



2021

CORPORATE SOCIAL RESPONSIBILITY REPORT

STATEMENT OF
NON-FINANCIAL
INFORMATION



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

1

LETTER FROM
THE CHAIRMAN





BUREAU
VERITAS

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 2021 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

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- 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**.

21 Febrero de 2022

Fdo: Silvia Edo Enrich

Validador Jefe

Bureau Veritas Certification



Ladies and gentlemen:

2021 was the second year of the global coronavirus epidemic, a period in which the Ercros Group successfully managed the activity at its production centres and protected the health of its workers, while continuing to meet the needs of its customers.

2021 was also a year with global logistical problems and a sudden, steep increase in the price of energy and raw materials, all of which had a major impact on Spain's industrial sector. But thanks to the hard work of everyone in the Ercros Group, we successfully overcame all of these difficulties and ended the year with excellent results.

And in the end 2021 was the year when the Ercros Group launched its ambitious investment plan: the 3D Plan. This project is built on three pillars: diversification, digitalisation and decarbonisation, and calls for a total investment of EUR 69 million, with EUR 31.4 million earmarked specifically to decarbonise the Group's activities. The Group's goal in this area is to reduce direct CO₂ emissions by 39% by 2025 with respect to 2020 emissions. The Ercros Group's 3D Plan has been recognised as one of the 101 Business Examples for Climate, an initiative promoted by the Ministry for Ecological Transition and the United Nations Global Compact, among others.

The Ercros Group has continued to make progress on environmental, social and governance matters, meeting the expected targets and reporting positive results in the most ambitious corporate social responsibility ratings. The Ercros Group received a score of 84 out of a possible 100 in the international EcoVadis rating, placing it among the top 1% of the companies analysed. In addition, in 2021 the Group maintained a 96.2% compliance level with the Good Governance Code ("CBG") for publicly traded companies approved by the CNMV. And lastly, it received a rating of "excellent" in the Guidelines on the application of CSR in the chemical and life-sciences sector, promoted by Feique.

In 2021, the Group approved a zero-tolerance policy for market manipulation, a tax policy and a personal data protection policy to further strengthen best practices in the area of governance. It also implemented the

Refinitiv World-Check tool, which makes it possible for us to analyse the situation of customers and suppliers on aspects related to corruption, bribery or financial crime, so that we can make the corresponding decisions in keeping with our governance policies.

In 2021, the sustainability policy was updated to reinforce the Ercros Group's commitment to the climate neutrality objectives of the European Green Pact and the desire to fully decarbonise its activities by 2050. One good example of this was the 13.5% reduction in direct and indirect greenhouse gas emissions per tonne produced and the saving of 1,841 tonnes of CO₂ as a result of logistical and operational improvements, which reduced the distance that our products travel by road to reach our customers by 2.4 million kilometres.

The average workforce of the Ercros Group for 2021 was 1,329 employees, 32 more than in 2020, a significant increase after three years with no changes in the workforce. In 2021, women represented 17.2% of the workforce, slightly higher than the previous year's percentage but still far from the target of gender equality. Nevertheless, the Group is continuing to work to increase the presence of women in its workforce, especially in the labour categories associated with factory operations.

On the other hand, in 2021, the accident rate at Ercros dropped. The overall accident frequency index, which measures the number of accidents, with and without worker absence, among in-house and external personnel, was 2.4, compared to 4.0 in 2020. In 2021, the number of accidents decreased by 34.4% compared to the average over the last 5 years. The Group's commitment to safety and health was recognised with the Safety 2020 award, given by Feique to the Almussafes and Tortosa factories, which had no work-related accidents in the previous year.

Worker absences due to common illnesses increased slightly in 2021, from 5% to 5.6%. Compared with pre-pandemic rates, these results show a certain influence of covid-19 which led, either directly or indirectly, to an increase in sick leave due to common illness among the Group's employees.

Staff training is an important part of the Group's activity. In 2021, 82% of the workforce received training, with an average of 21.3 hours of training per person. These figures show that despite the restrictions imposed by covid-19, Ercros continues to rely on the training of its workforce as a key tool for its future development.

The company's complaints index improved in 2021. The figure was 18.9% lower than the previous year. Sales volume increased 2.3%, while the number of tonnes receiving customer complaints decreased by 17.1%.

The coronavirus did not prevent the Ercros Group from continuing to play an active and committed role in the sectors in which it operates and in the cities and towns where its work centres are located. The Group maintained collaboration ties with the educational community and research centres and supported non-governmental organizations and charitable campaigns.

Likewise, the Group has maintained its contact with its stakeholders and has tried to explain the development of its activities transparently, continuing the dialogue with shareholders and investors, customers and suppliers, the media and society in general. In 2021, Ercros once again participated in the main trade fairs in its sector: Expoquimia and Piscina & Wellness in Barcelona, and CPHI in Milan.

2021 posed a new challenge for everyone who is part of Ercros. The staff at our factories went in to work every day, regardless of the pandemic situation, while the staff at the corporate offices continued to work remotely for the second year in a row, without affecting the management of the company.

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

Antonio Zabalza Martí
Chairman and CEO of Ercros
Barcelona, 18 February 2022

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 2021, was approved by the Company's board at its meeting on 18 February 2022 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. 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 also reflects the Ercros Group's commitment to environmental, social and governance ("ESG") criteria in business decision-making. The sustainable development goals ("SDGs"), 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 2021, the most sensitive topics for the Group were: the management of the covid pandemic, the optimisation of consumption and resources, issues related to regulatory changes, the fight against climate change, gender equality, the reduction of emissions and waste and the management of the supply chain.

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://expinterweb.mitramiss.gob.es/memrse/aplicacion>), 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



4.1 The Company

Ercros ("the Company" or "Ercros") is the result of the merger on 30 June 1989 between Cros and Unión Explosivos Rio 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—18 February 2022—the share capital of Ercros amounted to EUR 30,291 thousand, represented by 100,971 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. Except for one of these company, Ercros France, S.A.—headquarters of the Ercros commercial delegation in France—the rest are inactive or in the liquidation phase.

4.2 The Ercros Group

The Ercros industrial group ("the Group" or "the Ercros Group") is diversified into three business segments: the chlorine derivatives division, a strategic business unit whose common element is chlorine; the intermediate chemicals division, focused on formaldehyde chemistry, and the pharmaceuticals division, dedicated to the manufacture of Active Pharmaceutical Ingredients ("APIs").

In 2021 the Group's revenue from product sales amounted to EUR 772,317 thousand, which was 41.1% above the previous year's figure of EUR 547,236 thousand. This is due to (i) the general increase in product prices and (ii) the increase in sales volume as a result of the recovery in the activity of most sectors of the economy in which the Group operated in 2021. An exception to this general performance has been the case of active pharmaceutical ingredients, the billings of which fell by 11.9% in relation to 2020. In this case, the lower demand during most of 2021 was a direct result of the restrictions and various measures taken by the governments of the countries, targeted by our products, to address the pandemic situation.

Expenses in 2021 amounted to EUR 766,444 thousand, which was 43.1% above 2020 figures. Billing for procurements and supplies increased by 63.2% as a result of the higher purchase volume and the increase in the price of raw materials and energy.

The evolution of income and expenses resulted in a 72.7% increase in ebitda compared to 2020 and that stood at EUR 85,680 thousand.

After entering in the books: (i) the depreciation, 5.9% lower than in 2020 due to the lower depreciation in the rights of use for leased assets and property, plant and equipment; (ii) the impairment of investment properties, 20.4% less than in 2020; (iii) the financial results that were reduced by 68.2% due to the lower average cost of debt, the positive exchange rate differences and the reversal of part of the provision for impairment of accounts receivable due to the improvement of the global economic situation; and (iv) the income tax expense of EUR 7,859 thousand, gives a result for the year of EUR 43,297 thousand, which multiplies the profit obtained in 2020 by seven. Considering "Another comprehensive result", the 2021 profit amounted to EUR 54,254 thousand, which multiplies the 2020 profit by 8.7.

In 2021 the Group paid the public authorities EUR 33,161 thousand in relation to duties, taxes, fees and Social Security contributions representing 77% of the Group's profit for that year, 28% up on the previous year (EUR 25,871 thousand, representing 4.13 times more than the 2020 profit).

Likewise, Ercros obtained grants from public authorities amounting to EUR 21,525 thousand (EUR 10,208 thousand in 2020), broken down as follows: (i) compensation for indirect greenhouse gas emission costs, EUR 7,140 thousand; (ii) greenhouse gas emission allowances, EUR 10,443 thousand; (iii) compensation to energy-intensive consumers, EUR 1,502 thousand; (iv) capital investments in energy savings, EUR 2,012 thousand; (v) grants for R&D projects, EUR 243 thousand; and (vi) grants through the Spanish State Foundation for Employment Training ("Fundae"), EUR 185 thousand.

The average headcount for 2021 was 1,329 people, 32 more than in 2020, where the average headcount was 1,297 people, distributed in ten production facilities all located in Spain.

a) Consolidated income statement

THOUSANDS OF EUROS

	2021	2020
Income	852,124	585,320
Product sales	772,317	547,236
Services rendered	27,738	21,561
Other operating income	23,340	12,746
Reversal of provisions and other extraordinary income	6,569	3,777
Increase in inventories of finished goods	22,160	–
Expenses	-766,444	-535,719
Procurements	-400,012	-267,946
Decrease in inventories of finished goods	0	-8,202
Supplies	-154,993	-72,194
Transport	-43,835	-34,482
Staff costs	-86,965	-84,296
Other expenses	-73,684	-63,916
Allocation of provisions and other extraordinary expenses	-6,955	-4,683
Ebitda	85,680	49,601
Depreciation and amortisation	-28,549	-30,329
Impairment of investment property	-3,450	-4,335
Ebit	53,681	14,937
Finance costs and exchange rate differences	-3,132	-8,461
Share of profit of associates	607	509
Profit before tax	51,156	6,985
Income taxes	-7,859	-728
Profit for the year	43,297	6,257

b) Sales by business

THOUSANDS OF EUROS

	2021	2020
Chlorine derivatives	483,047	330,961
Intermediate chemicals	238,567	158,737
Pharmaceuticals	50,703	57,538
The Ercros Group	772,317	547,236

c) Ordinary ebitda¹ by business

THOUSANDS OF EUROS

	2021	2020
Chlorine derivatives	53,517	27,191
Intermediate chemicals	30,485	13,961
Pharmaceuticals	2,064	9,355
The Ercros Group	86,066	50,507

¹ Ordinary ebitda is calculated by subtracting the extraordinary items that do not affect the business activity from the ebitda shown in the income statement.

d) Facilities and products

Division	Facilities	Products	Applications
Chlorine derivatives	Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Caustic potash Caustic soda Chlorine Chloroisocyanurates EDC Hydrochloric acid PVC Sodium chlorate Sodium chloride Sodium hypochlorite VCM	Chemical industry General industry Derivatives manufacturing Pool water treatment VCM manufacturing General industry Construction Paper pulp bleaching Water treatment Water treatment PVC manufacturing
Intermediate chemicals	Almussafes, Cerdanyola and Tortosa	Dipentaeritritol Formaldehyde Moulding compounds Paraformaldehyde Pentaerythritol Resins Sodium formate	Paints Derivatives manufacturing Sanitary and electrical equipments Resins Paints Lumber industry Tanning industry
Pharmaceuticals	Aranjuez	Erythromycins Fosfomycins Fusidic acids	Antibiotics Antibiotics Skin infections

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 95 countries.

In 2021, 48% of the Group's sales were exported. The European Union ("EU") is the main destination of foreign sales and represents 27% of the Group's total sales. The OECD represents 11% of the Group's sales and the rest of the world's countries, 10%.

In 2021, France and Italy remained the main destinations for exports, together with the USA, Germany, Portugal and Turkey. These markets account for 30% of foreign sales.

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.

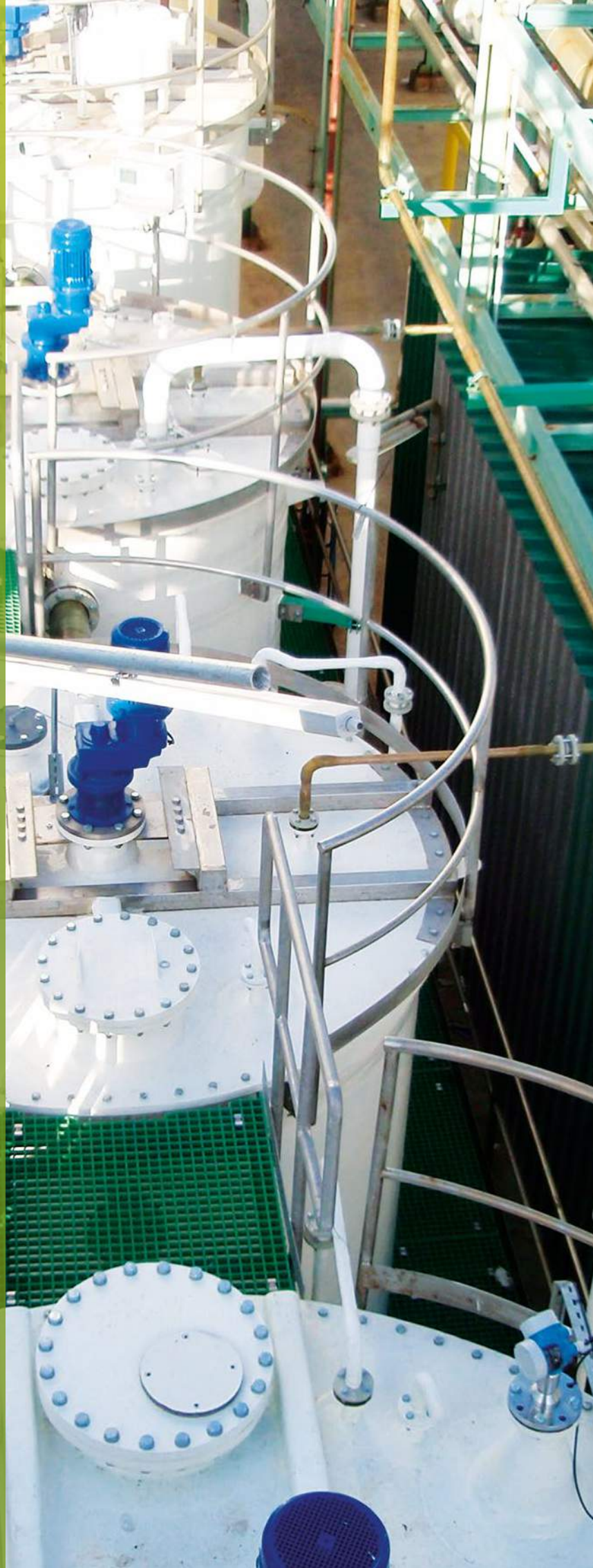
The products of the intermediate chemicals and pharmaceuticals divisions represent a significant percentage of the global market. With paraformaldehyde, the Ercros Group ranks first in the global ranking and second in the fusidic acid market.

