential rise in energy prices. For Ercros, 2022 represented a year of great challenges, but also one in which the company's strong management made it possible to achieve very good results.

In 2022, we made further progress in our commitment to environmental protection, ethical governance and social responsibility, as reflected in our scoring in the most prestigious international indices. The Group scored 84 points out of 100 in the CSR EcoVadis rating, placing us in the top 1% of companies. In the evaluation questionnaire of the Responsible Care programme, a worldwide chemical industry initiative, the Ercros Group scored 81 points out of 100. Lastly, in the ESG rating prepared by the Spanish Institute of Financial Analysts ("IEAF"), the Group scored 78 out of 100.

Similarly, in 2022 the Ercros Group certified compliance with its Good Corporate Governance Index with the highest rating, G++, and completed the Carbon Disclosure Project ("CDP") questionnaire.

Furthermore, in 2022, the Ercros Group presented, for the first time, the map of impacts derived from the risks and opportunities associated with climate change. It has also updated its criminal risk map to include two new offences: sexual harassment and offences against moral integrity. In addition, it updated all the procedures contained in the criminal risk

prevention manual to detail the actions of Ercros Group employees in the event of possible offences of fraud, bribery, financial misrepresentation or money laundering, among others.

To comply with European regulations, Ercros determined the level of alignment of its activities with the EU taxonomy. The result of this study reflects that chlorine manufacturing and vinyl chloride manufacturing activities are aligned with the goal to adapt to climate change.

In keeping with this alignment, the investments set out in the 3D Plan, which is based on three pillars: diversification, digitalisation and the fight against climate change, were carried out throughout the year according to schedule. The plan envisages a total investment of EUR 69 million in the period 2021-2025, and aims, among other goals, to reduce direct CO₂ emissions by 39% in 2025 compared to 2020, in line with the Group's carbon neutrality target for 2050. It should be noted that there was a 6.3% reduction in Scope 1 and 2 emissions per tonne produced in 2022 compared to the previous year.

The Ercros Group's average headcount is 1,348 people, representing a slight increase and reflecting the previous year's trend. Women account for 17.7% of the workforce, compared to 17.2% the previous year, confirming the upward trend in the number of women in the company and demonstrating the Group's active commitment to equality.

In 2022, the Ercros Group presented the Equality plan for the next four years, updating its equality and non-discrimination policy, which ratifies and renews the Group's commitment to achieving full equality; guaranteeing non-discrimination; and preventing and sanctioning sexual harassment. In addition, the Group conducted a remuneration audit which concluded that there was no gender-based pay discrimination in the workforce.

Absenteeism due to common illness improved slightly last year from 5.6% to 5.3%; however, this rate is still too high and the Group is working to improve it.

Meanwhile, accidents increased in 2022: the accident frequency rate stood at 3.1 compared to 1.8 in 2021. Of particular note is the increase in commuting accidents. In response to this problem, the Group launched a campaign aimed at all employees to prevent accidents during commuting between the workplace and home with the slogan "Stay alert on the move!". Feique has awarded the Tortosa, Cerdanyola and Sabiñánigo factories the 2021 Safety Award, given to chemical industry production centres with more than 50 workers that did not record any accidents with or without sick leave among their own staff.

Staff training is one of the pillars of the Group's competitiveness; in 2022, 93% of the workforce received training. Specifically, 547 learning actions were coordinated, attended by 4,218 people and involving 33,340 teaching hours. It should be noted that,

as part of the Equality plan, the Group's staff has been trained in equality, non-discrimination and non-sexist language.

Similarly, the Ercros Group wants to play an active part in training the workers of the future. For this reason, it hosted the work placements of 64 students from vocational training, university, master's and dual training programmes. In 2022, the FP Dual internships have been recognised with the seal of excellence awarded by the Department of Education of the Catalan Government. In addition, the Universitat Rovira i Virgili commended the Group for its contribution to studies at the Chemistry Faculty.

The Ercros Group's corporate responsibility encompasses its entire supply chain. All contracts are subject to compliance with social responsibility standards based on Ercros' code of ethics. To consolidate this aspect, 100% of the Group's customers and 74% of the Group's purchases were analysed for issues related to corruption or financial crime using the Refinitiv World-Check tool.

In 2022, the complaints rate was 0.24% and the percentage of satisfactory supplies shipped by the Ercros Group stood at 99.76%.

Noteworthy initiatives included the efforts to reduce packaging weight and encourage its reuse, with the implementation of a system for recovering wood from pallets, sourcing recycled pallets, reducing the thickness of containers and using recycled materials.

The Group worked throughout the year to have a positive impact on its environment, participating in seminars and conferences, entering into collaboration agreements with various local organisations, collaborating with environmental protection bodies and organising staff volunteering activities.

The Ercros Group has reported with transparency and timeliness, has maintained an open dialogue with local communities and kept close ties with its customers and shareholders. The tools used by the Group to make information available to its stakeholders included the corporate website, newsletters, the monthly newsletter and its LinkedIn page. In addition, the meetings of the dialogue improvement plan for all staff have kept employees informed and enabled their views and concerns to be heard.

In 2022, the Group received a runner-up prize in the 21st Corporate Transparency Awards, given by the Spanish Association of Accounting and Business Administration ("AECA").

As required by law, the external certification company Bureau Veritas has verified this statement of non-financial information which demonstrates Ercros' commitment to sustainability.

Antonio Zabalza Martí
Chairman and CEO of Ercros
Barcelona, 17 February 2023

2 / VERIFICATION CERTIFICATE



Bureau Veritas Certification



Bureau Veritas Certification

Declara que Según exige la

Ley 11/ 2018

Se ha verificado el estado de información no financiera correspondiente al ejercicio 2022 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

- 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**.

20 Febrero de 2023

Fdo: Silvia Edo Enrich

Validador jefe

Bureau Veritas Certification



3 / OBJECT, METHODOLOGY AND MATERIALITY

This corporate social responsibility report ("CSRR") of Ercros, S.A. and its consolidated group, which includes the statement of non-financial information for 2022, was approved by the Company's board at its meeting on 17 February 2023 and passed the verification of Bureau Veritas.

The content of the statement of non-financial information complies with Spanish Law 11/2018, of 28 December, modifying the Spanish Commercial Code (Código de Comercio), the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital) and the Spanish Audit Act (Ley Auditoria de Cuentas), in relation to non-financial information and diversity. A chapter is included in this CSRR to comply with Regulation ("EU") 2020/852 on EU Taxonomy. This Regulation is mandatory for companies required to report non-financial information under the specifications of Directive 2014/957/EU, transposed in Spain by Law 11/2018.

The statement of non-financial information forms part of the consolidated directors' report of the parent, although it is presented in a separate document as permitted by the regulations that govern it.

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

This CSRR (Corporate Social Responsibility Report) also reflects the Ercros Group's commitment to environmental, social and governance ("ESG") criteria in business decision-making. The Sustainable Development Goals ("SDG"), compliance with which is facilitated by the actions related to the chapter in question, are also presented in each chapter.

The CSRR also contains the degree of compliance with the 183 indicators contained in the CSR guide for the chemical and life sciences industry, promoted by the Spanish Chemical Industry Business Federation ("Feique") in collaboration with Forética, which obtained a rating of "excellent" by Bureau Veritas and that, in turn, includes the indicators required for the certification of an ethical and socially responsible management system based on standard SGE 21:2008.

The materiality of this CSRR includes those matters of particular relevance to the Ercros Group as regards social responsibility that may have an impact on its activity and results. In 2022, the most sensitive issues for the Group were: optimising consumption and resources, combating climate change, reducing emissions and waste, issues related to regulatory changes, managing the closure of the Flix plant, gender equality, and supply chain management.

The CSRR is available on the Ercros Group's website (<http://www.ercros.es>) and on the website of the Spanish National Securities Market Commission ("CNMV") (<http://www.cnmv.es>). It is also published on the website of the Ministry of Employment and Social Security, in the corporate social responsibility reports section (<https://www.mites.gob.es/es/rse/>), 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 government, the *Generalitat*, ("Rscat") (<https://treball.gencat.cat/ca/rscat/>).



4

INTRODUCTION

Ercros



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 – 17 February 2023 – the share capital of Ercros amounted to EUR 28,980 thousand, represented by 96,599 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 general meeting and the board of directors. The board is comprised of: 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 Morrondo, directors, within the "other non-executive" category; and Joan Casas Galofré, director, within the proprietary category. There are three committees within the board:

- Audit committee: supervisory and control committee, to which the internal audit service and the compliance committee report.
- Appointments, remuneration, sustainability and corporate social responsibility committee: supervisory and control committee.
- Strategy and investment committee: assumes the advisory and strategy functions, regardless of the existing supervisory and control committees.

The operational management bodies are the executive committee 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.

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 (API).

In 2022 the Group's revenue from product sales amounted to EUR 998,532 thousand, which was 29.3% above the previous year's figure of EUR 772,317 thousand.

Expenses in 2022 amounted to EUR 937,024 thousand, which was 25.3% above 2021 figures. The bill for procurements and supplies increased by 27.6%, as a result of the increase in the price of raw materials (ethylene, EDC and methanol), as well as the increase in the price of energy.

The evolution of income and expenses resulted in a 31.3% increase in ebitda compared to 2021 and that stood at EUR 122,661 thousand.

After entering in the books: (i) depreciation, 5.9% higher than 2021 due to the lower depreciation in the rights of use for leased assets and property, plant and equipment; (ii) the impairment of investment properties, 84.4% less than in 2021; (iii) the financial results that increased by 66.3% due to the higher average cost of debt, the provision for impairment of accounts receivable due to higher bank fees (iv) income tax expense, which increased by 74.9% as a result of the higher earnings in 2022 compared to 2021; and (v) profit from discontinued operations, the profit for the year amounted to EUR 62,989 thousand, an increase of 45.9% compared to 2021. 989 thousand, 45.5% higher than in 2021.

The result of the discontinued activity corresponds to the end of production of dicalcium phosphate at the Flix factory, due to the impossibility of renewing the supply and tolling agreements.

In 2022 the Group paid the public authorities EUR 42,738 thousand in relation to duties, taxes, fees and Social Security contributions representing 68% of the Group's profit for that year, 29% up on the previous year (EUR 33,161).

Likewise, Ercros obtained grants from public authorities amounting to EUR 25,490 thousand (EUR 21,525 thousand in 2021), broken down as follows: (i) compensation for indirect greenhouse gas emission costs, EUR 4,603 thousand; (ii) greenhouse gas emission allowances, EUR 16,833 thousand; (iii) compensation to energy-intensive consumers, EUR 1,194 thousand; (iv) compensation for intensive gas users, EUR 400 thousand; (v) capital investments in energy savings, EUR 2,258 thousand; and (vi) grants through the Spanish State Foundation for Employment Training ("Fundae"), EUR 202 thousand.

In 2022, the average headcount of the Ercros Group consisted of 1,348 people, 19 more than in 2021, representing a slight increase in the headcount, in line with the same trend shown in the previous year.

a) Consolidated income statement

THOUSANDS OF EUROS

	Year 2022	Year 2021
Continuing operations		
Income	1,059,685	841,055
Sale of finished products	998,532	772,317
Services rendered	26,370	16,728
Other income	28,394	23,281
Reversal of provisions and other extraordinary income	399	6,569
Increase in inventories of finished goods and work in progress	5,990	22,160
Expenses	-937,024	-747,642
Procurements	-470,572	-394,812
Supplies	-228,015	-152,867
Staff costs	-89,582	-83,603
Other operating expenses	-128,243	-109,405
Allocation of provisions and other extraordinary expenses	-20,612	-6,955
Ebitda	122,661	93,413
Depreciation and amortisation	-29,966	-28,130
Asset impairment	-539	-3,450
Ebit	92,156	61,833
Financial Income	-4,198	-2,525
Profit before tax	87,958	59,308
Income taxes	-17,314	-9,897
Profit from continuing operations	70,644	49,411
Net loss from discontinued business	-7,655	-6,114
Profit for the year	62,989	43,297

b) Sales by business

THOUSANDS OF EUROS

	2022	2021
Chlorine derivatives	673,099	483,046
Intermediate chemicals	260,518	238,567
Pharmaceuticals	64,915	50,704
The Ercros Group	998,532	772,317

c) Ordinary ebitda by business ¹

THOUSANDS OF EUROS

	2022	2021
Chlorine derivatives	124,816	61,250
Intermediate chemicals	14,819	30,485
Pharmaceuticals	3,239	2,064
The Ercros Group	142,874	93,709

¹ Ordinary ebitda is calculated by adding the extraordinary items, which do not affect the business activity, to the ebitda shown in the income statement.

d) Facilities and products

Divisions	Facilities	Main products	Main applications
Chlorine derivatives	Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Caustic potash Caustic soda Chlorine EDC Hydrochloric acid PVC Sodium chlorate Sodium chlorite Sodium hypochlorite TCCA VCM	Chemical industry Industry in general Manufacture of derivatives Manufacture of VCM Industry in general Construction Bleaching of paper pulp Water treatment Water treatment Swimming pool water Manufacture of PVC
Intermediate chemicals	Almussafes, Cerdanyola and Tortosa	Dipentaerythritol Formaldehyde Moulding compounds Paraformaldehyde Pentaerythritol Resins Sodium formate	Paints Manufacture of derivatives Electrical and sanitary material Resins Paints Lumber industry Tanning industry
Pharmaceuticals	Aranjuez	Erythromycins Fosfomycins Fusidic acid	Skin infections Antibiotics Antibiotics

e) Markets

The Group is a leader in the main markets where it operates and supplies a wide variety of industries: chemical, construction, lumber, paint, food, pharmaceuticals, electrical material, water treatment, etc. The Group sells its products to more than 2,000 clients in 91 countries.

In 2022, 47% 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 represents 11% of the Group's sales and the rest of the world's countries, 8%.

In 2022, France and Italy remained the main export destinations, together with the USA, Portugal and Germany.

The intermediate chemicals and pharmaceuticals divisions are the most active abroad, with the former exporting around 65% of its sales and the latter more than 90%. In turn, the chlorine derivatives division—whose activity is more focused on the domestic market—exported around 35% of its sales.

The products of the intermediate chemicals and pharmaceuticals divisions represent a significant percentage of the global market. With paraformaldehyde, the Ercros Group ranks first in the global ranking and second in the fusidic acid market.

In Europe, it leads in sales of trichloroisocyanuric acid and fosfomycin and its salts. 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 resins market ¹.

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



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 ECU profit margin 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 in 2022 accounted for more than 50% of production costs, and by the cost of raw materials consumed in the production of the different chlorine derivatives.

Caustic soda is a basic chemical reagent widely used in industry (the main consumers are the aluminium sector and, therefore, the automotive sector, and the paper industry). Historically, its demand is growing at 1.5 times the rate of GDP growth and it is traded 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. In 2022, more than 60% of the chlorine produced by the Group was consumed internally 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 produced by Ercros 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, which already includes ethylene and almost all the chlorine. In fact, in the production of PVC, the Group can use both internally-produced and externally purchased EDC. The choice of one or the other option depends on several factors:

(i) the availability of chlorine at any given time to produce EDC; (ii) the cost of electricity; (iii) the cost of ethylene; (iv) the cost of the external EDC; and (v) the price of caustic soda. Ercros can also manufacture PVC from the purchase of external VCM monomer, when operating conditions and/or profitability make it advisable to do so, PVC performance is closely linked to that of construction, its main source of demand. This product's profit margin 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 (especially impacted by the cost of electricity).

In relation to the chlorine-caustic soda plants, in 2022, the operational and energy efficiency improvements stemming from the capacity expansions carried out between 2017 and 2020 and the replacements of older membrane electrolyzers with more advanced and efficient units were consolidated.

On a global level, 2022 has been marked by the impact of the war in Ukraine and its effect on the European energy markets and, in particular, on production sectors with a high electricity and gas demand. As mentioned above, the price of electricity is particularly relevant for the chlor-alkali sector due to its electro-intensive nature. This fact, and the downturn in demand for chemical products during the second half of the year, has had a significant impact on the operating ratios of, among others, the chlorine-caustic soda and chlorinated derivatives production plants in Europe. However, the division has been able to sustain a good operating capacity performance ratio, with chlorine-caustic soda production even slightly higher than in the previous year, thanks to energy management and flexibility in chlorine consumption.

In 2022, the shift from external EDC to in-house EDC has continued. The 2021 report highlighted that, in 2018, more than 90% of the EDC required in the PVC chain was from an external source, and that in 2021 this percentage was progressively reduced to just over 60%. Now, this rate has been reduced to 30% in 2022. This shift in the use of chlorine is in line with the planned phasing out of supply of a significant part of chlorine production to an external customer in compliance with the supply agreement that the Group had kept in place until the end of 2022. In 2023, the share of internally sourced EDC is expected to increase.

In 2022, the chlorine derivatives division has focused its investment objectives on implementing the projects in the 3D Plan, including the project to expand the capacity of the sodium chlorite production plant in Sabiñánigo, which will come into operation at the beginning of next year; the brine reuse project in Sabiñánigo, which is in the engineering and equipment and materials procurement phase and is expected to come on stream in early 2024; and the projects to improve hydrogen utilisation in Vila-seca and Sabiñánigo, which have already been completed. In 2023, the above investment plan will continue, launching other decarbonisation projects, such as the biomass steam generation project at the Tarragona industrial complex ("CIT") and the construction of a semi-industrial green hydrogen generation plant in Sabiñánigo. Along these lines, actions aimed at consolidating PVC production and those aimed at strengthening the productive structure to increase the capacity for internal chlorine consumption continue in order to minimise the impact of the end of contract with the main external client of this product.

In accordance with the actions described in the previous paragraph, Ercros' objectives in the coming years include assuming the costs arising from the decarbonisation of the industry, continuing to make progress on the carbon footprint reduction line of our products and increasing the weight of products with higher added value and with growing markets, all of which are included in the 3D Plan.

The input of the chlorine derivatives division is electricity, the cost of which is set based on the auction clearing price at the daily energy offer and demand auctions carried out by 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. Given these special circumstances, the price of electricity is a component that affects the Group's international competitiveness. As mentioned, this effect has been particularly acute in 2022 as a result of rising emission allowance prices and, above all, the high price of natural gas in Europe, caused by cutting off supplies from Russia, which led to an unprecedented increase in electricity prices.

The distinguishing factor compared to other years has been that Central European competition has been more exposed to this unfavourable energy scenario, partly due to a greater dependence on Russian gas in these countries and, subsequently, to the positive (albeit moderate) impact in Spain of Royal Decree Law ("RDL") 10/2022, which temporarily establishes a production cost adjustment mechanism to reduce the price of electricity on the wholesale market (capping the cost of gas and coal, for electricity production in combined cycle, coal-fired thermal and cogeneration plants to the market). This situation was evidenced with the announcement of several declarations of force majeure by a number of European producers, which finally resulted in the already mentioned decrease in the operating ratios of the chlorine-caustic soda sector.

As a consequence of this predominantly European energy crisis, producers of chlorine-caustic soda, PVC and other products in the chain in Europe are losing competitiveness compared to rivals with production plants in other regions that are less exposed to restrictions in the supply of energy products from Russia, such as Asia (China) and the US. This effect is expected to be particularly critical in 2023, in the face of a general decline in demand for commodities.

The Group has in place, and has been increasing in 2022, bilateral agreements for the purchase and sale of renewable energy in the long term, known as PPA (Power Purchase Agreements), for a percentage of the electricity of its facilities with the highest consumption. The Statute for energy-intensive consumers requires companies to enter into PPA. In addition, Ercros continues to explore the possibility of other renewable energy supplies that will adequately complement the Group's future needs. One alternative is the participation in renewable energy tenders in which energy-intensive consumers could place bids, expected to materialise in 2023.

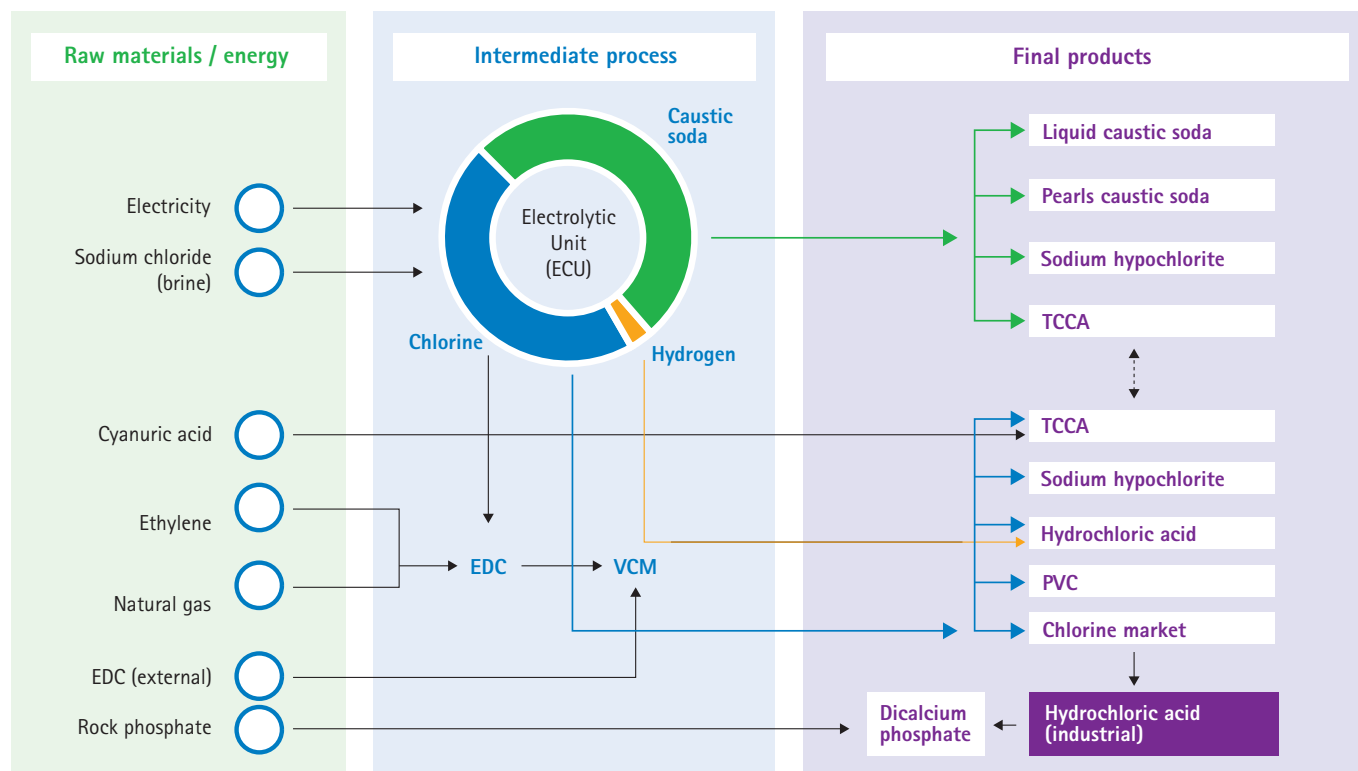
The availability of these PPA favours the execution of commercial agreements to sell certain products with longer terms than those that would be possible in a scenario of total exposure to the wholesale market.

In relation to energy, multiple legislative initiatives have been promoted in Spain in 2022 aimed at minimising the impact of high costs. In addition to RDL 10/2022, RDL 6/2022 on urgent measures (National Response Plan to the consequences of the war in Ukraine), which contemplated certain reductions in transmission and distribution tolls, charges and electricity tax; RDL11/2022, which incorporated, among other measures, aid to the gas-intensive industry; and RDL 17/2022, which includes the creation of a new Active Demand Response service.

All these measures have had a positive, albeit limited, impact on the containment of the final cost of electricity for electricity intensive consumers, compared to the very significant increase in electricity prices on the Iberian wholesale market. There is a risk of a loss of competitiveness in 2023 following the announcement of industrial aid plans in countries like the US (Inflation Reduction Act IRA, with an allocation of USD 369,000 million), or Germany (EUR 200,000 million industrial and consumer relief programme). For the chemical sector in general, and for energy intensive consumers in particular, the outcome of the planned reform of the EU wholesale electricity market and the regulatory development of the support scheme for gas intensive consumers will be highly significant.

The evolution in 2022 of energy costs and CO₂ emission allowances strengthen the basis of the decarbonisation axis of our 3D Plan. This plan includes the implementation of photovoltaic generation projects on land owned by the Ercros Group currently not affected by any industrial activity, and the operational actions aimed at increasing the energy efficiency of its processes and replacing net CO₂ emitting fuels. This makes the Group's strategy even more

Scheme of the production process of chlorine-caustic soda



meaningful by adopting the following measures: (i) reduce energy consumption and the future cost of this supply, and (ii) ensure that it comes from renewable sources to be in a position to meet the decarbonisation goal set out in the Spanish National Integrated Energy and Climate Plan ("Pniec"), in keeping with the targets set by the European Commission in the Green Deal.

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, it carries out spot purchase transactions with other international operators to complement and maintain the necessary supply diversification in case of possible supply shortages.

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. The supply of this raw material is guaranteed through the agreements that the Ercros Group has signed with two suppliers and that it has been renewing upon maturity based on the Group's needs.

In addition, PVC production entails high levels of thermal energy consumption, obtained primarily from natural gas. Natural gas prices are determined by geopolitical and operational factors linked to availability on international markets (restrictions on piped gas supplies to Europe, limited natural gas transport and reception capacity in Europe, weather conditions and the situation of gas stocks in the different EU countries, as well as the evolution of natural gas consumption in other geographical areas). As part of the Group's strategy, part of the natural gas consumption is purchased at a fixed price, to minimise exposure to the evolution of supply in international markets and to have greater visibility of variable costs in the design of the commercial strategy.

As mentioned above, the Ercros Group is implementing a series of actions as part of the 3D Plan aimed at reducing gas consumption and replacing this fossil fuel with others with zero net CO₂ emissions.

The main strengths of this division are its integrated production; the synergies and complementarity between the division's factories and the efficiency of its state-of-the-art industrial pool.

This business' primary challenges are: reducing the carbon footprint of its processes; expanding production capacity for higher value-added products such as sodium chlorite; and diversifying its portfolio by introducing new products.

5.2 Formaldehyde chain

Formaldehyde is the main product of the intermediate chemicals division and its primary raw material is methanol. The Group has contracts with different terms with various suppliers of this raw material.

80% of the formaldehyde produced is used to manufacture derivatives, both liquid and solid. These derivatives have a world-wide market (their export quota is in the order of 90%). The main foreign currency of the solid products market is the dollar and, therefore, the business's competitiveness and its profitability are affected by the dollar/euro exchange rate.

Solid products, which account for the lion's share of the division's turnover, 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.

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 main currency for which is the euro and, therefore, they are less 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.

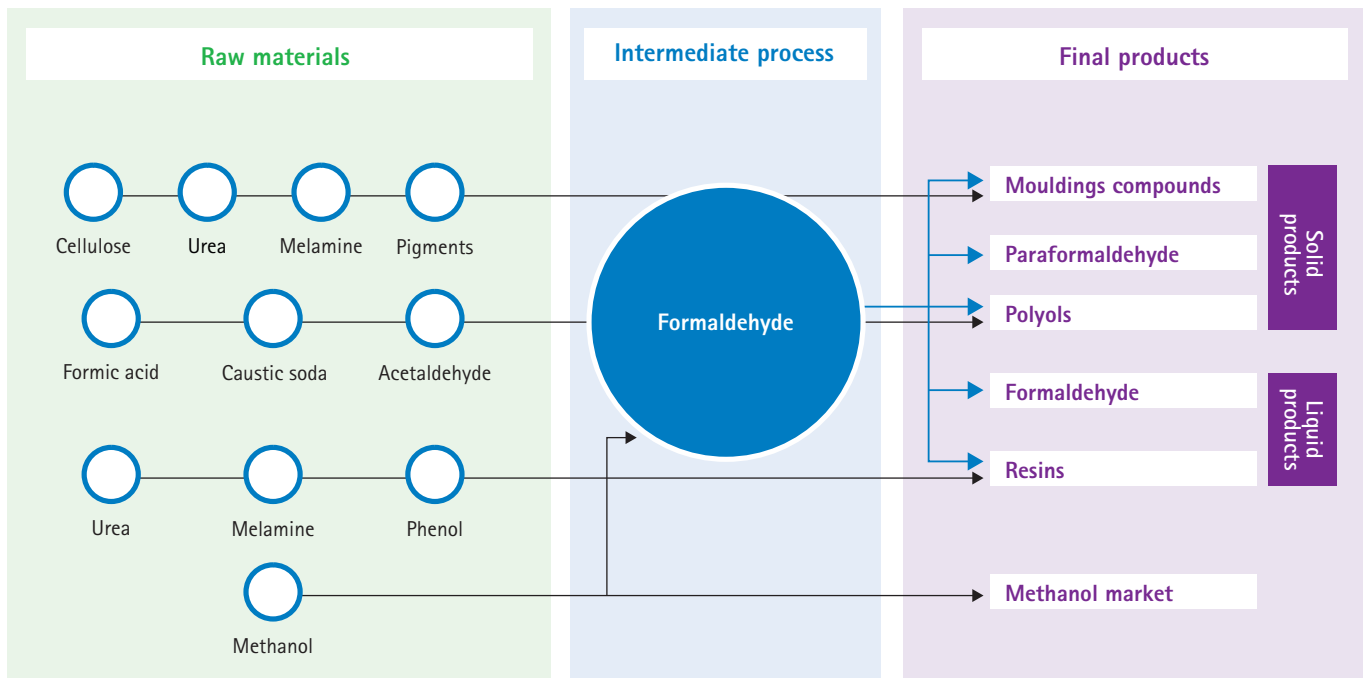
This division's main strengths are its know-how and proprietary technology in production processes, as well as its ability to develop tailor-made products for customers.

The main challenges facing this business are: to increase sales volumes in line with the recent capacity expansions of solid products; to develop the new resin ranges (ErcrosGreen+ and ErcrosTech); to continue with the digitalisation process of the entire value chain; to maintain the commitment to progressive decarbonisation of processes; to continue increasing the quality and standard of service of the products and to diversify the current portfolio.

5.3 Active pharmaceutical ingredients

The activity of the pharmaceuticals division is focused on the production of pharmaceutical raw materials or Active Pharmaceutical Ingredients (API) for generic and brand-name prescription drugs, mainly antibiotics. The division also specialises in the production of active and intermediate ingredients for third parties, tailored-made for clients.

Scheme of the formaldehyde production process



The significant weight of external markets in the business results in both its sales and margin being influenced by the dollar/euro exchange rate. During the last two years, the business has faced a context of very high pressure on margins due to rising commodity and energy prices and price increase caps.

The main strengths of this business are its expertise in fermentation processes, its capacity to obtain sterile products for injectable use, its high degree of internationalisation (it exports more than 90% of sales) and its strong position as a reliable and quality supplier to the world's leading laboratories.

This business's main challenges are: to monetise the increased manufacturing capacity of sterile medicines, with the incorporation of new products and expansion into new markets; to optimise the installed fermentation capacity, increasing the sales volume of existing products and initiating the manufacture of new ones (the project to build a new extraction plant for producing the antibiotics vancomycin and gentamicin, included in the 3D Plan, is an example of this expansion of the product portfolio); to continuously adapt to the new quality requirements of customers and regulatory bodies; and to tackle competition from emerging markets.

5.4 Competitive situation ¹

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

The Group exports almost one half of its sales (47% in 2022) and sells its products in 91 countries. In 2022, France and Italy remained the main export destinations, together with the USA, Portugal and Germany.

The products of the intermediate chemicals and pharmaceuticals divisions represent a significant percentage of the global market. With paraformaldehyde, the Ercros Group was ranked first in the global ranking, holding second place in the fusidic acid market.

In Europe, it leads in sales of trichloroisocyanuric acid ("TCCA") 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 resins market. It is also a leader in the European market for fosfomycins and its salts.

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.

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 clients.

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

5.5 Seasonal trends

In general terms, in the calendar year, the Group's markets are usually more active during the second and third quarters, except for August. In recent years, the trend among clients 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 most affected by seasonal changes are those involving water treatment—sodium hypochlorite, sodium chlorite and trichloroisocyanuric acid—, with the peak of consumption in spring and summer. In the case of chlorite, the opening of new markets in the Middle East brings stability to demand. PVC tends to see the lowest demand point in the coldest months of the year due to the lower activity in the construction sector. 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.

Looking at a broader time perspective, 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 healthy and stable, to alternate with other periods of imbalance in which there are upward or downward variations in product prices. From 2016 to the first half of 2018, the cycle maintained an upward trend, in a context of demand pressure, supply shortages and high prices; however, after the first half of 2018, the trend shifted, marked by oversupply, falling prices and, in general, the weakening of global markets, entering a recessive chemical cycle compounded by the first impacts of the covid-19 pandemic during the second quarter of 2020. A turnaround began in the second half of 2020 based on a rapid and strong recovery in demand for consumer goods coupled with post-pandemic supply shortages, which continued very solidly through 2021 and into the first half of 2022.

In the second half of 2022, there has been a further turnaround in the demand for durable consumer goods. Interest rate increases by central banks in the major economies to curb rising inflation and the lifting of covid-19 restrictions have led to a change in consumption habits, leading to higher demand for services and lower demand for durable goods.

During 2022, this environment was accompanied by exceptionally high energy costs in Europe (gas and electricity hit record highs in the third quarter) due to the drastic reduction in Russian gas supplies to Europe stemming from the war in Ukraine and uncertainty about sufficient future supply alternatives to meet demand.

6

NON-FINANCIAL RISKS

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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 Group's activities, or are the result of external factors and, therefore, these risks may be mitigated but not completely eliminated.

On 16 December 2022, the Group produced and presented for the first time to the board the financial impact maps of risks and opportunities associated with climate change, with the aim of assessing the financial implications of climate change. These maps identify: (i) the probability of these risks and opportunities materialising (on a scale of 0% to 100%) and over a short (0-3 years), medium (3-10 years) or long term (+10 years) time horizon; and (ii) the range of financial impact (mild, moderate, high or severe) that their materialisation would entail for the Group (on a scale of 0 to 3).

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

In addition to non-financial risks, operational and financial risks are described in the corporate governance report [see chapter E of the annual corporate governance report ("IAGC")].

The main non-financial risks that may affect the Group are explained below:

6.1 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 facilities are subject to risks that may cause environmental harm, such as accidental emissions of harmful substances or fires.

To minimise these risks or, if possible, to eliminate them, the Group: (i) conducts its business in compliance with that established in its environmental authorisations and the requirements arising from applicable regulations and voluntary agreements signed; (ii) officially monitors its environmental performance; and (iii) has implemented an annually audited sustainability management system certified by Aenor. In addition, it has implemented indicators to assess its environmental performance.

The Group also regularly reports the greenhouse gas reductions achieved in its industrial activity and currently has the 3D Plan in place, with projects and investments to implement more efficient technologies to facilitate the transition to low-carbon production, in line with the target set in the 2015 Paris Agreement.

All Ercros Group facilities conduct an environmental risk analysis.

6.2 Claims risk due to soil remediation (relevant)

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 remediation of 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 chapters 11, sections 3c) and 6].

In relation to the former site located in El Hondón (Cartagena), on 30 June 2020 the Group filed an appeal for judicial review challenging the ruling of the Director-General for the Environment handed down on 16 October 2019, which declared that the soil of the El Hondón sector in Cartagena was contaminated.

Despite the judicial appeal, and given the enforceability of the resolution declaring that the soil was contaminated, on 1 July 2020, Ercros submitted the technical project for the cleaning and recovery of El Hondón to comply with the obligation established in the resolution on the declaration of contaminated soil. On 30 November 2020 and 12 February 2021, the Directorate-General for the Environment requested that the technical project be remedied.

On 5 and 23 February 2021, the Group filed appeals against the above Project remediation requirements, requesting that they be dismissed and that the remediation project submitted by Ercros in July 2020 be approved.

Besides the appeals filed, on 20 October 2021, Ercros presented a new updated version of the technical remediation project for El Hondón, which incorporates the points made by the various experts and academic centres that assessed the project.

On 29 November 2021, Ercros was notified of the resolution of the Minister of Water, Agriculture, Fisheries and the Environment of the Murcia Region dated 19 November 2021, which resolved to dismiss the above appeals. On 21 January 2022, Ercros filed a section judicial review application against the above resolution of inadmissibility of the appeals filed before the High Court of Murcia.