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 market¹.

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 2021 accounted for approximately 50% of production costs, and by the cost of raw materials consumed in the production of 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). 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. Approximately 60% of the chlorine produced by the Group is consumed by the Group itself to manufacture derivative products (sodium hypochlorite, hydrochloric acid, trichloroisocyanuric acid and the EDC/VCM/PVC chain) and the remainder is supplied by pipeline to one client.

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

PVC production may also be carried out in part using an intermediate product, EDC, which already includes ethylene and almost all the chlorine. In fact, in the production of PVC, the Group uses both internally-produced and externally purchased EDC. The choice of one or the other option depends on several factors: (i) the availability of chlorine 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.

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 2021, the operation for expanding the capacity of the membrane electrolysis plants carried out between 2017 and 2020 was consolidated, in addition, the older membrane electrolyzers were replaced with more advanced units with better energy efficiency. Thus, in 2021, chlorine production increased compared to 2020 and production capacity at the Vilaseca-I factory was recovered prior to the closure of the two mercury technology plants at the end of 2017.

Part of the additional chlorine produced in 2021 has been used to manufacture the Group's own EDC, thus making it possible to reduce its external EDC purchases, which was the temporary solution adopted. Thus, in 2018, more than 90% of the EDC required in the PVC chain was from an external source, while in 2021 this percentage was progressively reduced to just over 60%. This operational change led to an increase in the profitability of PVC.

Another significant portion of chlorine production was sold to an external client in compliance with the supply agreement that the Group has with it, which will be in force until the end of 2022.

In 2022, the chlorine derivatives division will focus its investment objectives on the implementation of the projects of the 3D Plan. This includes the project to expand the capacity of the sodium chloride production plant in Sabiñánigo, which will be implemented in the second half of the year, and the launch of the decarbonisation projects, including the generation of steam through biomass at the Tarragona complex and the brine recycling plants 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 will also be promoted, thus minimising 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 main 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. This fact was particularly acute in 2021, as the electricity price of the market underwent an unprecedented upward trend, which has exacerbated the differences in electricity cost compared to competitors located in countries around us.

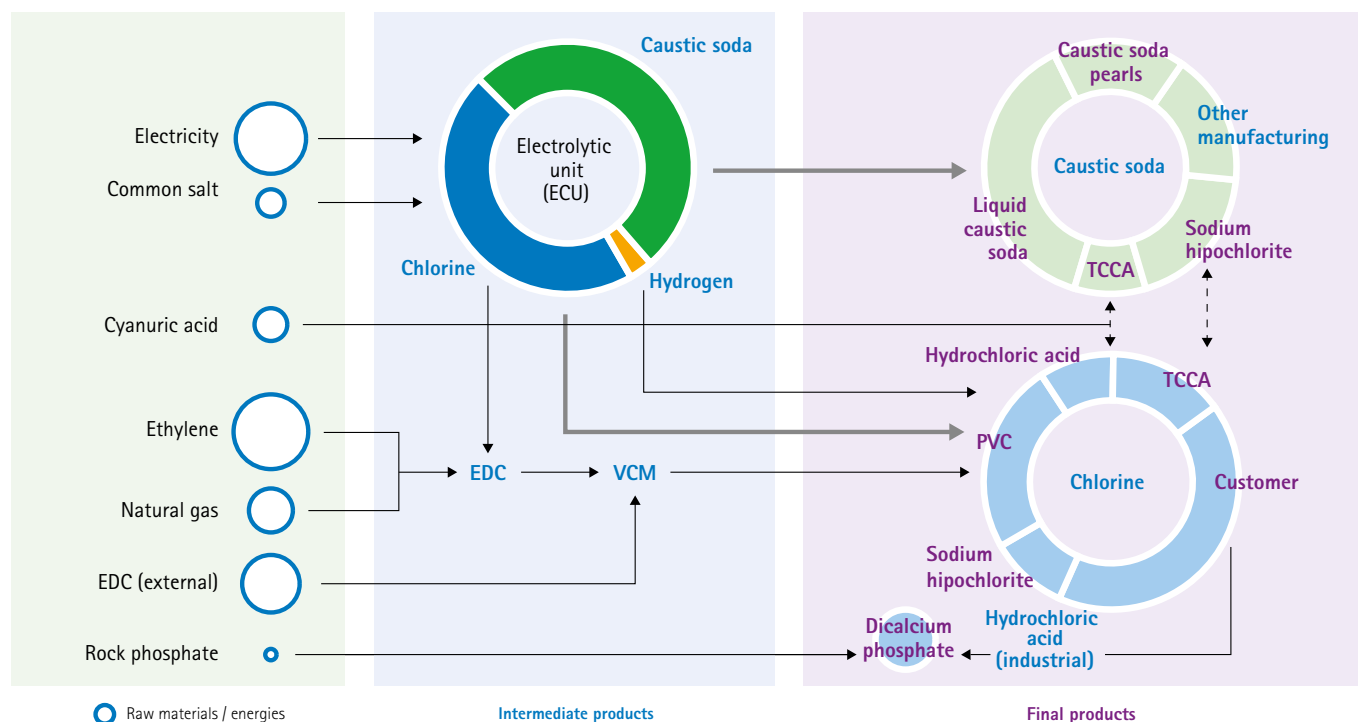
The historic compensation that the Group had received until 2019 for the uninterrupted electricity supply to the chlorine and caustic soda plants it provided to REE, was not offset by the development of the Royal Decree of the Statute for Energy-Intensive Consumers, which has had a limited impact. However, in accordance with the Spanish Government's announcement, it is expected that other compensation mechanisms will be developed in the future that will minimise the difference in the final price of the MWh paid by energy-intensive industries located in Spain compared to competitors located in France or Germany. In 2021, the Government approved RDL 17/2021 on urgent measures to mitigate the impact of the escalation in natural gas prices, which was later amended by RDL 23/2021. These measures, in addition to being temporary, have meant a low economic impact on the Group. In 2021, the remuneration corresponding to the compensation for indirect

CO₂ emissions was increased compared to 2020, but again, it was insufficient to mitigate the effect that the high price of CO₂ emissions has had in the increase in the price of electricity.

The Group has entered into 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 PPAs. 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. This measure is under regulatory development.

The evolution in 2021 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 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 Pact.

Outline of the chlorine-caustic soda process



As mentioned above, the Spanish energy-intensive industry paid more for electricity in 2021 than its European competitors. Increased electricity interconnections between countries and the climate neutrality target expected to be achieved in Europe in 2050, which is enhanced, among other instruments, by the evolution of the price of CO₂ emission allowances, should lead to the gradual convergence of the electricity price paid by the entire European industry. This is very relevant given that Europe is the natural market for the products of the Group's energy-intensive plants. In addition, the modernisation of the plants undertaken in parallel to the increases in production capacity has improved not only the energy efficiency of the Group, but also the utilisation ratio of these plants, in a productive context in which the production limitations of other competitors have increased.

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

In addition to chlorine, the second fundamental raw material in the PVC manufacturing process is ethylene, a petroleum-based product. The price of ethylene is determined both by the evolution of oil prices and the availability of ethylene in the Eurozone. 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. The price of natural gas is determined historically by the price of a barrel of oil, the dollar/euro exchange rate and, circumstantially, by the situation of European stocks depending, among other things, on the weather. In 2021, the additional importance of geopolitical factors in the availability—and therefore, in the detail—of natural gas was highlighted (among others: affecting the relations between Algeria and Morocco on the entry of Algerian gas into Spain by gas pipeline, delays in the commissioning of the Nordstream-2 gas pipeline, restrictions on the supply of Russian gas due to tensions with the USA arising from Ukraine). Against the backdrop of the 3D Plan, the Ercros Group is assessing whether to build a steam generation plant using biomass and other CO₂-free raw materials, adjacent to the PVC manufacturing facilities, in order to reduce the energy cost of this manufacturing and reduce dependence on fluctuations in the price of natural gas, while decreasing the CO₂ emissions.

5.2 Formaldehyde chain

Formaldehyde is the main product of the intermediate chemicals division and its primary raw material is methanol. Procurement of methanol represents around 40% of the division's total costs. 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. The latter, which represent around 65% of the division's revenue, have global market size (with exports representing around 90%). The main foreign currency of the solid products market is the dollar and, therefore, the business's competitiveness and its profitability are affected by the dollar/euro exchange rate.

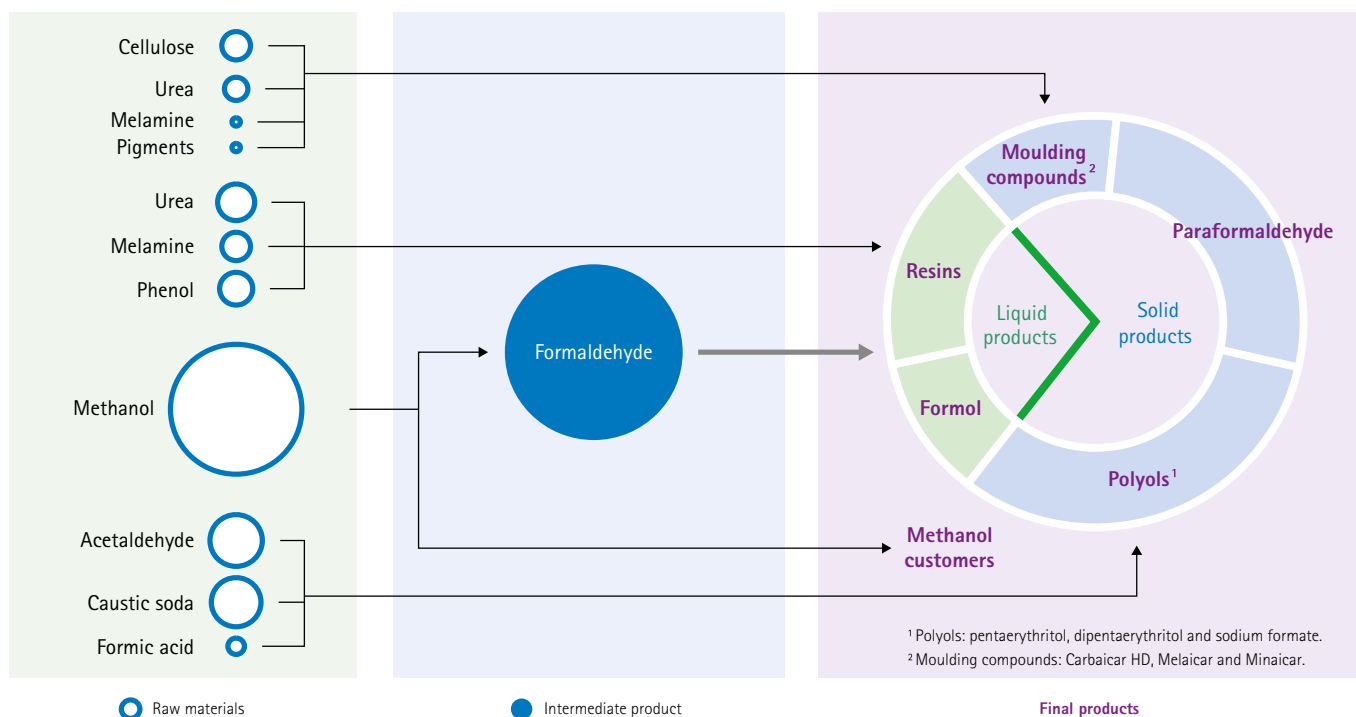
Solid products are used in the oil and gas sector, and in the manufacture of automotive resins, paints, printing inks, antifreeze, synthetic lubricants, and electrical and sanitary components. The margin for this group of products benefits from recognition by the market of its quality and the know-how 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 currency for which is the euro and, therefore, they are not affected by the exchange rate.

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

The challenge for this business for 2022 is to increase sales volumes in line with the recent capacity expansions of solid products, and to develop, as detailed in the 3D Plan, the new ranges of resins (ErcrosGreen+ and ErcrosTech), prioritising markets and clients with high added value. In the medium term, the challenge for the division is to continue with the digitalisation process of the entire value chain, maintaining the commitment to the gradual decarbonisation of processes, continue increasing the quality and standard of service of the products, and achieve excellence in the efficiency of all operations. In the long term, the objective is to diversify the current portfolio.

Outline of the formaldehyde process



5.3 Active pharmaceutical ingredients

The activity of the pharmaceuticals division is focused on the production of pharmaceutical raw materials and APIs 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.

The main value of this business is its dominance in the fermentation processes, and its capacity to obtain sterile products for use by injection. Its high level of internationalisation (it exports over 90% of sales) is also very highly valued, and its positioning as a reliable and quality supplier of the world's major laboratories.

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

There are a small number of manufacturers of this division's products worldwide, partly due to the complexity of the production systems. This fact, together with the rigorous audits and the demanding authorisation requirements of the health authorities, strengthens client loyalty.

The main challenges of this business in the short term are, on the one hand, to make the increased capacity of manufacturing of sterile medicinal products profitable, with the inclusion of new products and opening them up to new markets; and, on the other hand, to make better use of the installed fermentation capacity, increasing

the sales volume of existing products and start to manufacture new products. The project set out in the 3D Plan for a new extraction plant to manufacture the antibiotics vancomycin and gentamicin is an example of this expansion of the product portfolio.

The business is moving against a backdrop of pressure on margins due to the increase in prices of key raw materials and energy. In the medium and long term, in addition to expanding the product portfolio mentioned above, its strategy is to meet the quality requirements of clients and regulatory bodies, and to face competition from China and India.

5.4 Competitive situation ¹

The Group is a leader in the main markets 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 (48% in 2021) and sells its products in 95 countries. In 2021, France and Italy remained the main export destinations, together with the USA, Germany and Turkey.

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 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.

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 has the lowest demand point in the coldest months of the year due to the lower activity in the construction sector. In 2021, product shortages in some regions minimised this effect. 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.

Over a broader time horizon, products from the chlorine derivatives division are the most cyclical. In the chemical industry, due to the high volume of products manufactured worldwide and the unequal growth of supply and demand, it is customary for two to five-year periods, in which the supply and demand are balanced and the product profitability is adequate, to alternate with other periods, generally shorter, in which there are imbalances between supply and demand that may cause significant fluctuations in prices.

From 2016 to the first half of 2018, the chemical cycle was distinctly expansionary in nature, with strong demand pressure, supply shortages and high prices. However, from the second half of 2018 the trend changed, as it was affected by a situation of oversupply, causing a drop in prices that was exacerbated by the effects of the pandemic caused by covid-19. From the second half of 2020, and throughout 2021, there has been an increase in demand for chemical products, which has not always had an equivalent increase in supply. This has caused an expansionary cycle that has favoured many of the products in the chlorine derivatives and intermediate chemicals divisions. This expansionary cycle was particularly intense on the PVC side of the chlorine-caustic soda binomial.

This cyclicality is strongly impacted by the high volatility of energy prices (gas and electricity, in particular), which has been experienced intensely in the last year. The capacity to transfer these changes in costs to the selling price of products will depend to a large extent on the stability of the Group's annual results.

6

NON-FINANCIAL RISKS



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

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

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

On 17 December 2021, the businesses managers presented the board of directors with the risk maps for each business and an additional risk map for the Group identifying the most relevant risks foreseen for 2021. All these risks were based on the probability of occurrence (on a scale of 0% to 100%) and the impact that their materialisation would have on the Group (on a scale of 0 to 6). Based on the above maps, the Group has implemented controls aimed at mitigating the risks detected.

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

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 eliminate these risks or, if this is not possible, to minimise them, the Group: (i) conducts its business in compliance with the rules established in its environmental authorisations and the requirements arising from applicable regulations and voluntary agreements signed; (ii) officially monitors its environmental performance; and (iii) carries out external verifications of its sustainability management system. Furthermore, it has implemented indices to evaluate its overall emissions to water and air, and waste generation, enabling it to verify the performance of its environmental management. The Group periodically reports on the reduction of emissions achieved in its industrial activity.

All Ercros Group facilities conduct an environmental risk analysis which is updated on a regular basis, with the exception of Monzón. This facility is categorised as a low risk facility and, therefore, in accordance with the Spanish Environmental Responsibility Act (*Ley de Responsabilidad Medioambiental*), it is not required to carry out this analysis, although it does plan to do so in 2022.

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 chapter 10.3(c)].

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 makes a significant effort to adapt to this new legal framework and carries out the activities and actions necessary to comply with the requirements set forth in the various regulations. Specifically, laws related to the safety of facilities and people, occupational health, environmental protection and climate change, and the transport, packaging and handling of dangerous goods.

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

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

6.4 Climate change risk

Heavy rains, snow blizzards and other extreme weather events are becoming more frequent and can cause flooding or other situations that prevent the normal operation of production facilities.

In an effort to mitigate the adverse effects of these abnormal weather incidents on its activities, the Ercros Group factories have procedures and 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.

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.

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

In 2021, the covid-19 epidemic posed a risk from the point of view of human resources. This disease could lead to temporary redundancies that force some production activities to stop due to a lack of personnel.

To mitigate this risk, the Ercros Group has implemented a plan since the start of the pandemic to prevent and, if this is not possible, reduce the spread of the disease at its facilities and at the same time guarantee their operation.

In addition, among the human resource risks worth mentioning is the risk of low productivity due to the high rate of staff absenteeism (5.6% in 2021), which in some workplaces can make it difficult to cover all production shifts. To mitigate the impact of this risk, multidisciplinary working groups have been created to analyse the specific circumstances of each workplace and propose concrete solutions.

The Group is subject to talent risk as a result of the departure 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.



7

CONTRIBUTION TO
THE SUSTAINABLE
DEVELOPMENT
GOALS ("SDGs")

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.

The Group's contribution to the fulfilment of the sustainable development goals is detailed below.



SDG 1: No poverty

To achieve this, the Ercros Group guarantees adequate wages, does not discriminate against vulnerable groups, favours the communities around its factories, provides training to its employees, implements equality policies, pays fair prices to its suppliers and manages social action programmes to help groups at risk of poverty.

Chapters

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



SDG 2: Zero hunger

The Ercros Group innovates in new packaging that minimises food waste, produces raw materials for the agriculture and food sector, prevents food waste in its work centres and makes donations to local food banks.

Chapters

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



SDG 3: Good health and well-being

The Ercros Group manufactures pharmaceuticals, reduces the environmental impact of its facilities, has a health and prevention management system that in 2021 has continued to work to prevent covid-19 infection in its work centres and promotes a healthy lifestyle among its employees.

Chapters

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



SDG 4: Quality education

The Ercros Group offers training opportunities to its employees, recruits interns, collaborates with university research centres and sponsors activities at schools and universities.

Chapters

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

**SDG 5: Gender equality**

The Ercros Group adopts and updates equality policies and plans, ensures gender non-discrimination, investigates ways to increase the presence of women in the Group, monitors work-life balance and establishes a zero-tolerance policy with all forms of violence against women.

Chapters

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

**SDG 6: Clean water and sanitation**

The Ercros Group manufactures chlorine and essential derivatives for disinfecting, treating and purifying water for drinking, conducts sustainable water management in all its factories and ensures that the wastewater from its facilities complies with the corresponding quality standards.

Chapters

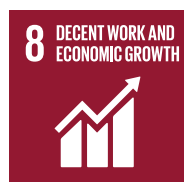
- 5. Business model
- 10. Environmental matters
- 13. Supply chain

**SDG 7: Affordable and clean energy**

The Ercros Group invests in efficient technology and renewable energy, implementing an energy policy in its production facilities, reducing energy consumption and reusing the hydrogen co-product as a source of energy.

Chapters

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

**SDG 8: Decent work and economic growth**

The Ercros Group monitors the good working conditions of those working at its facilities, advocates freedom of association and collective bargaining, promotes respect for human rights through the application of ethics, respect for tax laws and regulations and the promotion of the local economy.

Chapters

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

**SDG 9: Industry, innovation and infrastructure**

The Ercros Group has sustainable and quality facilities and factories, investing in R+D+I to promote technological development, analysing and mitigating its risks and developing effective technologies to improve the management of natural resources and reduce their environmental impact.

Chapters

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

**SDG 10: Reduced inequalities**

The Ercros Group provides adequate wages and working conditions for its employees, promotes respect for human rights, does not discriminate on grounds of sex, age or origin, implements equality policies and promotes economic activity in the cities where its facilities are located.

Chapters

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

**SDG 11: Sustainable cities and communities**

The Ercros Group is integrated and collaborates in the cities where its factories operate, reducing pollution of the facilities, improving freight transport systems, applying circular economy principles, informing its stakeholders and collaborating with local entities.

Chapters

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



SDG 12: Responsible production and consumption

The Ercros Group has sustainability targets and indicators in all its processes, integrates circular economy criteria, promotes energy efficiency, invests in R+D+I to increase the productivity of its facilities and improves its materials to make them more sustainable.

Chapters

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



SDG 13: Climate action

The Ercros Group launched the 3D Plan to reduce, among others, its greenhouse gas emissions by 39%¹ and achieve the decarbonisation of its activity before 2050; in addition, the Group implements logistics and transport improvements to reduce its CO₂ and introduces circular economy criteria in its activities.

Chapters

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



SDG 14: Life below water

The Ercros Group avoids micro plastic losses in its facilities and in the transport of its products, invests in research on biodegradable materials, complies with quality standards in its effluents, protects biodiversity in the areas around its factories and collaborates with marine life protection entities.

Chapters

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



SDG 15: Life on land

The Ercros Group reduces the environmental impact of its facilities, protects the biodiversity around its factories, manages raw materials in a sustainable manner and sponsors environmental protection organisations.

Chapters

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



SDG 16: Peace, justice and strong institutions

The Ercros Group respects the law, has a mandatory code of ethics for all people working at its facilities, implements the audit and internal control of its processes, fights against corruption, fraud and bribery, promotes respect for human rights and encourages transparency and dialogue with stakeholders.

Chapters

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



SDG 17: Partnership for the goals

The Ercros Group aligns its social responsibility strategy with the SDG and ESG criteria (environmental, social and governance) and integrates them into its business culture, enters into voluntary agreements, reports quantifiable targets, actively participates in associations and business organisations and shares its performance and commitments with society.

Chapters

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

¹ 2025 vs 2021



8

RESPECT FOR
HUMAN RIGHTS

8.1 Materiality of the chapter

The Ercros Group bases its commitment to respect human rights on three pillars: the existence of a regulatory framework for the protection of these rights, due diligence in their compliance and the implementation of redress mechanisms if necessary. Three pillars aligned with the environmental, social and governance (ESG) criteria that guide the company's sustainable development.

To this end, the Group has the code of ethical conduct, the corporate social responsibility policy, the whistle-blowing channel and the supplier registration procedure. In addition, the Company submits to third-party control and analysis to validate and ensure its good performance in respecting human rights.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



8.2 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. 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.

Since its approval in 2018, the Company has trained all staff on the code of ethics and promoted compliance therewith.

In 2021, when 111 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 all Group computers, staff complete a dialogue box in which they agree, at the beginning of each 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.

The staff receives information and continuous training on the code of ethics and commits to comply it

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 2021, a complaint was submitted to the whistle-blowing channel which was accepted for processing in time and form (no complaints were filed through this channel in 2020).

8.3 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").
- 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 2020 report presented by Ercros in 2021 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 16.
- 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 third year in a row. In 2020, the Group scored 81 out of 100.
- El Lighthouse rating: the Ercros Group obtained 77 points out of the 100 possible 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 ("CGG") for listed companies: approved by the CNMV, the CGG contains 64 recommendations, 12 of which are not applicable to the Group, and 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 2021, the degree of compliance with the recommendations contained in the CGG applicable to the Group stood at 96.2% (the same as in 2020).
- 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.

Ercros obtained 84 points out of 100 in the EcoVadis rating, which assesses companies' ESG practices

8.4 Relations with sensitive geographical areas

The Group carries out most of its activities in areas that have laws that prohibit child labour and forced or compulsory labour.

All its production facilities are located in Spain, which in turn, was the destination of 52% of sales in 2021. The Group exported 27.6% of sales to other countries in the EU and 11.4% to other countries under the Organisation for Economic Co-operation and Development (OECD), while the remaining 10% went to countries in the rest of the world, with India and China leading the way.

As regards purchases, 61.6% of procurements and supplies come from Spain; 22.5% from the EU; 9.8% from the OECD and 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 campaigns to inform about and comply with the code of ethics. More specifically:

- Agreements with suppliers of logistics, goods and services contain a clause whereby they undertake to abide by their own code of ethics or the Group's code of ethics in their interactions with the Ercros Group. 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.

- In 2021, the Ercros Group provided its clients and suppliers with a whistle-blower 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.

Group clients and suppliers have a channel through which they can report non-compliances with the code of ethics

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. To optimise this surveillance in 2021, the Group launched the tool known as *Refinitiv World-Check*, which among other features, analyses clients and suppliers from countries classified as at risk by the OECD [see chapter 9.2].

In 2021, the Group's internal procedures were strengthened to include the supply risk based on the country of origin of the raw material and the possible risk or failure in supply. The assessment of these risks is taken into account in the process of selecting suppliers.

In 2021, 12 reputational reports were drawn up on previous-year suppliers: five for raw materials companies, and the remaining seven for facilities, services, warehousing and transport companies, all of which were favourable. With the reports prepared in 2021, the Group has covered the reputational analysis of suppliers representing 54% of the amount of total purchases in 2020.

In 2022 the Group aims to carry out reputational analyses of 16 suppliers representing up to 67% of total expenditure in 2021.



9

**FIGHT AGAINST
CORRUPTION
AND BRIBERY**

9.1 Materiality of the chapter

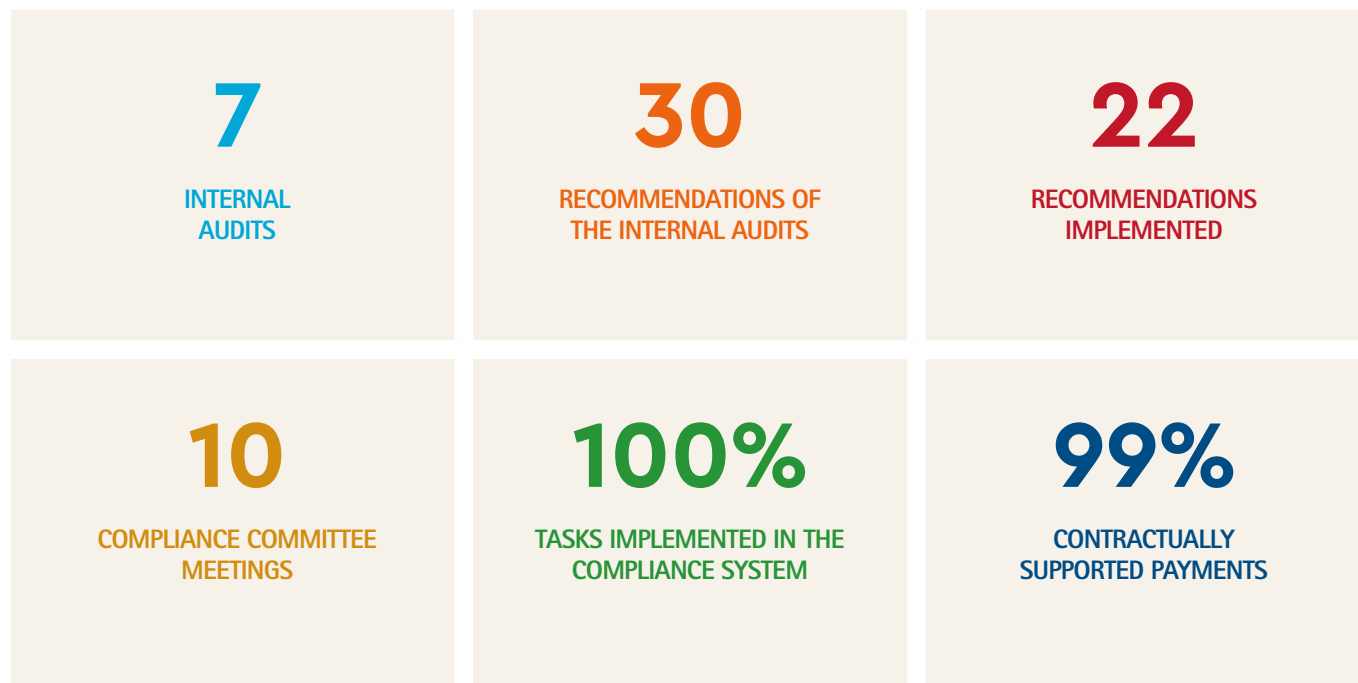
Good governance practices are essential for the responsible and sustainable business development of the Ercros Group. Corruption and bribery are contrary to the performance of these good practices and, therefore, fraud and corruption control mechanisms are increasingly exhaustive and far-reaching.