The status of each of the two judicial review proceedings is as follows:

- a) Appeal filed on 30 June 2020 against the decision approving the declaration of contaminated soil (Ordinary Proceeding 206/2020): On 2 September 2021, Ercros filed a claim and on 14 February 2022, we were notified of the defence of the Ministry of Water, Agriculture, Livestock and Fisheries of the Autonomous Community of the Region of Murcia, which opposed our claim. Likewise, ADIF, summoned to the proceedings and appearing as a co-defendant, has also opposed Ercros' claim by document dated 30 June 2020. On 26 July 2022, an order was issued to admit the appeal for taking evidence, with a hearing to be held on a date yet to be determined.
- b) Appeal filed on 21 January 2022 against the decision rejecting the appeals brought against the requirements to rectify the updated remediation project presented by Ercros (Ordinary Proceeding 27/2022): On 23 September 2022, Ercros filed a claim which was admitted for processing by court order on 29 September 2022. On 1 December 2022, we were notified of the defences of the authorities, and on 5 December 2022 and 16 January 2023 the defences of Cartagena city council and Reyal Urbis. Likewise, on 28 September, we were notified of a procedural order accepting the appearance of the sector Estación residents' association as a co-defendant. On 20 January 2023, they filed a defence.

In parallel, Ercros is working with the competent authorities to agree on a remediation project using on-site containment techniques to avoid the mass removal of the waste. The remediation project proposal submitted by Ercros has been favourably assessed by the Confederación Hidrográfica del Segura. At the time of writing this report, the project submitted is pending the Nuclear Safety Council's favourable report.

With regard to the restoration of the Terrera Vella de Cardona, which the Group was operating when the Cardona factory ceased operations in 2017, Ercros presented an updated restoration plan to the Direcció General de Qualitat Ambiental i Canvi Climàtic of the Catalan Government ("DGQA") in the same year. This plan proposes the management of surface water in a way that is compatible with the environment and coherent with the comprehensive restoration project for the Vall Salina and aimed at leaving Terrera Vella available for potential future use of the saline resource it contains. Currently, the Group is awaiting approval of the plan.

In October 2022, Ercros voluntarily relinquished the operation of the mine dump. In spite of this, the authorities resolved, subsequent to this waiver, to terminate the mining right, declaring Ercros' obligation to leave the site in safe conditions for people and things, and to restore the land in accordance with the terms of the restoration programme and the new environmental impact statement approved by the authorities in September 2022. This programme requires the Ercros Group to carry out restoration work on the Terrera Vella site in Cardona that far exceeds the restoration programme proposed in 2018 and establishes a bond to guarantee the execution of the works.

Ercros has appealed this decision via an administrative appeal in November 2022.

Each year the Group estimates the value of the remediation obligations and makes the corresponding provisions for remediation.

6.3 Risks related to regulatory changes

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 is making significant efforts to adapt to this new legal framework; it is carrying out the adaptation investments required by current law and is developing the necessary activities and actions to comply with the requirements set out in the different regulations, specifically the legislation on the safety of facilities and people, occupational health, environmental protection and climate change, and the transport, packaging and handling of hazardous goods.

With respect to changes in the energy market, the main risk faced by the Group is the uncertainty linked to the lack of a stable and predictable legal framework, which makes it impossible to know in the medium term the amount of remuneration and administrative exemptions for electricity-intensive companies and prevents the Group from being able to make accurate forecasts of future electricity prices. To mitigate the impact of this risk, the Group monitors the sector through its participation in industry groups and associations, pursues actions to improve energy efficiency and enters into long-term supply contracts for electricity from renewable energy sources to reduce price volatility and its environmental impact.

On 1 January 2023, the "plastics tax" on the use of plastics in the supply of packaging will start to be applied. The Group is prepared and does not expect major consequences in terms of implementation as it has taken steps in recent years to incorporate recycled material in packaging and to reuse and reduce the thickness of packaging.

6.4 Climate change risk (relevant)

In accordance with the recommendations of the working group on climate-related financial disclosures, the Ercros Group has divided climate-related risks into two categories: (i) those associated with the transition to a low-emission economy (considering technological, market, reputational aspects and those that may arise from climate change policies) and (ii) those related to the physical impacts of climate change on Ercros' activities (increase in extreme weather phenomena, change in weather patterns, increase in average temperature or sea level).

With regard to the risks linked to the transition to a low-carbon economy, the Group is implementing the strategic plan Plan 3D (2021-2025), presented on 28 January 2021, which includes decarbonisation as one of its dimensions. The Group's goal is to intensify Ercros' existing efforts to mitigate climate change and adapt to the new regulatory framework governing industrial activity. This dimension envisages five major projects in the areas of energy efficiency, adaptation to climate change, maximisation of hydrogen use, circular economy, and sustainability mobility. The Plan's investments are being made according to the planned schedule. Several projects have already concluded to improve energy efficiency, to improve the use of hydrogen produced in the electrolytic processes of chlor-alkali production and to optimise the consumption of chemical products and raw materials; progress has been made in the implementation of the energy improvement and circular economy project for salt recrystallisation; as well as in the engineering of the projects for producing steam from biomass and for manufacturing EDC with more efficient technology.

In terms of risks related to the physical impacts of climate change on Ercros' activities, the variation in weather patterns worldwide, the increase in average temperatures and increasingly extreme weather phenomena, such as heavy rains, storms, snow blizzards and strong winds, are becoming more frequent and can cause floods, droughts, heat waves, serious damage or other situations that put the people who work in the Group at risk and prevent normal operation of production facilities.

In an effort to mitigate the adverse effects of these abnormal weather incidents, the Ercros Group factories have procedures and action plans that include the different levels of alert, responsibilities and action protocols in the face of potential weather events, such as heavy flooding, frost and snowfall, strong winds, heat waves, or earthquakes, and power outages or delays in the transport of goods, while investing in the reuse of resources by upgrading insulation and improving the use of waste heat and cooling capacities.

Furthermore, in the facilities where it is considered necessary, the competent authorities have been requested to improve the external infrastructure (water drainage system, access to main roads, etc.) necessary to minimise the adverse effects of abnormal weather events.

Lastly, it should be noted that the opportunities assessed as a result of efforts to mitigate and adapt to climate change have been divided into five main categories depending on how they relate to: (i) resource efficiency and cost savings; (ii) adopting low-carbon energy sources; (iii) those related to the development of new products and services; (iv) access to new markets and financial support; and (v) building climate resilience across the entire supply chain [see chapter C5 Risks and Opportunities Related to Climate Change in the Consolidated Management Report].

6.5 Risk of employee claims

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

6.6 Human resources risk

The Group is exposed to the risk of low productivity due to the high rate of staff absenteeism (5.3% in 2022), which in some workplaces can lead to occasional difficulties in covering all production shifts. To mitigate the impact of this risk, multidisciplinary working groups have been created to analyse the specific circumstances of each workplace and propose concrete solutions.

In addition, human resources risks include the risk of loss of talent through the exit of key employees. To mitigate this risk, the Group: (i) makes it easier for its staff to perform their work by implementing social measures and measures to promote a work-life balance and flexible working hours; (ii) facilitates personal and professional growth with training plans, which includes master's and postgraduate degrees, and prioritises internal promotion to fill vacant positions; and (iii) encourages loyalty to the Group through long-service bonuses, defined contributions to pension plans and life and health insurance.

The nature of the work performed at the Ercros Group factories brings with it a risk of occupational accidents among its staff; to mitigate this risk, the Group has safety equipment and materials, training its workforce in occupational risk prevention, controlling and updating all its equipment to comply with the highest safety standards and analyses all accidents and incidents that occur at its facilities to prevent their repetition in the future. In addition, three-year accident reduction plans are established, with actions in all the fields described above.



7

CONTRIBUTION
TO THE SUSTAINABLE
DEVELOPMENT
GOALS ("SDG")



The 17 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.

In the sustainable development of its activity, the Ercros Group ensures compliance with the 17 SDGs, although on some of them its activity has a particular impact:

- SDG 6 Clean water and sanitation.
- SDG 7 Affordable and clean energy.
- SDG 8 Decent work and economic growth.
- SDG 9 Industry, innovation and infrastructure.
- SDG 13 Climate action.
- SDG 14 Life below water.
- SDG 15 Life on land.

Below are some examples of how the Group has contributed and continues to contribute to the progress and growth of SDGs.



No poverty

- Creation of 4,193 direct, indirect and induced jobs [chapter 15.3].
- EUR 42 million paid to the public authorities as taxes, taxes, fees and social security contributions [chapter 15.4].
- Purchases made from special employment centres and/or job placement companies, for a value of EUR 291,508 [chapter 15.4b)].
- Donations from the Flix and Monzón factories to Caritas and the Mas Farré Group, respectively, and a donation by the staff of the Monzón factory of 180 kilos of cleaning and hygiene supplies to the Red Cross [chapter 15.4(f)].



Zero hunger

- Sponsorship of the two editions held in 2022 of the charity run organised by the town council and the Forat del Vent secondary school in Cerdanyola to raise funds for the Food Bank and the Red Cross [chapter 15.4 f)].
- Two factories operate a canteen service which are both managed by an outside company tasked with procuring supplies based on the menus confirmed the previous day, thus reducing food waste to a minimum. [chapter 15.4 b)].



Health and welfare

- Annual general flu and tetanus vaccination campaigns. Campaigns to encourage vaccination against coronavirus [chapter 15.4 c)].
- The production facilities have certified their occupational health and safety system in accordance with the ISO 45001 standard on occupational health and safety management systems [chapter 12.5].
- In 2022, 89 prevention campaigns were carried out that reached 14,699 people [chapter 12.5 c)].
- 136 people have participated in first aid and automatic defibrillator training courses [chapter 12.8].



Quality education

- Ercros coordinated 547 training actions, which were attended by 4,218 people and totalled 33,340 teaching hours [chapter 12.6].
- 93% of the workforce received training, with an average of 24.7 hours of training per person [chapter 12.6].
- 64 secondary, university and dual vocational training students did their work placements at Ercros [chapter 12.7].
- The seal of excellence in dual vocational training practices was obtained, awarded by the Department of Education of the Catalan Government, through the certifying company Applus+ [chapter 15.5].



Gender equality

- The management and employee representatives agreed on the new Equality plan that will be in force for the next four years [chapter 13.2].
- The presence of female employees in the workforce was 17.7% compared to 17.2% of the previous year, which represents confirmation of the upward trend in the number of women in the company [chapter 12.3].
- Ercros also updated its criminal risk map to include two new offences: sexual harassment and offences against moral integrity [chapter 10.2].
- The staff has completed an equality awareness course with training on non-sexist language, equal opportunities and non-discrimination based on gender [chapter 13.2].



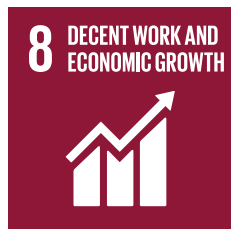
Clean water and sanitation

- Manufacture of chlorine, caustic soda and its derivatives, and sodium chlorite, all essential products for disinfection, sanitation and water treatment [chapter 5.1].
- Consumption of reclaimed water from municipal wastewater treatment plants increased by 7.7% on total water consumption [chapter 11.4].
- Commissioning of a joint water treatment plant between different companies in the Sur de Tarragona industrial park to improve wastewater treatment [chapter 11.7 a)].



Affordable and clean energy

- Reduction of 7.4% in energy consumption compared to the previous year [chapter 11.4].
- Adherence to the RE⁴ 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 [chapter 11.2 c)].
- Ercros' 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 comply with this commitment, in 2022 the energy management system has been implemented in accordance with ISO 50001 at the Almussafes and Tortosa facilities. They join the Vila-seca I, Vila-seca II, Sabinánigo and Tarragona facilities, which were already certified [chapter 11.2 a)].
- Signing of long-term bilateral renewable Power Purchase Agreements ("PPA") [chapter 11.5 b)].



Decent work and economic growth

- 100% of Ercros' employees are covered by the 20th General collective agreement for the chemical industry [chapter 9.3].
- The Group's activity generated 4,193 direct, indirect and induced jobs [chapter 15.3].
- Prevention expenses amounted to EUR 6,405 thousand, which were allocated, among others, to safety equipment and material, surveillance, analytical controls, studies and ergonomic equipment, and health examinations for staff [chapter 12.5 a)].
- Safety Award 2021 for the Tortosa, Cerdanyola and Sabiñánigo factories granted by Feique. This award recognises production facilities in the chemical industry with more than 50 employees which, during the previous year, did not record any accidents with or without sick leave among their own staff [chapter 15.5].



Industry, innovation and infrastructure

- Launch of the 3D Plan, a strategic investment plan based on three pillars: diversification, digitalisation and decarbonisation and foresees a total investment of EUR 69 million [chapter 11.5 c) (ii)].
- Collaboration programmes with the main technology centres, universities and companies in the field of research and development [chapter 15.4 e)].
- Staff participation in conferences, round tables, virtual webinars and lectures covering various areas of knowledge [chapter 15.6].
- R&D expenditure was EUR 6,658 thousand [chapter 17.6].



Reduced inequalities

- Since 2000, adherence to the UN Global Compact programme [chapter 9.3].
- No gender-based pay discrimination, where discrimination means that the average gender pay gap is greater than 25% [chapter 13.5].
- Ercros employs 1.1% of people with a disability equal to or greater than 33% [chapter 13.6].
- Purchases made from special employment centres and/or job placement companies, for a value of EUR 291,508 [chapter 15.4 b)].
- The management and employee representatives agreed on the new Equality plan that will be in force for the next four years [chapter 13.2].



Sustainable cities and communities

- Ercros obtained the highest rating, G++, for compliance with the Good Corporate Governance Index ("GCGI") [chapter 9.3].
- 84 points out of the 100 possible points in the EcoVadis international rating, which assesses the ESG (environmental, social and governance) practices of companies. This result has enabled us to receive Platinum recognition for the fourth consecutive year [chapter 9.3].
- Sponsorship and collaboration with 29 cultural, sporting and social organisations with a contribution of EUR 95,360 [chapter 14.4 b)].
- Contributions to business groups amounting to EUR 86,052 thousand [chapter 15.5 b)].
- Distribution of an average of 8.5 announcements of general or local interest, which factories share with their stakeholders [chapter 16.3(b)(vi)].



Responsible production and consumption

- 100% of customers and 74% of procurement transactions were analysed using the Refinitiv World-Check software tool, which provides information on aspects related to corruption, bribery and financial crime [chapter 10.2].
- 99% of the payments made by the Ercros Group are 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 [chapter 10.4].
- 100% of the factories have ISO 14001 and ISO 14064 certification on environmental management and specifications for quantifying and reporting greenhouse gas emissions. In addition, factories accounting for more than 90% of the Group's energy consumption are certified under the ISO 50001 energy management standard [chapter 11.2 b)].
- The purchase of 33% recycled pallets [chapter 13.3 e)].
- Use of 19.6% recycled plastic in plastic containers and packaging [chapter 13.3 e)].



Climate action

- Reduction of 15.3% in greenhouse gas emissions compared to the previous year [chapter 11.4].
- Commitment to achieving carbon neutrality of the business by 2050 [chapter 11.5 b) (i)].
- The Cerdanyola facility has adhered to the Acords Voluntaris programme introduced by the Catalan Government's Climate Change Office [chapter 11.5 c) (i)].
- Logistic and operational improvements have avoid 1,630 tonnes of CO₂ emissions [chapter 14.3].
- The decarbonisation axis of the 3D Plan aims to reduce direct CO₂ in 2025, compared to 2020 [chapter 11.5 c) (ii)].



Life below water

- Adherence to the Operation Clean Sweep programme, aimed avoiding losses of microplastic waste that may reach the environment, especially the aquatic environment [chapter 11.2 b)].
- To prevent and reduce emissions to water, factories have wastewater treatment plants, retention basins or on-line monitoring equipment, among others. In 2022, the wastewater treatment plant, built jointly with various companies in the Sur de Tarragona industrial park and managed by Aitasa, into which the Tarragona industrial complex ("CIT") centres discharge their water was brought into operation [chapter 11.5 (a) (i)].
- Collaboration agreement with the Spanish National Research Council ("CSIC") to study the degradation of plastics in mountain rivers [chapter 11.7 (b)].



Life on land

- Reduction of 7% in waste generated per tonne of production [chapter 11.4].
- The expenses incurred for the protection and improvement of the environment in 2022 amounted to EUR 21,362 thousand [chapter 11.2 d)].
- In Cardona, collaboration with the Catalan Government and the town council in restoring Valle Salino by replanting the areas freed up since the decommissioning of the Terrera Nova mine dump [chapter 11.7 b)].
- In Flix, collaboration since 2001 with the Sebes Nature Reserve, located across from factory [chapter 11.7 b)].



Peace, justice and strong institutions

- When 156 new employees were given the code of ethics, it was explained to them and they signed it in promise of compliance [chapter 9.2 b)].
 - In 2022, all the procedures arising from the criminal offences prevention manual have been updated that specify the actions of the Ercros Group's people in the event of possible offences of fraud, bribery, financial misrepresentation or money laundering.
 - Collaboration with the Organisation for the Prohibition of Chemical Weapons [chapter 14.4 d)].
 - Since 2000, adherence to the UN Global Compact programme [chapter 9.3].
-



Partnership for the goals

- Compliance with 96.2% of the recommendations of the CNMV's Code of Good Governance for listed companies [chapter 9.3].
 - Voluntary mutual assistance agreements in the event of accidents during transportation and signs agreements to deal with transport and distribution accidents [chapter 14.2].
 - Adherence to a collaboration agreement on explosive precursors, promoted by the Ministry of the Interior, the purpose of which is to fight against the diversion of chemical products towards the illicit manufacture of explosives [chapter 14.4 d)].
 - Direct and active participation in the main sector or territorial associations [chapter 15.7].
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8

TAXONOMY OF THE EUROPEAN UNION

8.1 Introduction

Regulation ("EU") 2020/852 of 18 June 2020 sets out the general framework for determining whether an economic activity can be considered environmentally sustainable. Delegated regulations that complement this regulation have been developed to implement a classification system, the EU taxonomy.

The EU taxonomy Regulation establishes technical selection criteria associated with six environmental objectives¹ to classify the activities carried out by a company as environmentally "sustainable" or "non-sustainable". At the date of issue of this report, only the conditions for establishing whether an activity contributes substantially to two of these objectives have been published: mitigation and adaptation to climate change (Delegated Regulation ("EU") 2021/2139 - Climate Delegated Act).

The Climate Delegated Act includes a number of activities classified as "eligible", i.e. likely to contribute substantially to achieving the climate objectives, which must be analysed against the technical screening criteria for their performance. If these are met, the activity will be considered as being in line with the taxonomy. There are three types of technical screening criteria to be considered:

- Criteria of substantial contribution to the objective being assessed.
- Criteria for activities that "do no significant harm" ("DNSH") to the other objectives.
- Minimum social and governance safeguards.

The activities performed by Ercros fall within the scope of this set of standards, some of which qualify in accordance with the Climate Delegate Act. With the assistance of Aecom, an internationally recognised consultancy firm, Ercros has carried out an analysis of the alignment of these activities with the criteria of the EU taxonomy, referring to financial year 2022.

Specifically, a technical assessment of the environmental characteristics and performance of activities at the plant level, and of social and governance performance at the corporate level, has been carried out with respect to the technical screening criteria established for the climate targets. The eligibility of Ercros' core activities was reviewed, as well as investments or operational costs that could be considered to qualify under other activities included in the Climate Delegated Act and as required by the taxonomy Regulation.

The analysis makes it possible to determine whether or not Ercros' activities are aligned with the EU taxonomy criteria at activity and plant level, and to identify the gap to be bridged to achieve alignment in each case, for each criterion and climate objective, together with specific recommendations.

Compliance with minimum social and governance safeguards was evaluated at the corporate level, taking as a reference the methodology and sources of information referenced in the Final Report published by the European Platform on Sustainable Finance.

To comply with Regulation ("EU") 2020/852 and, in particular, with Delegated Regulation ("EU") 2021/2178 which specifies the content and presentation of the information to be reported by companies, this chapter is included in the non-financial information status report that is submitted annually in accordance with the Non-Financial Reporting Directive ("NFRD").

8.2 Eligibility

As explained in chapter 5 of this report, Ercros' industrial activity encompasses three areas: the chlorine derivatives division, the intermediate chemicals division and the pharmaceuticals division, with ten production plants: Sabiñánigo, Vila-seca I, Vila-seca II, Tarragona, Monzón and Flix, associated with the first area of activity; Cerdanyola, Tortosa and Almussafes, associated with the second; and Aranjuez associated with the third.

Following the analysis of the different activities carried out by Ercros in its plants, the following have been identified as eligible:

- Activity 3.13² –Manufacture of chlorine– Sabiñánigo factory (Huesca) and Vila-seca I factory (Tarragona).
- Activity 3.14² –Manufacture of organic basic chemicals (vinyl chloride) Vila-seca II factory (Tarragona, vinyl chloride monomer -VCM-).
- Activity 3.15² –Manufacture of anhydrous ammonia– Sabiñánigo factory (Huesca).
- Activity 3.17² –Manufacture of plastics in primary forms– manufacture of resins, plastic materials and non-vulcanisable thermoplastic elastomers, as well as customised mixing and blending of resins and the manufacture of synthetic resins not produced to order - Vila-seca II factory (Tarragona, Polyvinyl Chloride - PVC-), Cerdanyola factory (Barcelona, moulding compounds) and Monzón factory (Huesca, PVC plastic compounds).

¹ 1. Climate change mitigation; 2. Climate change adaptation; 3. The sustainable use and protection of water and marine resources; 4. Pollution prevention and control; 5 The protection and restoration of biodiversity and ecosystems; 6. The transition to a circular economy.

² Qualification in accordance with Annex I of Delegated Regulation ("EU") 2021/2139.

Their eligibility was determined based on the description of the activity in the text of the Delegated Act (and not on the CNAE codes, regarded only as indicative by the taxonomy Regulation). It should be noted that the result of this assignment is not comparable with the information reported in the Ercros 2021 annual report, because in that report the activities were reported using CNAE codes, (including CNAE 20.13, 20.14 and 20.16) without taking into account the descriptions of the different eligible activities related to them.

8.3 Alignment results

The general conclusion of the alignment analysis is that, of the activities analysed, the manufacture of chlorine in Sabiñánigo and Vila-seca I; and the manufacture of basic organic chemicals (vinyl chloride) at the Vila-seca II factory are aligned with the taxonomy's criteria for the climate change adaptation objective.

None of the activities carried out by Ercros is aligned with the climate change mitigation objective.

8.4 Information on the assessment of and compliance with Regulation 2020/852/EU

The following table, taken from the Aecom report, summarises the results of the study:

Results of alignment with the climate objectives of the taxonomy

Productive plant		Sabiñánigo			Vila-seca II
		and Vila-seca I	Vila-seca II	Sabiñánigo	Cerdanyola and Monzón
Activity		3.13	3.14	3.15	3.17
Objective of mitigation	Climate change mitigation	N	N	N	N
	DNSH Climate change adaptation	Y	Y	Y	Y
	DNSH Sustainable use and protection of water and marine resources	Y	Y	Y	Y
	DNSH Pollution prevention and control	Y	Y	N	N
	DNSH Protection and restoration of biodiversity and ecosystems	Y	Y	Y	Y: Vila-seca II and Cerdanyola N: Monzón
	Minimum safeguards	Y	Y	Y	Y
Activity aligned for the objective of climate change mitigation		N	N	N	N
Objective of adaptation	Adaptation to climate change	Y	Y	Y	Y
	DNSH Climate change mitigation	Y	Y	N	N
	DNSH Sustainable use and protection of water and marine resources	Y	Y	Y	Y
	DNSH Pollution prevention and control	Y	Y	N	N
	DNSH Protection and recovery of biodiversity and ecosystems	Y	Y	Y	Y Vila-seca II and Cerdanyola N: Monzón
	Minimum safeguards	Y	Y	Y	Y
Activity aligned for the objective of adaptation to climate change		Y	Y	N	N

Y: Yes.

N: No.

Note: The criteria for demonstrating the absence of significant harm to the objective of transition towards a circular economy do not apply to these activities.

The table shows that the technical alignment criteria for the objective of adaptation to climate change are met in the chlorine manufacturing activities (Vila-seca I and Sabiñánigo factories) and vinyl chloride manufacturing (Vila-seca II factory), in accordance with the provisions of Delegated Regulation ("EU") 2021/2139 of 4 June 2021, establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

a) Alignment: Manufacture of chlorine – Climate change adaptation objective

(i) Technical criteria to demonstrate substantial contribution to the objective:

The Vila-seca I and Sabiñánigo factories carry out the manufacture of chlorine in compliance with the established technical screening criteria:

- To manufacture chlorine, Ercros has implemented climate change adaptation solutions that substantially reduce the physical climate risks identified in the climate risk and vulnerability analysis conducted for the lifetime of each plant and for various scenarios based on best practices and scientific analysis. This risk and vulnerability analysis has identified the climate change adaptation solutions evaluated.
- Ercros has performed a climate risk and opportunity assessment for the 2030 and 2050 horizons, and has developed a corporate action plan, the 3D Plan, based on advanced scientific and technological criteria. In Sabiñánigo and Vila-seca I, energy efficiency measures have been implemented or are being implemented, based on the use of hydrogen and procedures for preventing and managing maintenance to address climate risks.

(ii) Technical criteria to avoid causing significant damage to other environmental objectives:

With regard to compliance with the criteria for demonstrating that there is no significant harm to other environmental objectives, the Sabiñánigo and Vila-seca I electrolytic plants use the latest and most efficient technology available (bipolar membrane cells with zero-gap technology).

The average lifecycle GHG emissions of electricity used for chlorine production are below the threshold of 270 g CO₂e/kWh set by the Climate Delegated Act.

Both plants take measures to address identified risks to water bodies with the aim of ensuring their healthy ecological status.

No production, marketing or use of persistent organic compounds, mercury, ozone depleting substances, hazardous substances in electrical and electronic equipment, or substances covered by Article 57 of the Reach Regulation. Emissions meet the BAT conclusions for chlor-alkali production and for common waste water and waste gas treatment systems in the chemical sector. There are no cross-media effects.

The plants are subject to environmental assessment procedures for the activity as required by environmental impact assessment laws for projects, which include implementing identified mitigation measures and assessing the potential impact on protected natural areas.

(iii) Criteria for complying with minimum social and governance safeguards:

Ercros has policies and mechanisms in place to identify and manage risks in the areas of human and workers' rights, corruption, taxation and fair competition.

b) Alignment: Manufacture of vinyl chloride – Climate change adaptation objective

(i) Technical criteria to demonstrate substantial contribution to the objective:

The Vila-seca II factory manufactures basic organic chemical products, specifically vinyl chloride, and complies with the established technical selection criteria:

- Climate change adaptation solutions have been applied in vinyl chloride manufacturing at the Vila-seca II plant that substantially reduce the physical climate risks identified in a science-based climate risk and vulnerability analyses carried out for the lifetime of each plant, which concluded that these solutions have been assessed.
- Ercros has performed a climate risk and opportunity assessment for the 2030 and 2050 horizons, and has developed a corporate action plan based on advanced scientific and technological criteria. Energy efficiency measures, reuse of residual energy and raw materials, steam generation through biomass combustion and the use of hydrogen, as well as procedures for preventing and managing maintenance in the face of climate risks, have been or are being implemented at Vila-seca II.

(ii) Technical criteria to avoid causing significant damage to other environmental objectives:

In terms of compliance with the criteria not to cause significant harm to the other environmental objectives:

- GHG emissions from vinyl chloride production processes are below the threshold of 0.268 t CO₂/t vinyl chloride set by the Delegated Climate Act.
- The activity at the Vila-seca II plant is subject to an environmental authorisation procedure which assessed the effects on the bodies of water in the receiving medium. Furthermore, the discharge monitoring programme is expressly adapted to the supervisory requirements set out in the Water Framework Directive.
- No production, marketing or use of persistent organic compounds, mercury, ozone depleting substances, hazardous substances in electrical and electronic equipment, or substances covered by Article 57 of the Reach Regulation. The BAT threshold emission ranges are complied with, including the assessment of alternatives to avoid cross-media effects.

- The checks prior to the Environmental Impact Assessment ("EIA") were completed at the Vila-seca II plant, although the submission of an environmental impact study was not mandatory. In the context of the monitoring plan, which tests the effect of bioaccumulation of pollutants on the fauna in the receiving environment, it was found that the ecosystem remains healthy and that no bioaccumulation occurs. Furthermore, the plant is located on industrial land.

(iii) Criteria for complying with minimum social and governance safeguards:

Ercros has policies and mechanisms in place to identify and manage risks in the areas of human and workers' rights, corruption, taxation and fair competition.

8.5 Key performance indicators

After the alignment analysis, key performance indicators were calculated in accordance with the Delegated Regulation ("EU") 2021/2178 of 6 July 2021 (Delegated Disclosure Regulation), as summarised below:

THOUSANDS OF EUROS

Activity	2022			2021		
	% Income	% Opex	% Capex	% Income	% Opex	% Capex
Non-aligned eligible activities						
Manufacture of anhydrous ammonia	0.66	1.28	0.02	0.28	1.04	1.53
Manufacture of plastics in primary forms	28.82	14.56	4.20	35.54	15.38	6.45
Total eligible non-aligned activities	29.48	15.84	4.22	35.82	16.42	7.98
Eligible and aligned activities						
Manufacture of chlorine	21.17	20.79	14.15	14.16	19.48	18.53
Basic organic chemicals	–	11.30	2.57	–	12.00	0.80
Total eligible and aligned activities	21.17	32.09	16.72	14.16	31.48	19.33
Ineligible activities	49.35	52.07	79.06	50.02	52.10	72.69
Group Total	100	100	100	100	100	100

8.6 Content of key performance indicators

a) Calculation of key performance indicators

Key indicators have been calculated in accordance with Annex 1 of Committee Delegated Regulation ("EU") 2021/2178 of 6 July 2021.

(i) Key performance indicator for turnover:

The turnover ratio will be calculated as the share of net turnover derived from products or services, associated with the activities that qualify under the taxonomy (numerator), divided by net turnover (denominator).

The detail of products associated with each activity is as follows:

- 3.13 Manufacture of chlorine: CIF sales of chlorine, caustic soda and hypochlorite (Vila-seca I and Sabiñánigo).
- 3.14 Manufacture of VCM: no sales (Vila-seca II).
- 3.15 Manufacture of anhydrous ammonia: CIF sales of ammonia (Sabiñánigo).
- 3.17 Manufacture of plastics in primary forms: CIF sales of PVC in suspension (Vila-seca II), PVCD compounds (Monzón) and moulding compounds (Cerdanyola).

(ii) Key performance indicator for capital expenditure (Capex)

The Capex ratio will be calculated as the share of investments in fixed assets that are associated with the taxonomy (numerator) divided by the total additions of tangible and intangible assets during the year under review (denominator) as indicated in point 1.1.2 of Annex 1 above.

The detail of the assets associated with each activity is as follows:

- 3.13 Manufacture of chlorine:
 - Sabiñánigo: chlorine-soda electrolysis, general manufacturing plant (salt crystallisation), environment (waterproofing of floors and channels, chlorine area).
 - Vila-seca I: chlorine caustic soda membranes, soda concentration, compressed hydrogen, hydrogen distribution, shipments (chlorine load adjustment), environment (continuous analysis of chlorine and hydrochloric acid), refrigerated water (refrigerated water pumps).

- 3.14 Manufacture of VCM:
 - Vila-seca II: VCM cost centre.
- 3.15 Manufacture of anhydrous ammonia
 - Sabiñánigo: ammonia cost centre.
- 3.17 Manufacture of plastics in primary forms
 - Cerdanyola: all cost centres.
 - Monzón: all cost centres.
 - Vila-seca II: all centres except for VCM.

(iii) Key performance indicator for operating expenses (Opex)

The Opex ratio will be calculated as the share of operating expenses related to assets or processes involved in economic activities that comply with the taxonomy, including training and other adaptation needs of human resources and non-capitalised direct costs representing research and development (numerator), divided by the total operating expenses for the year under review (denominator) as set out in point 1.1.3 of Annex 1 above.

The types of expenditure used are as follows:

- Leases and fees, taking into account IFRS 16.
- Repair and upkeep, including the cost of own maintenance staff.
- Technical studies and collaborations.
- Environmental services.
- Cleaning service.

8.7 Details of key performance indicators

a) Key performance indicators for turnover

Economic activities	Codes	Absolute turnover (thousands €)	Proportion of turnover (%)	Substantial mitigation criteria							Criteria for absence of significant injury							Minimum guarantees	Proportion of turnover that conforms to the taxonomy in 2021 (%)	Proportion of turnover that conforms to the taxonomy in 2022 (%)	Category (facilitating activity)	Category (transition activity)
				Climate change mitigation (%)	Adaptation to climate change (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Contamination	Biodiversity and ecosystems							
A. Activities eligible according to the taxonomy																						
A.1 Environmental activities that conform to the taxonomy																						
1. Chlorine manufacturing	3.13	216,942	21.17	-	21.17	-	-	-	-	-	Y	Y	Y	NA	Y	Y	Y	41.79	28.33	-	T	
2. Manufacture of basic organic chemicals	3.14	-	-	-	-	-	-	-	-	-	Y	Y	Y	NA	Y	Y	Y	-	-	-	T	
Turnover of sustainable environmental activities		216,942	21.17	-	21.17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
A.2 Activities eligible under the taxonomy, but not environmentally sustainable																						
1. Manufacture of plastics in primary forms	3.17	295,409	28.82	-	-	-	-	-	-	-	N	Y	Y	NA	N	Y	Y	-	-	-	-	
2. Manufacture of anhydrous ammonia	3.15	6,783	0.66	-	-	-	-	-	-	-	N	Y	Y	NA	N	Y	Y	-	-	-	-	
Turnover of taxonomy-eligible but not environmentally sustainable activities		302,192	29.48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A.1 + A.2		519,134	50.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Activities not eligible under taxonomy																						
Turnover of ineligible activities according to taxonomy		505,767	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A + B		1,024,901	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

NA: Not applicable
 Y: Yes
 N: No
 T: Activity in transition

b) Key performance indicators for capital expenditure (Capex)

Economic activities	Codes	Absolute capex (thousands €)	Capex ratio (%)	Substantial mitigation criteria							Criteria for absence of significant injury							Minimum guarantees	Proportion of capex that conforms to the taxonomy in 2022 (%)	Proportion of capex that conforms to the taxonomy in 2021 (%)	Category (facilitating activity)	Category (transition activity)
				Climate change mitigation (%)	Adaptation to climate change (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Contamination	Biodiversity and ecosystems							
A. Activities eligible according to the taxonomy																						
A.1 Environmental activities that conform to the taxonomy																						
1.	Chlorine manufacturing	3.13	8,880	14.15	-	14.15	-	-	-	-	Y	Y	Y	NA	Y	Y	Y	67.56	67.83	-	T	
2.	Manufacture of basic organic chemicals	3.14	1,615	2.57	-	2.57	-	-	-	-	Y	Y	Y	NA	Y	Y	Y	12.29	2.93	-	T	
	Capex of sustainable environmental activities		10,495	16.73	-	16.73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
A.2 Activities eligible under the taxonomy, but not environmentally sustainable																						
1.	Manufacture of plastics in primary forms	3.17	2,635	4.20	-	-	-	-	-	-	N	Y	Y	NA	Y	Y	Y	-	-	-	-	
2.	Manufacture of anhydrous ammonia	3.15	13	0.02	-	-	-	-	-	-	N	Y	Y	NA	N	Y	Y	-	-	-	-	
	Capex of taxonomy-eligible but not environmentally sustainable activities		2,648	4.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A.1 + A.2			13,143	20.95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Activities not eligible under taxonomy																						
	Capex of ineligible activities according to taxonomy		49,604	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A + B			62,747	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

NA: Not applicable
 Y: Yes
 N: No
 T: Activity in transition

c) Key performance indicators for operating expenses (Opex)

Economic activities	Codes	Absolute opex (thousands €)	Opex ratio (%)	Substantial mitigation criteria							Criteria for absence of significant injury							Minimum guarantees	Proportion of opex that conforms to the taxonomy in 2022 (%)	Proportion of opex that conforms to the taxonomy in 2021 (%)	Category (facilitating activity)	Category (transition activity)
				Climate change mitigation (%)	Adaptation to climate change (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Contamination	Biodiversity and ecosystems							
A. Activities eligible according to the taxonomy																						
A.1 Environmental activities that conform to the taxonomy																						
1. Chlorine manufacturing	3.13	8,459	20.79	-	20.79	-	-	-	-	-	Y	Y	Y	NA	Y	Y	Y	43.36	40.67	-	T	
2. Manufacture of basic organic chemicals	3.14	4,600	11.31	-	11.31	-	-	-	-	-	Y	Y	Y	NA	Y	Y	Y	23.58	25.06	-	T	
Opex of sustainable environmental activities		13,059	32.09	-	32.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
A.2 Activities eligible under the taxonomy, but not environmentally sustainable																						
1. Manufacture of plastics in primary forms	3.17	5,926	14.56	-	-	-	-	-	-	-	N	Y	Y	NA	Y	Y	Y	-	-	-	-	
2. Manufacture of anhydrous ammonia	3.15	522	1.28	-	-	-	-	-	-	-	N	Y	Y	NA	N	Y	Y	-	-	-	-	
Opex of taxonomy-eligible but not environmentally sustainable activities		6,448	15.85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A.1 + A.2		19,507	47.94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Activities not eligible under taxonomy																						
Opex of ineligible activities according to taxonomy		21,182	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total A + B		40,689	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

NA: Not applicable
 Y: Yes
 N: No
 T: Activity in transition

9

RESPECT FOR
HUMAN RIGHTS



9.1 Materiality of the chapter

Respect for human rights is an unquestionable value for the Ercros Group and its stakeholders; the company is therefore committed to complying with the fundamental rights recognised in national and international laws and demands the same commitment from its business partners.

The Group has regulations, policies, procedures and control systems in place to ensure that its activities comply with current law. Furthermore, it voluntarily complies with external programmes and agreements with more ambitious values and objectives than those legally applicable to it.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



9.2 Regulatory framework

The Ercros Group has joined forces 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 indicate the Group's actions in all areas.

a) The corporate social responsibility policy

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

- Comply with current law, including international standards and guidelines; good corporate governance recommendations; internal regulations, in particular the criminal risk manual and the code of ethical conduct, and voluntary agreements to which the Company adheres.
- Support for human rights and public freedoms, especially freedom of association, the right to collective bargaining and the eradication of child labour and forced labour.
- Collaborate with justice and implement mechanisms for monitoring policies and for the prevention and supervision of financial and non-financial risks, and their management, including those related to ethical aspects and business behaviour.
- Provide a tax strategy in the development of the economic activity of the Ercros Group with full respect for tax regulations and the criteria of judicial and administrative bodies.
- Assume and integrate equal opportunities and equal treatment between women and men; reject any type of discrimination, abuse or intimidation of a person; and promote a work-life balance.
- Promote a culture of respect for diversity, equality in employment, non-discrimination and employment inclusion to ensure equal opportunities, creating and promoting a diverse and inclusive working environment.
- Protect the health and safety of employees at the Group's workplace, and those living in surrounding areas.
- Protect the environment, with a firm commitment to the decarbonisation of the company's activities, prevent pollution and promote circular economy principles, reducing the consumption of raw materials and natural resources.
- Promote channels of dialogue, participation and communication; provide truthful, clear and complete information on the company and the impacts and risks generated by its activity.
- Adopt responsible practices in the supply chain and broaden compliance with ethical principles and standards to all participants in this chain.
- Meet the needs of customers, provide them with relevant information on the products they purchase and protect the products throughout their value chain.
- Ensure shareholders' interests and guarantee their rights, in particular, those relating to equal treatment, information, participation and voting.
- Encourage society's confidence through cooperation and maintain an open, fluid and transparent dialogue that responds to the demands and concerns of the general public and, specifically, those of the communities where the company carries out its activity.

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. Specifically:

- Compliance with the law.
- Protection of human rights, freedom, equal opportunities, non-discrimination, and each culture's values.
- Loyalty to the Company and integrity in safeguarding its interests.
- Responsibility for sustainable development and the future of society.

The board, 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 the human resources department.

156 new-hired employees signed their adherence to the code of ethics.

Since its approval in 2018, the company has conducted staff training on the code of ethics and promoted its compliance.

In 2022, when 156 new employees were given the code of ethics, it was explained to them and they signed it in promise of compliance. In addition, on the homepage of the working sessions of Group computers, staff complete a dialogue box in which they agree, at the beginning of the working day, to comply with the code of ethics.

In turn, contracts with suppliers of logistics, goods and services include a clause relating to the commitment to comply with the Ercros Group's code of ethics or the supplier's own code of ethics.

c) The whistle-blowing channel

The whistle-blowing channel procedure implements the mechanism by which complaints can be filed regarding alleged breaches of the code of ethics. 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 2022, one complaint was submitted to the whistle-blowing channel which was processed in time and form (this channel also received one complain in 2021).

The ethics channel email is: canaletico@ercros.es

9.3 External voluntary programmes and agreements

The Ercros Group assumes voluntary commitments and supports 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 Spanish Chemical Industry Business Federation ("Feique").

One of the programme's requirements is annual self-assessment according to the criteria established by the European Chemical Industry Council ("Cefic") in the following aspects: (i) corporate leadership culture, (ii) safeguarding people and the environment, (iii) strengthening management systems for chemicals, (iv) influencing business partners, (v) stakeholder engagement and (vi) contributing to sustainability.

In 2022, the Ercros Group scored 81.04 out of 100 in this self-assessment, compared to an average score of 73.21 out of 100 for the 385 European companies that completed the questionnaire. In 2021, the Group's score was 76.4 out of 100.

- The Global Compact agreement: the Group has adhered to this agreement, promoted by the UN, since 2000. The objective of this agreement is to achieve a commitment from companies in matters of social responsibility through the application of ten universal principles. The 2021 report presented by the Ercros Group in 2022 was classified as "advanced".
- The CSR guide for application in the chemical and life sciences industry—promoted by Feique in collaboration with Forética—contains 183 indicators, with a compliance level rated as "excellent" that is explained in chapter 17.
- El EcoVadis CSR rating: the Ercros Group obtained 84 points out of the 100 possible points in the EcoVadis international rating, which assesses the ESG (environmental, social and governance) practices of companies. This result places Ercros within the 1% group, a better ranking than the companies analysed, thus allowing it to receive the *Platinum* recognition for the fourth year in a row. In 2021, the Group scored 84 out of 100. Throughout 2022, the Group has shared its EcoVadis performance with the 16 customers and suppliers that have requested it through the platform set up for this purpose by the rating agency.

The Ercros Group scored 84 points out of 100 in the international EcoVadis rating

- The IEAF ESG rating: in 2022, the Ercros Group obtained 78 points out of the 100 possible (77/100 in 2021) in the ratings promoted by the Spanish Institute of Financial Analysts ("IEAF"), which was prepared based on the company's level of compliance with ESG criteria (environmental, social and governance).

- The Code of Good Governance for listed companies ("CGG"): approved by the CNMV, the CGG contains 64 recommendations, 12 of which are not applicable to Ercros. Of the remaining 52 recommendations, it complies with 50. In terms of the other two, it partially complies with one and can explain its non-compliance with the other. In 2022, the degree of compliance with the recommendations contained in the CGG applicable to the Group stood at 96.2% (the same as in 2021).
- The 20th General collective agreement for the chemical industry for 2021-2023: the declaration of principles of article 119 of the above agreement establishes "Respect for people" as a prerequisite for individual and professional development, with its most immediate reflection in the principles of "Respect for legality" and "Respect for human rights", regulating the activity of all people in the exercise of their duties, requiring them to apply appropriate, respectful and dignified treatment, guaranteeing the safeguarding of fundamental labour rights, dignity, personal privacy and equality.
- Sustainability management system: the Group applies in its facilities a sustainability management system verified by independent companies, based on standard international recognition rules that are verified and renewed annually. In particular, in environmental matters, it applies EMAS, ISO 14001:2015, UNE-EN ISO 14064-1:2012 (in transition to the 2018 version), and UNE-EN ISO 50001:2018 on energy management; in matters of quality, it applies UNE-EN ISO 9001:2015; and in prevention and occupational health, ISO 45001:2018.
- In 2022, Ercros obtained the highest rating, G++, for compliance with the Good Corporate Governance Index ("GCGI"). The purpose of the GCGI is to assess and identify improvement actions and conduct comparisons with other companies and is based on European legal regulations and the CNMV's Code of Good Governance. It is based on nine variables, which take into account 41 key indicators that, in turn, encompass 165 criteria for the reputational assessment of organisations.
- In 2022, the Ercros Group completed, for the first time since 2016, the Carbon Disclosure Project ("CDP") questionnaire, which assesses the transparency and performance of organisations on climate change. In this first assessment, the Ercros Group scored D (Disclosure), demonstrating its transparency on climate change. The Ercros Group is the only one of the 69 companies that publish their results to present this questionnaire for the first time.

9.4 Relations with sensitive geographical areas

The Group carries out most of its activities in areas that have specific laws that prohibit child labour and forced or compulsory labour. In any case, as stated in Article 7 of the Code of Ethics, persons bound by it do not accept child, forced or compulsory labour, or work carried out under duress.

All its production facilities are located in Spain, which in turn was the destination of 53% of sales in 2022. The Group exported 28% of sales to other countries in the EU and 11% to other countries under the Organisation for Economic Co-operation and Development ("OECD"), while the remaining 8% went to countries in the rest of the world, with India and China leading the way.

With regard to purchases, 43.6% of procurements and supplies come from Spain; 32.9% from the EU; 14.8% from the OECD and 8.6% from countries in the rest of the world.

The Group ensures that its priority stakeholders—employees, clients 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 actions 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. Acceptance of the code is implied in all orders through the introduction of an ethical clause either in the respective agreements or in the orders placed by the Group.
- Ercros Group provides its clients and suppliers with a whistleblower channel through which they can report any unlawful act, breach of the code of ethics, fraud or irregularity they might detect during their contracting process.
- The Ercros Group's code of ethics includes the requirements that commercial transactions with foreign companies must meet.

The Group has therefore mitigated the risk of non-compliance with respect for human rights in the Group. In addition, the Group has established safeguarding mechanisms that strengthen surveillance to avoid incurring in this risk, especially in sensitive geographical areas, which either lack legislation that protects human rights or where enforcement is lax. The ethical criteria governing the Ercros Group's transactions are the same in all the countries in which it operates.

The Ercros Group has implemented approval and assessment mechanisms that must be complied with by the contracted supplier companies

The Ercros Group has implemented approval and periodic assessment mechanisms that must be complied with by the contracted supplier companies. These assessments verify, among other aspects, the suppliers' ability to comply with the Group's sustainability and ethical conduct requirements.

Another mechanism to ensure surveillance is the procedure for registering suppliers, which requires that suppliers' reputations be analysed. Supplier evaluation based on the country of origin of the raw material and the potential risk or failure of supply has continued in 2022 and is taken into account in the screening process.

To this end, the Group uses the Refinitiv World-Check tool to analyse both supplier and customer reputation. In 2022, 100% of customers and 74% of procurement amounts were analysed.

For 2023, the Ercros Group has proposed to review this procedure with the aim of analysing the suitability of European suppliers with a turnover of more than EUR 1 million per year and those from the rest of the world with a turnover of more than EUR 100,000 per year. The compliance department will be responsible for authorising business relations with suppliers and monitoring them through the Refinitiv World-Check tool.

In 2022, 16 reputational reports were drawn up on previous-year suppliers: eight for raw materials companies, and the remaining eight for facilities, services, warehousing and transport companies, all of which were favourable. With the reports prepared in 2022, the Group has covered the reputational analysis of suppliers representing 67% of the amount of total purchases in 2021.

10

FIGHT AGAINST
CORRUPTION
AND BRIBERY



10.1 Materiality of the chapter

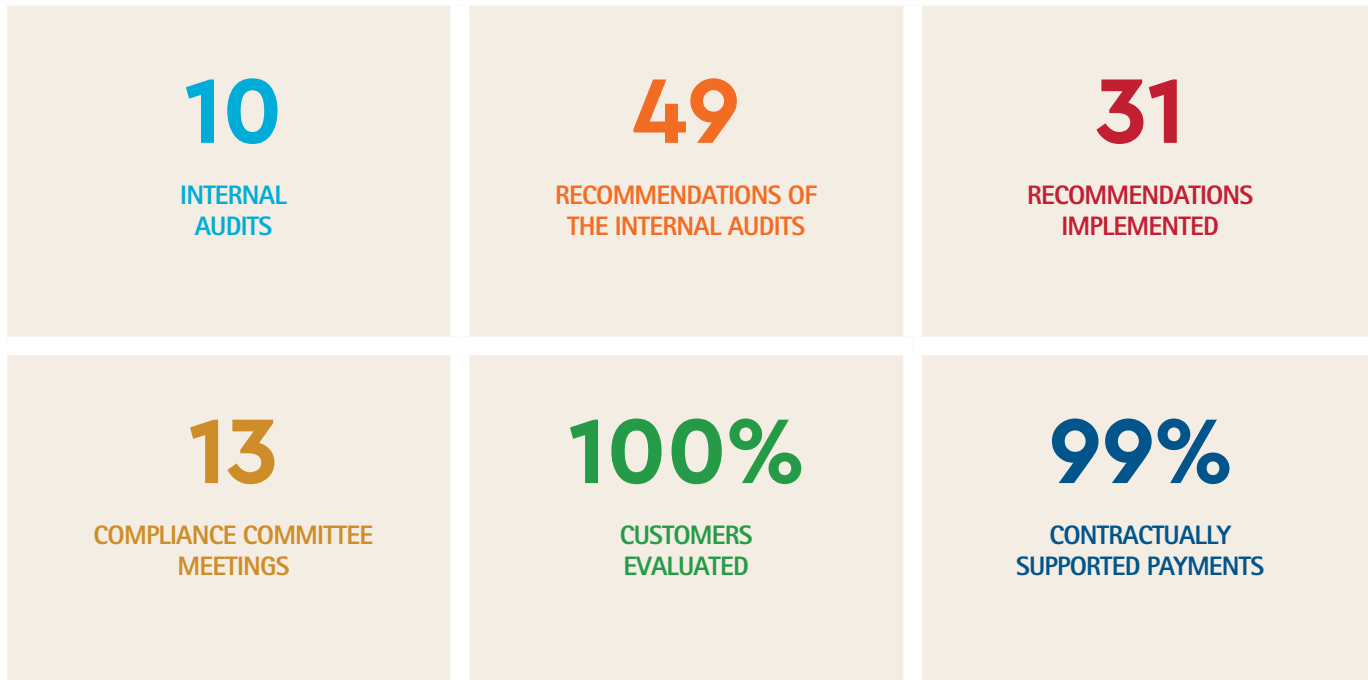
Stakeholder expectations of the Ercros Group in anti-corruption and anti-bribery issues drive the company to be proactive and unflinching in crime prevention and to have zero tolerance for the perpetration of offences such as fraud, bribery, money laundering or tax evasion.

The Group's anti-corruption and anti-bribery toolkit is comprehensive and robust and encompasses policies, regulations, manuals, procedures, software tools and internal control systems. To ensure the correct performance of these tools, the Ercros Group also undergoes external audits.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



10.2 Main actions

In 2022, 100% of customers and 74% of procurement transactions were analysed using the Refinitiv World-Check software tool, which allows the situation of customers and suppliers to be examined in advance with regard to corruption, bribery and financial crime.

100% of clients have been analysed to examine their status with regard to corruption and bribery issues

Likewise, in 2022, the Ercros Group updated its criminal risk map to include two new offences: sexual harassment and offences against moral integrity. This map classifies these risks based on their likelihood of occurrence and the impact that their materialisation would have on the Group. Based on these risk maps, the Group has implemented controls aimed at mitigating the criminal risks detected.

In 2022, the procedure on the conditions for employees to represent Ercros in external non-listed companies or corporate bodies was approved with the aim of defining the main representation conditions for individuals employed by the Ercros Group and to provide the Group with the necessary legal support in this area.

This year, the contract review procedure was also implemented, aimed at defining and establishing the system to be followed for the review of contracts by the Ercros Group's legal department with a view to ensuring that they comply with current law and fully guarantee the rights and interests of the Group and its employees.

The Group also has a procedure for agents and commissions, the purpose of which is to define and establish the system to be followed to manage and supervise commercial agents and the payment of commissions on their sales.

10.3 Regulatory framework

a) 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 worth noting: (i) compliance with current law; (ii) performance of economic activity with full respect for tax law and the criteria of judicial and administrative bodies; (iii) implementation of mechanisms for the prevention and monitoring of financial and non-financial risks; and (iv) adoption of responsible practices in the supply chain, applying them to all stakeholders in the chain.

b) The code of ethics

The code of ethics puts special emphasis on the way in which employees should conduct themselves in relation to the fight against corruption and bribery. Among these rules, 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 strengthen 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 companies must meet.

c) The anti-corruption and crime prevention policy

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

d) The criminal risk prevention manual

The criminal risk prevention manual 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 laid down in section 31 bis of the Spanish Criminal Code (Código Penal).

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

All the procedures in the criminal risk prevention manual have been updated

In 2022, all the procedures arising from this manual have been updated that specify the actions of the Ercros Group's people in the event of possible offences of fraud, bribery, misrepresentation or money laundering, amongst others.

e) The criminal compliance policy

The criminal compliance policy sets out the guiding principles to promote a culture of business ethics at all levels of the organisation, consistent with the values of the Ercros Group: 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.

The main guiding principles of the criminal compliance policy include the promotion of strict compliance with the law by the professionals who work at Ercros, and the detection, assessment and prevention of criminal risks that could occur at Ercros, in order to minimise these risks.

f) Data protection policy

The aim of the personal data protection policy is to guarantee the right to data protection of all individuals who relate to the Ercros Group, ensuring respect for the right to honour and privacy in the processing of the various types of personal data.

g) Zero tolerance policy on market manipulation

The zero tolerance policy for market manipulation aims to make it clear that the Group bases its actions in the market on the principles of free competition and equal opportunities, and rules out any action aimed at obtaining an unfair or unlawful benefit, use or advantage over customers, suppliers, competitors and other market players.

h) Tax policy

The tax policy ensures compliance with applicable tax law, in the pursuit of the corporate interest and supporting the long-term business strategy that avoids tax risks and inefficiencies when implementing business decisions.

10.4 The internal control system

The Group has established 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.
- The monthly closure control 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 Group risk alert system, 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 2022 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 ten audits, resulting in 49 recommendations for changing or improving operating procedures. Before the end of the year, 31 of these measures had been successfully implemented.

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

Last year, as in the previous year, 99% of the payments made by the Ercros Group were documented 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.

10.5 The compliance committee

The compliance committee, which reports to the audit committee, consists of the manager of the internal audit service and the manager of the legal service.

Its tasks include monitoring the policies, procedures and controls established in relation to the control of criminal risks, ensuring compliance with the internal code of conduct in matters related to the securities market and, in general, monitoring compliance with the code of ethics by all Ercros Group personnel.

In 2022, the compliance committee carried out the internal audit ahead of obtaining UNE 19601 certification in the area of criminal compliance, the aim of which is to prevent crimes from being committed within companies while reducing criminal risk. This standard provides guidance to establish, develop, implement, assess, maintain and improve an effective compliance management system that generates response from the organisation. The audit, verified by an external third party, has achieved positive results and certification is expected to be obtained in the first half of 2023.

In 2022, the compliance committee handled one complaint filed through the Ercros ethics channel

Throughout 2022, the compliance committee also worked to raise awareness of criminal risk prevention among the Group's staff by publishing articles in the internal newsletter.

In 2022, a complaint was submitted to the whistle-blowing channel, managed by the compliance committee, which was accepted for processing in time and form (one complaint was also filed through this channel in 2021) [see section 9.2 c)].

In 2022, the compliance committee met in session a total of 13 times (ten in 2021).

10.6 Tax litigation and disputes

Practically all the Group's operations are carried out at the parent company, Ercros, S.A., which has its registered office in Spain and pays taxes in full in this country. Only its marketing subsidiary in France, which was closed in 2022, is taxed in that country.

However, occasionally, the tax authorities use criteria to interpret the regulations applicable to the activities carried out by the Group that give rise to discrepancies with the criteria used by the Group itself.

a) In relation to the personal income tax audit

With reference to the personal income tax assessment for 2012 and 2013 signed on a contested basis, which proposes a tax liability of EUR 312 thousand and late-payment interest of EUR 70 thousand, which has been paid in full, the proceedings are pending notification of the date for voting and ruling by the Spanish High Court.

b) In relation to the corporation tax audit

With reference to the corporation tax assessment for 2011, 2012 and 2013 signed on a contested basis, which after several estimates proposes a reduction of reinvestment deductions of EUR 921 thousand, the proceedings are pending the Spanish High Court's ruling.

c) In relation to the settlement of the alcohol tax audit

On 10 May 2022, Section 7 of the Administrative Chamber of the Spanish High Court ruled that the judgment annulling the settlement signed on a contested basis for EUR 5.3 million issued by the tax inspectorate in connection with the exemption from the tax on alcohol used in the production of medicines at the Aranjuez factory was final.



11

ENVIRONMENTAL MATTERS

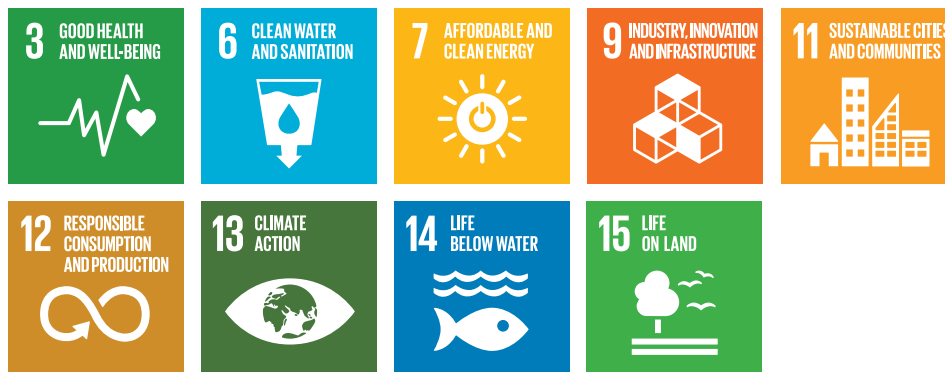


11.1 Materiality of the chapter

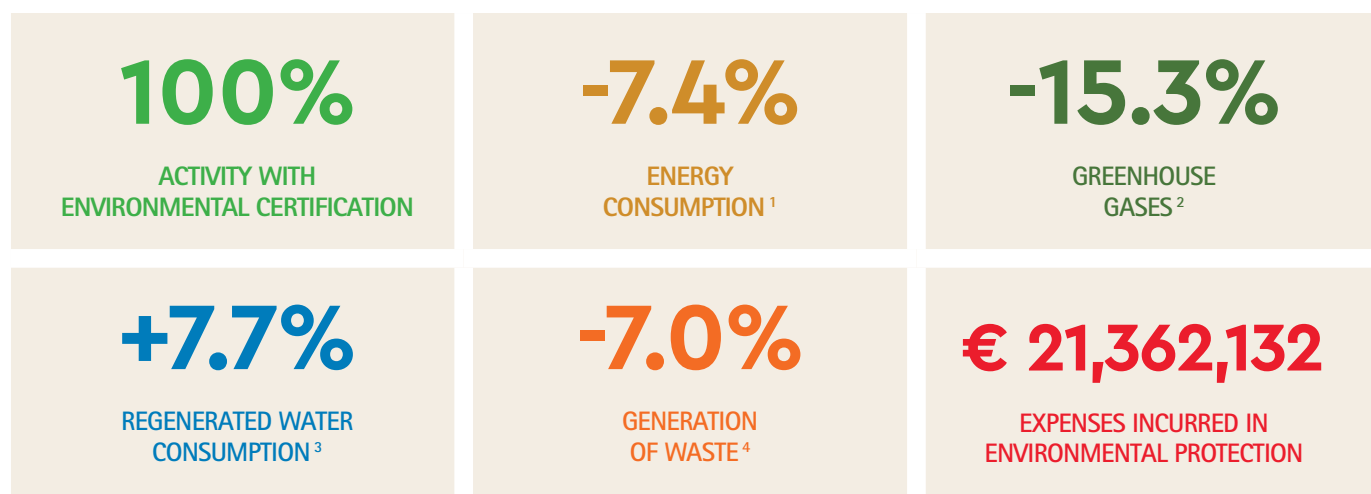
The firm conviction of the Ercros Group and its stakeholders of the relevant role that companies have in the fight against climate change, drives the company to make decisions and carry out investments that contribute to mitigating the climate emergency. The Group expects to fully decarbonise its business by 2050.

Environmental protection is a fundamental goal in the course of the company's activities; the Group therefore invests in protecting the natural environment, reduces its environmental emissions footprint, recycles and reuses materials, reduces its consumption of raw materials and energy, and endeavours to remedy any negative impacts that its activities may cause.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ GJ/yr. vs 2021

² Direct and indirect emissions of CO₂ equivalent (Scope 1 and 2) t/yr vs 2021

³ m³/m³ of total consumption vs 2021

⁴ t/yr vs 2021

11.2 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, especially those that influence climate change; making the most rational use of energy and raw materials; the reduction and, when this is not possible, applying the most suitable waste treatment methods; and compliance with legal and applicable requirements.

In particular, this entails:

- Reducing discharges to water and emissions to air, especially greenhouse gases due to their effects on climate change.
- Reducing the industrial waste generated, prioritising its reduction and recycling, and ensuring that the waste is properly treated.
- Reducing noise and light pollution from our activity.
- Making sustainable use of natural and energy resources.
- Preserving the biodiversity of protected areas in the vicinity of industrial facilities.

The main tools available to the Ercros Group to achieve its environmental objectives are, on the one hand, the 3D Plan and, specifically, the part relating to decarbonisation and digitalisation; and, on the other hand, the sustainability management system, with the sustainability policy and the manual that develops it, together with the procedures and plans derived from it, and the signed voluntary programmes and agreements, most notably the Responsible Care programme.

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

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

The EcoVadis international rating gave a score of 90 out of 100 to the Ercros Group's environmental performance. The overall score of the company in this sustainability rating was 84 out of 100, a rating that places the Group among companies in the 1% segment with the best results.

The EcoVadis rating has given the Ercros Group's environmental performance a score of 90 out of 100

a) Internal regulatory framework

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

- The sustainability policy, which provides the reference framework that governs the Group's actions in terms of sustainability. In 2021, the sustainability policy was updated to strengthen the Ercros Group's commitment to the climate neutrality objectives of the European Green Deal and the willingness to achieve full decarbonisation of the activity by 2050. The sustainability policy is signed by the company's chairman and endorsed by the board of directors.

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 the client's needs.
- The sustainability policy is implemented through the sustainability manual that sets out the basic guidelines for the management system, from which arise the general corporate procedures that form the basis for the specific documents for each workplace.
- The 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 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 comply with this commitment, in 2022 the energy management system has been implemented in accordance with ISO 50001 at the Almussafes and Tortosa facilities. They therefore join the previously certified facilities in Vila-seca I, Vila-seca II, Sabiñánigo and Tarragona, meaning that facilities accounting for more than 90% of the Ercros Group's energy consumption are now certified under this standard.

Furthermore, the Group has procedures, guidelines and protocols in place to regulate all aspects of the environmental management of the business and its facilities. Six of these procedures were revised in 2022, including the internal sustainability audit procedure, the procedure for calculating the Ercros emissions index and the environmental reporting procedure.

In relation to external stakeholders, the Group has a public service hotline ("LAP" *Línea de atención al público*) which handles requests for information or complaints from external stakeholders, and the ethical channel procedure, which establishes the mechanism for the submission of reports of possible breaches of the Ercros code of ethics values. This channel received one communication in 2022.

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:

- The UNE-EN ISO 14001:2015 ("ISO 14001") standard, 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 industrial complex ("CIT") 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 14064-1:2018 ("ISO 14064") standard on specifications for quantifying and reporting greenhouse gas emissions. The audit of the adaptation to the 2018 version was passed in 2022.
- The UNE-EN ISO 50001:2018 ("ISO 50001") standard on energy management systems that has been implemented in the Vila-seca I, Vila-seca II, Sabiñánigo and Tarragona factories, and in 2022, certification was obtained for the Almussafes and Tortosa facilities [see section a) above]

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 promoted in Spain by the Spanish Chemical Industry Business Federation ("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, in its principles 7, 8 and 9 establish that "Businesses should support a precautionary approach to environmental challenges", "undertake initiatives to promote greater environmental responsibility" and "encourage the development and dissemination of environmentally friendly technologies", respectively.
- Climate action commitments to curb global warming, driven by the Catalan Government [see section 11.5.c].
- The Operation Clean Sweep programme to achieve zero pellet loss, an action plan promoted by the EU that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.
- The ECVM Charter, 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, reduce 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. Within the framework of this project, Ercros participated in the multi-thematic national panel called *Cluster ES*, a technical consultation group.
- The VinylPlus 2030 commitment, signed by the main European PVC manufacturers, with the aim of contributing proactively to global sustainable development through the achievement of quantifiable targets for recycling, carbon emission reduction and the use of renewable energy.
- The commitment to the GetHyGA initiative, an action plan promoted by the Aragón Government that seeks to create an industrial ecosystem around the production, transport, storage and consumption of hydrogen as a source of energy.
- The Acords Voluntaris programme created by the Catalan Government's Office for Climate Change, to which the Cerdanyola plant has adhered, supports and recognises companies that are actively committed to the fight against climate change.

d) Environmental investments, expenses and grants

In 2022, the Group carried out investments aimed at improving and protecting the environment, including most notably those relating to the BREF (European reference documents on best available techniques) for the large volume organic chemical industry ("LVOC") and common systems for the treatment and management of waste water and gases in the chemical sector ("CWW"), the most significant investments related to the change of the gas treatment system at the Vila-seca II plant, the optimisation of the use of hydrogen for use as fuel at Vila-seca I and Sabiñánigo, the optimisation of solvent consumption at Aranjuez, as well as various investments in soil and groundwater pollution prevention and the monitoring and control of emissions and discharges. The wastewater treatment plant, built jointly with several companies in the Sur de Tarragona industrial park and managed by Aitasa, into which the Tarragona, Vila-seca I and Vila-seca II plants discharge their wastewater, has also been brought into operation. The total amount of investment in safety and the environment in 2022 was EUR 9,792 thousand (EUR 13,174 thousand in 2021).

The expenses incurred by the Group for the protection and improvement of the environment in 2022 amounted to EUR 21,362 thousand (2021: EUR 18,289 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental regulations on reducing emissions and soil remediation.

In 2022 the Group received grants: (i) for greenhouse gas emission allowances amounting to EUR 16,833 thousand (EUR 10,443 thousand in 2021); (ii) as compensation for indirect greenhouse gas emission costs arising from electricity consumption in 2020 amounting to EUR 4,603 thousand (EUR 7,140 thousand in 2021); and (iii) for energy savings amounting to EUR 2,258 thousand (EUR 2,012 thousand in 2021); (iv) as energy-intensive consumers amounting to EUR 1,194 thousand (EUR 1,502 thousand in 2021); and (v) as gas-intensive consumers in the amount of EUR 400 thousand (no grants were received for this item in 2021).

11.3 External regulatory environment

The Group—because of the industry in which it operates—is subject to strict environmental regulations, mainly regarding emissions, discharges, waste, noise, light pollution, and soil and underground water remediation.

a) Industrial emissions

Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control), transposed into Spanish legislation through Law 5/2013, requires that the 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 BAT conclusions, obtained from the best available techniques reference documents ("BREF") applicable in each case.

Royal Legislative Decree 1/2016, of 16 December, transposing the above directive, consolidates into a single legal text the amendments made to Spanish Law 16/2002, of 1 July, on integrated pollution prevention and control (*Ley de prevención y control integrados de la contaminación*) and the provisions on industrial emissions contained in regulations with force of law.

Regarding the BAT reference documents for the large volume organic chemical industry ("LVOC"), on 21 November 2017, the Official Journal of the European Union published the Commission Implementing Decision ("EU") 2017/2117 establishing best available techniques ("BAT") conclusions. In the case of the Ercros Group, the application of these BAT, which had to be carried out before 22 November 2021, has led to changes at the EDC and VCM production plants, while the formaldehyde plants, also affected by this BREF, were already adapted to the new requirements.

The application of the BREF for the common wastewater and waste gas treatment and management systems ("CWW"), the BAT conclusions of which 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 have already been completed. In the case of the water treatment plant backed by Aitasa with the participation of several companies in the Sur de Tarragona industrial park, a project which includes the Ercros Group, the plant was commissioned in June and, since then, the discharges from the Vila-seca I, Vila-seca II and Tarragona factories have been connected to it.

On 12 December 2022, Implementing decision 2022/2427 establishing the best available techniques ("BAT") conclusions for common waste gas management and treatment systems in the chemical sector was published in the Official Journal of the EU. A four-year period has been set to adapt the facilities.

In 2022, a substantial modification of the Cerdanyola factory's authorisation was requested in order to update and adapt it following small changes gradually introduced at the facility. Also in 2022, a request was submitted for a substantial change in the authorisation of Vila-seca I to introduce new production processes enabling full and better use to be made of the facility's chlorine capacity and improvements in the areas of decarbonisation of activities and industrial safety of the facilities.

The Almussafes and Vila-seca II plants are still in the process of adapting to the new BREF, although in this last case, final authorisation was published in January 2023.

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.

Directive ("EU") 2018/410 of the European Parliament and the Council amending Directive 2003/87/EC was published on 19 March 2018, which establishes a system for greenhouse gas emission allowance trading for the 2021-2030 period. In January 2019, Royal Decree 18/2019 was published, which implements aspects contained in that directive, relating to the application of the system for greenhouse gas emission allowance trading for the 2021-2025 period.

On 17 December 2020, Spanish Law 9/2020 was published amending Spanish Law 1/2005. The purpose of this amendment is to incorporate into Spanish legal system the new developments affecting emission allowance trading in the new trading period that began on 1 January 2021 (phase IV: 2021-2030).

The facilities affected by the emission allowance trading system are those of Almussafes, Sabiñánigo, Tarragona, Tortosa, Vila-seca I and Vila-seca II.

In 2019 the facilities included in the emission allowance trading system submitted the application for the allocation at zero cost of emission allowances for the 2021-2025 period. On 15 March 2021, the Official Journal of the European Union published the Implementing Regulation 2021/446, which updated the benchmark values by the European Commission, necessary for the final calculation of the allocation.

On 13 July 2021, the free final allocation of greenhouse gas emission allowances for 2021-2025 was approved in the council of ministers. These final allocations may be adjusted due to dynamic allocation, i.e., based on the level of activity of the facilities in the two years prior to the year of allocation.

As regards the grant for costs arising from indirect emissions, after the publication in September 2020 of the Guidelines for certain state aid measures, in the context of the greenhouse gas emission allowance trading system after 2021, the NACE 20.14 code for the manufacture of basic products composed of organic chemicals and the NACE 20.15 code for the manufacture of fertilisers and nitrogen compounds are removed, as of 1 January 2021, from the list of eligible sectors, which implies that both Vila-seca II and Almussafes and Tortosa plants have stopped receiving the subsidy for indirect CO₂ costs in 2022. The Vila-seca I, Flix and Sabiñánigo facilities will be able to continue accessing the grant, although this last plant will be slightly affected by the new regulations.

c) Environmental remediation

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

On 28 March 2017, the Catalan 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. In accordance with the above law, all pollution or alteration in the soil that occurred prior to 28 August 1994 is considered historical. In relation to the soil affected by historical pollution, the measures adopted must focus on restoring the functions specific to the soil's use when it was contaminated. Where applicable, the contaminated soil may be contained or confined if it is demonstrated that other solutions are technically or economically impossible. This law clarifies and conditions the actions that the authorities may impose with regard to restoring the soil of historical industrial sites located in Catalonia.

In 2022, provisions were made for various environmental remediation activities amounting to EUR 14,169 thousand (2021: EUR 5,836 thousand).

(i) 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 competent authorities. In turn, the control and monitoring plan for soil and groundwater approved by the authorities is underway at the Sabiñánigo and Monzón factories. In the rest of the Group's facilities, the annual preventive controls of groundwater continue to be carried out. Lastly, with the approval of the authorities, the work on improving the aquifer is being carried out on the land owned by the Group on the premises of the former Palos de la Frontera factory and on the plots of land where the former Silla factory was located. In the latter case, the land classification was completed in 2022. Furthermore, a study has been submitted to the Andalusian Regional Government to characterise the plots of land owned by Ercros in the municipality of Huelva, confirming that there is no environmental risk associated with them.