The code of ethics, the anti-corruption and crime prevention policy, the criminal risk prevention manual, the compliance committee and the financial control systems are some of the key elements within the Group's reach to achieve greater compliance with its good governance objectives.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



9.2 Main actions

In 2021, the Ercros Group approved a zero tolerance policy as regards market manipulation, which 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.

In addition, in 2021 the Group launched the computer tool called *Refinitiv World-Check* that makes it possible to analyse in advance the situation of clients and suppliers on matters related to corruption, bribery or financial crimes. Using the tool *Refinitiv*, the Group examined those clients whose products may be used for the manufacture of explosives or drugs, those whose goods are destined to countries classified as at risk¹ by the OECD, or those to which the Group invoices more than EUR 1 million per year. In relation to suppliers, the Group analysed those whose goods either come from countries at risk, their registered office is located in these countries or those whose billings exceed EUR 1 million per year. In 2021, the Group analysed 33% of its clients and 79% of their annual turnover.

Last year, the Ercros Group also approved the tax policy aimed at ensuring compliance with applicable tax law, within the framework of achieving the corporate interest and supporting the long-term business strategy that avoids risks and tax inefficiencies in the execution of business decisions.

Finally, in 2021, the Ercros Group updated its criminal risk map that classifies these risks based on the probability 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.

9.3 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.

¹ The OECD rating of countries at risk measures the credit risk of countries and the probability that they will pay their external debt.

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.

The code of ethics indicates the way in which employees should conduct themselves in relation to the fight against corruption and bribery

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.

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

In 2021, the board of directors approved the personal data protection policy, the aim of which 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.

9.4 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, and 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 2021, 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 seven audits, resulting in 30 recommendations for changing or improving operating procedures. Before the end of the year, 22 of these measures had been successfully implemented.

99% of the payments made by the Ercros Group are documented by a prior order or contract

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.

9.5 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 2021, the compliance committee initiated the process to obtain UNE 19601 certification in criminal compliance, the aim of which is to prevent crimes 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 Ercros Group expects to obtain this certification any time in 2022.

Also, throughout 2021, the compliance committee provided training to Group management on criminal risk prevention and on commitment to the criminal compliance management system.

In 2021, a complaint was submitted to the whistle-blowing channel, managed by the compliance committee, which was accepted for processing in time and form (no complaints were filed through this channel in 2020). [see section 8.2(c)].

In 2021, the compliance committee met in session a total of ten times (9 in 2020).

The compliance committee provides training on criminal risk prevention

9.6 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 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.

Along these lines, in 2017, Ercros submitted a defence to the Central Tax Appeals Board contesting the definitive tax assessment issued by the tax authorities after their review of the Aranjuez factory. This was in relation to the exemption, applied on the consumption of ethyl alcohol, which was used to manufacture medicine in 2011 and 2012. This amounted to EUR 5,300 thousand, of which EUR 4,488 thousand relates to the tax rate and EUR 812 thousand to late-payment interest. On 5 February 2020, the Central Tax Appeals Board dismissed this appeal. On 13 October 2020, Ercros filed an appeal with the Administrative Chamber of the Spanish High Court. On 4 March 2021, the experts were summoned to court to ratify the expert report provided by Ercros. On 16 June 2021, Ercros submitted the corresponding final pleading. On 28 September 2021, Ercros was sent a copy of the written summary of conclusions from the State Lawyer and the proceedings were declared concluded, with voting and ruling pending.

The Group secured payment of the amounts arising from the above assessment by arranging a surety bond.

The Company's directors and its legal advisers consider that a tax audit would not give rise to any tax contingencies of material amounts in the event of discrepancies in the interpretation of the tax legislation applicable to the Group's operations.

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, and as a result of the submissions made, in 2018 the Company received a new settlement agreement for a tax liability of EUR 154 thousand and late-payment interest of 38 thousand euros, which was paid. The Company filed an appeal for reconsideration with the liquidator against this settlement, which was dismissed. Subsequently, an appeal against the decision of the tax authorities was filed with the Central Tax Appeals Board, which was dismissed on 11 June 2020. On 11 August 2020, an appeal was filed with the Administrative Court of the Spanish High Court, and the claim was issued on 13 January 2021 and the summary of conclusions on 22 April 2021. On 31 May 2021, the notice of the written summary of conclusions was received from the State Legal Service, leaving the proceedings pending notification of the date for voting and ruling.

In summary, with reference to the corporation tax assessment for 2011, 2012 and 2013 signed on a contested basis, which first of all proposes a reduction in the tax credit for reinvestment of extraordinary income, evidenced in the 2008 and 2009 income tax returns, for a total of EUR 3,206 thousand, following the counter-valuation procedure by the appraisal expert, on 31 January 2019 a temporary settlement was made reducing the tax credit down to EUR 921 thousand, compared to the initial EUR 3,206 thousand. However, the Company filed an appeal against the decision of the tax authorities with the Central Tax Appeals Board and the corresponding submissions were submitted on 1 August 2019, which were later dismissed on 16 December 2020. On 2 March 2021, judicial review was sought before the Spanish High Court and the corresponding submissions were filed on 4 June 2021, and the final submissions on 19 July 2021. Finally, on 25 November 2021, we received the written summary of conclusions from the State Legal Service, with the appeal now pending judgement.



10

ENVIRONMENTAL
MATTERS

10.1 Materiality of the chapter

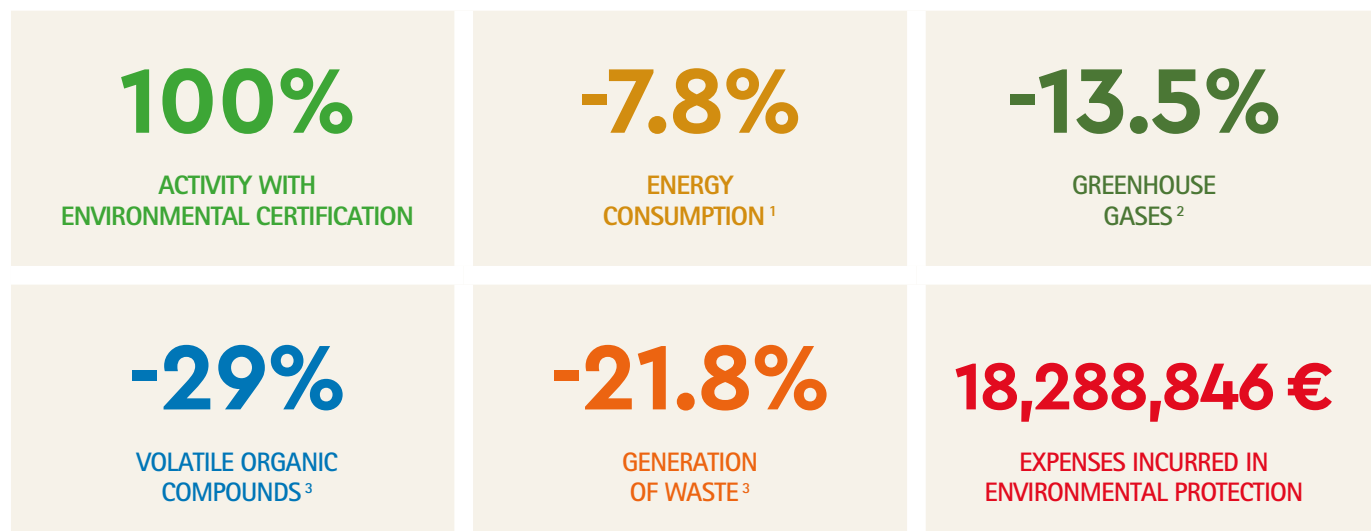
Climate change has become a global emergency in recent years. More and more nations and citizens joined the fight to curb its impact. The Ercros Group, fully aligned with this fight, aims to achieve decarbonisation of its activity before 2050, to contribute to the reduction of global warming.

All the above, without forgetting its responsibility for protecting the environment, its commitment to remedy possible damages caused and its adherence to voluntary environmental programmes with more ambitious objectives than current legislation.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ GJ/t produced

² Direct and indirect emissions of CO₂ equivalent (Scope 1 and 2) (t of CO₂ eq/tonne produced)

³ t/tonne produced

10.2 Environmental management

The Group's environmental management is aimed at protecting the environment and preventing the effects of the industrial activity on the environment. This is achieved by implementing the most advanced technologies and improving the production processes to reduce emissions to air and water at the source; making the most rational use of energy and raw materials; 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 the industrial waste generated, prioritising its reduction and recycling, and ensuring that the waste is properly treated.
- Reducing discharges to water and emissions to air, especially greenhouse gases due to their effects on climate change.
- 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 two main tools available to the Ercros Group to achieve its environmental objectives are, on the one hand, the sustainability management system, with the sustainability policy and accompanying manual that implements it, and the procedures and plans arising from the policy; and, on the other hand, the Responsible Care programme.

The body responsible for managing sustainability is the Ercros committee for sustainable development, 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.

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 Pact 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.

- In 2021, the sustainability manual was updated which implements the sustainability policy, describing the management system and setting out its basic guidelines, from which the general corporate procedures that form the basis for defining the specific documents for each workplace are derived.
- 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 meet this commitment, the energy management system has been implemented in accordance with the ISO 50001 standard at those facilities that account for more than 80% of the Ercros Group's energy consumption (Vila-seca I, Vila-seca II, Sabiánigo and Tarragona).

In addition, the Group has procedures, guides and protocols to regulate all aspects of the environmental management of the activity and its facilities. In 2021, six of these action procedures were reviewed, including the emergency simulation protocol, the procedure for identifying and assessing environmental aspects, the procedure for calculating the inventory of greenhouse gas emissions, or the management of the integral safety applied to products.

As regards external stakeholders, the Group has a procedure—the public service hotline—that regulates the submission of complaints, reports and suggestions for improvement. In 2021, a communication was received through this channel.

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, 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.
- The European registration system known as Eco-Management and Audit Scheme ("EMAS") is a voluntary regulation that serves to verify companies that have a defined environmental policy, make use of an environmental management system and regularly report on the operation of that system by means of an environmental declaration verified by independent bodies. The Monzón, Sabiñánigo and Tortosa factories, and the three integrated facilities in the Tarragona complex are included on that register.

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

- The UNE-EN ISO 14064-1:2012 (ISO 14064) standard (in transition to the 2018 version) on specifications for the quantification and declaration of greenhouse gas emissions.
- 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 is in the process of certification at the Almussafes and Tortosa facilities.

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 10.5.c).
- The Operation Clean Sweep-Zero Pellets Loss programme, an action plan promoted by the EU that aims to avoid the discharge of microplastics to the environment, especially in 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.

d) Environmental investments, expenses and grants

In 2021, the Group carried out investments aimed at improving and protecting the environment, including those relating to the adaptation 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 gas in the chemical sector ("CWW"), highlighting, due to their importance, the change in the gas treatment system of the Vila-seca II plant, and various investments in soil and groundwater pollution prevention and monitoring and control of emissions and discharges. The total amount of investment in safety and the environment in 2021 was EUR 13,714 thousand (EUR 9,920 thousand in 2020).

The expenses incurred by the Group for the protection and improvement of the environment in 2021 amounted to EUR 18,289 thousand (EUR 17,165 thousand in 2020). The majority of these expenses corresponded to activities carried out in compliance with environmental regulations on reducing emissions and soil remediation.

In 2021 the Group received grants: (i) for greenhouse gas emission allowances amounting to EUR 10,443 thousand (EUR 5,357 thousand in 2020); (ii) as compensation for indirect greenhouse gas emission costs arising from electricity consumption in 2020 amounting to EUR 7,140 thousand (EUR 2,295 thousand in 2020); and (iii) for energy savings amounting to EUR 2,012 thousand (EUR 1,643 thousand in 2020); and (iv) as energy-intensive consumers amounting to EUR 1,502 thousand (no grants were received for this item in 2020).

10.3 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 BREF for the large volume organic chemical industry ("LVOC"), on 21 November 2017, the Official Journal of the European Union published the Commission Implementing Decision (EU) 2017/2117 establishing best available techniques ("BAT") conclusions. In the case of the Ercros Group, the application of 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 promoted by Aitasa and in which several companies in Tarragona's southern industrial park have an interest, a project of which the Ercros Group

forms part, the authorities have granted an extension until 30 June 2022 due to the delays in the execution of the project for reasons beyond the Group's control.

In 2021, the environmental permits of the Aranjuez and Tortosa plants were updated, and the permits of the Almussafes and Vila-seca II plants continue to be adapted to the new BAT reference documents. In Sabiñánigo, the expansion of the sodium chlorite plant was authorised.

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 free allocation of emission allowances for the above period. On 15 March 2021, the Official Journal of the European Union ("OJEU") published the Implementing Regulation (EU) 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. At the end of 2021, the allocations corresponding to 2021 began coming into the accounts of the affected facilities.

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 will no longer receive the grant for indirect CO₂ costs. The Vila-seca I, Flix and Sabiñánigo facilities will be able to continue accessing the grant, although the latter 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 as regards restoring the soil of historical industrial sites located in Catalonia.

In 2021, provisions were made for various environmental remediation activities amounting to EUR 5,836 thousand (EUR 2,229 thousand in 2020).

(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 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, in 2022, actions to improve the quality of the soil on the land where the former Silla factory was located are planned.

(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 2021, the Group carried out earthwork, removed land with saline content, and performed replanting activities in phases 1 and 2, including various tests to facilitate it.

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. Currently, the Group is awaiting approval of the plan.

(iii) El Hondón land

It has been 20 years since Ercros, after reaching agreements with the authorities, released the El Hondón land from its historical industrial activity and 17 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 2021, 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.

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, the Tarragona complex, 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.

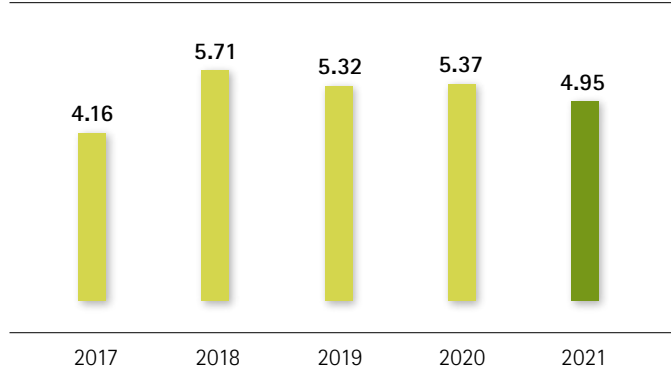
10.4 Environmental indicators

The analysis of environmental indicators shows an environmental performance in 2021 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:

Energy¹

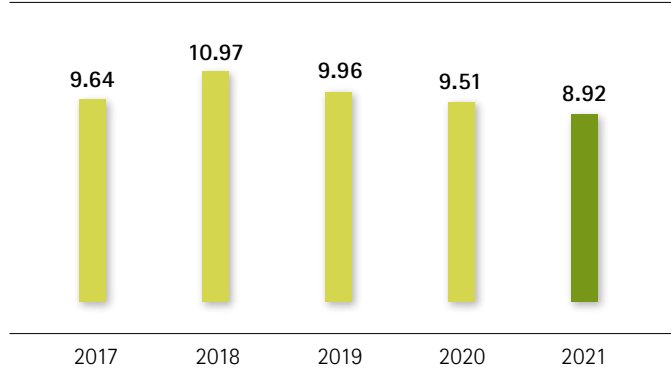
GJ/t PRODUCED



¹ Energy consumption includes electricity and fossil fuel consumption.