(ii) 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 Government ("DGQA"). In 2022, the Group has carried out earthworks, removal of soil with saline content, backfilling with gravel and topsoil on the fifth terrace, and tests have continued to facilitate replanting.

As regards 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 Valle Salino comprehensive restoration project, the purpose of which is to make it possible to potentially use the saline resources at Terrera Vella in the future.

In October 2022, Ercros voluntarily relinquished the operation of the mine dump. In spite of this, the authorities resolved, subsequent to this waiver, to terminate the mining right, declaring Ercros' obligation to leave the site in safe conditions for people and things, and to restore the land in accordance with the terms of the restoration programme and the new environmental impact statement approved by the authorities in September 2022. Ercros appealed this decision via an administrative appeal filed in November 2022.

(iii) El Hondón land

It has been 21 years since Ercros, after reaching agreements with the authorities, released the El Hondón land from its historical industrial activity and 18 years since it has not owned any land on the site. In 2002 Ercros demolished all the facilities at El Hondón in accordance with the project approved by the authorities, and in 2004 it completed the sale of all the land it owned on the site.

Accordingly, the new owners assumed the responsibility of taking over the remediation of the soil for urban use, in accordance with the purchase and sale agreements and the urban development plan of the zoning plan still in effect, which envisages the residential use of the land and a subdivision project. On the basis of these commitments, in 2011, the owners of the land together with Ercros, the latter on behalf of Reyal Urbis, signed an agreement to implement a voluntary remediation project for the contaminated soil. This agreement provides for the distribution of the full cost of the decontamination of the sector in accordance with the percentages of urban development. Ercros assumed the cost as regards Reyal Urbis, S.A. of the decontamination of the plots awarded to it in the subdivision project. To cover the costs of this obligation, at 31 December 2022, Ercros had recognised a provision amounting to EUR 4,780 thousand, equivalent to 25% of the total estimated recovery cost, which is the percentage assigned to Reyal Urbis, S.A. in the subdivision project.

The Municipal Council of Cartagena is currently the main owner of the land and, pursuant to the agreement signed, has assumed 75% of the cost of remediation of the site.

Despite the fact that the subdivision project specifies that the recovery of the El Hondón land is an obligation assumed by its owners, in 2019, the government of the Region of Murcia commenced proceedings to have the soil declared contaminated, thus completing the El Hondón voluntary recovery project. On 17 October 2019, Ercros received the notice from the regional authorities in which the soil was declared to be contaminated, and in which Ercros is required, as the cause of the contamination, and, subsidiarily, the owners of the site, to carry out the work for the clean-up and recovery of the land to make it suitable for the use it had when the contamination was caused, in accordance with the law on contaminated soils. In the case of El Hondón, this is industrial use, a less demanding use in terms of remediation work compared to residential use.

On 30 June 2020, the Group sought judicial review challenging the ruling which declared that the soil of the El Hondón sector in Cartagena was contaminated. Despite the judicial appeal, and given the enforceability of the resolution declaring that the soil was contaminated, on 1 July 2020, Ercros submitted the technical project for the cleaning and recovery of El Hondón to comply with the obligation established in the resolution on the declaration of contaminated soil. On 30 November 2020 and 12 February 2021, the Directorate-General for the Environment requested that the technical project be remedied.

On 5 and 23 February 2021, the Group filed appeals against the above Project remediation requirements, requesting that they be dismissed and that the remediation project submitted by Ercros in July 2020 be approved.

Besides the appeals filed, on 20 October 2021, Ercros presented a new updated version of the technical remediation project for El Hondón, which incorporates the points made by the various experts and academic centres that assessed the project.

On 29 November 2021, Ercros was notified of the resolution of the minister of Water, Agriculture, Fisheries and the Environment of the Murcia Region dated 19 November 2021, which resolved to dismiss the above appeals. On 21 January 2022, Ercros sought judicial review against the above resolution of inadmissibility of the appeals filed before the High Court of Murcia, which was admitted for processing. This proceeding is at the defence stage.

In parallel, Ercros is working with the competent authorities to agree on a Remediation Project using on-site containment techniques to avoid the mass removal of the waste. The remediation project proposal submitted by Ercros has been favourably assessed by the Confederación Hidrográfica del Segura. At the time of writing, the remediation project submitted is pending the Nuclear Safety Council's favourable report.

d) Major accidents involving dangerous substances

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, CIT, Flix, Sabiñánigo and Tortosa) to have an up-to-date safety report, perform preventive inspections and simulations of major accidents on a regular basis, implement a site emergency plan, and investigate accidents that occur and report them to the authorities.

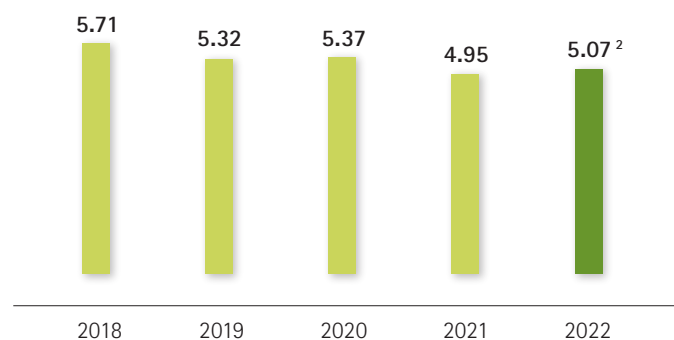
11.4 Environmental indicators

The analysis of environmental indicators shows an environmental performance in 2022 that, with usual fluctuations in production processes, is an improvement on previous year figures. The Ercros Group continues to focus its efforts on reducing its impact on the environment, as can be seen below.

Consumption:

Energy ¹

GJ/t PRODUCED



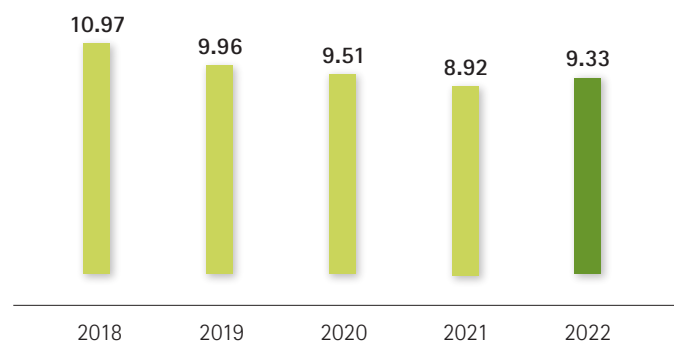
¹ Energy consumption includes electricity and fossil fuel consumption.

² Pending external verification.

In 2022 there was a slight increase in energy consumption per tonne produced due to a decrease in production compared to 2021. Energy consumption in absolute terms was reduced by 7.4%.

Water

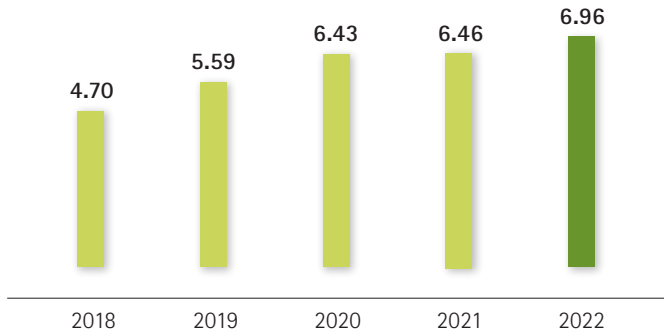
M³/t PRODUCED



In 2022 there was a slight increase in water consumption per tonne produced due to a decrease in production compared to 2021. Water consumption in absolute terms was reduced by 5.5%

Regenerated water consumption

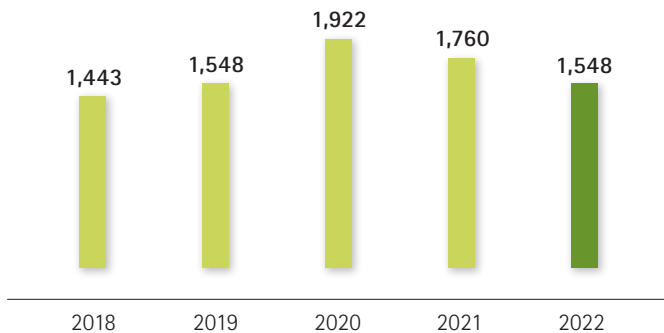
% OF TOTAL WATER CONSUMPTION



It is worth highlighting the gradual increase in regenerated water consumption, from the municipal wastewater treatment plants of Tarragona and Vila-seca and Salou, as a percentage of total water consumption, both due to the reduction in total water consumption and the increase in the volume of regenerated water consumed.

Emissions:

Emissions index¹

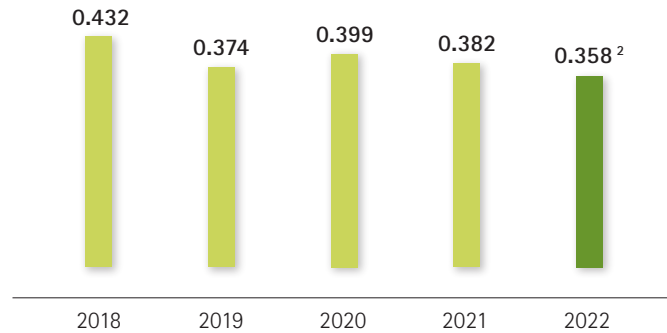


¹ The emissions index is calculated based on data on emissions to air and water, the waste generation at each production facility and on factors that depend on the danger of the environmental impact of the products involved.

In 2018 new compounds were included in the formula for calculating this index, which led to an increase in the index after that year.

Greenhouse gases¹

t OF CO₂ EQUIVALENT/T PRODUCED



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

² Pending external verification.

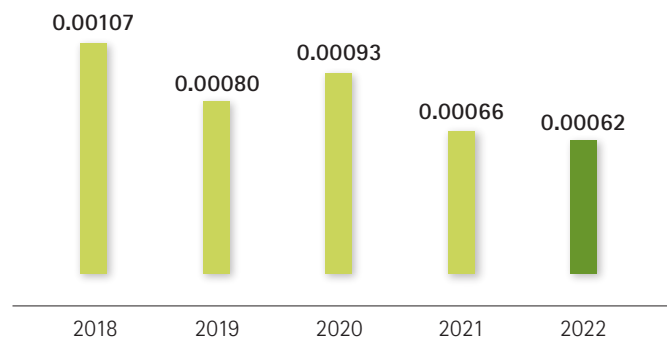
In 2022, direct and indirect greenhouse gas emissions from imported energy accounted for 449 thousand tonnes of CO₂ equivalent pending verification (531 thousand tonnes of CO₂ equivalent verified in 2021).

Emissions in 2021, calculated according to ISO 14064:2018 guidelines and verified, stood at 1,081 thousand tonnes of CO₂ equivalent in absolute terms. This figure includes direct emissions, indirect emissions from imported energy, indirect emissions from transport and distribution, upstream and downstream, and indirect emissions from the use of the organisation's products and services. Emissions from the use of products are not included. Verified data for 2022 was not available at the time of writing this report.

The inventory of direct emissions includes: fixed source emissions (CO₂, CH₄, N₂O); emissions from other sources of combustion; emissions from process sources; and fugitive emissions from refrigerating gases.

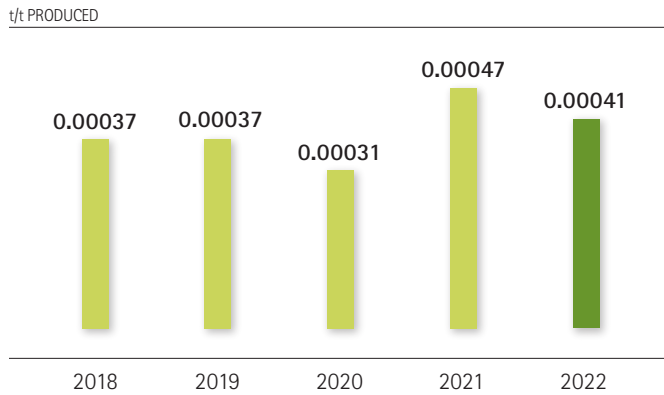
Volatile organic compounds ("VOC")

t/t PRODUCED

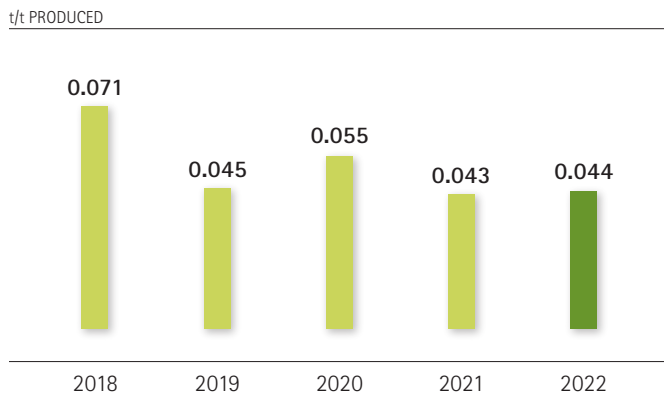


Discharges and waste:

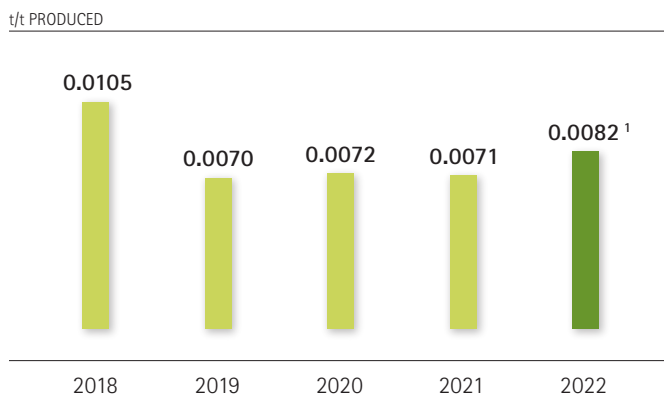
Evolution of the discharges of chemical oxygen demand ("COD")



Generation of total waste



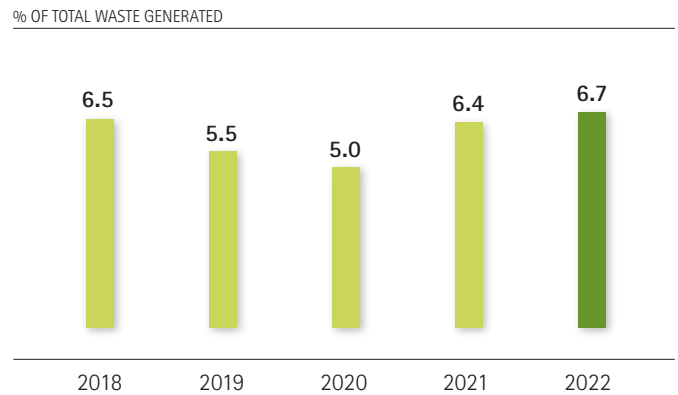
Generation of hazardous waste



¹ Pending external verification.

Hazardous waste generation increased in 2022 as a result of clean-ups and some changes in the production model towards processes that generate more waste per tonne produced.

Recovered waste out of total waste generated



11.5 Prevention of environmental impacts

a) Pollution prevention measures

The Ercros Group implemented environmental management systems based on ISO 14001 in all its facilities, and the improvements necessary to comply with the requirements established in the integrated environmental authorisations, due to the publication of the conclusions of the best available techniques ("BAT") of the current BREF. The Ercros Group has systems to reduce all types of pollution and minimise its impact on the environment:

All the facilities have implemented the environmental management system based on the ISO 14001 standard

(i) Water pollution

With the goal of preventing or reducing water pollution, the Ercros Group facilities have:

- Wastewater treatment plants, such as biological treatment plants (Aranjuez, Almussafes, Cerdanyola, Tarragona and Tortosa), physicochemical plants (Flix, Vila-seca I, Vila-seca II and Sabiñánigo), waters with mercury plants (Flix, Vila-seca I and Sabiñánigo), nitrification of water plants (Tarragona) and chlorinated water plants (Vila-seca I and Sabiñánigo). Ercros took part in the construction of a joint wastewater treatment plant, together with several companies in the Sur de Tarragona industrial park, to comply with the BATs established in the BREF for common wastewater and gas treatment systems in the chemical industry. The Tarragona, Vila-seca I and Vila-seca II plants discharge their water into this joint treatment system.
- Fixed retention basins in the process areas, storage tanks for products, raw materials and auxiliary materials, for loading and unloading and storage of waste, and mobile retention basins to cover the needs of the service areas (purifiers, boilers, demineralised water preparation stations, among others) to prevent an accidental spill from contaminating soils or waters.
- Line equipment for monitoring the quality of waters that will be treated to ensure the proper operation of the purification systems.
- Line equipment for monitoring the effluents to ensure compliance with established discharge parameters.
- Sediment trap basins or storage tanks for contaminated emergency water.
- Systems for reusing regenerated waste water in those processes in which it is possible (Tarragona industrial complex: Vila-seca I, Vila-seca II and Tarragona).
- Spill protection systems (absorbing material kits for the collection of spills, blankets or equivalent systems for drainage closures, etc.).
- Water monitoring and control plans within the ISO 14001 management system.

(ii) Air pollution

With the goal of reducing and minimising air polluting emissions, the Ercros Group has:

- Polluting emission abatement systems, mainly for volatile organic compounds ("VOC"), including washing towers (scrubber and bioscrubber) and solvent management systems.
- Filtering systems for the removal of particles (cyclones and dust filters, among others).
- Storage tank inerting systems to avoid emissions during filling processes.
- Thermal oxidation plant for the elimination of VOC.
- Systems for reusing waste flows in boilers for the elimination of pollutants and to make use of the energy of these flows.
- Nitrous gas reduction systems in combustion plants.
- Chlorinated gas treatment facilities.
- Continuous measurement and control systems of emission points.
- Monitoring and control plans within the ISO 14001 management system.
- Participation in air quality studies by CIT facilities.

(iii) Noise and light pollution

In order to minimise the impact of the noise and light created by its facilities, the Group has:

- Acoustical insulation for sound emission points.
- Enclosures around the machinery that produce louder noise.
- Installation of mufflers on machinery and maintenance of these.
- Programmes to remove mercury vapour lights and install sodium vapour lights or LEDs.
- Control of lighting and switching off light fixtures using light level sensors.
- Replacement of light fittings with LEDs in the factories of Almussafes, Cerdanyola, Tortosa and the CIT.

b) Circular economy

(i) Sustainability of consumption and sustainable use of resources

The Ercros Group has an investment plan, the 3D Plan, which rests on three pillars: diversification, digitalisation, and decarbonisation. This plan, established for the decarbonisation of Ercros' activity, steps up the significant effort that the company is already making to mitigate climate change. Among the commitments made in this plan, the Ercros Group agreed to:

- Achieve carbon neutrality of the activity before 2050.
- Encourage the energy transition of its activity.
- Progressively adopt the principles of circular economy.

The various sections of the decarbonisation plan include investments to improve energy efficiency and improve the circular economy, with adaptation of production processes, reuse of resources, raw materials and residual energy.

The 3D Plan is in line with the climate action commitments to curb global warming established by the Catalan Government, to which Ercros adhered in 2020. The commitments undertaken include (i) promoting the energy transition of its activity, and (ii) gradually adopting circular economy principles.

Along this same line, the Ercros Group has signed long-term bilateral Power Purchase Agreements ("PPA"). The result of this procurement is reflected in the 2022 greenhouse gas emissions.

In the energy efficiency field, the process vapour recompression project has been launched in Tortosa. Among the mitigation measures adopted, of particular note are the projects to improve the use of hydrogen produced by electrolysis as a fuel to replace natural gas at Vila-seca I and Sabiñánigo, and the replacement of light fittings with LEDs in the factories of Almussafes, Cerdanyola, Tortosa and the CIT.

Regarding circular economy, 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. As part of the 3D Plan, work is underway on the new salt recrystallisation plant from mother liquor in Sabiñánigo.

The Ercros Group, in relation to the packaging it uses, is carrying out various actions aimed at reducing its weight, integrating recycled materials or reusing them, always guaranteeing their performance and safety.

In order to make sustainable use of resources, the Group's facilities:

- Have closed-circuit cooling systems to save water and energy.
- Optimise their processes.
- Invest in the progressive replacement of old equipment with more energy-efficient equipment.
- Have systems to reuse the waters derived from the processes.
- Have systems installed to use condensates and waste gas flows.
- Use systems for reusing hydrogen generated in electrolytic processes as fuel in boilers.
- Consume regenerated water from the purifier, when this possibility exists.

In relation to energy efficiency, the facilities that account for the largest portion of energy consumed (Sabiñánigo, Tarragona, Vila-seca I, Vila-seca II, Almussafes and Tortosa) are ISO 50001 certified. The last two obtained certification in 2022. The Aranjuez and Cerdanyola centres are scheduled to be certified in 2023.

Other actions to reduce consumption are those derived from the transport of goods, which are explained in section 14.3.

(ii) Waste prevention and management

The Group carries out significant actions in relation to waste management and prevention, such as:

- Changes in processes to minimise waste.
- Improvements in the planning of processes to minimise the loss of raw materials and products and to be able to reuse these rejected materials.
- Improvements in the solvent recovery plant at the Aranjuez factory.
- The prioritisation of raw material supplies in bulk to minimise packaging waste.
- Adherence to the Operation Clean Sweep ("OCS") system for the reduction of pellets (microplastics).
- Studies with customers to reuse packaging to reduce the waste they generate.
- Projects to collect and reuse rejected or surplus products from customers for reuse in our production processes as secondary raw materials, both for the manufacture of PVC and moulding compounds.

- Adherence to a joint extended producer responsibility system for better management of packaging and packaging waste.

All waste is managed through authorised agents based on the waste hierarchy established in legislation, prioritising prevention and minimisation at the source, reusing, recycling, recovery and final disposal.

In 2022, the process of inerting mercury from the draining and decommissioning of the old mercury technology electrolysis facilities at Vila-seca I and Flix, and its storage in salt mines in Germany, was completed. The entire process was carried out in accordance with European regulations.

c) Fight against climate change

(i) Commitments

As previously mentioned, in 2020, the Ercros Group adhered to the climate action commitments to curb global warming, established by the Catalan Government. In these commitments, the Ercros Group agreed to:

- Achieve neutrality of its CO₂ emissions before 2050.
- Develop further knowledge of the climate impact of its activity.
- Disseminate and promote climate commitment in the organisation.
- Encourage the energy transition of its activity.
- Reduce the climate impact of the mobility it generates.
- Progressively adopt the principles of circular economy.

To achieve these objectives, the Group has expanded the actions already in place by appointing the sustainable development manager as the organisation's climate action coordinator.

The Ercros Group is committed to achieving CO₂ neutrality by 2050

In 2022, the Cerdanyola facility joined the Acords Voluntaris programme promoted by the Catalan Office for Climate Change for those plants in Catalonia not included under the emissions allowance trading system.

The Ercros Group has made investments to replace fossil fuels with hydrogen generated through its own activity; improvements in manufacturing processes to reduce energy consumption; and logistical and operational improvements, which translate into a reduction in its transport emissions, among others.

It has also been quantifying and verifying the organisation's greenhouse gas emissions for many years and has certified energy efficiency systems.

The Company also plans to incorporate its commitment to combating climate change in its code of ethics and to include climate aspects in the training of its staff. Within the 3D Plan, actions are in place to increase energy efficiency in its production activity, with quantifiable targets; and digitalise the activity as a useful means to reduce climate impact.

As a company in the industrial sector, the Ercros Group will adhere to the climate commitments adopted by the business organisations in its sector at European level; and will adopt the principles of Industry 4.0, always with due regard to reducing the climate impact of its activity.

All these measures are in addition to those already in place as regards climate action. The Group facilities carries out a series of actions, including:

- Improved manufacturing processes to reduce energy consumption.
- Control of leaks in refrigerating equipment and the replacement of those that do not meet standards.
- Consumption of excess hydrogen in production processes to be used as fuel in boilers.
- Change of equipment for more efficient ones in terms of energy consumption.
- Implementation of energy audits.
- Annual verification of the emissions by an accredited institution.

In 2022, the Ercros Group completed, for the first time since 2016, the Carbon Disclosure Project ("CDP") questionnaire, which assesses the transparency and performance of organisations on climate change. In this first assessment, Ercros scored D (Disclosure), demonstrating its transparency on climate change.

The Group is a Gold member of the Fundación Empresa y Clima ("FEC"), a private benchmark institution for corporate climate change mitigation.

(ii) The 3D Plan

In 2021, the Ercros Group launched the 3D Plan, an investment plan that is based on three pillars: diversification, digitalisation and decarbonisation. The Plan foresees a total investment of EUR 69 million in the 2021-2025 period, of which EUR 31.4 million relate specifically to the decarbonisation of the activity. The Group's goal is to reduce direct CO₂ emissions by 39% in 2025, as regards 2020 emissions; for this purpose the main actions will be:

- Construction of a solar power plant for self-consumption at the Flix factory and construction of a steam generating plant through the combustion of biomass at the Vila-seca I factory.
- Improvement in energy efficiency by adapting production processes and reusing residual energy and raw materials in several factories.
- Reusing the excess hydrogen generated and not consumed directly in the production processes of the Sabiñánigo, Vila-seca I and Vila-seca II factories for the production of steam as replacement for natural gas.
- Commitment to the circular economy through the implementation of several projects aimed at the reuse of resources.
- Investment in sustainable mobility in order to reduce the negative impact on the climate of the transfer of people and goods, by reducing CO₂ emissions, with electric chargers installed in factory car parks.

In addition to the actions envisaged in the 3D Plan, some actions have been added that are not envisaged but share common objectives, such as the energy efficiency plan established in Cerdanyola or the installation of a pilot plant for producing hydrogen from water in Sabiñánigo.

d) Accidents with environmental consequences

In 2022 there were no incidents or accidents at the Group's factories with environmental consequences.

Minor incidents included a stoppage of the water treatment plant in the Aupal area in August at the Flix plant as a result of the theft of copper from the facilities.

On 23 May, a hole in the tanker of a truck carrying hydrochloric acid caused leakage, which was neutralised with sepiolite. The product was transferred to another tank. The incident had no environmental consequences.

11.6 Litigation and sanctions

In 2022 and up to the date of approval of this CSRR-17 February 2022-, the following significant lawsuits and/or new developments took place in relation to the main lawsuits of environmental importance for which a ruling is still pending:

a) In relation to the Cardona factory

- In the context of judicial review proceedings no. 609/2019 Ercros, filed an appeal with the High Court of Catalonia against the decision of the Tax Board of 9 October 2019, which dismissed the judicial review claim and upheld the decision of the Catalan Water Agency for the repayment of the instalment for phase I of the Llobregat brine collector from 1 April 2018.

On 15 February 2022, the High Court of Catalonia handed down a judgment dismissing the administrative appeal.

b) In relation to the Flix factory

- Judicial review proceedings brought before the High Court of Aragon against the ruling of the Regional Administrative Court of Aragon dated 19 December 2019: this resolution rejected the judicial review claim filed by Ercros against the assessment of the dumping control tax issued by the Ebro river control authority for 2018 On 15 January 2021, a court order was issued declaring the proceedings concluded, with the proceedings pending voting and ruling.
- Judicial review sought before the High Court of Aragon against the ruling of the Regional Administrative Court of Aragon dated 17 December 2020; this resolution dismissed the judicial review claim filed by Ercros against the assessment of the dumping control tax issued by the Ebro river control authority for 2019 On 21 July 2021, a court order was issued declaring the proceedings concluded, with the proceedings pending voting and ruling.

- Judicial review proceedings brought before the High Court of Aragon on 16 March 2022 against the ruling of the Regional Administrative Court of Aragon dismissing the claim against the settlement of the dumping control tax for 2020. The case is currently at the evidence stage, pending the summoning of the parties to file written conclusions.

c) In relation to the Vila-seca I and II factories

- As regards the procedure initiated by the Tarragona Investigation Court number 2 within the framework of the Preliminary Proceedings 751/2019, neither the Court nor the Public Prosecution Authority has so far specified the criminal acts or the specific criminal offences attributed to the parties under investigation, and on 13 May 2021, Ercros requested the factual proof of the criminal acts attributed to it.

On 27 October 2021, Ercros filed an appeal with the Tarragona Provincial Court and requested that the Order that resolved to extend the proceedings and rejected the request for filing the case be declared not granted. The appeal has yet to be processed and resolved.

The investigation period ended on 22 January 2022. This, together with the failure to identify the criminal offences and the persons involved in the proceedings, led Ercros to file various submissions on 1 February, 9 March and 12 April 2022, in which it requested that the proceedings be shelved. Finally, on 12 April 2022, Tarragona Investigation Court number 2 issued an order declaring the "Provisional dismissal and shelving of these proceedings".

Following the dismissal of the proceedings, one of the former employees of Vila-seca Town Council, who was an aggrieved party, filed an appeal on 4 May 2022 against the dismissal of the case on 12 April 2022. Ercros filed an objection to this appeal on 13 May 2022, which is also still pending and has not yet been resolved.

Therefore, both the appeal filed by Ercros on 27 October 2021 and the appeal filed by one of the parties on 4 May 2022 are yet to be processed and resolved. In response to the Order of 22 April 2022, Ercros submitted a statement on 29 April of its intention not to withdraw the appeal filed on 24 October 2021 until the order to dismiss the case, also appealed against on 4 May, became final.

d) In relation to the former site located in El Hondón (Cartagena)

- On 17 October 2019, Ercros was notified of the Resolution of the Director-General for the Environment handed down on 16 October 2019, which declared that the soil of the El Hondón sector in Cartagena was contaminated.

On 30 June 2020, the Ercros sought judicial review challenging the ruling which declared that the soil of the El Hondón sector in Cartagena was contaminated. Despite the judicial appeal, and given the enforceability of the resolution declaring that the soil was contaminated, on 1 July 2020, Ercros submitted the technical project for the cleaning and recovery of El Hondón to comply with the obligation established in the resolution on the declaration of contaminated soil. On 30 November 2020 and 12 February 2021, the Directorate-General for the Environment requested that the technical project be remedied.

On 5 and 23 February 2021, Ercros filed appeals against the above Project remediation requirements, requesting that they be dismissed and that the remediation project submitted by Ercros in July 2020 be approved.

Besides the appeals filed, on 20 October 2021, Ercros presented a new updated version of the technical remediation project for El Hondón, which incorporates the points made by the various experts and academic centres that assessed the project.

On 29 November 2021, Ercros was notified of the resolution of the Minister of Water, Agriculture, Fisheries and the Environment of the Murcia Region of 19 November 2021, which resolved to dismiss the above appeals. On 21 January 2022, Ercros sought judicial review against the above resolution of inadmissibility of the appeals filed before the High Court of Murcia.

The status of each of the two judicial review proceedings is as follows:

- (i) Appeal filed on 30 June 2020 against the resolution on the declaration of contaminated soil: on 2 September 2021, Ercros filed a claim and on 14 February 2022, it was notified of the defence of the Regional Ministry of Water, Agriculture, Livestock and Fisheries of the Murcia Region opposing Ercros' claim. Likewise, ADIF, summoned to the proceedings and appearing as a co-defendant, has also opposed Ercros' claim by document dated 30 June 2020. On 26 July 2022, an order was issued to admit the appeal for taking evidence, with a hearing to be held on a date yet to be determined.

- (ii) Appeal filed on 21 January 2022 against the decision of inadmissibility of the appeals for reversal against the orders to remedy the updated remediation project submitted by Ercros: on 23 September 2022, Ercros filed a claim, which was admitted for processing by court order dated 29 September 2022. On 1 December 2022, Ercros was notified of the response of the Authorities, and on 5 December 2022 and 16 January 2023 the answers of the City Council of Cartagena and Reyal Urbis. Likewise, on 28 September, notice was given of the procedural order accepting the appearance of the sector Estación residents' association as a co-defendant. On 20 January 2023, they filed a defence.

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

11.7 Environmental protection activities

a) Main environmental activities

The activities carried out in 2022 most notably include the following:

- Continuation of soil remediation work at the Aranjuez, Flix, Vila-seca I, Vila-seca II factories, and work to improve the aquifer on the land at the former Palos de la Frontera factory [see section 11.3(c) (i)].
- Dismantling of the electrolysis plants that operated with mercury technology at the Flix (completed) and Vila-seca I factories (underway). The mercury recovered at both facilities has been submitted to inerting in a specialised treatment centre for disposal of the inerted product in salt mines, in line with European regulations.
- Improvement in the sealing of the floors and channels at the Sabiñánigo plant.
- Entry into operation of a joint water treatment plant among different companies of the Sur de Tarragona industrial park, which will allow the Tarragona, Vila-seca I and Vila-seca II facilities to treat their waste water to comply with the discharge parameters established in the BAT conclusions of the BREF, Common Waste Water Treatment.
- Construction of a heat treatment plant to replace the current catalytic oxidation plant in the Vila-seca II facilities.

- Actions associated with the 3D Plan: project to improve the recovery of hydrogen generated during electrolysis in Vila-seca I and Sabiñánigo; vapour recompression project in Tortosa; improvement in factory lighting by replacing with LED lamps; replacement of equipment with more energy-efficient units; project to optimise solvent consumption in Aranjuez.
- The Ercros Group has joined Envalora, a collective system of extended producer responsibility ("Scrap") created by Cicloplast, which is expected to be operational in 2024.
- Actions to reuse packaging; using recycled material in packaging; reducing the thickness of packaging; recovering used big-bags for recycling to be used in new packaging; or purchasing recycled pallets or recovering wood from used pallets [see section 14.3.e].
- 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 of 1,630 tonnes of CO₂ (1,841 tonnes in 2021) thanks to the logistical and operational improvements introduced in the transport of its goods [see section 14.3].

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.
- The agreement with the Foundation for the Conservation and Recovery of Marine Animals ("CRAM") whereby the Group supplies CRAM with chemical products to disinfect and maintain its marine fauna recovery facilities.
- In Cardona, it collaborates with the Catalan 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 PEIN, through the replanting of the spaces recovered after the end of operations at Terrera Nova mine dump [see section 11.3 c) (ii) above].

In 2022, the Geological Society of Spain organised a visit to the former Cardona factory site located in Valle Salino, an area considered to be of high anthropological and geological interest.

- The Group joined the Operation Clean Sweep programme, an action plan also promoted by the EU that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.
- The agreement with the Spanish National Research Council ("CSIC") for the experimental study of microbial colonisation and degradation of materials in mountain environments, and the contract with the CSIC for the development of strains for producing biopolymers.
- The public-private partnership project with the state research agency to develop antifouling, bio-based and biodegradable paints for marine applications.

12

STAFF
MATTERS



12.1 Materiality of the chapter

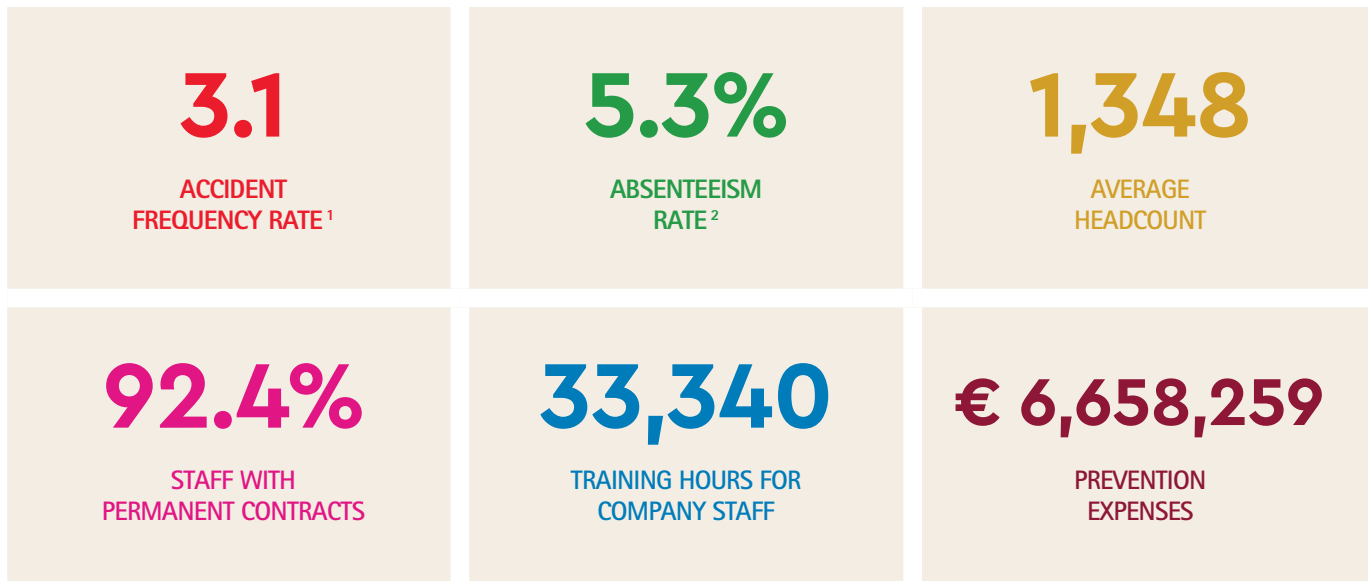
Our employees are the main stakeholders in the social facet of corporate responsibility, which is why the Ercros Group puts them at the heart of its policies, regulations and procedures.