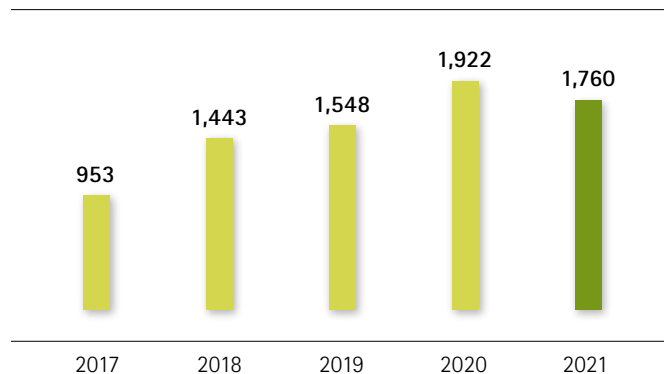
Water

M³/t PRODUCED



Emissions:

Emissions index¹

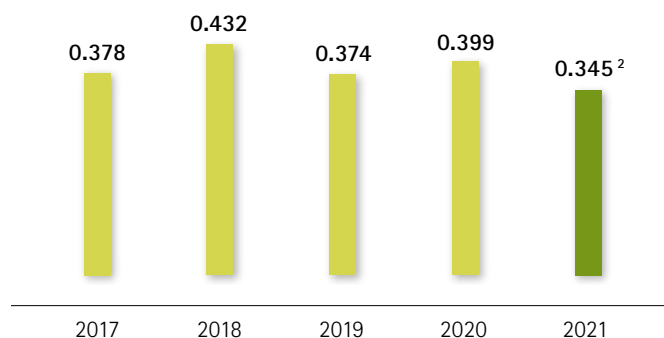


¹ The emissions index is calculated based on data on emissions to air and water, the waste generation at each production facility and on factors that depend on the danger of the environmental impact of the products involved.

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) per tonne produced.

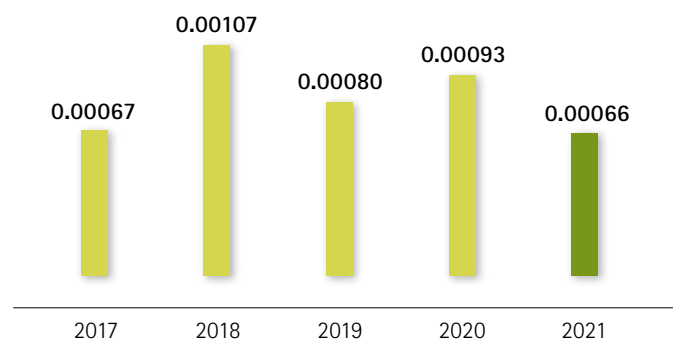
² Pending external verification.

In 2021, the direct and indirect greenhouse gas emissions, calculated in accordance with ISO 14064 guidelines, in absolute terms, amounted to 480 thousand tonnes of CO₂ equivalent and are pending verification (492 thousand tonnes of CO₂ equivalent verified in 2020).

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 ("VOCs")

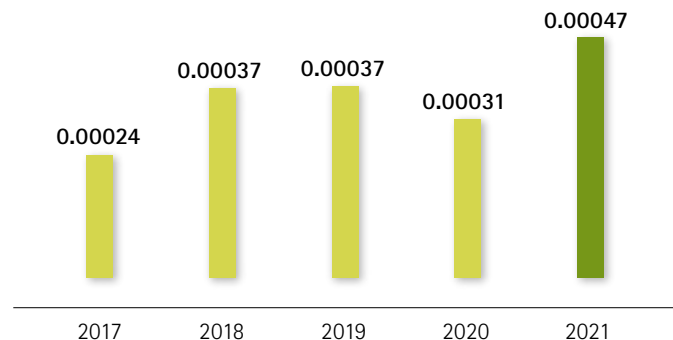
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Discharges:

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

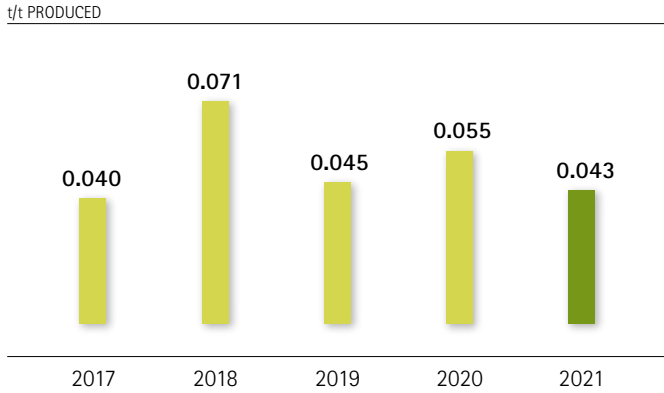
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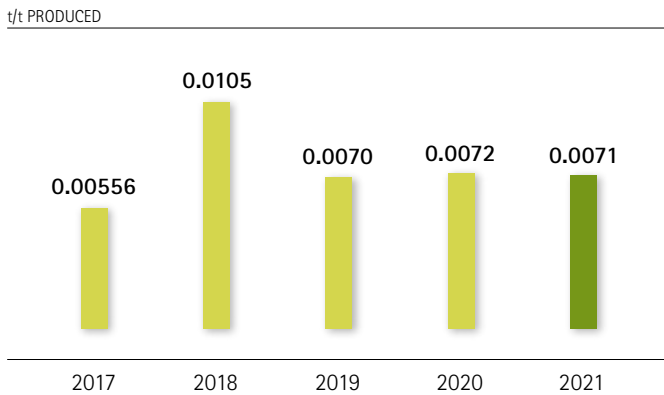
Chemical oxygen demand increased compared to previous years due to usual process fluctuations and a change in the analytical method to adapt it to the BAT.

Waste:

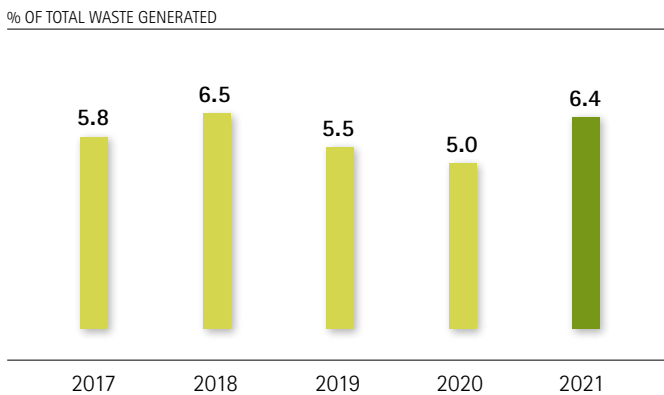
Generation of total waste



Generation of hazardous waste



Recovered waste out of total waste generated



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

(i) Water pollution

With the goal of preventing or reducing water pollution, the Ercros Group 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 (Flix, Vila-seca I and Sabiñánigo).
- 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 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.).

(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", "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 and catalytic oxidation plants 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.

(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.

b) Circular economy

(i) Sustainability of consumption and sustainable use of resources

In 2021, the Ercros board approved the 3D Plan (Diversification, Digitalisation and Decarbonisation). In this plan for the decarbonisation of Ercros activity, the significant effort that the company has already been making to mitigate climate change is intensified. 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 ("PPAs").

In turn, within the framework of the 3D Plan, progress is being made in the projects to install solar power panels on land owned by Ercros, which currently is not affected by any industrial activity. With these measures, the Group's strategy is to reduce energy consumption and the future cost of this supply, and to ensure that it comes from renewable sources to be in a position to meet the decarbonisation goal set. A goal which is in line with the draft Spanish National Integrated Energy and Climate Plan ("PNIEC"), reinforcing also the recent Government Declaration on the climate and environmental emergency, in keeping with the targets set by the European Commission in the Green Pact.

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.

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 and Vila-seca II) are ISO 50001 certified. The Almussafes and Tortosa facilities are in the process of being certified, scheduled for 2022.

In Aranjuez, the Ercros Group launched an internal campaign to boost energy savings at the factory. Awareness-raising actions carried out among the workforce include: limiting the temperature of the air conditioning, switching off lights and computer equipment and reporting possible failures.

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

(ii) Waste prevention and management

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

- 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.
- The installation of a solvent recovery plant in Aranjuez to reuse this solvent in the same facilities.
- The prioritisation of raw material supplies in bulk to minimise packaging waste.

- The construction of temporary storage facilities for mercury, appropriate to the storage and transport regulations for this product, where the mercury recovered from the dismantled electrolysis plants has been deposited, pending its management in the authorised inerting plants.

- Adherence to the Operation Clean Sweep ("OCS") system for the reduction of pellets (microplastics).

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.

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 will expand the measures that are already being carried out, designating a climate action coordinator in the organisation for this purpose, exploring also the possibility of joining the d'Acords Voluntaris programme promoted by the Catalan Office for Climate Change in those facilities in Catalonia that are not included under the emissions allowance trading system. The Ercros Group has made investments to replace 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 planned 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:

- Substitution of fuels with others with a lower greenhouse gas emission factor, whenever possible.
- 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.

The Group continues to form part of the ECVI Charter to measure and control the production, use and disposal of EDC, VCM and PVC, with the aim of reducing its environmental impact, if applicable; it is also a Gold member of Fundación Empresa y Clima ("FEC"), a private institution that is a benchmark for climate change mitigation in companies.

(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.

d) Accidents with environmental consequences

In 2021 there were no incidents or accidents at the Group's factories with environmental consequences.

As regards minor incidents, in August, at the Aranjuez facilities, a small fire broke out in a warehouse that affected some empty cardboard drums containing plastic inside. The fire was extinguished by the first responder team of the factory itself.

At the Sabiñánigo facilities, an incident occurred in June when a granulator (pelletiser) caught fire. The incident, controlled by the staff of the plant, had no consequences or effects on the outside of the factory.

At the Sabiñánigo facilities, in September and as a result of a thunderstorm, there was a sharp swing in the high-voltage grid that caused several machines to shut down. This stoppage caused the emission of a cloud of air saturated with water vapour that contained traces of chlorine and chlorine dioxide. The situation was controlled by the plant's own safety systems and the incident did not cause harm to people or the environment.

On 7 January, a lorry carrying ammoniac solution suffered an incident when one of its wheels caught fire descending to the port of Monrepós (Huesca). The lorry load was not affected and the accident had no consequences for the driver or the environment.

10.6 Litigation and sanctions

In 2021 and up to the date of approval of this CSRR –18 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

- There are currently several proceedings at different stages for which the High Court of Catalonia has yet to hand down a ruling.

Various rulings of the Tax Board of the Catalan government have been appealed in these proceedings, all of which relate to financial claims filed by Ercros contesting various operating charges for the Llobregat brine collector.

b) In relation to the Cerdanyola factory

- Judicial review was sought by Ercros before the High Court of Catalonia against the ruling of the Catalan Government on the Integrated Environmental Authorisation ("IEA") of the Cerdanyola factory, was upheld by the judgement dated 30 September 2019. The Catalan Government filed an appeal in cassation against the above judgement by means of a claim filed on 17 June 2020.

This appeal sought to void the 20 mg/m³ formaldehyde emission limit–now voided by the judgement–established in that ruling as it is not based on any regional or state regulation that may be applicable to this factory's activities.

On 8 April 2021, the Administrative Chamber of the Supreme Court issued an order declaring inadmissible the appeal in cassation filed by the Catalan Government.

c) In relation to the Flix factory

- On 4 February 2020, Ercros sought judicial review against the assessment of the dumping control tax issued by the Ebro river control authority for 2018. These proceedings were commenced in the High Court of Aragón. On 21 July 2021, a court order was issued declaring the proceedings concluded, with the proceedings pending voting and ruling.

- On 23 July 2021, a proposal was received to resolve the proceedings initiated due to the discharge under inappropriate conditions detected in a sampling carried out by Agència Catalana de l'Aigua on 11 November 2020. The breach, classified as minor, involved the imposition of a fine amounting to EUR 3,623.47 and the payment of EUR 1,087.04 as compensation.

d) 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 determine the criminal events or the persons to whom the proceedings were directed, led Ercros to request the dismissal and filing of the proceedings on 1 February.

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

- On 30 June 2020, judicial review was sought against 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.

Judicial review was sought before the Administrative Court of the High Court of the Region of Murcia. On 2 September 2021, Ercros issued proceedings and, through a court order dated 3 November 2021, the defendant authorities were asked to file a defence.

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.

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. Finally, on 21 January 2022, Ercros sought judicial review against the above resolution of inadmissibility of the appeals filed before the High Court of Murcia.

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

10.7 Environmental protection activities

a) Main environmental activities

The most notable activities carried out in 2021 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 factory [see section 10.3(c) (i)].
- Dismantling of the electrolysis plants that operated with mercury technology at the Flix (completed) and Vila-seca I factories (underway). In the case of Flix, all the recovered mercury has been submitted to inerting in a specialised treatment centre, in line with European regulations. In the case of Vila-seca, the recovered mercury is stored in tanks suitable for transport, in a specifically built facility. In 2021, the inerting process began for the disposal of the inerted product in salt mines, all in accordance with European regulations.
- Improvement in the sealing of the floors and channels at the Sabiñánigo plant.
- Participation in the construction 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.
- Adaptation of the drying centres of PVC plants (Vila-seca II)
- Renovation of the wastewater collection basins in Almussafes.
- The installation of redundant emissions measuring equipment in the furnaces; the acquisition of the measuring equipment necessary for compliance with the BAT reference documents for CWW; and the adaptation of a purification reactor at the wastewater treatment plant in Tortosa.
- 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 1,841 tonnes of CO₂ (1,840 tonnes in 2020) thanks to the logistical and operational improvements introduced in the transport of its goods [see chapter 13.3].

b) Protection of biodiversity

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

- In Flix, since 2001, Ercros has collaborated with and is a member of the Board of Trustees of the Sebes Nature Reserve, located opposite the factory. It is also a member of the Sebes management plan monitoring committee.
- In June 2020, the Ercros Group and the Foundation for the Conservation and Recovery of Marine Animals ("CRAM") signed the extension of the agreement 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 Plan for Areas of Natural Interest ("PEIN"), through the reforestation of the spaces recovered after the end of operations at Terrera Nova mine dump. [see section 10.3(c)(ii) above].

- 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.
- A collaboration agreement was signed with the Spanish National Research Council ("CSIC") to study the degradation of plastics in mountain rivers.

10.8 Awards and recognitions

In 2021, the Ercros Group's good environmental performance received the following recognitions:

- The United Nations Global Compact and the Ministry for Energy Transition recognised the Ercros Group's 3D Plan as one of the 101 Business Examples in the fight against climate change.
- The European Chemical Industry Council ("Cefic") included Ercros Group's 3D Plan in its catalogue of good practices as regards environmental performance.
- EcoVadis international rating gave a score of 90 over 100 to the Ercros Group's environmental performance. The overall score of the company in this sustainability rating was 84 over 100, a rating that places the Group among companies in the 1% segment with the best results.

11

STAFF
MATTERS



11.1 Materiality of the chapter

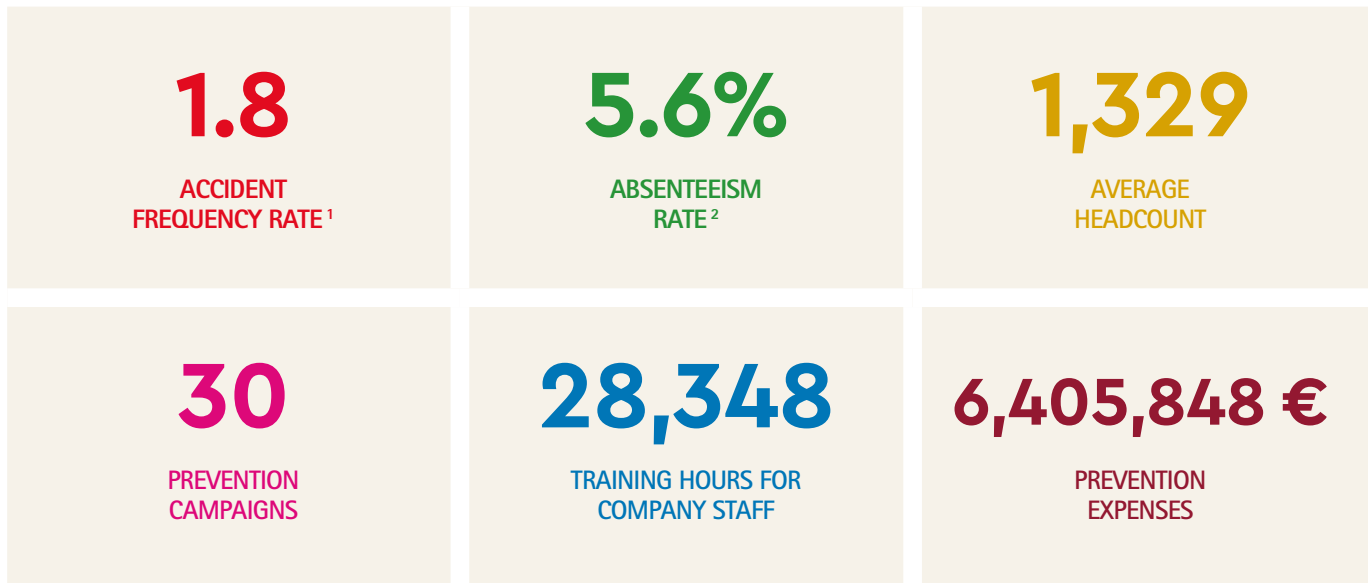
The Ereros Group's commitment to its staff is focused on creating quality employment in a safe, healthy, diverse and inclusive environment that enables skills development of those who work at Ereros. In addition, in the last two years, the Company has assumed the challenge of managing the covid pandemic by protecting its staff and maintaining its production facilities in operation.

The Group works in close collaboration with workers' representatives, informing them of all aspects that may be of interest to them, implementing also training plans and safety and prevention campaigns for both its staff and those of external service companies working at its facilities.

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.

11.2 Human resources management

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

The most notable instruments used by the Group to achieve these objectives include the sustainability management system; training; the joint committees among representatives of the Group and employees; internal communication channels; and the whistle-blowing channel procedure to file complaints related to breaches of the code of ethics.

The working time of the Ercros Group's staff is regulated at each workplace based on the activity carried out. 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.

In 2021, the Ercros Group, within the framework of its commitment to digitalisation, launched a new human resources management tool, which has been put 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.

a) Management of the covid epidemic

In 2021, the Ercros Group continued to manage its contingency plan in the face of the covid epidemic, protecting the health of its workers and maintaining the activity of its production facilities without interruption. The main actions carried out by the Group in this area were as follows:

- The creation of a covid-19 corporate monitoring committee ("CSC19"), the main responsibilities of which were; (i) the organisation of operations to minimise the risk of infection; (ii) the provision of the resources necessary to ensure the operation of the workplaces; and (iii) the adaptation of internal regulations to the regulatory changes of the government and the autonomous communities to meet the ongoing, strict and rigorous compliance with current legislation.

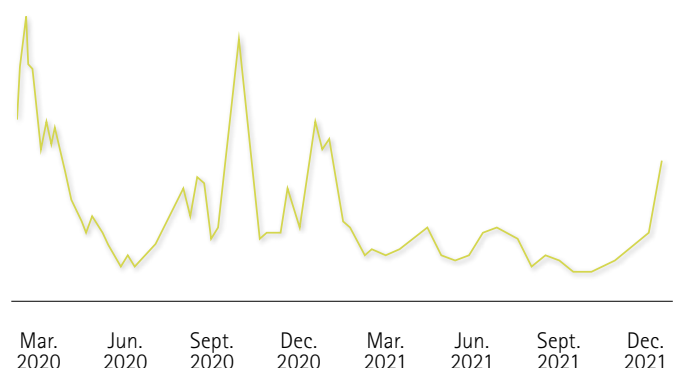
- Covid committee meetings were held at each workplace that, in continued coordination with the CSC19, analysed and managed the situation of the Group's factories and offices in response to the various situations created throughout the pandemic.
- Compliance with the SARS COV-2 health management protocol prepared and implemented from the health area of the Ercros Group prevention service.
- The application of specific protection measures for its own and external staff, for carriers that load or unload at the factories and for people who occasionally have to access the workplaces.
- The organisation of information campaigns and prevention training on measures to prevent the spread of covid-19, and covid-19 preventive measures in the workplace, use of masks or family reunions and the new normal.
- The specific training for staff working under telecommuting situations on: management of virtual work teams; management of stress and isolation; and data display screens.

From the beginning of covid-19, the Ercros Group decided to encourage telecommuting among its staff, whenever possible. In 2021, 16% of the staff performed their duties in telecommuting mode (24.1% in 2020).

The percentage of absenteeism in the Ercros Group due to covid-19 (from positive results and close contacts) has evolved in a manner similar to the development of the virus in Spain; rising or falling at the same pace as the various waves of the pandemic. Absences due to covid-19 have had a minimal effect on the performance of the Ercros Group's activity.

Evolution of covid absenteeism (disease or close contact)

MARCH 2020 - DECEMBER 2021



In 2021, EUR 418 thousand were allocated to deal with the covid pandemic (EUR 2,129 thousand in 2020).

The management of covid-19 in the Ercros Group involved the entire company in a coordinated manner: senior management, human resources and sustainable development departments, employee representatives, the divisions of each of the factories, the prevention department, medical services and all company employees. In February 2021, the Chairman of the Group sent all employees a letter expressing the board's appreciation for the effort made by staff since the beginning of the pandemic.

The Ercros Group was a finalist for the corporate management Atlante Awards for the pandemic, granted by Foment del Treball, an entity that assessed the health care activities carried out by the prevention service related to detection tests, case management, actions in cases involving particular sensitivity, and actions in collaboration with the public health system. In addition, the Group's management of the pandemic made it a candidate for the Innova and Salud de Mutua Universal awards.

11.3 Staff description

In 2021, the average headcount of the Ercros Group consisted of 1,329 people, 32 more than in 2020, which represents a significant increase after three years without changes in the average headcount. At year end, the Group's staff was composed of 1,321 people, 17 more than in the previous year.

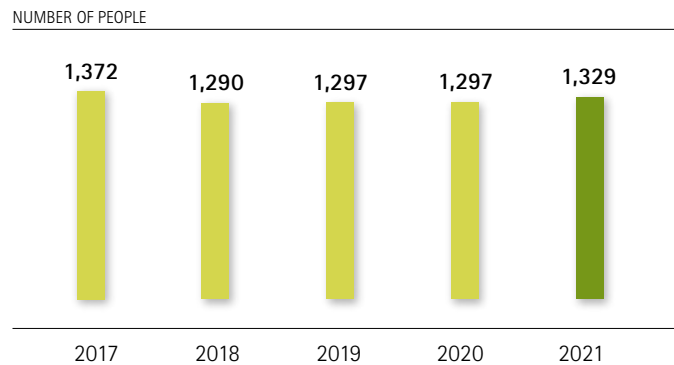
The Group's average headcount was 1,329 persons, 32 more than the previous year

The presence of female employees in 2021 remained at levels similar to 2020 (17.2% in 2021, compared to 17.0% in 2020). The goal of equality is still far away, but the Group is working on increasing female presence in its workforce.

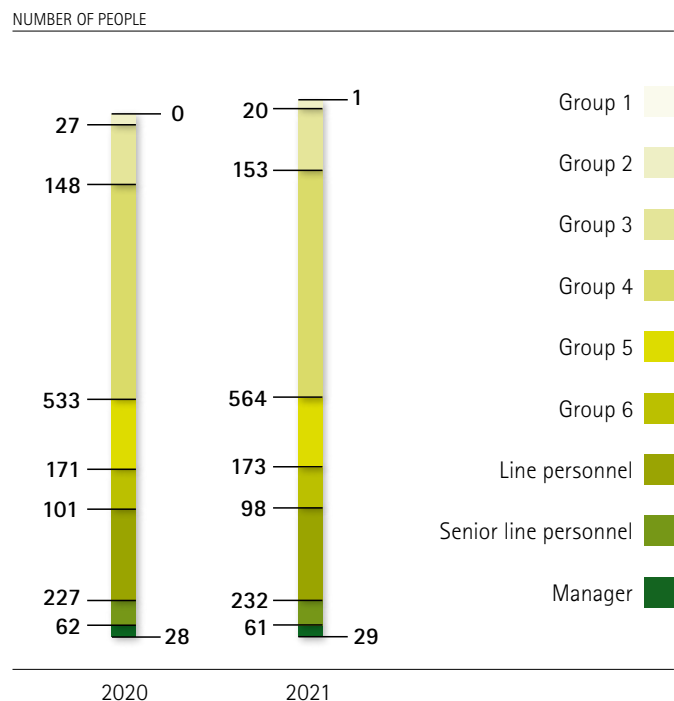
The distribution of staff by employment category in 2021 was as follows: managers represent 2.2% of staff (the same percentage as in 2020); senior line personnel, 4.6% (4.8% in 2020); and line personnel, 17.4% (17.5% in 2020). Concerning the professional groups¹ of the general collective agreement for the chemical industry, staff distribution was as follows: Group 6, 7.4% (7.8% in 2020); Group 5, 13.0% (13.2% in 2020); Group 4, 42.4% (41.1% in 2020); Group 3, 11.5% (11.4% in 2020); Group 2, 1.5% (2.1% in 2020); and Group 1, 0.04% (0.0% in 2020).

¹The characteristics of the professional groups included in the general collective agreement for the chemical industry ("CGIQ") are explained in section 11.7.

Evolution of average headcount



Average headcount by job category



At the end of 2021, 89.6 % of the workforce had an indefinite contract (89.7 % in 2020), revealing the quality of employment offered by the Ercros Group. Likewise, the average length of service of Ercros staff in 2021 was 17.6 years (18.6 years in 2020). In 2021, as in the previous year, 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: 95.7% of employees at the Group are Spanish (96.5% in 2020) and 4.3% come from other countries.

11.4 Union rights and relations

The regulatory framework governing the Ercros Group's labour relations 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 first 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 two main purposes are: (i) the alignment of the working conditions of all Ercros Group employees, regardless of their company of origin (it should be remembered that in 2005 the Group acquired Aragonesas, Industrias y Energía and, almost a year later, Derivados Forestales Group XXI); and (ii) the incorporation of measures to improve labour relations such as prevention, health and environmental protection policies, salary improvements, training plans, measures against absenteeism, equality plans, etc.

In 2021, trade union elections were held at the Cerdanyola facilities in which CCOO obtained five representatives and UGT obtained four representatives.

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.

11.5 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 2021, the overall accident frequency rate ("OFR"), which measures the number of accidents with and without sick leave among company staff and external staff, stood at 2.4 compared to 4.0 in 2020. The number of accidents fell by 34.4% in 2021, compared to the average over the last five years.

In 2021, the accident frequency rate among company staff stood at 1.8 compared to 2.8 in 2020; data has also improved considerably among external staff who in 2021 had an accident frequency rate of 3.7, compared to 6.3 in the previous year.

By contrast, in 2021, the severity index, which measures the number of days lost due to accidents per one thousand hours worked, was 0.27 (0.19 in 2020).

Last year, there were eight accidents with medical leave and none without leave, compared to 13 accidents with leave and none without leave in 2020. Of these eight accidents, four involved company staff (six accidents in 2020) and four involved external staff (seven accidents in 2020). In addition, in 2021 a worker died due to natural causes at the Almussafes factory.

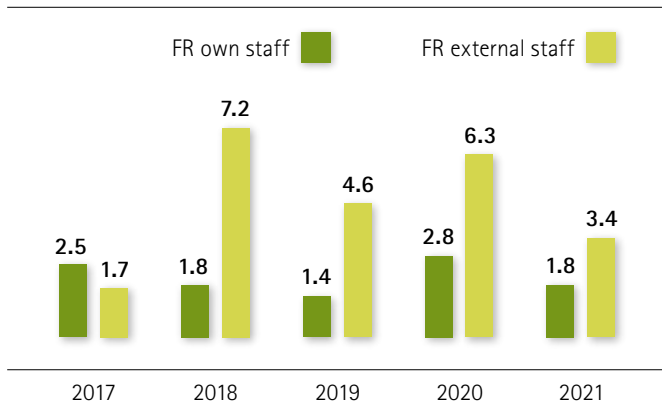
All accidents that occur in the Ercros Group's facilities are subsequently analysed to see if any improvements can be made in the safety measures applied. In 2021, this analysis showed that one of the common causes of most of the accidents was carelessness on the part of those involved in the accident. The security campaign for 2022 will emphasise the need to pay attention and think, not only about our own safety, but also that of the workers around us.