The Group likewise strives to foster the best possible working environment in the management of people working at the company by promoting the development of individual talent, preventing accidents in the workplace and protecting people's health.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Number of accidents involving company staff leaves for every 1 million hours worked.

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

12.2 Human resources management

In accordance with the CSR plan, the code of ethics, and the 20th General collective agreement for the chemical industry, management of the Group's human resources is based on the following principles: ensuring staff commit to the social responsibility principles; promoting their personal and professional development; adjusting their level of training to the business' needs; providing a working environment in which there are equal opportunities where discrimination and bullying is forbidden; and putting safety at work, prevention of occupational risks and the health of people before and above any business decisions.

The instruments used by the Group to achieve these objectives most notably include; training; the joint committees among representatives of the Group and employees; internal communication channels; and the sustainability management system.

The working time of the Ercros Group's staff is regulated at each workplace based on the activity carried out. Manual workers who carry out their activity in the factories' production departments 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.

The Ercros Group, within the framework of its commitment to digitalisation, has a human resources management tool, Success Factors, at the service of all the Company's staff. This tool allows access to information related to human resources management, both of the employees themselves and of the Group in general.

12.3 Staff description

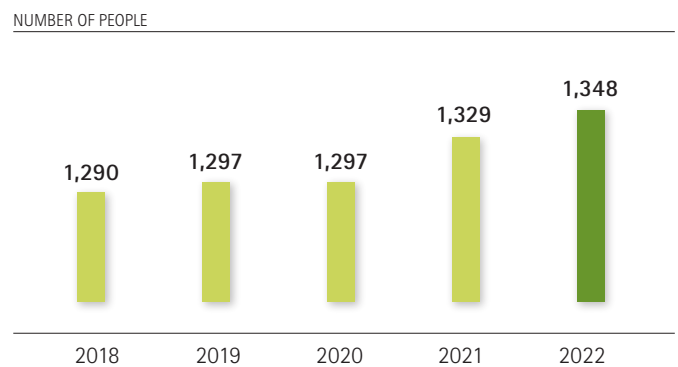
In 2022, the average headcount of the Ercros Group consisted of 1,348 people, 19 more than in 2021, representing a slight increase in the headcount, in line with the same trend shown in the previous year. At year end, the Group's staff was composed of 1,336 people, 15 people more than in 2018.

The presence of female employees in the workforce in 2022 was 17.7% compared to 17.2% of the previous year, which represents confirmation of the upward trend in the number of women in the company and illustrates the Ercros Group's active commitment to equality.

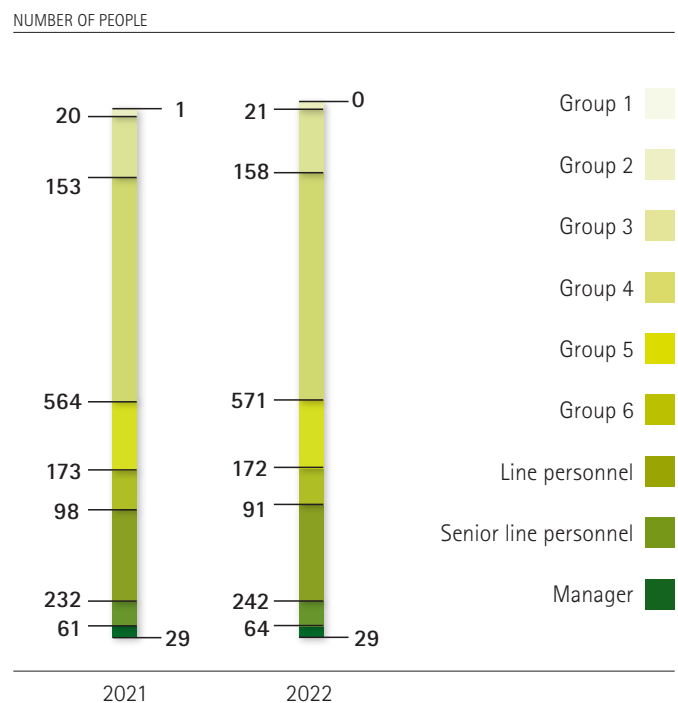
Women make up 17.7% of the Ercros Group's workforce

The distribution of staff by employment category in 2022 was as follows: managers represent 2.2% of staff (the same percentage as in 2021); senior line personnel, 4.7% (4.6% in 2021); and line personnel, 18.0% (17.4% in 2021). Concerning the professional groups¹ of the General collective agreement for the chemical industry, staff distribution was as follows: Group 6, 7.4% (7.4% in 2020); Group 5, 13.0% (13.0% in 2020); Group 4, 42.4% (41.1% in 2020); Group 3, 11.7% (11.5% in 2020); Group 2, 1.6% (1.5% in 2020); and Group 1, 0.04% (0.0% in 2020).

Evolution of average headcount



Average headcount by job category



¹ The characteristics of the professional groups included in the General collective agreement for the chemical industry ("CGIQ") are explained in section 8 of this chapter.

At the end of 2022, 92.4 % of the workforce had an indefinite contract (89.6 % in 2021), revealing the quality of employment offered by the Ercros Group. Likewise, the average length of service of Ercros staff in 2022 was 17.0 years (2021: 17.6 years). In 2022 and 2019, all jobs had a job description.

All the Ercros Group's workplaces are located in Spain, which is also where almost all staff are from: 95.5% of employees at the Group are Spanish (2021: 95.7%) and 4.5% come from other countries.

It should also be noted that no Group worker is under 18 years of age. As established in article 7 of Ercros' code of ethics, people subject to this code do not tolerate child, forced or compulsory labour, or work carried out under duress.

In 2022, 6% of the Group's workforce continued to telecommute, compared to 16% in 2021. As far as the production facilities are concerned, only the Tarragona industrial complex has a small part of its workforce who telecommute (3.6%); the rest of the factories do not have any staff working remotely. At the Barcelona corporate offices, 52% of the workforce has chosen to work from home.

On 31 January 2023, the Ercros Group shut down the only production activity at Flix, namely the manufacture of dicalcium phosphate, after not renewing the contracts with the supplier of a key raw material (hydrochloric acid) and the only customer, for whom it worked under a tolling agreement. The approved redundancy plan ("ERE") affected 39 of the 48 people working at the facility. The remaining nine will continue to work at the factory to carry out surveillance tasks, facilities and colony maintenance, water supply to the municipality, and decommissioning of facilities. The redundancy plan envisages relocations through transfers to other Group workplaces, exchanges with people from other workplaces, partial retirements, an income plan and compensated leave.

12.4 Union rights and relations

The regulatory framework governing the Ercros Group's working relationships is the 20th General collective agreement for the chemical industry in force for the 2021-2023 period. All Ercros employees are covered by this agreement.

In addition, the second Agreement to improve the General collective agreement for the chemical industry, approved by trade union representatives and the Group management is in effect for the Ercros Group, whose main purposes are: (i) the payment of a wage bonus to all staff to recognise their efforts during the covid-19 pandemic, paid in the August 2022 payroll; and, (ii) the incorporation of measures to improve labour relations including the digital disconnection policy and the telecommuting agreement.

The Equality plan was also agreed with union representatives through the corresponding trade union committee and the remuneration audit carried out by the Mercer Group, an independent firm, was presented.

In 2022, trade union elections were held at the Aranjuez, Flix and Tarragona facilities and at the corporate offices in Barcelona. The UGT union obtained five representatives in Aranjuez and Barcelona, one in Flix and three in Tarragona. CCOO obtained four representatives in Aranjuez, Flix and Barcelona, and two in Tarragona.

The Group has several standing committees composed in equal numbers of 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.

12.5 Occupational health and safety

All the Ercros Group's production facilities have certified their sustainability management system, which includes occupational health and safety, in accordance with the ISO 45001:2018 standard on occupational health and safety management systems.

a) Accident rate

In 2022, there was an increase in the overall accident frequency rate ("OFR"), which measures the number of accidents with and without sick leave among company staff and external staff, standing at 5.1 compared to 2.4 in 2021. In 2022, the number of accidents with sick leave between company and external staff rose by 2% compared to the average over the last five years.

In 2022 the accident frequency rate among company staff stood at 3.1 compared to 1.8 in 2021. However, the situation for external staff improved in 2022, with an accident rate of 2.7 compared to 3.7 in the previous year.

In 2022, the accident frequency index amongst external staff has improved

By contrast, in 2022, the severity index, which measures the number of days lost due to accidents per one thousand hours worked, was 0.28 (0.27 in 2021).

Last year there were ten accidents with medical leave and none without leave, compared to eight accidents with leave and none without leave in 2021. Of these 17 accidents, 12 involved own staff (2021: 4 accidents) and 5 involved external staff (2021: 4 accidents). Five commuting accidents among company staff travelling from work to home occurred in 2022, one of which resulted in the death of a worker in Tortosa. For this reason, the general prevention campaign to be launched in 2023 will focus on commuting accidents.

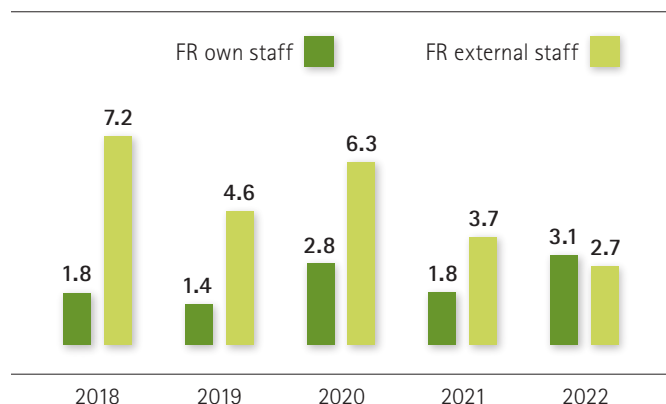
All accidents that occur in the Ercros Group's facilities are subsequently analysed to see if any improvements can be made in the safety measures applied. In 2022, the cause of a large number of accidents resulting in sick leave was a fall, trip or bad movement resulting in a muscle or tendon injury to the worker.

In 2022, of the seven accidents with sick leave among company staff, six were men and one was a woman; however, it should be noted that the presence of women is a minority in the manual workers and service personnel category, which usually has the highest accident rates.

Each factory has an inter-company committee comprised of representatives from the facility and contractors to coordinate the activities related to prevention, the accident rate, management procedures, training plans, etc. In 2022, the inter-company committees held 24 meetings (26 meetings in 2021).

In 2022, prevention expenses amounted to EUR 6,658 thousand, which were allocated, among others, to safety equipment and material, surveillance, analytical controls, studies and ergonomic equipment, and health examinations for staff. (EUR 6,405 thousand in 2021).

Evolution of the accident frequency rate ¹



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

b) Absenteeism

Absenteeism due to common illness has improved slightly from 5.6% in 2021 to 5.3% in 2022.

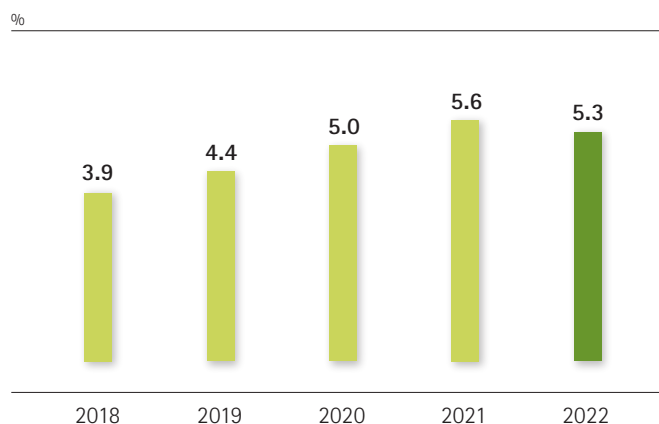
The Ercros Group, in an attempt to improve the absenteeism rates, has implemented a plan with the following measures: (i) greater coordination between the Group and both mutual entities contracted for the prevention of work accidents; (ii) monitoring of staff with higher levels of absenteeism and (iii) regular contact with staff on sick leave by their workplace medical service. At the workplaces with the highest absenteeism rates, multidisciplinary working groups have been created to analyse the specific causes and propose concrete solutions.

In 2022, there was a 4.6% absenteeism rate among men, which was higher than the 0.7% rate among women (4.7% among men and 0.8% among women in 2021). Absenteeism among women is somewhat lower than the percentage corresponding to their presence in the total headcount. The total number of hours lost to absence from work due to common illnesses was 125,504 hours (2021: 129,526 hours).

In addition, 2022 marked the progressive ending of the covid-19 epidemic. In the first months of the year, epidemiological monitoring of the virus continued in the Group's workplaces, infection prevention campaigns were carried out and meetings of the covid-19 corporate monitoring committee were held. All these measures were lifted once the health authorities advised that they could end.

There is currently no diagnosed occupational disease at the Ercros Group related to the activity it is engaged in.

Absenteeism rate ¹



¹ Hours of absenteeism (according to the definition in the General collective agreement for the chemical industry) out of total hours of possible work multiplied by 100.

c) Prevention campaigns

In 2022, the Group ran three prevention campaigns on the covid-19 epidemic, one focused on encouraging vaccination and the others aimed at reducing the transmission of the virus in the workplace and in households during the sixth wave of the epidemic.

In addition, the Group has continued to carry out the customary training and prevention campaigns to monitor health, promote healthy habits and control exposure risks, aimed at the staff working at its facilities, whether its own employees or staff of contractors.

In 2022, 89 preventive campaigns were carried out that reached 14,699 people (136 campaigns and 18,585 people in 2021). This decrease in the number of campaigns and in the number of people who participated in them is explained by the decrease in covid-19 campaigns.

89 prevention campaigns have been carried out, reaching the entire workforce

Furthermore, a total of 223 courses on prevention were given in 2022 (144 in 2021), attended by 2,329 people (2,098 in 2021).

International Occupational Health and Safety Day was marked at all Group factories by preparing a commemorative poster signed by the vast majority of the Group's internal and external employees under the slogan "I pledge to ensure my safety and the safety of those who work with me".

At the Monzón factory, Prevention Week was held during which various activities were carried out, including a first aid workshop, a fire extinguishing exercise and a campaign to promote the importance of eating fruit and vegetables.

Lastly, Sustainability Workshops were held at the Tarragona industrial complex ("CIT"), where training was given on health and safety at work, among other topics.

d) Claims

Occasionally, the Group must face claims from former employees, or their heirs, related to compensation for damages arising from asbestos exposure, and surcharges related to State health-care services 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 2022, the proceedings related to the State health-care surcharges in connection with past exposure to asbestos was continued. 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, neighbouring companies or external organisations such as fire brigades, ambulances or civil protection personnel. In 2022, 13 official drills (2021: 14 drills), 39 internal drills (2021: 35 drills) and 4 drills within the framework of the Spanish centre for emergency responses during the transport of dangerous goods ("Ceret") agreement, to provide assistance in the event of a road accident (2021: 6 drills), were performed.

In 2022, the Almussafes factory participated in the large multi-emergency drill organised by the Valencian Safety and Emergency Response Agency ("Avrse"), with the involvement of the Military Emergency Unit ("UME") and neighbouring communities and undertakings.

f) Success stories

At 2022 year end, the Tarragona factory had completed 24 consecutive years without any accidents with leave among its own staff; the Monzón factory had completed eight, the Flix factory had completed seven; the Tortosa factory had completed four; the Sabiñánigo and Cerdanyola factories had completed two; and the Almussafes factory had completed one. The corporate offices in Barcelona have had 30 years without work accidents.

Also noteworthy are the 17 years without accidents with leave of external service staff at the Monzón and Tarragona facilities and the six at the Cerdanyola facilities.

The Monzón factory marked 3,000 consecutive days without occupational accidents, clearly demonstrating the commitment of all its staff to safety and prevention.

The Group's commitment to health and safety was recognised with the 2021 Safety Award for the Tortosa, Cerdanyola and Sabiñánigo factories from the Spanish Chemical Industry Business Federation ("Feique"). This award recognises production facilities in the chemical industry with more than 50 employees which, during the previous year, have not recorded any accidents with or without sick leave among their own staff.

12.6 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 basic tool in the human resources management model, responding also to its commitment to balance the personal expectations of its staff with the Group's needs and available opportunities.

In 2022, the Ercros Group organised 547 training courses that were attended by 4,218 participants for a total of 33,340 educational hours (3,606 people participated in 435 training courses for a total of 28,348 educational hours in 2021). Of these courses, 278 received a subsidy through the Fundación Estatal para la Formación en el Empleo ("Fundae" – a Spanish state foundation that promotes employment), which were attended by 2,642 people for a total of 19,401 educational hours.

In 2022, 93% of the Group's workforce (82% in 2020) received training, with an average of 24.7 hours of training per person (21.3 hours in 2021). The increase in the percentage of the workforce that has received training, as well as the hours of training per person, is due, among other things, to the return to normality after the covid-19 pandemic and to the implementation of the new Equality plan and the training on the contents of this plan given to a significant proportion of the workforce. [see section 13.2.]

In 2022, 93% of the workforce received training

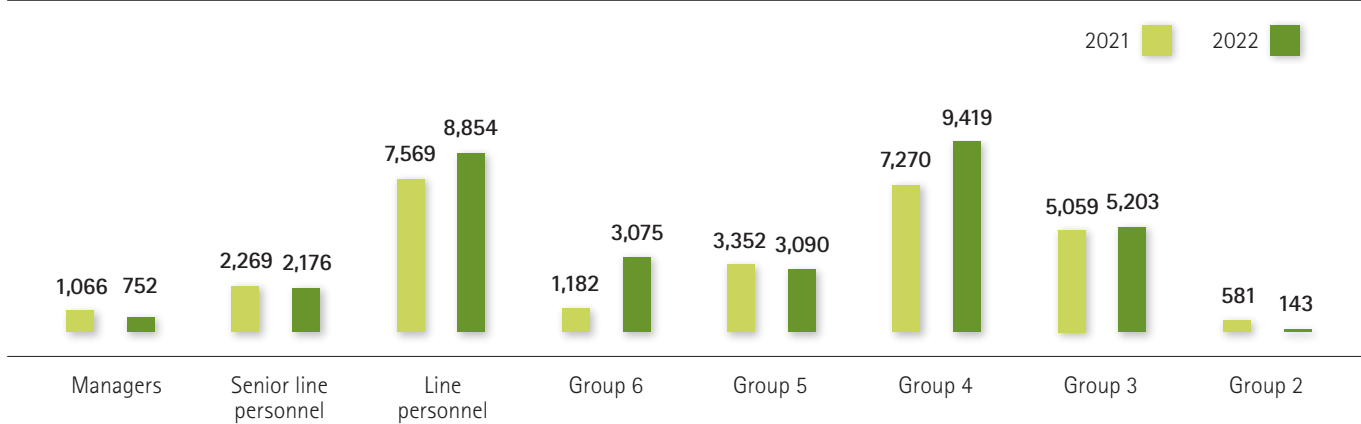
The expense incurred for training in 2022 amounted to EUR 391 thousand (EUR 279 thousand in 2021), of which EUR 201 thousand came from the subsidy granted by Fundae.

In 2022, managers received 752 hours of training (1,066 hours in 2021); senior line personnel received 2,176 hours (2,269 hours in 2021); line personnel received 8,854 hours (7,569 hours in 2021); those in professional group 6 received 3,705 hours of training (1,182 hours in 2021); those in group 5 received 3,090 hours (3,352 hours in 2021); those in group 4 received 9,419 hours (7,270 hours in 2021); those in group 3 received 5,203 hours (5,059 hours in 2021); and those in professional group 2 received 143 hours (581 hours in 2021)¹.

¹ The characteristics of the professional groups included in the General collective agreement for the chemical industry are explained in section 8 of this chapter.

Training by job category

HOURS PER YEAR



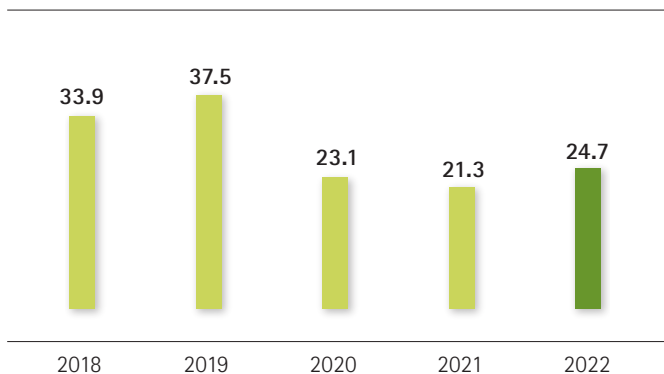
The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2022 the staff of these companies received 1,277 hours of training (2021: 2,277 hours).

Transport companies train their employees using the safety data sheets ("SDS") of the products they transport, which are provided by the Ercros Group. All the Group's factories launched a specific safety training system, including evaluation, for lorry drivers who come to load and unload at the Group's facilities.

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 2022, each employee received an average of 9.8 hours of training on safety and the environment (2021: 6.3 hours).

The Group provides all new hires with training that is relevant to their job position and a welcome manual that includes corporate information of general interest and specific information on the production facility where they will be working. Last year 156 new hires received the welcome manual.

Hours of training per person per year



The training committee, consisting of an equal number of 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 26 meetings in 2022 (2021: 29 meetings).

In 2022, all Ercros Group facilities offered training courses to their employees. Many of the courses were carried out remotely through virtual classrooms or e-learning.

12.7 Training courses for interns

Ercros has signed 37 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2022, 64 students took advantage of this possibility (63 students in 2021).

In 2022, 29 students of the secondary level vocational education participated in internships in the Group (24 students in 2021). Agreements are in place with the following institutes and schools: CIPFP Vicente Blasco Ibáñez, Colegio Salesianos Loyola, Colegio Valle del Miro, IES Domenico Scarlatti, IES Lope de Vega, IES Palomeras Vallecas, IES Vicente Aleixandre; IES Comte de Rius, IES Mor de Fuentes, IES Biello Aragón, CIPFP Pirámide and CIPFP Corona de Aragón.

64 students have carried out their internships at the Group's facilities

In 2022, 21 university students had internships at the Group (2021: 21 students). The university centres are: Universidad Complutense de Madrid, Universidad Politécnica de Madrid, Universidad Rey Juan Carlos, Universidad Francisco de Vitoria, Universitat Rovira i Virgili, Universitat Pompeu Fabra, Universitat Oberta de Catalunya and Universidad de Zaragoza.

Finally, during the previous year, 14 students at dual, postgraduate or master's level participated in internships at the Group's facilities (18 in 2021). The teaching centres and entities with which agreements are held are: Escuela Talento-Ephos, Fundación de la Universidad de Leon, Universitat de Barcelona, Institut Lluïsa Cura; Institut Químic Sarrià and Escuela Innovación en Formación Profesional.

In 2022, the dual vocational training placements in the Ercros Group obtained the seal of excellence awarded by the Department of Education of the Catalan Government, through the certifying company Applus+.

The Group was also recognised by the Universitat Rovira i Virgili for its contribution to the studies of the Faculty of Chemistry by hosting internship students, teaching classes in different degrees and collaborating in the dual degree in chemistry.

12.8 Tables and additional information

Functions of the professional groups in accordance with the General collective agreement for the chemical industry ("CGIQ")

Professional group 6	Functions that consist of integrating, coordinating and monitoring the execution of multifaceted tasks with the responsibility to order work to be carried out by a group of collaborators. This also includes carrying out complex but homogeneous tasks that, even if supervisors were not involved, would require high intellectual content, and those that consist of establishing or developing programmes or applying techniques according to general instructions.
Professional group 5	This group includes the functions of integrating, coordinating and monitoring the execution of various homogeneous tasks with the responsibility to order work to be carried out by a group of collaborators. It also includes the performance of tasks that, although they do not involve ordering work to be carried out, have an average content of intellectual activity and human relations.
Professional group 4	Work to be carried out independently that usually requires initiative and reasoning on the part of the workers in charge of its execution, carrying out the work under supervision, responsibility for this work, being able to be assisted by other workers, and the basic use of foreign languages when necessary for the performance of the job.
Professional group 3	Functions that consist of executing operations that, even when carried out under specific instructions, require adequate professional knowledge and practical skills, and the responsibility of which is limited by direct and systematic supervision, with the possible use of peripheral information systems provided that the worker has been trained in their use.
Professional group 2	Functions that consist of operations carried out following a precise and specific work method, with a high degree of supervision, normally requiring elementary professional knowledge, with the possible use of peripheral information systems provided that the worker has been trained in their use.
Professional group 1	Functions that consist of operations carried out following specific, clearly established instructions, with a high degree of dependence, preferably requiring effort or attention and that do not need specific training, with the possible use of basic peripheral information systems, such as readers or scanners, and provided that the worker has been trained in their use.

Source: The 20th General collective agreement for the chemical industry for 2021-2023.

Headcount by country of origin

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2021	31/12/2022
Spain	1,264	1,276
Rest of the EU	22	23
OECD countries	6	6
Rest of the world	29	31
Total	1,321	1,336

Headcount by type of contract and job category

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2021									
	Total	Managers	Senior line personnel	Line personnel	G6	G5	G4	G3	G2	G1
Indefinite	1,183	29	63	225	92	161	499	111	3	–
Temporary	123	–	–	5	3	1	54	41	19	–
Part time	15	–	–	1	2	4	7	–	–	1
Total	1,321	29	63	231	97	166	560	152	22	1

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2022									
	Total	Managers	Senior line personnel	Line personnel	G6	G5	G4	G3	G2	G1
Indefinite	1,234	30	64	239	88	170	517	122	4	–
Temporary	91	–	–	3	1	–	42	35	10	–
Part time	11	–	–	5	–	–	6	–	–	–
Total	1,336	30	64	247	89	170	565	157	14	–

Headcount by type of contract and age

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2021									
	Total	18-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	+60
Indefinite	1,183	12	56	97	115	160	212	195	252	84
Temporary	123	22	21	26	16	24	8	4	2	–
Part time	15	1	–	–	1	–	–	–	–	13
Total	1,321	35	77	123	132	184	220	199	254	97

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2022									
	Total	18-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	+60
Indefinite	1,234	23	62	112	123	165	207	196	261	85
Temporary	91	19	25	11	15	13	5	2	1	–
Part time	11	–	–	–	2	5	4	–	–	–
Total	1,336	42	87	123	140	183	216	198	262	85

Dismissals by age and gender

NUMBER OF EMPLOYEES IN THE YEAR

	2021			2022		
	Total	Men	Women	Total	Men	Women
Under 18 years	–	–	–	–	–	–
18-25 years	–	–	–	–	–	–
26-30 years	–	–	–	–	–	–
31-35 years	–	–	–	–	–	–
36-40 years	–	–	–	–	–	–
41-45 years	–	–	–	–	–	–
46-50 years	2	2	–	–	–	–
51-55 years	1	1	–	–	–	–
56-60 years	–	–	–	–	–	–
More than 60 years	–	–	–	3	2	1
Total	3	3	–	3	2	1

Dismissals by job category and gender

NUMBER OF EMPLOYEES IN THE YEAR

	2021			2022		
	Total	Men	Women	Total	Men	Women
Managers	–	–	–	–	–	–
Senior line personnel	–	–	–	–	–	–
Line personnel	–	–	–	1	–	1
Group 6	–	–	–	–	–	–
Group 5	–	–	–	–	–	–
Group 4	2	2	–	–	–	–
Group 3	1	1	–	2	2	–
Group 2	–	–	–	–	–	–
Total	3	3	–	3	2	1

Training by job category and gender

NUMBER OF HOURS IN THE YEAR

	2021			2022		
	Total	Men	Women	Total	Men	Women
Managers	509	557	1,066	483	269	752
Senior line personnel	1,493	777	2,269	1,329	847	2,176
Line personnel	5,088	2,481	7,569	5,217	3,637	8,854
Group 6	557	625	1,182	947	2,759	3,705
Group 5	2,876	476	3,352	2,598	493	3,090
Group 4	5,685	1,585	7,270	8,730	689	9,419
Group 3	4,928	131	5,059	4,671	532	5,203
Group 2	329	252	581	87	56	143
Total	21,465	6,884	28,348	24,060	9,280	33,340

Evolution of headcount by facility

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2021	2022
Tarragona Complex	325	331
Vila-seca I	139	148
Vila-seca II	162	157
Tarragona	25	26
Sabiñanigo	223	230
Flix	47	48
Monzón	30	32
Aranjuez	216	218
Almussafes	110	113
Tortosa	119	117
Cerdanyola	100	96
Factories	1,170	1,185
Sales	34	37
Corporate	124	126
Total	1,329	1,348

Staff in telecommuting situation

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2021	2022
Almussafes	–	–
Aranjuez	20	–
Cerdanyola	10	–
Tarragona complex	38	12
Flix	3	–
Monzón	4	–
Sabiñanigo	–	–
Tortosa	16	–
Corporate	121	66
Total Ercros Group	212	78

Accident frequency rate by gender ¹

2021			2022		
Total	Men	Women	Total	Men	Women
1.80	1.80	–	3.13	2.68	0.45

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

Absenteeism rate by gender ¹

%

2021			2022		
Total	Men	Women	Total	Men	Women
5.6	4.7	0.8	5.3	4.6	0.7

¹ Hours of absenteeism (according to the definition in the general collective agreement for the chemical industry) out of total hours of possible work multiplied by 100.

Prevention campaigns in 2022

	Participants
Healthy habits at work	1,350
Allergies	1,350
World health day.	1,350
Risks of working in the heat (summer and health)	1,350
Flu vaccination	1,244
Covid-19 vaccination	1,143
Prevention of cardiovascular risk	965
Measures against covid-19	579
Posters and preventive measures in the sixth wave of covid-19	453
Summer and health. Hydration and sun protection	405
Work in confined spaces	405
Good practises in using stairs	370
Avoid accidents and injuries!	354
Prevention week	326
Feique safety awards	324
Celebrations marking accident-free days	258
Prostate cancer prevention	227
Breast cancer prevention	227
Early detection of breast cancer	227
Good habits to prevent cancer	227
World cancer day.	227
Telecommuting risk self-assessment	227
World day for safety and health at work	225
Healthy eating habits	225
Work permits	150
Avoiding overexertion	119
Avoiding splashes from corrosive substances	101
Use of personal protection equipment	92
Communication on scaffolding	80
Monitoring and feeding animals in the factory	76
Diabetes prevention	23
Skeletal muscle disorders	14
Prudent antibiotic use day	6
Total	14,699

Prevention courses in 2022

	Participants		Participants
Sustainability training workshops	515	Q-limit management programme	5
Fire prevention, firefighting, emergency and training for company firefighters	221	Calibration and uncertainty in measurement and its application according to ISO 9000	5
Good Manufacturing Practices ("GMP") training	215	Securing and stowage	4
First aid and defibrillator	136	Calculating the carbon footprint in accordance with ISO 14064	4
Safety and prevention when working at heights	132	Safe workplaces in the company	4
Emergencies, drills and self-protection plan	102	Working with electrical hazards	4
Operation of forklifts, diggers, and lift platforms	99	Safety awareness course	3
Basic life support and defibrillator training	80	Covid-19 training	3
Technical prevention practices	78	Hydrogen storage workshops	3
Loading and unloading of dangerous goods	69	Regulatory obligations for major accidents	3
Climate change and healthy company	59	Training in completing work permits	2
Preventive health practices	55	Risk assessment on PPE ergonomics	2
Cardiovascular health and healthy eating	50	Presentation of the tropospheric ozone monitoring campaign	2
Working in ATEX environments (explosive atmospheres)	48	Basic course on functional safety	2
Environmental awareness	39	Head of cybersecurity in industrial automation and control systems	2
Risks and preventive measures in painting jobs	34	Sustainability in packaging	2
Dicalcium phosphate: sustainability and operative procedures	33	Chemical recycling in Spain	2
Training in occupational risk prevention	31	Safety regulations for refrigerated facilities	2
Energy saving, management and efficiency	28	Nitrosamine analysis in pharmaceuticals	1
Radiological risk from natural sources	25	Microbiological quality control of non-sterile products	1
Investigation of out-of-specification results	24	Pollution control strategy	1
Statistical tools for the pharmaceutical industry	21	Internal isolators for quality control of culture media	1
Firefighting and spillage of hazardous substances	20	Non-sterile test methods	1
Practical training in using the sample room	19	Recombinant endotoxin testing	1
Assembling scaffolding systems	17	Modern approach to cleaning validation	1
Correct waste labelling	15	Practical application of the new pressure equipment regulations	1
Risk assessment	13	Chemical storage regulations	1
Legionella risks and new developments	13	Atmospheric emissions: regulations, management and preparation for inspection.	1
Work safety in confined spaces	13	Practical management of industrial waste	1
Industrial boiler operator	12	Energy management systems according to ISO 50001	1
LAL test on cartridge technology	11	Industrial hygiene workshop	1
Implementing the healthy organisation management system	7	Subcontractors and outsourced workers	1
Basic prevention training	7	Microplastics: an (un)suspected environmental problem?	1
Internal auditors in management systems	6	Introduction to environmental management systems	1
Energy and sustainability procedure	6		
Circular economy	6		
Total			2,329

13

GENDER DIVERSITY
AND EQUAL
OPPORTUNITIES



13.1 Materiality of the chapter

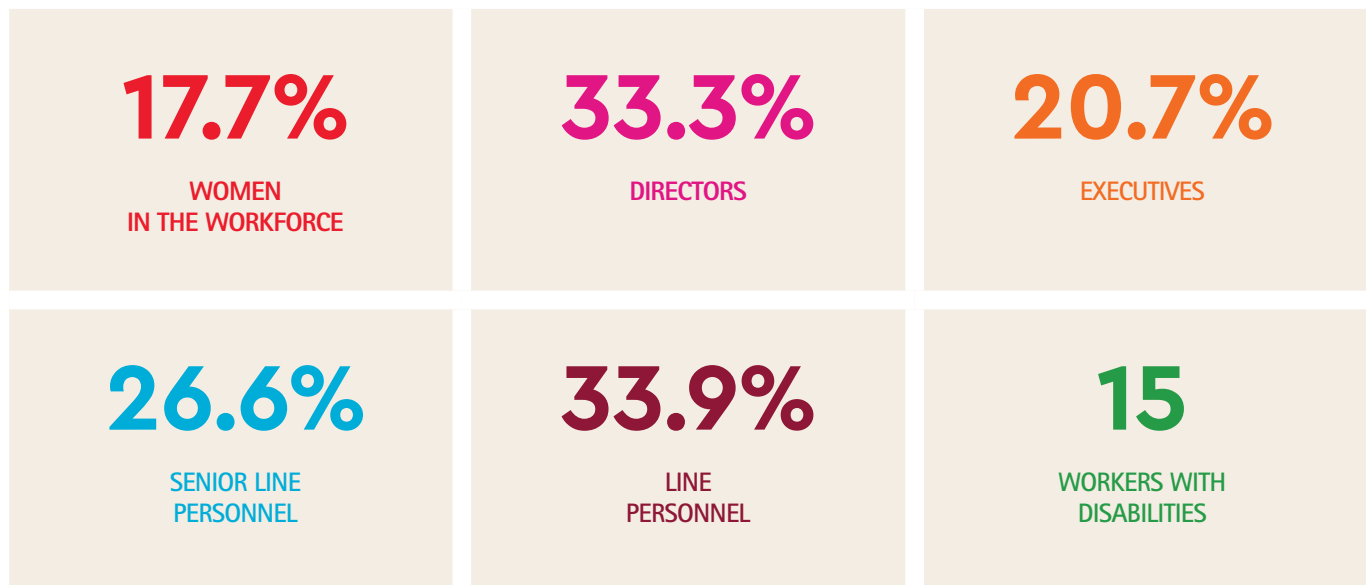
The Ercros Group and its stakeholders consider it important to advance equal opportunities and non-discrimination on the grounds of origin, gender, opinion or any other social or personal circumstance.

In 2022, the new Equality plan was approved, joining the robust regulatory framework that guarantees non-discrimination for people working in the Ercros Group.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹The professional groups are explained in section 12.8.

13.2 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 plan and policy; and reporting on the evolution of the right to equal opportunities and non-discrimination.

The Ercros Group has approved a new Equality plan

In 2022, the Group's management and employee representatives agreed on the new Equality plan that will be in force for the next four years and which has as its main objectives:

- Ensuring equal opportunities and treatment between women and men.
- Making progress towards a balanced presence of both sexes in all jobs.
- Promoting gender mainstreaming in company management.
- Ensuring equity in pay and salaries based on equal opportunities and equal treatment.
- Facilitating work-family life balance for the people who work in the company and promoting co-responsibility between men and women.
- Disseminating a business culture committed to equality.

The specific measures proposed by the Equality Plan that will be implemented over the next four years include the following:

- Publishing vacancies in the company, accessible to all staff.
- Establishing a positive discrimination clause for new contracts in favour of the under-represented gender.

- Encouraging collaborations with training or similar centres to promote the presence of women in scientific and technical education and attract female candidates to the company.
- Awareness training on equality issues throughout the workforce.
- Specific training aimed at strengthening female leadership.
- Preparing and disseminating a catalogue of work-life balance measures in the company.

In 2022, the Ercros Group's staff attended a course on equality awareness with training on non-sexist language, equal opportunities and non-discrimination based on gender.

Furthermore, in 2022, the header of the quarterly bulletin published by the Ercros Group was dedicated to highlighting women scientists who have stood out throughout history, and by way of interviews, the bulletin has continued to highlight women's role in the company.

On 11 February, the Aranjuez factory commemorated the International Day of Women and Girls in Science with an event to vindicate the work of women in jobs related to science, technology, engineering and mathematics.

On 8 March, International Women's Day, various events were held to commemorate and call for equality between men and women: the Ercros Group produced and broadcast an audiovisual montage of the experience and testimonies of women who work in the company; M^a Carmen Cruzado, manager of the pharmacy division, was recognised by Aranjuez town council as an example of a working woman; and finally, the women workers at the Sabiñánigo factory staged a demonstration for a few minutes to call for gender equality.

13.3 Regulatory environment

The reference regulations applied by the Group in the field of equality are the Equality Act; Royal Decree 901/2020 regulating equality plans and their registration; Royal Decree 902/2020 on equal pay for women and men; Law 15/2022 on equal treatment and non-discrimination; the principle sixth of the Global Compact and chapter 17 on equal opportunities of the 20th 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, updated in 2022, which ratifies and renews the Ercros Group's commitment to effective equality, ensures non-discrimination and prevents and punishes sexual harassment.
- The board's diversity policy [see section 13.8 b) below].
- The director selection policy [see section 13.8 b) below].
- The work-life balance policy, which facilitates the implementation of measures to reconcile personal and professional life.
- The code of ethics, requires Group staff: (i) to treat one another with respect, encouraging 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 of sexual or gender-based harassment and, in general, breaches of the rules contained in the code of ethics.
- 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 13.4 below].
- The recruitment procedure includes positive discrimination clauses in its wording and an annex which must be provided to recruitment partners, so as to ensure that even outsourced recruitment processes take into account the gender perspective.

13.4 Hiring processes and gender equality

The Group does not discriminate based on gender in the hiring process as regards staff wage and role policies. Despite this, the number of female employees is far from the desired amount.

Between 2021 and 2022, the percentage of the Group's female staff rose from 17.2% to 17.7%. This rise represents an increase of 12 women in the headcount and follows the upward trend of recent years caused by the generational change and by the greater presence of women in the technical and scientific sectors. However, the Group is aware that its workforce is far from gender parity, especially in job categories linked to factory operations. With this in mind, it continues to make efforts to increase the number of female candidates in the selection processes.

In 2022 women in the senior line personnel category accounted for 26.6% of staff; 33.9% in the line personnel category; 15.4% in professional group 6; 7.6% in group 5; 15.6% in group 4; 7.0% in group 3; and 33.3%¹ in group 2.

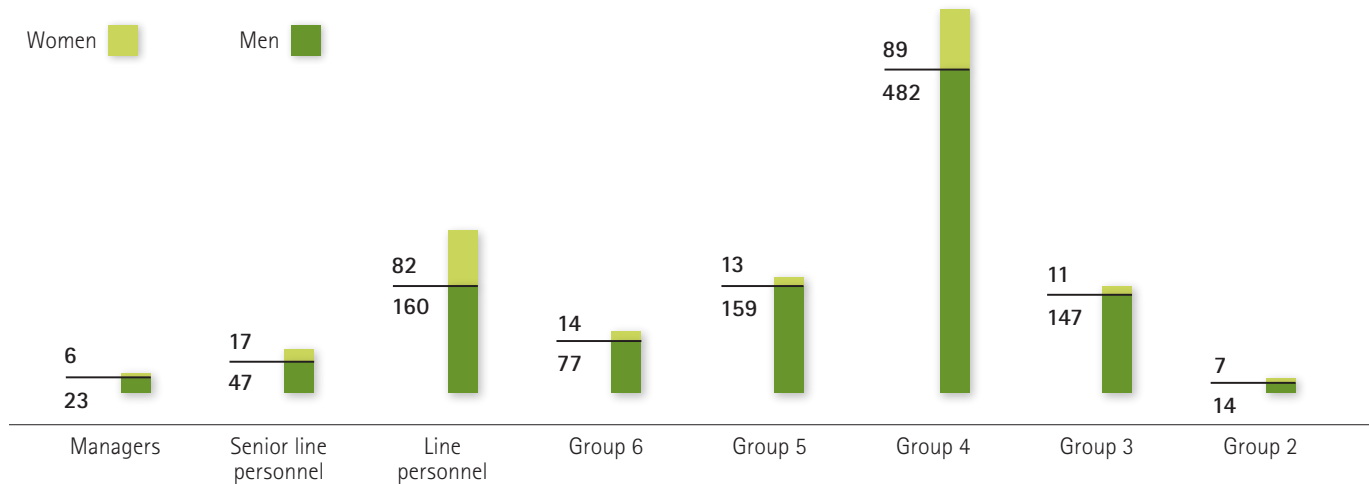
The recruitment process has a positive discrimination clause for the under-represented gender

Both the staff recruitment process and the procedure for hiring interns contain 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.

¹ The characteristics of the professional groups included in the General collective agreement for the chemical industry ("CGIQ") are explained in section 11.8.

Distribution of job categories by gender in 2022 ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

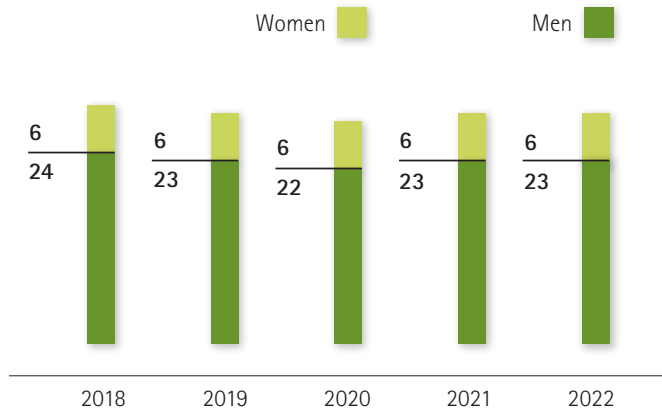


¹ The professional groups are explained in section 12.8.

Between 2021 and 2022, the number of female managers remains unchanged at six, representing 20.7% of managers, the same percentage as last year.

Evolution of executive staff by gender ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR



¹ The tables with the data compared to 2021 is provided at the end of the chapter.

13.5 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 25%.

There is no wage discrimination based on gender or age in the Ercros Group

As can be seen from the information provided in the table below, the wage gap in 2022 is independent of the job categories, since in some categories the average salary paid to women is higher than that of men, as is the case for women in the managers category, who earn 4.8% more, and women in professional group 5, who earn 0.6% more than their male colleagues.

In the other categories, however, women's salaries are lower than that of men, as is the case for women in the professional group of senior line personnel, who earn on average 6.3% less; line personnel, who earn 13.9% less; and women in professional groups 6, 4, 3 and 2, who earn 16.9%, 2.0%, 7.6% and 1.2% less than their male colleagues, respectively.

Average salary and wage gap by job category and gender ¹

EUROS

	FY 2022 ²			
	Women	Men	Difference	Gap (%)
Managers ³	142,965	136,357	6,608	4.8
Senior line personnel	76,579	81,703	-5,124	-6.3
Line personnel	47,546	55,237	-7,691	-13.9
Group 6 ⁴	37,082	44,628	-7,547	-16.9
Group 5	38,622	38,402	219	0.6
Group 4	31,115	31,739	-623	-2.0
Group 3	27,058	29,272	-2,214	-7.6
Group 2	25,140	25,455	-316	-1.2

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

²The comparison with 2021 can be found in section 13.9. Additional tables.

³The calculation of executive staff does not include the chairman, whose remuneration is explained below, or the two general managers that belong to senior management. Senior management consists of three men and their average salary in 2022 was EUR 302 thousand, including fixed and variable remuneration.

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

The salary analysis by age in 2022 provided below shows in general that in the same professional group, as the age of employees increase so do their salaries; even after eliminating the effect of seniority. The two exceptions are professional groups 4 and 5, caused by the concurrence of different factors that make up each sample, such as the workplace, business or job position they belong to.

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 in the above paragraph.

Average salary by job category and age ¹

EUROS

	FY 2022 ²			
	< 25 years	25-40 years	41-55 years	> 55 years
Managers ³	—	—	130,919	141,822
Senior line personnel	—	—	78,865	88,948
Line personnel	—	40,889	54,448	63,975
Group 6 ⁴	—	39,096	43,050	45,748
Group 5	—	37,584	38,636	38,590
Group 4	30,890	30,881	31,809	32,375
Group 3	24,262	27,810	29,541	31,147
Group 2	25,011	25,035	—	—

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

² The comparison with 2021 can be found in section 13.9. Additional tables.

³ The calculation of executive staff does not include the chairman, whose remuneration is explained below, or the two general managers that belong to senior management. Senior management consists of three people and their average salary in 2022 was EUR 302 thousand, including fixed and variable remuneration.

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

With regard to board members, average remuneration per director in 2022 was EUR 139 thousand (2021: EUR 129 thousand). This amount includes: remuneration of the executive director, for all remuneration items (fixed salary, payments in kind and life insurance premium paid by the Group in his favour), which in 2022 amounted to EUR 575 thousand (2021: EUR 552 thousand); average fixed remuneration of non-executive and proprietary directors which in 2022 amounted to EUR 48 thousand per director (2021: EUR 44 thousand) and; remuneration of female directors for chairing the supervisory and control committees, which in 2022 amounted to EUR 8 thousand for each chair.

All non-executive and proprietary 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 CNMV Circular 2/2018, of 12 June.

Individual remuneration of directors

Thousands of euros

	Executive director (1 person)		External directors (4 people)								Proprietary director (1 person)	
	Antonio Zabalza		Laureano Roldán		Eduardo Sánchez		Lourdes Vega		Carme Moragues		Joan Casas	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Fixed remuneration	508.68	541.74	44.26	48.74	44.26	48.74	44.26	57.12	44.26	57.12	44.26	48.74
Fixed remuneration Chair of one supervisory and control committee	508.68	541.74	44.26	48.74	44.26	48.74	44.26	48.74	44.26	48.74	44.26	48.74
Variable remuneration ¹	—	—	—	—	—	—	—	—	—	—	—	—
Payments in kind	19.02	19.81	—	—	—	—	—	—	—	—	—	—
Life insurance premiums	24.18	13.14	—	—	—	—	—	—	—	—	—	—
Total	551.88	574.69	44.26	48.74	44.26	48.74	44.26	57.12	44.26	57.12	44.26	48.74

¹ According to the directors' remuneration policy, the executive director is the only board member who may receive variable remuneration, up to a maximum of 40% of the executive's gross annual salary. In 2021 and 2022, the variable remuneration of this director was 0%.

13.6 Disabilities

The Group complies with 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, in companies with more than 50 permanent employees, at least 2% of their workforce must include employees with disability greater than or equal to 33%, unless alternative measures are applied.

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

In 2022, there were 15 people in this situation on staff (the same as in 2021), representing 1.1% of the average headcount for the year.

Given the type of production activity carried out at the Ercros Group's factories, these facilities 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

	NUMBER OF EMPLOYEES IN THE YEAR	
	2021	2022
Managers	—	—
Senior line personnel	—	—
Line personnel	1	1
Group 6	1	1
Group 5	—	1
Group 4	12	11
Group 3	1	1
Group 2	—	—
Total	15	15

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

13.7 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 staff 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 2022, 989 people (443 workers and 546 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 framework agreement on telecommuting reached between the company and employee representatives, which regulates the terms under which staff can choose this form of working.
- The digital disconnection policy, which includes the right of workers not to connect to any digital device of a professional nature during rest periods.

In 2022, nine women and no men in the workforce had taken advantage of a reduction in working hours to care for their dependants (the same as in 2021).

The workday of Ercros Group staff is logged through access control on entering and leaving the facilities. In addition to controlling the presence of employees, mandatory for security reasons, and monitoring compliance with working hours, this system allows for flexibility in the calculation of working hours and, in cases where this is possible, promotes a work-life balance.

In 2022, once the covid-19 epidemic had been surpassed and the recommendations for social distancing were no longer in effect, Ercros Group staff who were telecommuting returned to work on-site. At the corporate offices, staff were given the choice of which mode they preferred to work in. In 2022, 6% of the Ercros Group's workforce was telecommuting (16% in 2021).

13.8 Diversity of the board

a) Gender equality

The Ercros board is composed on 6 directors, 2 of which are female independent directors, representing 33.3% of the board, 66.6% of the supervisory and control committees, and 100% of the independent directors.

Women represent 33.3% of the Ercros board of directors

b) Director selection process

There are no obstacles in processes for filling vacancies in the Company that prevent 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, ensuring also 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, in accordance with 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 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.

33% of the board is made up of independent directors.

c) Composition of the board

Name	Training and professional experience ¹	Category	Date of last appointment
Antonio Zabalza Martí	<p>B.S. and PhD in Economics from the Universitat de Barcelona ('UB'); M. Sc. and Ph. D. from the London School of Economics (University of London); Post-doctoral Fellow at the University of Chicago, and assistant professor in the Department of Economics at the London School of Economics. Professor of Economic Theory at the University of Valencia.</p> <p>He was the Secretary-General of Planning and Budgets; Secretary of State for Finance and Director of the Spanish Cabinet Office.</p> <p>On several occasions he has acted as a consultant for the World Bank, the International Monetary Fund and the OECD. He has also been a board member of: Minas de Almadén; Transmediterranea; Instituto Nacional de Industria; Instituto de Crédito Oficial; Iberia and the Instituto Nacional de Hidrocarburos. He has been chairman of the Spanish Association of Large Energy Consumers ("AEGE"), chairman of the Catalan Business Federation of the Chemical Sector ("Fedequim") and vice-chairman of the Spanish Chemical Industry Business Federation ("Feique").</p>	Executive	05/06/2020 (AGM ²)
Lourdes Vega Fernández	<p>PhD in Physical Sciences from the Universidad de Sevilla and professor at Khalifa University of Science and Technology, Abu Dhabi</p> <p>She has been a scientific researcher at the Spanish National Research Council, professor and vice-director of external and international affairs at the School of Chemical Engineering of the Rovira i Virgili University in Tarragona. In the US, she has been post-doctoral associate of the School of Chemical Engineering of Cornell University and visiting scholar of the Department of Chemical Engineering of the University of Southern California.</p> <p>Director of Research and Innovation Center on CO₂ and Hydrogen (RICH Center) at Khalifa University of Science and Technology, Abu Dhabi. Founder of Alya Technology & Innovation. Member of the Emirates Scientific Council of the United Arab Emirates.</p> <p>She has held the following positions, among others: she was the general manager of Matgas (a strategic alliance between Air Products, the Spanish National Research Council and the Autonomous University of Barcelona); she was the global manager of technology for that group and manager of R&D for the subsidiary Carburros Metálicos.</p> <p>In the field of R&D, she has coordinates three consortium research projects: the Cenit Sost-CO₂, the European H2 Trust project and the BioQuim_recue project and led the Spanish CO₂ Technological Platform's working group on CO₂ uses. She currently leads several international projects related to clean energy and sustainable processes.</p>	Independent	05/06/2020 (AGM)

¹ The complete CVs of the directors can be found at www.ercros.es/consejo of administration.

² AGM: annual general meeting.

Name	Training and professional experience	Category	Date of last appointment
Carme Moragues Josa	<p>She has a B.S. in Economics and Business from the University of Barcelona and completed the management development program at the IESE Business School.</p> <p>She is a member of the Spanish Institute of Chartered Accountants, Spanish Official Auditors' Register and expert accountant certified by the Spanish Register of Expert Accountants.</p> <p>She began her career in the research Department of the Chamber of Commerce, Industry and Navigation of Barcelona and later joined PricewaterhouseCoopers, where she remained until 2017 as a partner-auditor.</p> <p>She is a member of the Spanish Institute of Chartered Accountants, Spanish Official Auditors' Register and expert accountant certified by the Spanish Register of Expert Accountants. She was also a member of the Technical Committee of the Catalonia Institute of Chartered Accountants.</p>	Independent	11/06/2021 (AGM)
Laureano Roldán Aguilar	<p>He has a B.S. in Economics and Business from the Universidad Pontificia de Comillas ("ICADE"), specialising in Accounting and Business Management.</p> <p>Among others, he has held the following positions: auditor at Espacontrol, Deloitte and E&Y, and director of the Internal Audit Department of Banco Árabe Español, S.A.</p> <p>He was the sole director of the Torras Group and is currently that company's CEO and general director.</p>	Other non-executive	05/06/2020 (AGM)
Eduardo Sánchez Morrondo	<p>He has a B.S. in Chemistry from the Universidad de Oviedo and received his PhD in Chemistry (Technical Chemistry) from the same university in 1980.</p> <p>Among others, he has held the following positions: professor of Chemical Sciences at the University of Oviedo, chairman and CEO of Dow Ibérica and of Dow Europe. He was a member of the Steering Committee of British Petroleum España and, since 2002 he has been the chairman and founder of the Bonheur Business Group, which groups together various companies.</p>	Other non-executive	05/06/2020 (AGM)
Joan Casas Galofré	<p>He has extensive experience in business analysis and in the management of shareholdings in different entities, most notably including the ownership interest in Ercros, S.A., a company in which he is a significant shareholder.</p>	Proprietary director	05/06/2020 (AGM)

13.9 Additional tables

Headcount by age and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2021			31/12/2022		
	Total	Men	Women	Total	Men	Women
Less than 18 years	—	—	—	—	—	—
18-25 years	35	25	10	42	26	16
26-30 years	77	58	19	87	65	22
31-35 years	123	89	34	123	92	31
36-40 years	132	106	26	140	113	27
41-45 years	184	144	40	183	144	39
46-50 years	220	176	44	216	175	41
51-55 years	199	177	22	198	165	33
56-60 years	254	236	18	262	245	17
More than 60 years	97	83	14	85	72	13
Total	1,321	1,094	227	1,336	1,097	239

Headcount by job category and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2021			31/12/2022		
	Total	Men	Women	Total	Men	Women
Managers	29	23	6	30	24	6
Senior line personnel	63	47	16	64	47	17
Line personnel	231	152	79	247	164	83
Group 6	97	81	16	89	77	12
Group 5	166	152	14	170	157	13
Group 4	560	477	83	565	479	86
Group 3	152	143	9	157	144	13
Group 2	22	18	4	14	5	9
Group 1	1	1	—	—	—	—
Total	1,321	1,094	227	1,336	1,097	239

Headcount by type of contract and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2021			31/12/2022		
	Total	Men	Women	Total	Men	Women
Indefinite	1,183	991	192	1,234	1,031	203
Temporary	123	90	33	91	66	25
Part time	15	13	2	11	–	11
Total	1,321	1,094	227	1,336	1,097	239

Developments in management staff

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

Year	Total	Men	Women	Women/total executives (%)
2018	30	24	6	20.0
2019	29	23	6	20.7
2020	28	22	6	21.4
2021	29	23	6	20.7
2022	29	23	6	20.7

Average salary and wage gap by job category and gender ¹

EUROS

	2021				2022			
	Women	Men	Difference	Gap (%)	Women	Men	Difference	Gap (%)
Managers ²	132,192	127,539	4,653	3.6	142,965	136,357	6,608	4.8
Senior line personnel	74,050	81,222	-7,172	-8.8	76,579	81,703	-5,124	-6.3
Line personnel	45,834	54,666	-8,832	-16.2	47,546	55,237	-7,691	-13.9
Group 6 ³	36,466	43,574	-7,108	-16.3	37,082	44,628	-7,547	-16.9
Group 5	37,171	37,200	-29	-0.1	38,622	38,402	219	0.6
Group 4	29,561	31,297	-1,736	-5.5	31,115	31,739	-623	-2.0
Group 3	29,998	28,798	1,200	4.2	27,058	29,272	-2,214	-7.6
Group 2	26,186	24,926	1,260	5.1	25,140	25,455	-316	-1.2

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

² The calculation of executive staff does not include the chairman, whose remuneration was explained above, or the two general managers that belong to senior management. Senior management consists of three men and their average salary in 2022 was EUR 302 thousand, including fixed and variable remuneration.

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

Average salary and wage gap by job category and age ¹

EUROS

	2021				2022			
	< 25 years	25-40 years	41-55 years	> 55 years	< 25 years	25-40 years	41-55 years	> 55 years
Managers ²	–	–	124,421	131,167	–	–	130,919	141,822
Senior line personnel	–	–	75,367	86,648	–	–	78,865	88,948
Line personnel	26,430	40,684	51,662	63,715	–	40,889	54,448	63,975
Group 6 ³	–	37,319	41,062	44,683	–	39,096	43,050	45,748
Group 5	–	34,614	37,862	37,753	–	37,584	38,636	38,590
Group 4	28,426	30,227	31,291	31,811	30,890	30,881	31,809	32,375
Group 3	23,183	27,644	29,393	29,956	24,262	27,810	29,541	31,147
Group 2	24,602	24,935	25,577	26,097	25,011	25,035	–	–

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

² The calculation of executive staff does not include the chairman, whose remuneration was explained above, or the two general managers that belong to senior management. Senior management consists of three men and their average salary in 2022 was EUR 302 thousand, including fixed and variable remuneration.

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14

SUPPLY
CHAIN



14.1 Materiality of the chapter

Supply chain sustainability is a priority for the Ercros Group, which is why it has identified all its members and involves them by sharing common objectives. These objectives involve ethical conduct, respect for the environment and compliance with the strictest international standards.

In 2022, efforts were successfully made to reduce CO₂ emissions in transport, increase the circularity of raw materials, ensure the ethical compliance of suppliers, safeguard the value chain of the Group's products and meet customer needs.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Number of tonnes of product affected by a client non-conformity per each 100 tonnes sold.

14.2 Suppliers

In keeping with the rules included in the code of ethics, the Group requires the inclusion of social responsibility parameters in agreements with suppliers of logistics, goods, services, raw materials, containers and packaging; it also establishes the terms of service and requirements; and promotes a safe distribution of products that minimises environmental impact.

The Ercros Group has rules that determine its actions as regards the supply chain, such as those derived from the Responsible Care programme, article 17 of the code of ethics and its internal procedures, among which the procedure for adding suppliers, to be updated in 2023 to make it more exhaustive, that ensures the hiring of those with adequate reputational references is of particular note.

To strengthen this aspect the Ercros Group has in place a control programme, the *Refinitiv World-Check* that, among other features, makes it possible to analyse risks of financial or corruption related crimes of suppliers and clients. This system has enabled 114 suppliers to be monitored during 2022, representing 4.2% of the total number of suppliers, and 74% of the procurement amount [see chapter 10.2].

Supplier agreements include clauses on safety, environmental protection and ethical compliance

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

The Group performs annual assessments to verify the capacity of suppliers, haulers and warehouse to comply with the supply and service agreements entered into; verifies supplier certifications; analyses the degree of satisfaction with the service they provide; and links incidents and non-compliance with the terms agreed within the assessed period. These assessments are also the basis for the proper management of procurement and distribution and for defining the strategy for contracting suppliers and implementing improvement actions.

The Ercros Group also provides its suppliers with a whistle-blower channel where they can report any unlawful act or breach of the code of ethical conduct, or any situation of fraud or irregularities in the procurement process. At the date this report was issued, no complaint or communication from suppliers was received through this channel.

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. In 2022, the Ercros Group conducted two audits of suppliers and seven audits of product warehouses. In 2023, the Group plans to conduct nine audits of suppliers and warehouses and two audits of suppliers of marketed products.

In 2022, an audit was carried out at a new liquid caustic soda customer to verify the safety of their facilities and unloading operations. The result of the audit advised against selling products to the customer until the shortcomings were corrected. At least one customer audit is planned for 2023.

Every time a new warehouse is procured, the Group conducts a preliminary audit to assess its suitability. In the case of warehouses intended for products classified as food additives, an audit is also carried out by an external company every three years to confirm the validity of the storage and compliance with the requirements stipulated for these types of products. In this line, in 2022, the corresponding audit was carried out at the caustic soda storage facility procured by the Group in El Ferrol.

In March, the Spanish State Tax Agency ("AEAT") carried out a verification inspection for financial year 2020 of the following items: import duties, import VAT and export verification. It was resolved satisfactorily.

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 claims from clients. In 2022, 375 meetings were held (485 in 2021); most of these meetings were held by video conference, a tool that has already been implemented for business relationships.

In 2022, following incidents at other companies during the unloading of hazardous bulk goods, audits were carried out at all Group factories to analyse the characteristics of the facilities, processes and operating procedures. In all cases, the results were satisfactory with no significant deficiencies found.

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

In the case of service providers, each factory has an inter-company committee formed by representatives from the facility and the companies that provide services, which coordinates actions between the Group and the suppliers with regard to prevention, the accident rate, management procedures or training plans. In 2022, 24 inter-company committee meetings were held across all the Group's factories (26 meetings in 2021).

The suppliers provide the Group with the mandatory safety data sheets ("SDS") for the raw materials they supply, specifying the authorised uses of these raw materials and the conditions for use and handling.

Through business associations, the Ercros Group 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, conservation and improvement of the environment, quality of customer service and training of external employees. Specifically, through the Spanish Chemical Industry Business Federation ("EIQUE"), the Group participates in the Spanish Goods Transport Confederation ("CETM").

In the province of Tarragona, the agreement between the Tarragona Chemical Business Association ("AEQT") and the Tarragona Service Business Association ("AEST") enables the certification of the service companies which are contracted by their members, including the Group's factories located in Tarragona, which guarantees compliance with prevention standards and facilitates business coordination. This agreement was issued, through the Catalan Business Federation of the Chemical Sector ("FedeQuim"), to companies that provide service to the industry in the province of Barcelona, thus making it possible to certify the companies operating in the Cerdanyola facilities.

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.

In 2022, the established internal procedures have been applied, considering the supply risk based on the country of origin of the raw material and the emissions generated during supply. These assessments have been taken into account when allocating purchase volumes to the different suppliers.

In addition, recycled materials have continued to be used in packaging, without affecting quality or safety. This action will also allow exemption from the special tax on non-reusable plastic packaging introduced in January 2023.

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 mitigates this effect by signing firm 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 clients where the sale prices of its products are tied to the cost of raw materials, especially in those products where raw materials have greater weight.

In the first half of 2022, the tense supply chain situation experienced in 2021 continued, making it necessary to diversify procurement from different suppliers and origins, thus ensuring that no production line was disrupted by a lack of raw materials.

This situation was aggravated by Russia's invasion of Ukraine and the sanctions applied by the European Union, which restricted trade with these countries. This situation did not directly affect the Group because it has no suppliers in either of these two countries. It did, however, have an indirect impact due to higher oil, gas and electricity prices, which led to higher commodity prices.

This changed in the second half of the year, with lower prices for raw materials, especially those imported from countries outside Europe, due to lower freight costs and lower production costs in those countries. As a consequence of this situation, procurement was more focused on imports from these countries, while maintaining the relationship with European reference suppliers.

The Group's three primary commodities are electricity, methanol, and ethylene, which account for more than 43.4% of the total amount of purchases and supplies in 2022.

Electricity is the main supply of the Ercros Group, which has contracted renewable energy packages or PPA

Electricity is the main supply of the Ercros Group, which buys electricity from different retail electricity providers. The contracts with these companies are of varying duration. Furthermore, the Group has contracted long-term "renewable energy packages" known as PPA (Power Purchase Agreements) and continues to explore the possibility of reaching additional agreements. In addition, projects are being studied for self-consumption renewable energy facilities at various Group factories. The Group continues to implement operational measures aimed at making its processes more energy efficient. With these measures, the Group aims to reduce energy consumption and the future cost of this supply, while increasing the percentage of energy consumed from renewable sources to be ready to meet the company's decarbonisation target.

Methanol is the main raw material of the intermediate chemicals division. 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 2022, the EU maintained the suspension of the tariff on methanol imports, otherwise it would have harmed the Group by making imports of this raw material more expensive.

The supply of ethylene, a petroleum-derived product, is guaranteed through the agreements that the Ercros Group has signed with various suppliers and that it has been renewing upon maturity based on the Group's needs. This product is supplied by pipelines that connect suppliers directly to the Group's facilities.

14.3 Distribution and transport

The Ercros Group 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 air freight when the volume to be sent is small and the distance to cover is long, as with the transport of active pharmaceutical ingredients ("API").

The distribution of API 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 API be insured from the moment they leave the factory until they are received by clients, including storage and transport.

The problems caused by the pandemic and the subsequent business rebound (staff shortages at logistics providers, lack of containers and ships, lack of land transport) have continued during the first half of the year, which, coupled with Russia's invasion of Ukraine, has continued to strain both the procurement and distribution supply chain.

In 2020 it also fulfilled its caustic soda self-sufficiency goal at the Sabiñánigo factory (97%), thereby avoiding the movement of more than 50,000 tonnes of this product from the Vila-seca I factory, with the subsequent reduction of costs and emissions.

This action, together with the logistical improvements carried out in the distribution of caustic soda and potash, with warehouses close to customers, and in the supply of cyanuric acid, have made it possible to cut over 2 million kilometres travelled and to avoid 1,630 tonnes of CO₂ generated.

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. In November 2022, the Agency launched a review of the AEO certification that was completed in January 2023.

In accordance with the guidelines of the Responsible Care programme, four transport accident intervention drills were carried out in 2022. At the same time, and in compliance with established legislation, technical visits were made by the safety adviser of an external company to all the facilities that receive or dispatch hazardous goods.

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. To minimise risks, the Group's vessel selection process imposes a maximum age limit, certain construction materials and CDI certifications (annual inspections of ships carrying bulk liquid products performed by the Chemical Distribution Institute).

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 option in the case of the connection between the factories of the Tarragona industrial complex ("CIT") 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 park.

In 2022, efforts continued to reduce EDC imports, thanks to the increase in the production capacity of the Vila-seca I factory due to the commissioning of new state-of-the-art membrane electrolyzers, thus reducing the need to purchase this product.

Freight prices, which reached an all-time high at the end of the third quarter of 2021, gradually decreased during 2022 due to the fall in global trade activity, thus overcoming problems with the availability of containers and ships.

In view of the tense situation experienced in 2021, agreements for 2022 were concluded with maritime transport suppliers for the whole year to ensure the availability of means to cover the sales volumes of Ercros Group products; however, when freight rates went down, certain routes were renegotiated at lower prices with some suppliers.

For 2023, in view of the situation of lower freight rates and increased reliability, agreements for shorter periods have been concluded so as to take advantage of the improved conditions that the market is likely to offer.

In 2022, in compliance with the digitalisation objectives of the 3D Plan, the Searates programme became fully operational, involving the continuous monitoring of containers by sea, making it possible to detect any incident with impact on transport, inform clients and, based on this, offer them better services.

b) Rail transport

The Group uses rail transport 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, and for the supply of various raw materials to the Group's factories from Europe.

Despite the limited operation of rail transport in Spain, the Ercros Group's goal is to promote its use, given the existing problems in road transport and the reduced emissions and greater safety it provides.

The Ercros Group had been using a combination of transport by sea and rail for the procurement of phosphate rock from Morocco. In 2022 the Group renewed the service agreement with Renfe for the transport of phosphate rock between the Port of Tarragona and the Flix factory. However, due to the end of production at the Flix factory, this agreement will be terminated in 2023.

c) Road transport

When it is not possible to transport goods—raw materials and finished products—by other means (by sea or rail), the Group resorts to road transport, although this type of transport is often combined with the two previous options.

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

2022 was a difficult year for land transport. In March, a three-week transport strike was called by road hauliers, bringing road transport throughout Spain to a virtual standstill. Despite this situation, the Group managed to ensure that all its plants remained operational and that the majority of its customers were supplied.

In 2022, the upward trend in diesel prices that began in 2021 has continued, aggravated by the war in Ukraine, and has led to all-time high prices (exceeding two euros per litre in July). The increase in fuel prices and the implementation of legislative changes agreed between the authorities and transport companies have resulted in an upward adjustment of freight prices.

As part of the agreements between the transport companies and the government, the maximum authorised transport load was to be raised to 44 tonnes; although this development, beneficial to the Ercros Group, has been postponed and is expected to be implemented in the second half of 2023.

The Ercros Group continues its strategy to bring its product distribution points closer to clients, to improve customer service and reduce transport time and costs. In addition, the Group has continued working to interconnect its computer systems with these distribution points, which reduces the risk of errors and leads to better monitoring of the goods.

Fulfilling the goals of the fight against climate change, in 2022, 4,000 tonnes of PVC were transported between the Vila-seca II and Monzón factories using a mega-lorry, a vehicle that can transport almost 40 tonnes of product compared to the 25 tonnes of a normal lorry, thus reducing the number of trips required and CO₂ emissions. For 2023, the Group will conduct a feasibility study for a duo-trailer, with a capacity of almost 45 tonnes of product per trip.

One of the digitalisation objectives of the 3D Plan is the project to allocate slots for loading and unloading at the Group's factories, which will reduce operating times and optimise resources. Similarly, the implementation of the continuous lorry tracking programme has also been launched, enabling the geolocation of lorries, providing information to customers and predicting arrival at destinations. Both actions are expected to be fully implemented over the course of 2023.

d) Air transport

Air transport is regularly used in the pharmaceuticals division since it is in keeping with the characteristics of the active ingredients that the Group manufactures. It is important to point out that the transport of pharmaceutical products does not involve any danger, however, these products require certain temperature and safety conditions that aircraft can provide.

Clients 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 the other two businesses and are easily transported in the cargo hold of commercial aircraft.

Lastly, air transport is without a doubt the most rapid means to cover the long distances between the Aranjuez factory and the majority of clients. It is important to remember that this business exports 90% of its products to countries around the world.

e) Achievements

The Group's main achievements in 2022, in relation to the improvement of service and sustainability in distribution, most notably include the following:

- Substitution of the big-bags used for marketing PVC suspension, which allows greater optimisation of the net load per vehicle and greater ease of loading and unloading, minimising the risk of breakage of containers and consequent product spillage.
- The purchase of 33% recycle pallets (2021: 29% recycle pallets).