In 2021, the accident frequency rate among women working at the Ercros Group was zero; 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 2021, the inter-company committees held 26 meetings (21 meetings in 2020).

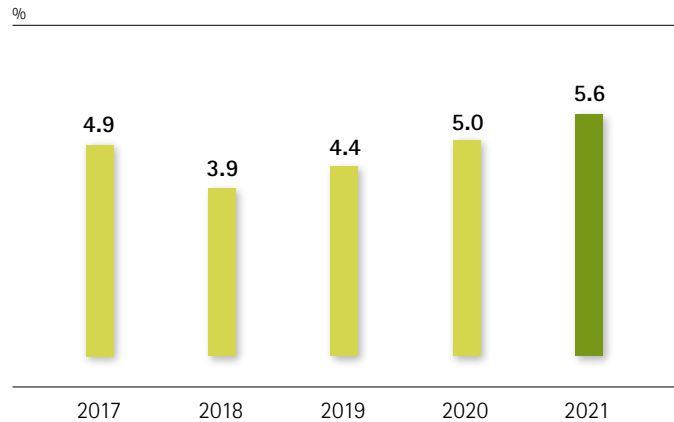
In 2021, prevention expenses amounted to EUR 6,405 thousand, which were allocated, among others, to safety equipment and material, surveillance, analytical controls, studies and ergonomic equipment, and health examinations for staff. (EUR 6,246 thousand in 2020).

Evolution of the accident frequency rate ¹



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

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.

b) Absenteeism

Absenteeism due to common illness showed a slight upward trend in 2021, increasing from 5% to 5.6%. These results, compared to the rates prior to the pandemic (see graph below), demonstrate the potential influence of covid-19, either directly or indirectly, due to delays in visits or interventions, which has led to an increase in sick leaves due to common illness among Group staff.

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 2021, there was a 4.7% absenteeism rate among men, which was higher than the 0.8% rate among women (3.9% among men and 1.1% among women in 2020). The total number of hours lost due to absence from work caused by common illnesses was 129,526 hours (102,336 hours in 2020).

There is currently no diagnosed occupational disease at the Ercros Group related to the activity it is engaged in. However, the Group must respond to historical claims related to asbestos exposure filed by former employees or their heirs [see subsection d) below].

c) Prevention campaigns

In 2021 the Group carried out training courses and prevention campaigns related to the covid-19 epidemic; some focused on reducing the transmission of the virus in the workplace and family environment, and others were aimed at helping employees in telecommuting situations. These courses and campaigns included: measures to prevent the spread of covid-19, recommendations to manage telecommuting from home, and a workshop on stress management and isolation through mindfulness.

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 2021, 30 campaigns and preventive actions were carried out that reached 18,585 people (95 campaigns and 9,973 people in 2020). This exponential increase in the number of people participating in these campaigns is explained, on the one hand, by the large number of campaigns related to the management of the pandemic and, on the other hand, because the telematics format of many of these made it possible to reach more workers.

Furthermore, a total of 144 courses on prevention were given in 2021 (109 in 2020), attended by 2,098 people (4,580 in 2020). The decrease in the number of attendees at the training courses on prevention is explained by the fact that in 2020, the entire workforce received training on prevention of covid-19 infection, which did not have to be repeated in 2021 ¹.

¹ The detail of the courses, campaigns and preventive actions is provided in the additional tables of section 11.8.

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 2021, 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, and—occasionally—staff from other organisations and companies in the vicinity. In 2021, 14 official drills (11 drills in 2020), 35 internal drills (34 drills in 2020) and four 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 (five drills in 2020), were performed.

In 2021, a specific training course was conducted at the Sabiñánigo factory for the Military Emergency Unit ("UME"), in which drills were carried out at the scene of an accident involving a truck loaded with chlorine.

f) Success stories

At the end of 2021, the Tarragona factory completed 23 years without any accidents involving leave of its own staff; seven at the Monzón factory; six at Flix; two at Tortosa; and one at Sabiñánigo, Cerdanyola and Vila-seca I. Corporate offices in Barcelona completed 29 years without work accidents.

Also noteworthy are the 17 years without accidents with leave of external service staff at the Monzón facilities, and the 15 years at the Tarragona facilities and the five at the Cerdanyola facilities.

The Group's commitment to health and safety was recognised with the 2020 Safety Award, granted by Feique to the Almussafes and Tortosa factories. This award recognises production facilities in the chemical industry with more than 50 employees that have not recorded any accidents with or without sick leave among their own staff during the year.

11.6 Training

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

Training, which occupies a prominent place in the Group's activity, is seen as a 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.

Throughout the year, the Ercros Group organised 435 training courses that were attended by 3,606 participants for a total of 28,348 educational hours (3,164 people participated in 212 training courses for a total of 23,185 educational hours in 2020). Of these courses, 195 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 929 people for a total of 16,665 educational hours. These figures reflect a slight recovery in 2021 of the training courses conducted by the Ercros Group compared to the significant decline suffered in 2020 as a result of the covid-19 pandemic.

In 2021, 82% of the Group's workforce (93% in 2020) received training, with an average of 21.3 hours of training per person (17.9 hours in 2020). This decrease in the percentage of the workforce that received training, was due to the fact that the covid-19 prevention training was not conducted in 2021, which was carried out in 2020 and covered almost all of the workforce.

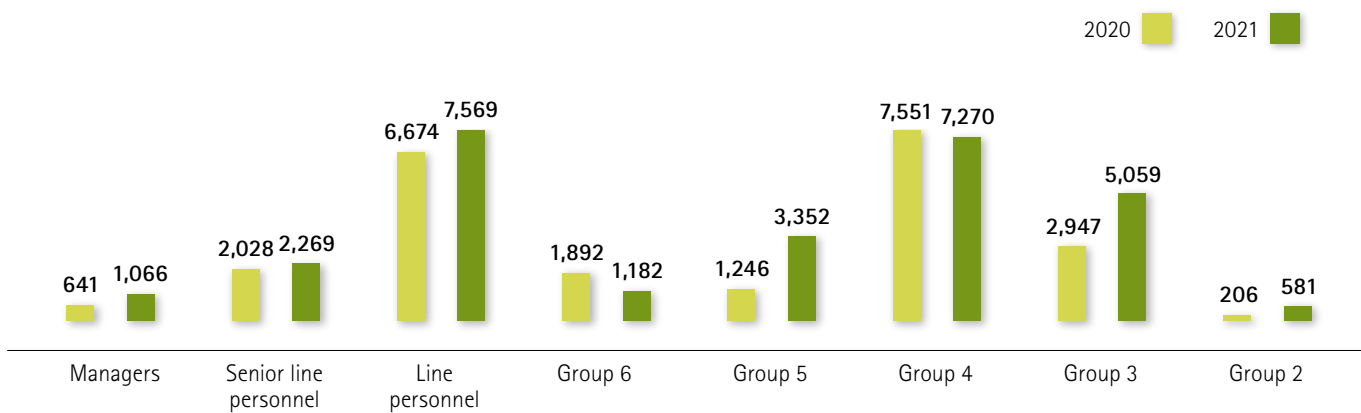
82% of the workforce participated in some training

The expense incurred for training in 2021 amounted to EUR 279 thousand (EUR 282 thousand in 2020), of which EUR 185 thousand came from the subsidy granted by Fundae.

In 2021, managers received 1,066 hours of training (641 hours in 2020); senior line personnel received 2,269 hours (2,028 hours in 2020); line personnel received 7,569 hours (6,674 hours in 2020); those in professional group 6¹ received 1,182 hours of training (1,892 hours in 2020); those in group 5 received 3,352 hours (1,246 hours in 2020); those in group 4 received 7,270 hours (7,551 hours in 2020); those in group 3 received 5,059 hours (2,947 hours in 2020); and those in professional group 2 received 581 hours (206 hours in 2020).

Training by job category

HOURS PER YEAR

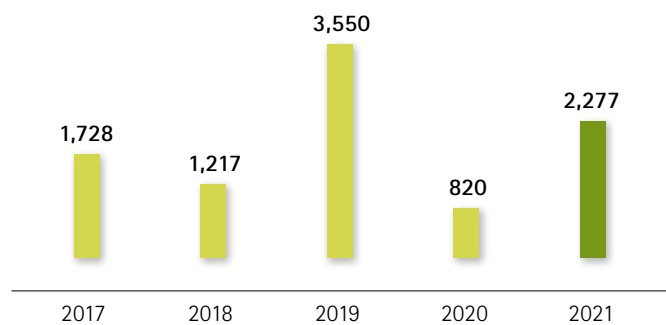


The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2021, the staff of these companies received 2,277 hours of training (820 hours in 2020); the hours of external staff training have definitely increased in 2021, reaching figures close to the values prior to the pandemic.

Transport companies train their employees using the safety data sheets ("SDS") of the products they transport, which are provided by the Ercros Group. In 2021, the Vila-seca I, Vila-seca II, Sabiñánigo and Flix factories launched a specific safety training system, including evaluation, for lorry drivers who come to load and unload at the Group's facilities.

Evolution of the training of external staff

HOURS 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 29 meetings in 2021 (17 meetings in 2020).

¹ The characteristics of the professional groups included in the general collective agreement for the chemical industry ("CGIQ") are explained in section 11.7.

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 2021 each employee received an average of 6.3 hours of training on safety and the environment (6.9 hours in 2020).

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 111 new hires received the welcome manual.

In 2021, all Ercros Group facilities offered training courses to their employees. Many of the courses were carried out remotely through virtual classrooms or e-learning.

11.7 Training courses for interns

Ercros has signed 35 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2021, 63 students took advantage of this possibility, which represents a significant increase compared to 36 students in 2020 and a figure similar to previous years. The decrease in the number of students in 2020 was caused by the covid pandemic, a situation that has normalised this year, despite the different covid-19 waves that have occurred.

In 2021, 24 students of the secondary level vocational education participated in internships in the Group (20 students in 2020). The Group has agreements with the following institutes and schools: the Colegio Salesianos Loyola, Colegio Valle del Miro, IES Domenico Scarlatti, IES Lope de Vega, IES Palomeras-Vallecas and IES Vicente Aleixandre, of Aranjuez; IES Compte de Rius, of Tarragona; IES Biello Aragón, of Sabiñánigo; and IES Doctor Peset Aleixandre, of Valencia.

In 2021, 21 university students participated in the Group's internship programmes (6 students in 2020). The University centres are: Universidad Complutense de Madrid ("UCM"), Universidad Politécnica de Madrid ("UPM"), Universidad Francisco de Vitoria ("UFV"), Universidad Rey Juan Carlos ("URJC"), Universidad Autónoma de Madrid ("UAM") and Universidad Carlos III ("UC3M"); Universidad Internacional de Valencia ("VIU"); Universidad Rovira i Virgili ("URV"), of Tarragona; Universidad de Zaragoza ("UNIZAR") and Universidad de Barcelona ("UB").

Finally, during the previous year, 18 students at dual, postgraduate or master's level participated in internships at the Group's facilities (10 in 2020). The teaching centres and entities with which agreements are held are: the Talento-Ephos business school in Madrid; the Fundación General de la Universidad de León y de la Empresa; the Servei d'Ocupació de Catalunya ("SOC"); and the university school Euroaula, IES Lluïsa Cura and the Institut Químic de Sarrià ("IQS"), of Barcelona.

In 2021, an agreement was reached with the URV to provide dual training for a bachelor's degree in chemistry.

All students who have an internship at the Ercros Group are compensated in the form of a scholarship. If the amount to be received is stipulated by the study centre, this amount is paid; in other cases the amount is determined based on the education level of the scholarship recipient.

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

11.8 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

	31/12/2020	31/12/2021
Spain	1,258	1,264
Rest of the EU	19	22
OECD countries	4	6
Rest of the world	23	29
Total	1,304	1,321

Headcount by type of contract and job category

NUMBER OF EMPLOYEES AT YEAR END

31/12/2020										
	Total	Managers	Senior line personnel	Line personnel	G6	G5	G4	G3	G2	G1
Indefinite	1,170	27	62	217	97	167	485	113	2	–
Temporary	116	–	–	6	2	–	41	42	25	–
Part time	18	–	–	3	2	3	7	2	1	–
Total	1,304	27	62	226	101	170	533	157	28	–

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

G: Professional group defined in the 20th General Collective Agreement for the Chemical Industry for 2021-2023.