The new system for recovering wood from pallets has made it possible to recover 160 tonnes of wood

- The implementation of a system for recovering wood from damaged pallets that are sent to the supplier for reconditioning and reuse. This action has allowed 160 tonnes of wood to be recovered.
- The adaptation of systems and working protocols for the payment of the new tax on plastic packaging implemented in January 2023.
- Efforts continue to reduce the thickness of packaging and to incorporate recycled material into plastic containers and packaging. In 2022, 19.6% of the plastic used was recycled.
- In 2023, a system for recovering the big-bags used to supply products to the Group's factories will come into operation, allowing the plastic to be recycled into new containers and packaging.
- The maintenance of the network of tanks and warehouses to receive and distribute outsourced caustic soda, caustic potash and sodium carbonate, with the goal of offering a better service while bringing the product closer to clients, consequently reducing the distance travelled between the loading and delivery point and, thereby, the CO₂ emissions.
- The development and implementation in all the factories of a multi-lingual safety training video for drivers who access, circulate and load or unload at the Ercros Group facilities.
- The implementation of a sanctioning procedure for drivers in the event of non-compliance with factory internal regulations. In 2022, 11 drivers were sanctioned for this reason.
- In 2022, no accidents occurred during the transport of Ercros Group products, a situation not recorded since 2016.
- In November, a customer was visited to analyse an incident that occurred during an unloading, and the agreed corrective actions were taken.
- In November, the Ercros branch in France was closed and its administrative tasks were taken over by the customer service centre ("CSC").
- In March 2023, the audit and certification of emissions generated in transport will be conducted for 2020 and 2021, as part of the agreement signed with the Barcelona Port Authority, just as they were carried out for 2019, with the Ercros Group being one of the first companies to obtain this type of certification.

f) Mutual assistance agreements

The Ercros Group 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 in the Spanish centre for emergency responses during the ground transport of hazardous goods ("Ceret"). It is also a member of the agreement on the maritime transport of dangerous goods ("Ceremmp") and the mutual assistance agreement for the transport of chlorine in bulk.

The Group has contracted the Chemical Transportation Emergency Centre ("Chemtree") 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. It also has an agreement with the Chemical Emergency Response Service Provision ("NRCC"), exclusively for China.

14.4 Clients

The sustainability management system applied by the Group includes the commitments it makes to its clients in terms of quality, service and product stewardship. The Group enters into sector or product agreements to ensure responsible use of the products it sells and legal compliance. It also made the customer service centre ("CSC") and a contact form available to clients through the corporate website.

The Group has tools in place to analyse customers' satisfaction with the answers to their claims and to their requests for technical advice. The detailed analysis of these results makes it possible to know their degree of satisfaction and to take additional actions in relation to negative issues.

In relation to its clients, the Group aims to:

- Meet their requirements and needs by delivering suitable products that comply with the specifications, with maximum safety, taking into account the delivery deadlines and the terms agreed, thus ensuring that no claims arise from clients.
- Achieve the highest possible quality in the manufacturing processes, end products and the entire management chain, from raw materials to delivery to the client.
- Collaborate with clients on best product stewardship practices.
- Comply with the legal requirements and voluntary agreements signed.

a) Quality management

The quality requirements applied by the Group—established in the sustainability management system—are based on the international standard UNE-EN ISO 9001:2015, which certifies all the Group's facilities. In 2022, all factories successfully passed the certification audit performed by the certifying body.

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.

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

b) Customer service Centre ("CSC")

The customer service centre ("CSC") is the body responsible for client relations as regards claims, technical assistance requests, queries, suggestions, etc. It also manages client orders, except for active pharmaceutical ingredients, which are managed directly by the corresponding sales departments of the pharmaceuticals division.

The premise of the CSC is to always be attentive to and continuously improve client relations. It is governed by the general procedures to which it is subject and by its own specific procedures.

The CSC uses the digitalisation tool called *Zendesk*, one of the most advanced client relationship tools on the market, which responds to the specific needs of the department. The CSC has an organisational structure which streamlines demand management, facilitates client response time and improves communication with the rest of the Group departments involved.

The CSC works with the online platform of the Tarragona Chamber of Commerce which makes it possible to expedite the process to obtain certificates of origin for the products and legalising invoices.

As every year, the department has hired trainees, with the aim of enabling students to complete their training in a practical manner and encourage their inclusion in the labour market.

In June, after placing six students on work experience contracts at the CSC, in the dual vocational training model, the work experience provided was awarded the seal of excellence by the certification company Applus.

c) Client satisfaction

To measure the degree of client satisfaction and improve the service, the Group conducts surveys and records the claims it receives, using an index that measures the volume of products affected by a client non-conformity in relation to the total volume of its own and third-party products distributed.

The sales department of each business area periodically conducts surveys to determine the degree of client satisfaction. In 2022, 297 customer surveys were sent with a response rate of 32% (2021: 874 surveys). There are two reasons for the decrease in the number of surveys carried out: firstly, the pharmacy division did not conduct a survey in 2022 because they are held every 3 years; and secondly, the intermediate chemical division is revising and updating the questionnaire and plans to send out its satisfaction survey during the first quarter of 2023.

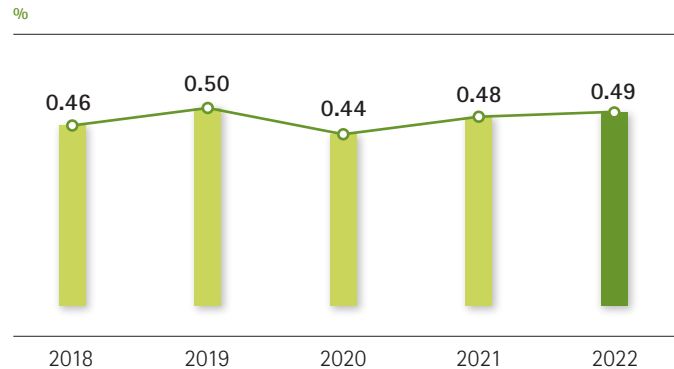
In 2022, the complaints rate was 0.24% (2021: 0.22%). As a result, the percentage of satisfactory deliveries is 99.76%. All orders shipped by Ercros are delivered with an analytical report certifying their conformity with the quality specifications agreed with the customer.

However, it should be noted that the claims rate per delivery made in 2022 was 0.49% (0.48% in 2021). Thus, the percentage of satisfactory deliveries for every 100 deliveries made is 99.52%.

Customer requests for technical assistance were resolved in 23 days and complaints in 33 days

The main complaints concerned product quality and presentation, transport and logistics, with transport being the main cause of complaints in 2022. The claim rate for product quality decreased by 7.4% compared to the previous year, from 0.049% in 2021 to 0.042% in 2022. This is down by 36% compared to the average of the last four years. In 2022, 82% of the complaints received were resolved.

Evolution of the claim rate per delivery made (%)¹



¹ The claim rate per delivery made measures the number of deliveries affected by a non-conformity for every 100 deliveries made.

d) Product stewardship

The Group provides its clients with knowledge and resources 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, either through consumption or transformation into waste.

The Group also maintains close contact with its clients 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 clients with the safety data sheets ("SDS") for the products it sells to them, which describe the exposure scenarios ("ES") for the uses of these products. In 2022, the SDS of the substances updated in the Reach Registry were reviewed during the calendar year, due to changes in the exposure scenarios. 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 for 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 sale of certain chemical substances. In addition, the Group provides SDS to clients in non-EU languages with the regulations applicable in the country of destination of the product (China, India, South Korea, US, Indonesia, Turkey, United Kingdom and Russia). The SDS are reviewed and updated when new information emerges on the hazards of the substances or when the law concerning them is amended.

In 2022 and within the activities of the Responsible Care programme, Reach Monitor carried out the second Ercros SDS quality verification campaign concluding that the data sheets were in line with current regulations.

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 IUCLID dossier be updated (database that includes all Reach information). In 2022, two of these dossiers were updated as part of the "Reach Dossier Improvement Action Plan", promoted by the CEFIC and the European Chemicals Agency ("ECHA") and subscribed to by the Ercros Group. Under this agreement, during the 2020-2026 period, the Group undertakes to evaluate the information on its substances submitted to the Reach registry and, if necessary, to improve its content pursuant to the risks involved.

The Ercros Group is leading at European level in the preparation of the registration dossiers for authorisation of the sale of biocide disinfectants containing sodium hypochlorite, hydrogen peroxide, trichloroisocyanuric acid or sodium chlorite. It is contacting its EU clients to find out what biocide uses they have for these products and to prepare authorisation dossiers that will help these clients comply with the regulations on the evaluation of biocide substances, with the least possible economic impact.

In addition, the Ercros Group pre-registered 11 substances in Turkey's Reach Kkdik, in response to the needs of its clients and to facilitate the supply of products in Turkey. This pre-registration will be maintained until the deadline established for the final registration of each of the substances, which should take place in 2023.

The Group also notified the UK health authorities regarding eight Reach substances and two biocide substances to maintain the marketing of these products during the transitional period, until the deadline established for their final registration and approval.

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 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 explosives.
- The Group signed the code of conduct of the main EU manufacturers of sodium chlorate and hydrogen peroxide to implement a control system for their sale, due to the fact that these products may be precursors for the illicit manufacture of explosives.
- It collaborates with the Organisation for the Prohibition of Chemical Weapons ("OPCW").

e) Achievements

In 2022, the Ercros Group made several improvements to a number of its products to adapt them to customers' requirements, including:

- The adaptation of formulas to the specific demands of the swimming pool water treatment tablets ("TCCA").
- The development of sustainable solutions in the manufacture of biopolymers, ErcrosBio.
- The expansion of the PVC compounds palette to manufacture rigid products by injection and rotational moulding.
- The manufacture of new grades of PVC-based materials using post-consumer recycled PVC.
- The development of rigid and flexible PVC-based materials suitable for additive manufacturing (3D printing).
- The diversification of the offer of resins related to the ErcrosGreen+ and ErcrosTech brands.
- The development of new grades of extrafluid moulding compounds tailored to different customers.
- The development of new formulations of moulding compounds suitable for laser marking.
- The modification of pharmaceutical manufacturing processes to offer particle sizes adapted to the specific needs of clients.
- The development of processes to expand the catalogue of pharmaceutical products offered in sterile quality.

15

SOCIAL
MATTERS



15.1 Materiality of the chapter

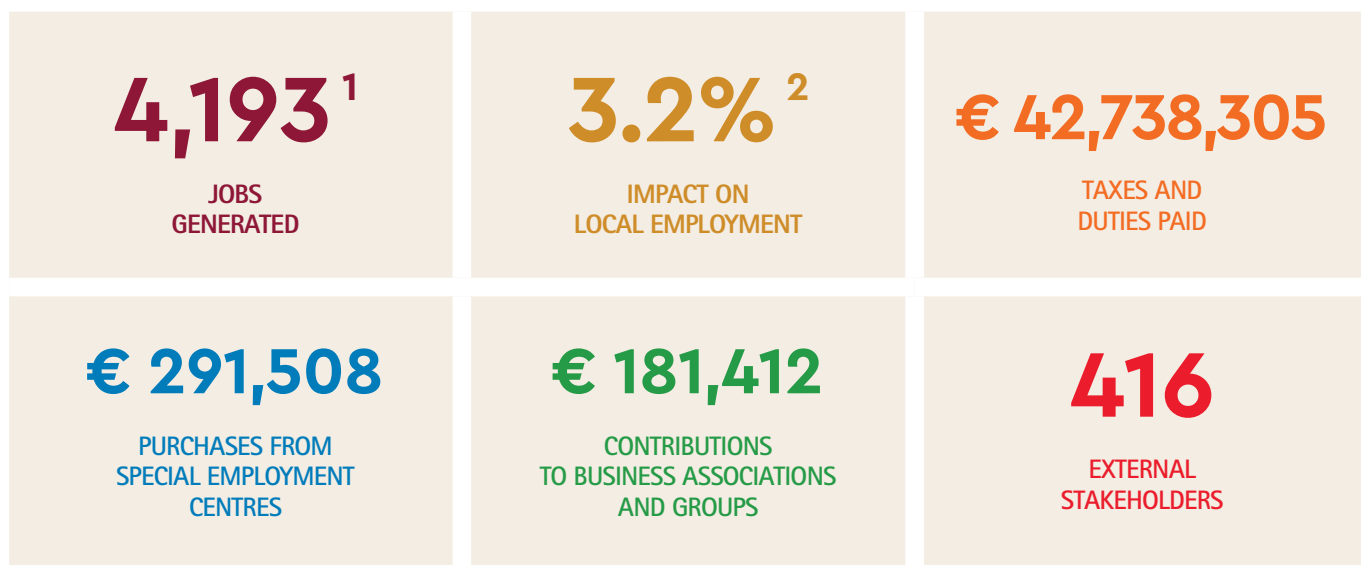
The Ercros Group is committed to fulfilling its social environment's expectations vis-à-vis the company, and to this end it engages in a process of continuous reflection on how it can interact with its stakeholders and, consequently, how it can meet their needs.

Throughout 2022, the Group has worked to have a positive environmental, economic and social impact on its surroundings. The Group has participated in workshops and conferences to share its expertise in various fields, entered into partnerships with local organisations and staff have engaged in volunteering activities. Thanks to these efforts, the Group has received awards and recognitions.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Direct, indirect and induced jobs.

² Average impact of employment generated on the active population of the towns where production facilities are located.

15.2 Stakeholders

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

- Internal: the Company's staff, the contractors' staff, union representatives, supplier companies and shareholders.
- External: client companies, public authorities, people and companies in the vicinity, the educational community, the media, social and cultural organisations, and investor companies.

At Ercros, each workplace has its own stakeholders, which are determined in a social map that considers its area of influence, its sector, or the community to which it belongs, among others.

The social map is dynamic and updated periodically. It includes the relationship of the local external stakeholders of each workplace and is an essential tool for managing the relationship of the factories with their environment. In 2022 the Group's various workplaces included 416 stakeholders in their social maps (431 stakeholders in 2021).

15.3 Socio-economic contribution

The Group's largest social contribution is the employment and activity it generates. Half of its factories are located in towns with a population of less than 20,000, meaning that these towns are highly dependent on the Group. The Group's activity is estimated to have generated 4,193 direct, indirect and induced jobs in 2022¹. The employment generated by the Ercros Group represents an average of 3.2% of the active population of the municipalities in which its production facilities are located (the active population of each location was calculated based on the activity rate of the respective province).

The Group paid the public authorities EUR 43 million in taxes

In 2022, the Ercros Group paid the public authorities EUR 42.74 million (EUR 33.16 million in 2021) in the way of duties, taxes, fees and social security contributions.

On 31 January 2023, the Ercros Group shut down the only production activity at Flix, namely the manufacture of dicalcium phosphate, after not renewing the supply agreement with the supplier of a key raw material (hydrochloric acid) and sales agreement with the only customer, for whom it worked under a tolling arrangement. The approved redundancy plan ("ERE") affected 39 of the 48 people working at the facility. The remaining nine will continue to work at the factory to carry out surveillance tasks, facilities and colony maintenance, water supply to the municipality, and decommissioning of facilities. The redundancy plan envisages relocations through transfers to other Group workplaces, exchanges with people from other workplaces, partial retirements, an income plan and compensated leave.

To minimise the impact that the shutdown has had on Flix and to attract new projects capable of generating employment in this municipality, the Ercros Group has engaged the consultancy firm Metyis, experts in reindustrialisation processes. The Group has also leased part of its factory site to be used for the facilities of a gas company.

15.4 Main actions

The Ercros Group plays an active and committed role in the sectors in which it operates and in the towns where its production centres are located. It maintains collaborative ties with the educational community and research centres, and supports other organisations. It also runs campaigns to promote staff health and social volunteering.

In 2022, it carried out the following actions:

a) In the field of environmental protection

The main environmental activities are described in detailed in chapter 11. Environmental matters. In this chapter, it is worth highlighting the collaboration with the Foundation for the Conservation and Recovery of Marine Animals ("CRAM") and with the Sebes Nature Reserve at Flix.

¹ To calculate the number of indirect and induced jobs, the average workforce of the Ercros Group in 2021 was multiplied by 2.4, following the criteria set out by the Spanish Chemical Industry Business Federation ("Feique") for the chemical industry.

b) In the social field

- Sponsorship and partnership actions with 29 organisations, the same number as in 2021, to which it contributed EUR 95,360 (EUR 95,023 in 2021). The actions carried out include support for the basketball, chess and athletics clubs in Almussafes; the chess and grassroots football clubs in Aranjuez; the Canonja football club and the Sant Pere i Sant Pau volleyball club in Tarragona; the Apertura photographic group in Monzón; and the Sports Association, the Ibón ballet school, the Peña La Murga football club and the Edelweiss Cycling Club in Sabiñánigo.

The Ercros Group sponsored and collaborated with 29 entities close to its workplaces

- The agreement with the University of Barcelona ("UB") to perform an archaeological survey at the Flix factory site aimed at researching and disseminating knowledge of the area's industrial past.
- Contributions to business groups amounting to EUR 86,052 thousand (EUR 76,458 in 2021). In 2022, the company groups of the Vila-seca I and Vila-seca II factories organised sports activities, cultural outings and nature excursions for their members.
- Purchases made from special employment centres and/or job placement companies, for a value of EUR 291,508 (EUR 282,902 in 2021).
- In 2022, for the seventh consecutive year, Ercros' factories in Sabiñánigo and Monzón renewed the Aragón socially responsible business ("RSA") seal, awarded by the government of this autonomous community along with the Spanish Confederation of Business Organisations ("CEOE"), the Spanish Confederation of Small- and Medium-Sized Enterprises ("CEPYME") and the trade unions Unión General de Trabajadores ("UGT") and Comisiones Obreras ("CCOO").
- The assignment to Flix town council of the last spaces included in the integrated intervention plan for the factory colony neighbourhood in Flix and two plots of land to be used for a fire station.

- Commemoration of International Women's Day.
- The Children's Drawing Competition, organised by the Sabiñánigo company group, aimed at the children of the factory's employees.

The Group uses food products like sugar, milk powder, sunflower oil and gluten as input materials for antibiotic production. In order to avoid food wastage and improve efficiency, procurement is adjusted to the needs of the production processes.

In addition, only two factories offer a canteen service, managed in both cases by an external company. These companies manage the purchase of food based on the menus confirmed the previous day, which reduces almost all food waste.

c) In the field of health and safety

- At the Almussafes factory, participation in an industrial multi-emergency drill, organised by the Valencian Safety and Emergency Response Agency ("Avrse").
- Information campaigns addressed to the staff of the Almussafes, Aranjuez, Sabiñánigo and Tarragona industrial complex ("CIT") factories on emergency drills and public warning drills carried out by the Civil Protection agencies in each town.
- Prevention Week at the Monzón factory, during which various activities were carried out, including a first aid workshop, a fire extinguishing exercise and a campaign to promote the importance of eating fruit and vegetables.
- International Occupational Health and Safety Day in all factories, which consisted of preparing a poster signed by company and external employees with the slogan: "I pledge to ensure my safety and the safety of those who work with me".
- The 17th Sustainability Workshops were held at the CIT, with the participation of all the plant's employees and featuring talks on health and safety.
- Epidemiological studies on the most frequent pathologies occurring in the production facilities.
- Training courses on the prevention of occupational hazards, first aid training, ergonomics in the workplace, stress management and tobacco prevention [see section 13.8].
- Annual general flu vaccination campaigns.

- Information campaigns on accident prevention, health surveillance, adoption of healthy habits and control of exposure risks; and campaigns on summer hydration, healthy eating, benefits from physical exercise, cancer prevention, and strengthening of the back among others [see section 13.8].
- The translation into Serbian, Lithuanian, Romanian and Bulgarian of the electronic safety training platform for drivers loading and unloading at the Group's factories.

d) In the field of training

- Support for dual training programmes, in which the Ercros Group has agreed to place and train students on internships at its facilities. In 2022, internships were given to university students from the Universitat Rovira i Virgili ("URV") in Tarragona and Universidad Francisco de Vitoria in Madrid, and to secondary students from Instituto Lluïsa Cura in Barcelona, IES Piràmide in Huesca, IES Corona de Aragón in Zaragoza, Colegio Salesianos Loyola in Aranjuez and IES Palomares in Madrid.

The Group hosted university and vocational education students in dual training programmes

-
- Participation in the X(p)rimenta competition, organised by the Fundació catalana per a la recerca i la innovació ("FCRI"), which gives awards for the best videos on scientific experiments submitted by students in Catalonia of primary, secondary, baccalaureate and vocational training cycles.
 - The "Experimenta en el Aula" Challenge, promoted by the Universitat Rovira i Virgili ("URV") of Tarragona, aimed at awakening scientific vocations in secondary school pupils through experimentation, with the participation of technical staff from the Tortosa and Vila-seca II factories, and in collaboration with the university in presenting a workshop on obtaining green hydrogen from renewable energies, as part of the Expoebre multisectoral fair held in Tortosa.
 - Sponsorship of the graduation of the 2018-2022 class of the URV's Chemistry Faculty.
 - Equipping the multi-sensory classroom at the Enric Grau i Fontserè school in Flix. Also in Flix, collaboration with the municipal music school and the nursery school.

- Participation of technical staff from the Tortosa factory in an introductory workshop on scientific experimentation for pupils at the Teresiano primary school.
- Celebration of the World Day of Women and Girls in Science at the Aranjuez factory to vindicate the work of women in jobs related to science and technology.
- Participation in the 1st Almussafes Industrial Job Fair, a networking event for job seekers and industrial companies in the area.
- Training of Military Emergency Unit ("UME") staff on the use of laboratory equipment at the Aranjuez factory.
- Participation of the CIT in safety training for technicians from the Office of Unified Environmental Management ("Ogau") of the Catalan Government.
- Supply of household objects made with Ercros Group products to the Chemistry Classroom, an initiative led by the Tarragona Chemical Business Association ("AEQT"), aimed at bringing chemistry closer to young people.
- Collaboration agreements for hiring interns with secondary schools, universities and other agencies [see section 13.7].
- Visits to Group factories for secondary and university students.

e) In the field of research

- Collaboration programmes with the Centre for Technological Development and Innovation ("Cdti") for (i) the development of sustainable solutions in the manufacture of biopolymers and PVC profiles with recycled insulating materials; (ii) a new technology related to the evaporation stage in the antibiotics extraction plant; and (iii) the development and scaling-up of a bioprocess for the production of biopolymers.
- The public-private partnership project with the state research agency to develop antifouling, bio-based and biodegradable paints for marine applications.
- The contract with Polymat, a technology centre of the University of the Basque Country ("UPV"), for the characterisation and development of biopolymers.
- Agreements with the Centre Tecnològic de Catalunya ("Eurecat") and the URV for a project to develop and characterise new types of resins, and in the search for eco-sustainable alternatives for detergent and cosmetics packaging.

- Agreements with Leitat to conduct a study on new high added-value applications for moulding compounds and to develop compounds to produce insulation foam from post-consumer recycled PVC.
- The agreement with the Institut Químic de Sarrià ("IQS") to carry out studies on the development of industrial processes for active pharmaceutical ingredients; the collaboration with this institute for the tutoring of a project by five students of the Master's Degree in Chemical Engineering.
- Sponsorship of the UAM-Ercros chair of the Universidad Autónoma de Madrid, 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 Ercros Group's R&D department. This thesis is the result of a collaboration agreement signed between the Group and the Universitat Politècnica de Catalunya ("UPC") as part of the Catalan Government's industrial doctorate programme.
- The agreement with the Spanish National Research Council ("CSIC") for the experimental study of microbial colonisation and degradation of materials in mountain environments, and the contract with the CSIC for the development of strains for producing biopolymers.
- Agreement with the National Renewable Energy Centre ("CENER") for the development and escalation of a biopolymers production process.
- The contract with the Centre for the Design and Optimisation of Processes and Materials ("Diopma") of the Universitat de Barcelona ("UB"), to study the photo-oxidative degradation of different grades of the ErcrosBio product range.
- The endowment of the Ercros-Fundación Hidrógeno Aragón prize for the best final degree project, organised by the Foundation for the Development of New Hydrogen Technologies of Aragón, of which Ercros is a member.
- The collaboration with the German Institut für Energie und Umweltforschung ("Ifeu") to collect and send data for the ecological profile of the EDC/VCM/PVC chain.
- The agreement with the Ainia technological centre for the application of spray-drying techniques for powders.
- The agreement with Technip Energies Iberia for feasibility studies on the production of certain sulphur and chlorine derivatives.

It should be noted that Ercros does not conduct research involving cruelty to animals.

f) In the field of social volunteering and solidarity

- Collaboration with Unicef's "Emergency in Ukraine" campaign and the rally of the trade union branches of the CIT in solidarity with the Ukrainian people.
- Sponsorship of two charity runs organised by the town council and the Forat del Vent secondary school in Cerdanyola to raise funds for the Food Bank and the Red Cross.
- Donations from the Flix and Monzón factories to Caritas and the Mas Farré Group, respectively, and a donation by the Monzón factory of 180 kilos of cleaning and hygiene supplies to the Red Cross.
- Participation in the Fundación Seur's campaign called "Caps for a new life", to collect plastic caps to help treat children with serious health issues. In 2022, 381 kilos of caps were collected (2021: 452 kilos).

15.5 Awards and recognitions

Throughout 2022, the Ercros Group has been recognised for its good work in different areas, for which it has received the following awards and recognition:

- Safety Award 2021 for the Tortosa, Cerdanyola and Sabiñánigo factories granted by Feique. This award recognises production facilities in the chemical industry with more than 50 employees which, during the previous year, have not recorded any accidents with or without sick leave among their own staff.
- Civil merit award to the Aranjuez factory, given by the city council of Aranjuez, for its commitment to the local community during the covid-19 pandemic.
- Runner-up for the AECA prize for Business Transparency, awarded by the Spanish Association of Accounting and Business Administration.
- Recognition from the URV to the Ercros Group for its contribution to the studies of the Faculty of Chemistry by hosting internship students, teaching classes in different degrees and master's degrees, and for collaborating in the dual degree in chemistry.
- Recognition by Aranjuez city council to M^a Carmen Cruzado, manager of the pharmaceuticals division of Ercros, as an outstanding working woman.
- Award to the Ercros Group as Best Polymer Supplier given by the European Plastics Converters Association ("EuPC").

- The seal of excellence in dual vocational training practices was obtained, awarded by the Department of Education of the Catalan Government, through the certifying company Applus+.
- Distinction from Mutua Universal for Ercros' 50 years as a member company.

15.6 Knowledge sharing

In 2022, Ercros Group staff participated in conferences, round tables, virtual webinars and talks on various areas of knowledge:

- Participation of the general business director in the monographic session "The future of hydrogen, challenges and opportunities for the chemical industry", organised by Feique; and in the webinar "Energy emergency: outlook for the continuity of the industry", organised by the law firm Uría.
- Participation of the head of sales of plastic specialities in the webinar "End of life, closing the sustainable cycle", organised by the Spanish Association of Compostable Biodegradable Plastics ("Asobiocom") and the talk "Bioplastics for 3D printing", given to the students of the master's degree in packaging at the IQS School of Management.
- The participation of Ercros Group line personnel in the conference organised by the Geological Society of Spain in the former site of the Cardona factory in Valle Salino.
- The conference "Industrial needs and opportunities in our environment", given by the manager of the Monzón factory, as part of the conference "Monzón-Cinca Medio: industrial present and future", organised by Ceos - Cepyme Monzón - Cinca Medio and this manager's participation in the conference "Monzón, incubator and business digital accelerator", organised by the Monzón-Cinca Medio Business Association.
- Participation of a line technician from the biological production area of the pharmaceuticals division in the closing conference of the master's degree in industrial and environmental biotechnology at Universidad Complutense de Madrid ("UCM"), with the presentation "Antibiotic production in the biopharmaceutical industry".
- The participation of the head of the CIT's technical department for quality and the environment in the master's course "Tools for professional development in industry" at the URV.

15.7 Partnership

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

- Organisations in the chemical industry: European Chemical Industry Council ("Cefic"); Feique; Catalan Chemical Industry Federation ("Fedequim"); Association of Chemical Companies of Valencia ("Quimacova"); Tarragona Chemical Business Association ("AEQT"); Federation of Chemical and Plastics Companies of Aragón ("Feqpa") and ChemMed.
- Product consumers or manufacturer organisations: European Association of Chlorine Manufacturers ("EuroChlor"); Spanish Association of Chlorine-alkali Manufacturers ("ANE"); Plastics Europe; European Council of Vinyl Manufacturers ("Ecvm"); Cicloplast; Spanish Association of Compostable Biodegradable Plastics ("Asobiocom"); Plastics Platform ("EsPlásticos"); Spanish Association of Swimming Pool Professionals ("Asofap"); European Association of Formaldehyde Manufacturers ("Formacare"); European Phenolic Resins Association ("Epra"); Association of Fine Chemical Manufacturers ("Afaquim"); European Biocidal Products Forum ("Biocides for Europe"); International Association of Methanol Producers and Consumers ("Impca"); Association of Energy-intensive Companies ("AEGE") and the Green Hydrogen Platform of Southern Catalonia and the Aragón Hydrogen Foundation.
- Local business organisations: Chambers of Commerce, Industry and Navigation of Barcelona, Madrid and Tarragona; National Employment Centre of Catalonia (Foment del Treball); AliaAragon; Cross-sector Business Federation of the Cinca Medio region ("CEOS-Cepyme Cinca Medio"); Cerdanyola Business Association; Association of Business Owners of the Baix Ebre Industrial Park of Tortosa ("Appibe"); Association of Industrial Parks of Almussafes ("Appi"); and Entity for the Management and Modernisation of Almussafes North Industrial Estate ("EGM").
- Other business organisations: Association for Progress and Management ("APD"); Cercle d'Economia of Barcelona; and Fundació Empresa y Clima.

In 2022, the manager of the intermediate chemicals division was appointed member of the executive committee of Fedequim; and the head of industrial relations of the Almussafes factory was appointed chair of the Entity for the Management and Modernisation of Almussafes North Industrial Estate.

In Barcelona, the Ercros Group hosted the general assembly of Formacare, an association that brings together 98% of formaldehyde producers in the EU and Norway.



16

DIALOGUE AND
TRANSPARENCY



16.1 Materiality of the chapter

The Ercros Group considers communication with its stakeholders to be of fundamental importance, and seeks to build a trusting relationship with them based on transparency and dialogue.

To do this, it has tools including news releases, visits and open house days at its facilities and communication with shareholders and staff.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



16.2 Accountability

Every year the Group publishes a corporate social responsibility report, which includes the statement of non-financial information ("SNFI"). This 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 Feique in collaboration with Forética.

The CSRR-SNFI is published on the Ercros Group's website and on the CNMV website. It is also published on the website of the Ministry of Labour and Social Economy under the section of corporate social responsibility reports (<https://www.mites.gob.es/es/rse/>) and on the Catalan Government portal on social responsibility ("Rscat") (<https://treball.gencat.cat/ca/rscat>). In addition, it is disseminated worldwide through the Global Compact and, nationally, through the Spanish Global Compact network.

The Group also reports on its responsible action by informing the public of its degree of compliance (i) with the recommendations of the Code of Good Governance ("CGG") for listed companies in the Annual Corporate Governance Report ("IAGC"); (ii) with the CSR rating issued every year by EcoVadis; and (iii) with the Lighthouse rating promoted by the Spanish Institute of Financial Analysts ("IEAF").

The Ercros Group is registered in the stakeholders register of the Catalan Government and is careful to note legislative developments and good governance recommendations, and incorporates best practices; it helps promote the transparency and the proper operation of the stock markets; and safeguards the interests of investors as regards the confidentiality of information, insider information, conflicts of interest, transactions with treasury stocks and market manipulation. It periodically updates its internal regulations and implements procedures to manage communication with employees and other stakeholders, and being prepared in the event of a crisis.

16.3 Main actions

In 2022, having overcome the restrictions imposed by the covid pandemic, the Ercros Group has resumed most of the usual actions it carries out with its stakeholders.

The Ercros Group has resumed the usual actions it carries out with its stakeholders

During the past year, the company's procedures for communication with society and for crisis communication were updated.

Below is a list of the main actions carried out by the Group, classified according to the 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 code of good governance recommendations.
- The annual directors' remuneration report, which reports on the application of the directors' remuneration policy in the year.
- The publication of this annual CSRR-SNFI, which reports on the Group's sustainability, stakeholder responsibility and other non-financial information.
- The update and improvement of the corporate website, which has been submitted to new developments throughout 2022.
- A digital newsletter that contains the most relevant information published by the Group. In 2022, ten newsletters were sent to an average of 171 recipients (2021: 11 newsletters to an average of 172 recipients).
- The LinkedIn update, which has 12,302 followers (10,565 in the previous year) and 22,583 views.
- In 2022, videos were produced on various topics of interest: the antibiotics manufacturing process at the Aranjuez factory; the PVC manufacturing process at the Vila-seca II factory; the multi-emergency drill held at the Almussafes factory; onboarding new staff and measures to cope with the heat wave, both carried out by the Almussafes factory; the dual vocational training (FP Dual) internships at the corporate offices; the challenges faced by women working in the Ercros Group; the presentation of the annual financial results and the holding of the shareholders meeting.

b) With stakeholders

(i) Educational community, neighbours, local and business organisations

- The 16 group visits and open days to the Ercros Group's production facilities, in which 437 people participated (four visits in 2021 with the participation of 49 people). These figures, still falling short of the 35 visits and the 1,308 people who visited the factories in 2019, testify to the recovery of activity at the facilities after the sharp decline brought about by the covid-19 epidemic.
- The 181 meetings with stakeholders organised by the factories compared to 167 in 2021.
- The public service hotline ("LAP"), which regulates the submission of reports, complaints and suggestions for improvement by stakeholders to Ercros. It received one communication in 2022.
- The visit of the managing director of the AEQT to the Tortosa factory.
- Participation in the Sustainability and Business Day organised by Aenor at which the Ercros Group was officially awarded the Good Corporate Governance Index certificate.

(ii) Workforce

- Internal memorandums are the means of providing specific information to the Group's staff. In 2022, 114 staff memorandums were sent out (108 in 2021).
- The dialogue improvement plan, which is the tool to foster internal communication through cascade meetings involving all staff. In 2022, 828 meetings were held that were attended by 4,313 people in total (2021: 812 meetings, attended by 3,586 people). These figures reflect a 20% increase in the number of people attending dialogue meetings as a result of the campaign.

In 2022, attendance was up by 20% at the dialogue improvement plan meetings

A survey was also conducted in 2022 to gauge the performance of the dialogue improvement plan. The findings of this survey will be analysed in the next financial year.

- The internal newsletter associated with the dialogue improvement plan, containing the information provided at the cascade meetings. Four newsletters were published in 2022, the same number as in the previous year. The heading of the 2022 newsletters introduced women who have played an important role in the development of science and technology. Other highlights include the "Our people" section, featuring interviews with Group employees who share their professional experiences and their interests.
- Updating the virtual notice board that contains information of interest for the staff. The virtual notice board is freely accessible and acts as a corporate intranet.
- Contest for suggestions, which channels and rewards suggestions for improvement proposed by staff. In 2022, 35 suggestions were submitted (25 in 2021), a record number of participants, only surpassed once since the Ercros Group adopted this initiative in 2005.

Much of this success is the result of the stimulus campaign, which not only increased the number of suggestions submitted, but also the variety of job profiles expressing their ideas to enrich the performance of their work, as well as the technical quality of the improvement suggestions.

- In 2022, a number of staff campaigns were conducted: (i) the usual prevention campaign, which consisted of a letter from the general business manager and a poster with the slogan "top, think, act. And remember that you don't work alone"; (ii) the campaign to encourage the organisation and attendance at meetings of the dialogue improvement plan, with infographics for those leading the meetings, for the people who manage the organisation of the meetings at each facility and for all staff with specific recommendations according to the role of each group; (iii) the campaign to encourage participation in the suggestion competition, with the publication of a poster with the slogan "In your job, you're the expert"; (iv) the campaign to encourage healthy habits, focused on avoiding heat stroke, which consisted of publishing an informative poster with recommendations; and, associated with this, (v) the campaign to encourage staff to be ambassadors of the company, in which a water canister with the company logo was distributed as a gift. The Almussafes factory conducted its own campaigns to avoid the heat and to encourage participation in the suggestions competition.
- The open house for family and friends of the workers at the Monzón factory, which brought together more than 80 visitors.
- The visit by staff from the corporate offices and the Vila-seca I and Tortosa factories, and their families, to the Foundation for the Conservation and Recovery of Animals ("CRAM"), an environmental protection organisation sponsored by the Ercros Group.

- The visit by staff from the customer service centre ("CSC") to the Vila-seca I factory, to learn more about the manufacturing processes of the products that the Ercros Group sells to its customers.

(iii) Shareholders

- The Group has a shareholder's office with a dedicated manager, which is the channel established by Ercros to channel dialogue and relationships with shareholders, analysts, investors and the market in general through relevant announcements and handling queries and resolving doubts about the company. The Group also has a procedure that regulates the operation of this office and a policy on the communication of economic-financial, non-financial and corporate information, and communication and contact with shareholders and brokers of the Ercros stock market.

In 2022, the Group responded to 408 requests for information by its shareholders

Throughout the year the shareholder office responded to 408 requests for information (2021: 402 requests). It also sent 48 personalised information notes by post or email (46 in 2020) to the 298 shareholders (304 in 2020) that requested them through the corresponding form.

- The corporate website has a specific "Shareholders and investors" menu, which complies with the requirements of Circular 3/2015 of the Spanish National Securities Market Commission ("CNMV"), which is regularly updated with information of interest to shareholders.

To encourage shareholder participation in the general meeting, the website has a mechanism for online attendance, electronic voting and proxy voting by shareholders, and an electronic shareholders' forum, which are made available during the period between the call and the holding of the shareholders meeting.

- On 10 June 2022, Ercros held its AGM, once again in person after the pandemic. The meeting was also streamed online to facilitate shareholder participation.

(iv) Securities market

- Significant events disseminated through the CNMV and Ercros websites, which are the means of communication with the securities market. In compliance with its obligations as a listed company, throughout 2022, the Group issued 53 communications on other significant events (the same number as in 2021).
- Regular meetings with analysts and investors who follow Ercros' market price. In 2022, the Group held 12 meetings with analysts and investors, most of whom were fund managers (20 in 2021).
- Participation, on 25 May, in the 18th Virtual Medium Sized Companies Forum (MedCap), organised by the Spanish Stock Exchanges and Markets ("BME") at the Madrid Stock exchange, where the company contacted ten fund managers, two of them foreign.

In 2022, the Ercros Group received a runner-up prize in the 21st Corporate Transparency Awards, given by the Spanish Association of Accounting and Business Administration ("AECA").

In the past financial year, the Ercros Group scored 54 points, six points above the average, in the Reporta Report, which assesses the quality of the information that the companies in the Madrid Stock Exchange's General Index make available to shareholders on the day of their general meeting. This score is achieved by analysing 36 indicators, grouped into four principles: transparency, engagement, relevance and accessibility.

(v) Media

- Press releases are the main tool for contact with the media. In 2022, 92 press releases were issued (2021: 93 press releases).
- The press conference to announce the annual results for 2021, given by the chairman of Ercros, Antonio Zabalza, held at the Group's corporate offices and streamed online.
- Conducting interviews, responding to requests for information and writing articles were other activities carried out in the interest of information transparency.

(vi) Neighbours

- Announcements of general or local interest, that are distributed by the factories to their external stakeholders. In 2022 an average of 8.5 announcements per factory were issued (2021: 11 announcements). This decrease in the number of announcements stems from the application of a more restrictive criterion for determining which notices should be distributed; this criterion has been revised and applied for the 2023 financial year.
- Participation in the "Chemistry in health" podcast, organised by Ràdio Ciutat de Tarragona and the AEQT, in which a line technician from the Vila-seca I factory explained how products manufactured by Ercros contribute to people's health.
- The participation of the Almussafes factory in the large multi-emergency drill organised by the Valencian Safety and Emergency Response Agency ("Avrse"), with the involvement of neighbouring communities and undertakings.

(vii) Administration

- The meeting of the chairman and the general business director with the secretary general and the general director of Territorial Planning and Urban Development, both from the Department of the Vice-Presidency and Digital and Territorial Policies of the Catalan Government, to explain the Ercros industrial project as set out in the 3D Plan.
- The meeting of the general business manager and the manager of the chlorine derivatives division with the director general of Environmental Quality of the Catalan Government, to present the decarbonisation actions included in the plan.
- Visits by representatives of the Catalan Government in Tarragona, including its regional delegate, to the Vila-seca I factory to learn about the actions that the Ercros Group is carrying out as part of the 3D Plan.
- Meetings with the mayors of La Canonja and Flix to present the company's activities in their respective areas.
- The participation of the manager of the Monzón factory in a conference together with the vice-president and regional minister of Industry, Competitiveness and Business Development of the Government of Aragon and the mayor of Monzón, and senior officials of these institutions, on the territory's industrial needs.
- The meeting of the manager and the head of industrial relations of the Sabiñánigo factory with the Regional Minister of Education of the Government of Aragon, to study the alignment of the range of vocational training courses on offer with the needs of the industrial sector.

(viii) Clients

In 2022, the Ercros Group had its own stand at the CPHI international pharmaceutical trade fair, held in Frankfurt from 1 to 3 November, where it presented two new antibiotics from its pharmaceuticals division.

The company's staff also participated in the most important fairs, workshops and meetings in this industry:

- The chlorine derivatives division attended the Spatex UK trade fairs in Coventry (UK); Hispack in Barcelona; Piscine Lyon in France; Foro Piscinas y Wellness in Madrid; K-Trade in Düsseldorf (Germany); Veteco in Madrid; Global Chlor-alkali, Vinyls & Polyurethanes Conference in Munich (Germany); and the European PVC Summit in London (UK); and the European Petrochemical Association ("EPCA") conference in Berlin (Germany).
- The intermediate chemicals division participated in the International Methanol Producers and Consumers Association ("IMPCA") in Oporto (Portugal); the European Petrochemical Association ("EPCA") in Berlin (Germany); the European Phenolic Resins Association ("EPRA") in Rome (Italy) and in Oporto (Portugal); Formacare in Brussels (Belgium); and the Methanol World Conference in Barcelona; and the Maderalia trade fairs in Valencia; Timber Show in Nantes (France); K-Trade in Düsseldorf (Germany); and Paints and Coatings in Barcelona.
- The pharmaceuticals division took part in the Drug, Chemical and Associated Technologies ("DCAT") trade fairs in New York (USA); Africa Health Excon in Cairo (Egypt); and Farmaforum in Madrid.

16.4 Audits

The Group submits its financial statements and other reports, production processes and products, and sustainability and governance certifications to audits.

The external auditor E&Y conducts the mandatory audit of the financial statements of the Company and the consolidated Group. E&Y also reviews the information provided in the corresponding directors' reports, in the annual corporate governance report and in the directors' remuneration report and 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 SNFI is verified by Bureau Veritas, in accordance with Spanish Law 11/2018 of 28 December 2018 and EU Regulation 2020/852, to facilitate sustainable investments. This company also rates the degree of compliance with the CSR guide for the chemical and life sciences industry, and each time it has done so it has awarded the rating of "excellent".

Annually, AENOR audits the performance of the sustainability management system (ISO 9001, ISO 14001, ISO 45001 and ISO 50001) in production facilities, and in the sales departments and the integrated logistics and sustainable development divisions. The same organisation also verifies the greenhouse gas inventory every year, in accordance with the ISO 14064-1 standard. In 2022, this verification was adapted to the requirements of the 2018 update of that standard.

Finally, last year, Aenor also verified, for the first time, Ercros' compliance with the Good Corporate Governance Index ("GCGI") and awarded it the highest rating of G++. This rating uses the Reputational Good Governance Index methodology, created by Villafaña & Asociados, which evaluates 165 governance criteria including transparency in the information provided to stakeholders.

All factories carry out official emergency drills that are audited by an external company, conducting also internal cross-sustainability audits. The production facilities also host audits from customers, which are particularly exhaustive and numerous in the pharmaceuticals division.

In turn, the Group audits its suppliers and conducts satisfaction surveys among its clients.

17

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



Verification certificate



**BUREAU
VERITAS**



ERCROS

Se ha comprobado que la memoria de responsabilidad social es adecuada y consistente con los indicadores recomendados en la Guía de aplicación de la RSC en el Sector Químico y Ciencias de la Vida .

Como resultado de este proceso de verificación se concluye que:

- ✓ La adecuación, con posibilidades de mejora, de la memoria a los principios fundamentales marcados en la Guía de aplicación de la RSC en el Sector Químico y Ciencias de la Vida.
- ✓ los resultados obtenidos, la involucración de las partes interesadas y la comunicación y transparencia es adecuada con las prioridades fijadas en la Guía de referencia

Conforme a esto Bureau Veritas Certification confirma, para

ERCROS

Responsible Care CSR Company

la calificación **“in Accordance”** en el nivel **Excelente**

Fecha de emisión 20 de Febrero de 2023



Silvia Edo Enrich
Verificador Jefe RSC
Bureau Veritas Certification

La presente Declaración se basa en un Informe de Verificación más detallado puesto a disposición de las partes interesadas.



Bureau Veritas Certification

17.1 Ethics and values

A. Basic level

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

Yes.

2nd. 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 under the ISO 14001 and ISO 45001 standards.

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

3rd. Existence of a register of complaints of unfair competition

Yes.

4th. Effective member of a business association

Several of them, both industry and regional associations, for example: Feique, Cefic, Fedequim, Quimacova, AEQT, chambers of commerce of Barcelona, Madrid and Tarragona, Foment del Treball or CEOE [see section 15.7].

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

Yes, approved in 2018 and complied with by staff.

B. Advanced level

6th. 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 of directors, which was last updated on 28 December 2020.

7th. Effective commitment to Responsible Care

Yes, since 1994.

8th. Effective commitment to aspirational principles of social responsibility

The Global Compact and Responsible Care programmes; the CSR ratings of EcoVadis and the Spanish Institute of Financial Analysts; and the Carbon Disclosure Project ("CDP") questionnaire [see section 9.3].

C. Level of excellence

9th. 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.

10th. Existence of specific training on ethical values

The Group provides specific training on ethical values to its staff and, in particular, to new employees. In 2022, 156 new hires signed the code of ethics.

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

The Ethics and Social Responsibility Committee ("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 CSRR. The Ethics and Social Responsibility Committee is a standing committee that acts as a consultative, internal, collective body and meets twice a year.

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

12th. Existence of an anti-corruption policy

Yes. The purpose 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.

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

None.

17.1 Ethics and values**14th. 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.

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

Yes.

16th. Publication and presentation of a social responsibility report

Yes. The Group publishes an annual Corporate Social Responsibility Report.

17.2 Human resources

A. Basic level

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

None

2nd. Existence of an equality plan

Yes. In 2022, the Ercros Group launched the Ercros Equality plan, which sets out the company's commitment to equal opportunities and its scope of application.

3rd. Existence of a human rights plan

There is no human rights plan defined as such but its content is covered by the Equality plan, the code of ethics and the Global Compact programme.

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

None

5th. Accident frequency rate among own staff

In 2022, the Ercros Group's accident rate increased: the accident frequency rate for company staff ("IF"), which measures the number of accidents with sick leave, stood at 3.1 versus 1.8 in 2021.

6th. Fatal accidents among employees

In 2022, one worker died in a commuting accident on his way home from the workplace.

B. Advanced level

7th. Accident frequency rate among contractors

In 2022, external staff had an accident rate of 2.7 compared to 3.7 in the previous year.

8th. Existence of a prevention policy

Yes. The sustainability policy integrates the various policies associated with it, including the prevention policy.

9th. Fatal accidents among contractors

No.

10th. Occupational disease rate among employees

0.

11th. Application of the collective agreement

Yes, the 20th General collective agreement for the chemical industry for the 2021-2023 period and the 2nd agreement to improve the General collective agreement for the chemical industry are in force.

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

Absenteeism due to common illness has improved slightly from 5.6% in 2021 to 5.3% in 2022.

13th. 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 ISO 45001 standard.

14th. Percent of jobs with job descriptions

All jobs have job descriptions.

15th. Satisfaction surveys every three years

Yes.

16th. Percent of indefinite contracts

At the end of 2022, 92.4 % of the workforce had indefinite-term contracts (2021: 89.6 %).

17th. Employees with performance evaluations

None.

18th. Existence of training plans

Yes. The training committee, which is comprised of an equal number of representatives from the Group's management and the trade unions, meets annually for the preparation of the training plan.

17.2 Human resources

19th. Existence of a welcome manual for new employees

Yes. The Group provides all new hires with training that is relevant to their job position and a welcome manual that includes corporate information of general interest and specific information on the production facility where they will be working. Last year 156 new hires received the welcome manual.

20th. Training hours per employee

An average of 24.7 training hours per employee (21.3 hours in 2021).

21st. Employee training investments and expenses

The expense incurred for training in 2022 amounted to EUR 391 thousand (EUR 279 thousand in 2021), of which EUR 302 thousand came from the subsidy granted by Fundae.

22nd. Percent of employees who have received training

In 2022, 93% of the workforce received training (82% in 2021).

23rd. Percentage of employees who are women

The presence of female employees in 2022 stood at 17.7%, compared to 17.2% in 2021.

24th. Percentage of executives who are women

Between 2021 and 2022, the number of female managers remains unchanged at six, representing 20.7% of managers, the same percentage as last year.

25th. Participation of employee representatives in training matters

Through the training committee that prepares the annual training plan. This joint committee is composed of representatives of the Ercros Group management and the employees. The training committees of the Group's workplaces held 26 meetings in 2022 (2021: 29 meetings).

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

The unions form part of the corporate committee on occupational health, safety and environment, and the health and safety committees at each workplace.

27th. Participation of employee representatives in environmental matters

The unions also form part of the corporate committees on occupational health, safety and environment, and the health and safety committees at each workplace.

C. Level of excellence

28th. 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 considered necessary, it applies active policies to retain its employees; by way of salary incentives or by paying for master's and postgraduate degrees.

29th. Existence of study plans

Although there are no formal study plans, the Ercros Group encourages its employees for further development through training, financed partially or completely by the Company.

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

Measures to support maternity/paternity: childbirth bonus, reduced working hours and vouchers for childcare. In 2022, ten women and no men in the workforce had taken advantage of a reduction in working hours to care for their dependants (ten women and no men in 2021).

The workday of Ercros Group staff is logged through access control and recording on entering and leaving the facilities. This system facilitates flexibility in the calculation of working hours and, therefore, promotes staff work-life balance.

31st. Programmes to promote telecommuting

In 2021, the Group signed an agreement with the employee representatives concerning telecommuting. It regulates the conditions under which workers may avail themselves of this form of work.

In 2022, 6% of the Group's workforce continued to telecommute, compared to 16% in 2021.

17.2 Human resources

32nd. Work-life balance policy

Yes. The work-life balance policy, which facilitates the implementation of measures to reconcile personal and professional life.

33rd. Existence of contractor training programmes

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

34th. Hours of contractor training

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2022 the staff of these companies received 1,277 hours of training (2021: 2,277 hours).

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

The whistle-blowing channel procedure implements the mechanism by which complaints can be filed regarding alleged breaches of the code of ethics.

In 2022, one complaint was submitted to the whistle-blowing channel which was accepted for processing in time and form (one complaint was filed through this channel in 2021).

36th. Existence of a diversity management policy

Yes, the Equality Policy and the board's diversity policy.

37th. Existence of measures to support studying

Yes, there are measures to support studying for workers and their children.

38th. Existence of repayable advances

Yes, there is the possibility of accessing repayable advances.

39th. Existence of pension plans

Yes. Contributions to pension plans and mutual entities of which all Ercros Group staff are beneficiaries.

40th. Existence of life and accident insurance

Yes. Currently, all of the Group's employees are covered by life insurance chargeable to the Group.

41st. Existence of health insurance

Yes. In 2022, 989 people (443 workers and 546 family members) were included in the Group's health plan.

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

Yes [see the table on "2021 prevention campaigns" in section 12.8].

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

Yes. [see section 13.7.]

44th. Existence of transport bonuses or supplements

Yes, there are transport bonuses or supplements as a reconciliation measure.

45th. Existence of maternity/paternity support measures

Yes. Measures to support maternity/paternity: childbirth bonus, reduced working hours and vouchers for childcare

46th. Existence of employee stock options

No.

47th. Employee volunteering activities and programmes

Yes, the Group and its employees collaborate with the Unicef, Fundación Seur, Red Cross, Caritas and Food Bank.

48th. Existence of a contingency plan

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

17.3 Shareholders and investors

A. Basic level

1st. 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 guiding principles.

2nd. Identification of responsible parties

The Group has a shareholder's office with a dedicated manager, which is the channel established by Ercros to channel dialogue and relationships with shareholders, analysts, investors and the market in general.

3rd. Degree of compliance with the CGG

In 2022, the degree of compliance with the recommendations contained in the CGG applicable to the Group stood at 96.2% (the same as in 2021).

4th. Publication of the annual corporate governance report

Yes. The annual corporate governance report, which provides information on the governance of the Company and the degree of fulfilment of the code of good governance recommendations.

5th. Significant events and other communications to the regulatory bodies

In compliance with its obligations as a listed company, throughout 2022, the Group issued 53 communications on other significant events (the same number as in 2021).

6th. Number of general meetings

On 10 June 2022, Ercros held its AGM, once again in person after the pandemic. The meeting was also streamed online to facilitate shareholder participation.

7th. Attendance at the annual general meeting

The meeting was attended by 6,056 shareholders owning 73,988,562 shares, which represented 73.277% of the subscribed share capital.

8th. 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. The dates for publication of results in 2022 were: 24 February, 4 May, 28 July and 9 November.

B. Advanced level

9th. Existence of a shareholder area on the website

The corporate website has a specific "Shareholders and investors" section in accordance with CNMV Circular 3/2015.

10th. Existence of specific shareholder relations systems

The Group has a shareholder's office with a dedicated manager, which is the channel established by Ercros to channel dialogue and relationships with shareholders, analysts, investors and the market in general through relevant announcements and handling queries and resolving doubts about the company.

C. Level of excellence

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

Yes, there is a dedicated manager in charge of the shareholder's office.

12th. 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. Throughout the year the shareholder office responded to 408 requests for information (2021: 402 requests). It also sent 48 personalised information notes by post or email (46 in 2020) to the 298 shareholders (304 in 2020) that requested them through the corresponding form.

13th. Existence of regular meetings.

Yes. In 2022, the Group held 12 meetings with analysts and investors, most of whom were fund managers (20 in 2021).

14th. Existence of mechanisms to encourage participation

Shareholders are encouraged to participate at the general meeting through absentee and proxy voting and compensation for attendance.

15th. Inclusion of the Ercros Group in sustainability ratings

The Ercros Group has been participating in the EcoVadis CSR rating (with a rating of 84 out of 100 in 2022) and since 2021, in the Lighthouse ESG rating of the IEAF, with a rating of 78 out of 100.

17.4 Environment

A. Basic level

1st. 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, with the aim to protect people and the environment, ensure product stewardship and satisfy the needs of its clients.

2nd. Commitment to pollution prevention

Yes. The UNE-EN ISO 14001:2015 (ISO 14001) standard, certifying 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.

3rd. 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 CSRR, which are published annually.

4th. Convictions and serious sanctions

See section 11.6: Litigation and sanctions.

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

EUR 0. In 2022, no fines were paid for this reason [see chapter 11.6: Litigation and sanctions].

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

In 2022 there were no incidents or accidents at the Group's factories with environmental consequences.

B. Advanced level

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

Yes, 100%.

8th. Environmental protection investments and expenses

The expenses incurred by the Group for the protection and improvement of the environment in 2022 amounted to EUR 21,362 thousand (2021: EUR 18,289 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental regulations on reducing emissions and soil remediation.

In 2022, investments in environment and safety were made in the amount of EUR 9,792 thousand.

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

In 2022, each employee received an average of 9.8 hours of training on safety and the environment (2021: 6.3 hours).

10th. Water consumed per tonne produced

Specific water consumption was 9.33 m³ per tonne produced in 2022 (8.92 m³/tonne in 2021).

11th. Energy consumed per tonne produced

The consumption of electricity and other fuels in 2022 was 5.07 GJ per tonne produced (2021: 4.95 GJ/t).

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

In the absence of external verification, in 2022, the Ercros Group emitted 0.358 tonnes of CO₂eq per tonne produced (0.382 tonnes of CO₂eq/t in 2021) (including scope 1 and 2 emissions).

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

In 2021 the Ercros Group emitted 0.00013 tonnes of nitrogen oxide per tonne produced. At the time of the approval of this CSRR – 17 February 2023 – the Group did not yet have the data corresponding to 2022, so it will be reported on in the next CSRR. In 2020 the Ercros Group emitted 0.00012 tonnes of nitrogen oxide per tonne produced.

17.4 Environment

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

In 2021 the Ercros Group emitted 0.00004 tonnes of sulphur dioxide per tonne produced. At the time of the approval of this CSRR – 17 February 2023 – the Group did not yet have the data corresponding to 2022, so it will be reported on in the next CSRR. In 2020 the Ercros Group emitted 0.00004 tonnes of sulphur dioxide per tonne produced.

15th. Tonnes of suspended solids emitted per tonne produced

In 2021 the Ercros Group emitted 0.000013 tonnes of suspended solids per tonne produced. At the time of the approval of this CSRR – 17 February 2023 – the Group did not yet have the data corresponding to 2022, so it will be reported on in the next CSRR. In 2020 the Ercros Group emitted 0.000013 tonnes of suspended solids per tonne produced.

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

In 2022 the Ercros Group emitted 0.00062 tonnes of volatile organic compounds per tonne produced (2021: 0.00066 t/t).

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

In 2022 the chemical oxygen demand of the Ercros Group's discharges was 0.00041 tonnes per tonne produced (2021: 0.00047 t/t).

18th. Tonnes of heavy metals discharged per tonne produced

In 2021 the Ercros Group emitted 0.0000026 tonnes of heavy metals per tonne produced. At the time of the approval of this CSRR – 17 February 2023 – the Group did not yet have the data corresponding to 2022, so it will be reported on in the next CSRR. In 2020 the Ercros Group emitted 0.0000024 tonnes of heavy metals per tonne produced.

19th. Tonnes of phosphorus discharged per tonne produced

In 2021 the Ercros Group emitted 0.000004 tonnes of phosphorus per tonne produced. At the time of the approval of this CSRR – 17 February 2023 – the Group did not yet have the data corresponding to 2022, so it will be reported on in the next CSRR. In 2020 the Ercros Group emitted 0.000006 tonnes of phosphorus discharged per tonne produced.

20th. Tonnes of nitrogen discharged per tonne produced

In 2021 the Ercros Group emitted 0.000040 tonnes of nitrogen per tonne produced. At the time of the approval of this CSRR – 17 February 2023 – the Group did not yet have the data corresponding to 2022, so it will be reported on in the next CSRR. In 2020 the Ercros Group emitted 0.000013 tonnes of nitrogen per tonne produced.

21st. Total tonnes of waste generated per tonne produced

In 2022 the Ercros Group generated 0.044 tonnes of total waste per tonne produced (2021: 0.043 t/t).

22nd. Tonnes of hazardous waste generated per tonne produced

In 2022 the Ercros Group generated 0.0082 tonnes of hazardous waste per tonne produced (2021: 0.0071 t/t).

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

In 2022 the Ercros Group's recovered waste accounted for 6.7% of the total waste generated (2021: 6.4%).

24th. Description of recovery projects

See section 11.7 a).

C. Level of excellence

25th. Description of programmes or actions to protect habitats and 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. Patronato del Espai Natural de Sebes (Flix); agreement with the Fundació CRAM; agreement for the recovery of the Valle Salino of Cardona; adherence to the Operation Clean Sweep programme; and collaboration with the CSIC to study the degradation of plastics in mountain rivers [see section 11.7 b)].

17.5 Supply chain/suppliers and contractors

A. Basic level

1st. 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.

B. Advanced level

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

Yes. Suppliers must pass an initial accreditation and clauses on ethical compliance are included in their agreements and/or orders.

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

Yes. Suppliers must pass an initial accreditation and clauses on safety and environmental protection are included in their agreements and/or orders.

4th. Existence of supplier/contractor assessment procedures

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

C. Level of excellence

5th. Description of success stories

Success stories are described in section 14.3(e).

6th. Supplier/Contractor audits

The integrated logistics division conducted follow-up audits on external transport and storage companies and suppliers of raw materials, containers and packaging.

In 2022, 74% of the Group's purchases from suppliers were analysed by the Refinitiv World-Check software tool, which makes it possible to screen customers and suppliers in advance for issues related to corruption, bribery or financial crime.

7th. Hours of training for suppliers/contractors

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2022 the staff of these companies received 1,277 hours of training (2021: 2,277 hours).

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

Six of the ten Ercros Group facilities participate through the Tarragona Chemical Business Association ("AEQT"), the Associació d'Empreses de Serveis de Tarragona ("AEST") and Fedequim on a platform which many of the companies in Tarragona and Barcelona serving the chemical industry are members of.

9th. Existence of intranet for suppliers/contractors

Indirectly through the AEQT and the AEST, the Ercros Group encourages direct and personal communication through email.

The Ercros Group provides its suppliers with a whistle-blower channel where they can report any unlawful act or breach of the code of ethical conduct, or any situation of fraud or irregularities in the procurement process.

10th. Working group meetings

Each factory has an inter-company committee formed by representatives from the facility and the companies that provide services. Its purpose is to coordinate actions between the Group and suppliers as regards prevention, accident rate, management procedures or training plans. In 2022 the inter-company committees held 24 meetings (2021: 26 meetings).

17.6 Customers and consumers

A. Basic level

1st. Sanctions 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

2nd. Existence of confidentiality or client data protection clauses

The collaboration agreements signed with future clients and clients 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.

3rd. R&D expenses

In 2022, investments and expenses related to innovation and technology amounted to EUR 6,658 thousand (2021: EUR 6,637 thousand).

4th. Existence of a register of claims and their resolution

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

5th. Accidents per tonne transported

No accident occurred in 2022.

B. Advanced level

6th. Existence of customer service

Yes, the customer service centre ("CSC")

7th. Claim rate

In 2022, the complaints rate per tonne of product shipped was 0.24% (0.22% in 2021). As a result, the percentage of satisfactory deliveries is 99.76%.

8th. Client satisfaction surveys

Yes. The sales department of each business area periodically conducts surveys to determine the degree of client satisfaction. In 2022, 297 customer surveys were sent with a response rate of 32% (2021: 874 surveys sent) [see chapter 14.4 c)].

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

100% [see section 14.4 c)].

10th. Safety data sheets on products sold

Yes. The Group has SDS for all products manufactured and for 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 sale of certain chemical substances.

C. Level of excellence

11th. Life cycle analysis of the main products

Yes. In 2022, the study on the life cycle of PVC resins was carried out. Conclusions are expected in 2023 and the life cycle analysis is expected to be extended to other Ercros products.

12th. 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.

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

The Ercros Group is a member, through Feique, of a collaboration agreement on explosive precursors, promoted by the Secretary of State for Security of the Ministry of the Interior; it signed the Code of Conduct of the main EU manufacturers of sodium chlorate and hydrogen peroxide; and collaborates with the Organisation for the Prohibition of Chemical Weapons ("OPCW").

17.6 Customers and consumers

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

Not applicable to the Ercros Group as it does not carry out marketing or advertising activities.

15th. Portal or area for consumers and clients

The corporate website has a section with specific information of interest for clients.

16th. Existence of an accessibility policy and actions

The Ercros Group's facilities contain proper signposting, 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. The corporate offices are fully accessible.

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

Yes. Adaptation of formulas to the specific demands of the swimming pool water treatment tablets ("TCCA"). Development of sustainable solutions in the manufacture of biopolymers, ErcrosBio. Expansion of the PVC compounds palette to manufacture rigid products by injection and rotational moulding. Manufacture of new grades of PVC-based materials using post-consumer recycled PVC. Development of rigid and flexible PVC-based materials suitable for additive manufacturing (3D printing). Diversification of the offer of resins related to the ErcrosGreen+ and ErcrosTech brands. Development of new grades of extrafluid moulding compounds tailored to different customers. Development of new formulations of moulding compounds suitable for laser marking. Modification of pharmaceutical manufacturing processes to offer particle sizes adapted to the specific needs of clients. Development of processes to expand the catalogue of pharmaceutical products offered in sterile quality.

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

Yes. The purchase of 33% recycled pallets and the implementation of a system for recovering wood from damaged pallets that are sent to the supplier for reconditioning and reuse. This action has allowed 160 tonnes of wood to be recovered.

19th. Description of success stories about distribution efficiency

Yes. The Ercros Group follows product distribution procedures that meet the maximum safety guarantees and minimise environmental impact [see section 14.3].

17.7 Contribution to and cooperation with society

A. Basic level

1st. 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 sells and their social contribution: the website, the CSRR, the corporate video, participation in industry fairs, etc.

B. Advanced level

2nd. Direct jobs generated

In 2022, the Ercros Group's average headcount was 1,348 people, 19 people more than in 2021.

3rd. Indirect and induced jobs generated

The Group's activity is estimated to have generated 4,193 direct, indirect and induced jobs in 2022 [see section 12.3.].

4th. Total employment generated/employed in the municipality

The employment generated by the Ercros Group represents an average of 3.2% of the active population of the municipalities in which its production facilities are located (the active population of each location was calculated based on the activity rate of the respective province).

5th. Billings/sales

In 2022 the Group's revenue from product sales amounted to EUR 998,532 thousand, which was 29.3% above the previous year's figure of EUR 772,317 thousand.

6th. Value of total investments made

In 2022 the investments made amounted to EUR 49,493 thousand (2021: EUR 34,775 thousand).

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

In 2022, the Ercros Group paid the public authorities EUR 42.74 million (EUR 33.16 million in 2021) in the way of duties, taxes, fees and social security contributions.

8th. Displaced or resettled populations

None

9th. Integration initiatives implemented

In its communications, the Ercros Group encourages the use of the dominant language in each community, which is especially important at the centres of activity based in Catalonia and the Valencian Community.

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

See chapter 11, section 2 and 7.

C. Level of excellence

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

In 2022 the value of sponsorships per employee was EUR 70.7 (2021: EUR 71.5).

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

Not applicable.¹

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

None

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

Participation in an industrial multi-emergency drill, organised by the Valencian Safety and Emergency Response Agency ("Avrse"). The Prevention Week held at the Monzón factory. The International Occupational Health and Safety Day held in all factories. The 17th Sustainability Workshops held at the CIT. Epidemiological studies of the most frequent pathologies reported. Training courses on occupational risk prevention. The translation into Serbian, Lithuanian, Romanian and Bulgarian of the electronic safety training platform for drivers loading and unloading at the Group's factories. The assignment to Flix town council of two plots of land to be used for a fire station [see section 14.4].

¹ The Ercros Group's portfolio does not allow for this type of activity.

17.7 Contribution to and cooperation with society

15th. Value of purchases made from special employment centres and/or job placement companies

Purchases made from special employment centres and/or job placement companies, for a value of EUR 291,508 (EUR 282,902 in 2021).

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

See section 15.4 b).

17th. Existence of training programmes for the local community

The production facilities have agreements with local academic centres to hire interns [see chapter 12.7].

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

Ercros has signed 37 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2022, 64 students took advantage of this possibility (63 students in 2021).

The Ercros Group maintains collaborative ties with the educational community and research centres, and supports other organisations [see section 15.4 d)].

19th. Activities carried out with the media

Yes. In 2022, 92 press releases were issued, one press conference was held and all media requests were answered.

20th. Activities carried out with public authorities

Yes. See section 16.3 b) (vii).

21st. Activities carried out with legislative chambers

Yes. See section 16.3 b) (vii).

22nd. Activities carried out with business organisations

Yes. See section 15.7.

23rd. 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.

Contributions to company groups amounting to EUR 86,052 thousand.

The Ercros Group indirectly participates, through the Feique, in institutions with a trade union presence, such as the Observatorio de la Química and Foro Química y Sociedad.

24th. Activities carried out with consumer and user organisations

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

25th. 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. The Group also collaborates with the foundation for the recovery of marine animals ("CRAM").

26th. Activities carried out with professional organisations

Through the business organisations in which it participates [see section 15.7].

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

Yes. See chapter 15 sections 4 e) and 6.

28h. Activities carried out with companies in the vicinity

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

29th. Activities carried out with neighbourhood associations

By sending information and documentation of interest from the Ercros Group [see section 16.3 b) (vi)].

17.7 Contribution to and cooperation with society

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

Sponsorship and collaboration actions with: basketball, chess and athletics clubs in Almussafes; the chess and grassroots football clubs in Aranjuez; the Canonja football club and the Sant Pere i Sant Pau volleyball club in Tarragona; the Apertura photographic group in Monzón; and the Sports Association, the Ibón ballet school and the Edelweiss Cycling Club in Sabiñágo.

17.8 Communication and dialogue

A. Basic level

1st. Existence of a person with assigned communication functions

At the corporate level, the communication functions are the responsibility of the institutional relations and communications department and, at each production facility, there is a person with delegated communication functions.

2nd. Existence of a corporate publication

The internal newsletter associated with the dialogue improvement plan, which contains the information provided at the cascade meetings. In 2022, four newsletters were published (the same as in 2021) [see section 16.3 b) (ii)].

3rd. Existence of a website

Yes, www.ercros.es.

4th. Existence of an internal communication procedure

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

B. Advanced level

5th. Existence of a website in Spanish

The corporate website is in Spanish, English and Catalan.

6th. 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, the corporate social responsibility report and the statement of non-financial information [see section 16.2].

7th. 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 2022 an average of 8.5 announcements per factory were issued (2021: 11 announcements).

8th. Existence of a protocol for managing and evaluating suggestions, queries, complaints, requests or the like

For suggestions, queries or complaints from external stakeholders, the Ercros Group has the public hotline procedure ("LAP"). In 2022, a communication was received through this channel.

The contest for suggestions, which channels and rewards suggestions for improvement proposed by staff. In 2022, 35 suggestions were presented compared to the 25 submitted in 2021.

9th. Existence of recorded internal meetings

Through the dialogue improvement plan, which is a tool to promote internal communication by means of cascade meetings that has been implemented at all workplaces. In 2022, 828 meetings were held with the participation of 4,313 people in total.

C. Level of excellence

10th. Regular publication of a sustainability report or CSRR

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

11th. Existence of a regular external newsletter

Since 2014, the Ercros Group has had a digital newsletter, which can be requested through the corporate website and allows recipients to periodically receive the most relevant news published by the Ercros Group [see section 16.3 a)].

12th. Organisation of external open house days

In total, 16 visits were held in which 437 people participated (six visits in 2021 with the participation of 49 people).

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

The public service hotline procedure [see section 16.3 b) (i)]

14th. Existence of a public advisory panel

Through the Feique and the AEQT.

17.8 Communication and dialogue

15th. Description of CSR campaigns

The Ercros Group carries out several social responsibility campaigns each year [see chapter 15.4].

16th. Regular opinion surveys

In 2022 the production facilities did not conduct opinion surveys among their stakeholders, as these are conducted every three years.

17th. Use of 2.0 tools

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

18th. Existence of an intranet or staff area

The Success Factors tool allows staff to have access to their information contained in human resources files and access to the Company's general information.

The employees of the Ercros Group also have access to a virtual notice board hosted on the Group's server, which performs the functions of an intranet and is freely accessible to staff.

19th. Existence of a regular internal newsletter

The newsletter associated with the dialogue improvement plan. Four newsletters were published in 2022 (the same number as in 2021).

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

The Monzón factory held an open house for workers' families and friends in which 80 people participated.

18 / RESPONSIBILITY FOR THE STATEMENT OF NON-FINANCIAL INFORMATION



18. 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 del 17 de febrero de 2023, ha aprobado el estado de información no financiera del Grupo Ercros correspondiente al ejercicio anual terminado el 31 de diciembre de 2022.

El presente estado de información no financiera forma parte del informe de gestión de Ercros, S.A. y del Grupo consolidado, preparados en formato electrónico eXtensible HyperText Markup Language (XHTML), todo ello conforme al Formato Electrónico Único Europeo (FEUE) establecido en la Directiva 2004/109/CE y en el Reglamento Delegado (UE) 2019/815.

El contenido del estado de información no financiera está de acuerdo con lo previsto en la Ley 11/2018, de 28 de diciembre, que modifica el Código de Comercio; la Ley de Sociedades de Capital («LSC»); y la Ley Auditoría de Cuentas, en materia de información no financiera y diversidad. Se incluye en este informe un capítulo para dar cumplimiento a lo establecido en el Reglamento («UE») 2020/852 sobre Taxonomía de la UE. Este Reglamento es de obligado cumplimiento para las empresas sujetas al reporte de información no financiera bajo las especificaciones de la Directiva 2014/957/UE, traspuesta en España mediante la Ley 11/2018.

Los consejeros de la Sociedad, cuyos nombres figuran en las antefirmas, declaran que la formulación del presente estado de información no financiera ofrece una explicación detallada de las prácticas de responsabilidad social corporativa del Grupo Ercros.

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

Barcelona, 17 de febrero de 2023

Antonio Zabalza Martí
Presidente y consejero delegado

Carme Moragues Josa
Vocal

Lourdes Vega Fernández
Vocal

Laureano Roldán Aguilar
Vocal

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