Headcount by type of contract and age

NUMBER OF EMPLOYEES AT YEAR END

31/12/2020										
	Total	18-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	+60
Indefinite	1,170	9	53	100	100	177	190	209	239	93
Temporary	116	14	29	22	17	17	11	4	1	1
Part time	18	1	–	–	1	1	2	–	–	13
Total	1,304	24	82	122	118	195	203	213	240	107

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

Dismissals by age and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2020			2021		
	Total	Men	Women	Total	Men	Women
Less than 18 years	–	–	–	–	–	–
18-25 years	–	–	–	–	–	–
26-30 years	–	–	–	–	–	–
31-35 years	–	–	–	–	–	–
36-40 years	–	–	–	–	–	–
41-45 years	–	–	–	–	–	–
46-50 years	1	1	–	2	2	–
51-55 years	1	1	–	1	1	–
56-60 years	1	1	–	–	–	–
More than 60 years	–	–	–	–	–	–
Total	3	3	–	3	3	–

Dismissals by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2020			2021		
	Total	Men	Women	Total	Men	Women
Managers	–	–	–	–	–	–
Senior line personnel	–	–	–	–	–	–
Line personnel	–	–	–	–	–	–
Group 6	–	–	–	–	–	–
Group 5	–	–	–	–	–	–
Group 4	1	1	–	2	2	–
Group 3	2	2	–	1	1	–
Group 2	–	–	–	–	–	–
Total	3	3	–	3	3	–

Training by job category and gender

NUMBER OF HOURS IN THE YEAR

	2020			2021		
	Total	Men	Women	Total	Men	Women
Managers	641	503	138	1,066	509	557
Senior line personnel	2,028	1,337	691	2,269	1,493	777
Line personnel	6,674	4,067	2,607	7,569	5,088	2,481
Group 6	1,892	1,113	779	1,182	557	625
Group 5	1,246	1,196	51	3,352	2,876	476
Group 4	7,551	6,814	737	7,270	5,685	1,585
Group 3	2,947	2,762	185	5,059	4,928	131
Group 2	206	110	96	581	329	252
Total	23,185	17,902	5,284	28,348	21,465	6,884

Evolution of headcount by facility

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2020	2021
Tarragona Complex	311	325
Vila-seca I	133	139
Vila-seca II	152	162
Tarragona	26	25
Sabiñánigo	218	223
Flix	49	47
Monzón	30	30
Aranjuez	216	216
Almussafes	106	110
Tortosa	114	119
Cerdanyola	96	100
Factories	1,140	1,170
Sales	31	34
Corporate	126	124
Total	1,297	1,329

Staff in telecommuting situation

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2020	2021
Almussafes	17	0
Aranjuez	25	20
Barcelona - Corporation	119	121
Cerdanyola	10	10
Tarragona Complex	79	38
Flix	3	3
Monzón	8	4
Sabiñánigo	26	0
Tortosa	26	16
Total	313	212

Accident frequency rate by gender ¹

2020			2021		
Total	Men	Women	Total	Men	Women
2.80	2.80	0	1.80	1.80	0

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

Absenteeism rate by gender ¹

%

2020			2021		
Total	Men	Women	Total	Men	Women
5.0	3.9	1.1	5.6	4.7	0.8

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 2021

	Participants
Prevention cascade meetings	2,661
Information on covid-19 (risks, prevention, etc.)	1,326
Covid-19 poster	1,326
Summer and health: hydration and solar protection	1,326
Flu vaccination	1,326
Covid-19 vaccination	1,326
Use of masks	1,326
Recommendations for a safe Christmas	1,326
Christmas and covid-19	1,326
Briefings with contractors	885
International occupational health and safety day	708
Benefits of physical exercise	603
Healthy eating habits	459
Skeletal muscle disorders	358
Enjoy summer with health	331
Feique Safety Awards	308
Back strengthening campaign	231
Recommendations for frost protection	219
Workshops in sustainability training	188
Cancer prevention	164
Use of laptops	146
Burn treatment	118
Ergonomic risks	118
Colon cancer screening	117
Telecommuting risk self-assessment	117
Prostate cancer prevention	108
Tetanus vaccination	43
Prevention of cardiovascular risk	33
Breast cancer prevention	31
Celebration of 2,500 days without accidents in Monzón	31
Total	18,585

Training courses on prevention 2021

	Participants		Participants
Operational control	174	Risks for new incorporations	11
First aid training	158	Stress and isolation management workshop	11
Data display screens	137	Loading and unloading of dangerous goods	11
Fire training	110	Prevention and protection of combustible dust explosives	11
Lift platform operator course	108	Training on technical knowledge of electrical systems	10
Forklift operator course	102	Work permits	10
Work in ATEX environments (explosive atmospheres)	100	Q-limit program	9
Security awareness	91	Sheets on security lessons learned	9
Prevention of covid-19	82	Life line jobs	6
Risks evaluation	80	Smoking	6
Use of IPE (individual protection equipment)	80	Annual training of ESI team staff	5
Ergonomics in the workplace	80	Fiberglass hazards	5
Shift work	80	Safety in work at height	5
Safe manual handling	69	Occupational health & safety	4
Training in BLS+DEA (basic life support and defibrillator)	52	Legionella	4
Emergency simulator	47	Liability after an accident or occupational disease	4
Training in emergencies	45	Risk of exposure to powdered graphite	4
Safety precautionary remarks	39	Laboratory: work Instructions	4
2021 action plan	30	Laboratory: use of fume hoods	3
Training in ADR (dangerous goods)	29	Laboratory: use of PPE	3
Training for company firefighters	27	Course on regulations on serious accidents (Seveso)	2
Methylene chloride alarm system	25	Chemical exposure assessment	3
Data Display Screen (DDS) training	23	Own inspector of the APQ regulation	1
Training in the handling of the rotary hammer drill	20	Security director	1
Training for the use and management of autonomous breathing equipment	18	Information session on protection plans	1
Conflict management in the workplace	17	Recycling in the energy supervisor workplace	1
Loader handling training	16	Second intervention team	1
Risk assessment (section change)	15	Bow tie training (risk analysis)	1
Telecommuting: managing work from home	15	Plant operator training (PAG)	1
Safety in the use of pallet trucks	15	Plant operator training (SPO)	1
Training on ORP specific to the job	14	Radioactive facilities: process control and analytical techniques	1
Training in the self-protection plan	13	Manual handling of loads and postural hygiene	1
Initial prevention training	12	Intervention team practices	1
Basic course on ORP (occupational risk prevention)	12	Protection in electrical installations and equipment	1
Industrial boiler operator	11		
Total			2,098

12

GENDER DIVERSITY
AND EQUAL
OPPORTUNITIES



12.1 Materiality of the chapter

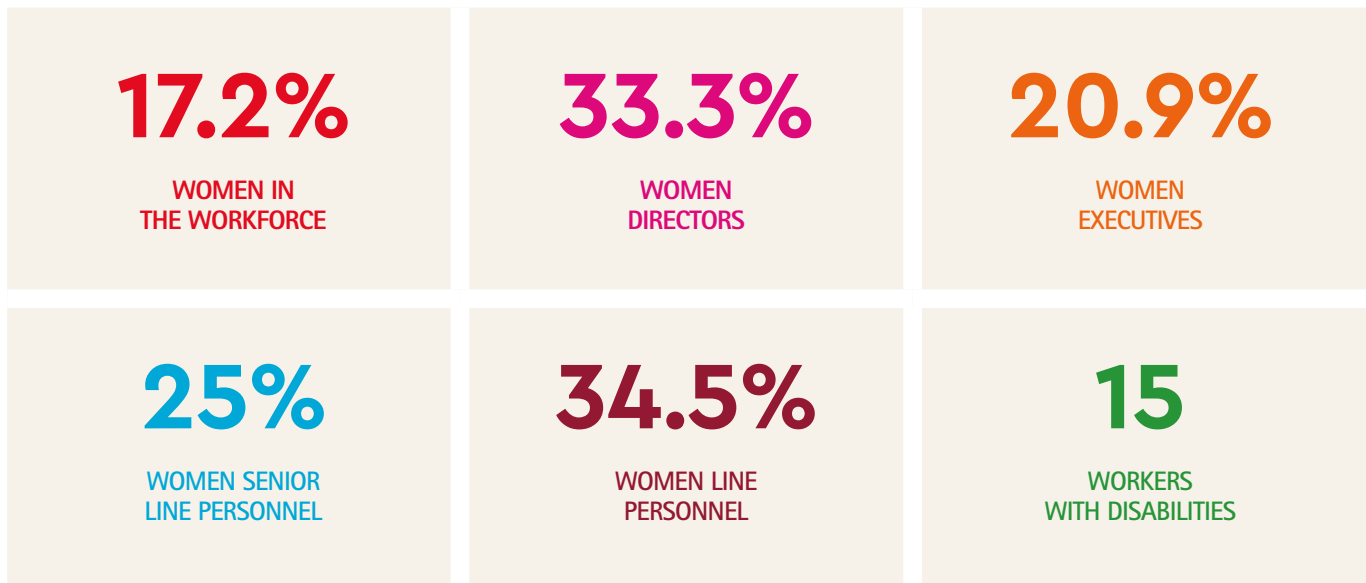
The Ercros Group contributes to social development by committing itself to equal opportunities and non-discrimination based on origin, gender, religion, opinion or any other personal or social condition or circumstance.

The new equality plan, the code of ethics, the equality and non-discrimination policy and the work-life balance policy are some of the tools that the Group has to promote gender diversity and equal opportunities.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



12.2 Management of equal opportunities

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

In 2021, the Equality Committee updated the Ercros equality plan that includes the Group's commitment to equal opportunities and its scope of application; the general and specific objectives to achieve this equality; an action plan; and a timetable for implementing the measures.

In a first phase, the Committee prepared and agreed on a diagnosis of the Group's equality situation in the following areas: organisational culture; selection and recruitment process; professional classification and women under-representation; internal training; professional promotion; working conditions; corresponding exercise of personal, family and work life rights; and prevention of sexual and gender-based harassment, using qualitative and quantitative data for analysis from 2017 to 2020.

The equality committee worked on updating the Ercros equality plan

Once the diagnosis was agreed, based on the needs detected, the preparation of the equality plan was initiated, which, as required by current law, establishes general and specific objectives indicated by measurable terms, for which indicators, managers and deadlines for implementation and evaluation are defined.

At 31 December, the equality plan was in the process of being negotiated pending agreement in the short term.

In 2021, 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.

Finally, the Ercros Group joined the "Women with chemistry" campaign launched by the Spanish Chemical Industry Business Federation ("Feique"), in which the Group's men and women employees explained the situation of women in a sector such as the chemical industry, which is traditionally male.

12.3 Regulatory environment

Equality Act (*Ley de Igualdad*), the 6th principle of the Global Compact agreement, 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, which promotes actions that contribute to effective equality, ensures non-discrimination and prevents and punishes sexual harassment.
- The board's diversity policy [see section 12.8(b) below].
- The director selection policy [see section 12.8(b) below].
- The work-life balance policy, which facilitates the implementation of measures to reconcile personal and professional life.
- The code of ethics, 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 best practices manual that regulates the process for hiring staff for basic positions, standardises the hiring criteria and enables the candidate best suited to the characteristics of each vacant position to be hired.
- The manual for the prevention of sexual and psychological harassment.
- The procedure for hiring and managing interns, which defines the general criteria for hiring and managing interns (hiring, schedule, remuneration, oversight, etc.) [see section 12.4 below].

12.4 Hiring processes and gender equality

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

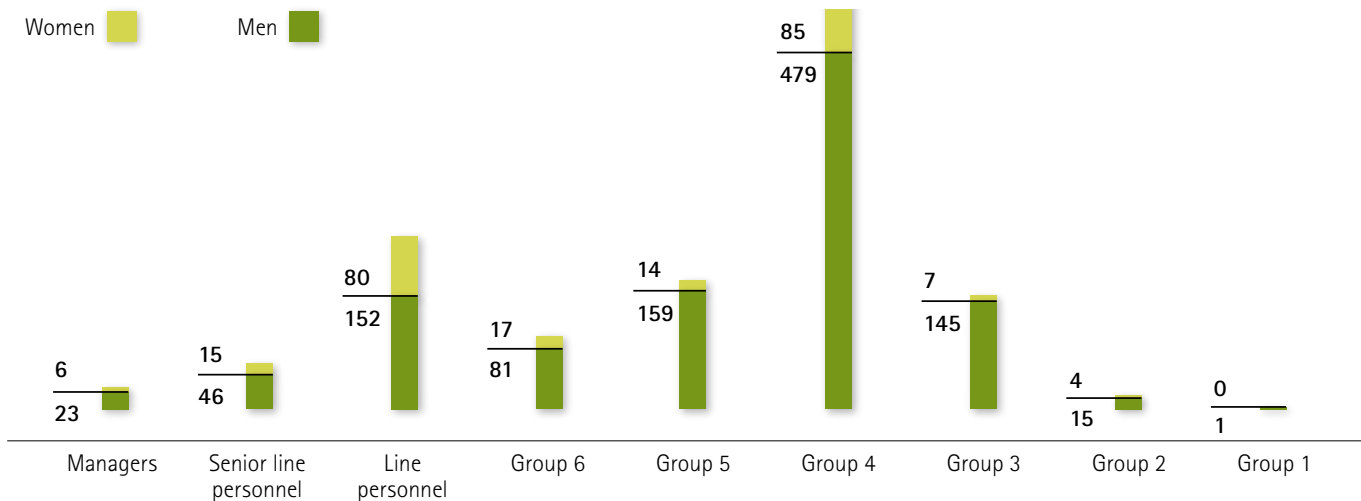
Between 2020 and 2021, the percentage of the Group's female staff rose from 17% to 17.2%. This rise follows the same upward trend as in recent years, caused by the generational change and by the greater presence of women in the technical and scientific sectors. However, the Group is aware that its workforce 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 2021, women in the senior line personnel category accounted for 25% of staff; 34.5% in the line personnel category; 17.6% in professional group 1 6; 8.1% in group 5; 15% in group 4; 4.7% in group 3; 21.4% in group 2; and in group 1, women did not have representation since there is only one employee in this category and he is a male.

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

Distribution of job categories by gender in 2021 ²

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR



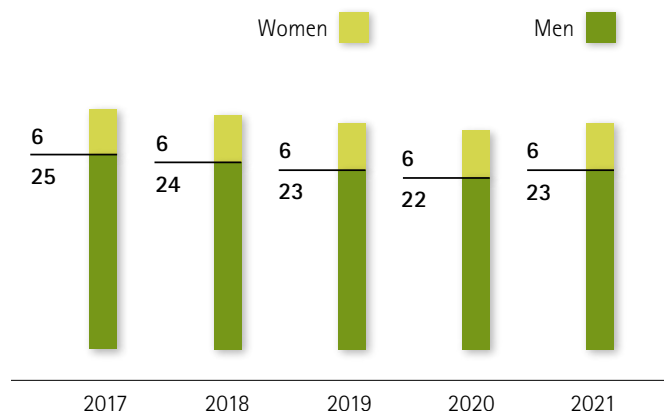
Between 2020 and 2021, six women continued to hold executive positions, a figure which remains unchanged. However, in percentage terms, the number of women out of the total number of executives has decreased slightly from 21.4% to 20.9%, since there was one male executive more in 2021 (from 28 to 29 executives).

¹ The characteristics of the professional groups included in the general collective agreement for the chemical industry ("CGIQ") are explained in section 11.7.

² The professional groups are explained in chapter 11.7.

Evolution of executive staff by gender¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR



¹ The tables with the data compared to 2020 are provided at the end of the chapter.

12.5 Remuneration

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

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

As can be seen from the information provided in the table below, the wage gap in 2021 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 3.6% more, and women in professional groups 3 and 2, who earn 4.2% and 5.1% 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 8.8% less; line personnel, who earn 16.2% less; and women in professional groups 6 and 4, who earn 16.3% and 5.5% less than their male colleagues, respectively.

Women and men included in professional group 5 have virtually equal pay.

Average salary and wage gap by job category and gender¹

EUROS

	2021 ²			
	Women	Men	Difference	Gap (%)
Managers ³	132,192	127,539	4,653	3.6
Senior line personnel	74,050	81,222	-7,172	-8.8
Line personnel	45,834	54,666	-8,832	-16.2
Group 6 ⁴	36,466	43,574	-7,108	-16.3
Group 5	37,171	37,200	-29	-0.1
Group 4	29,561	31,297	-1,736	-5.5
Group 3	29,998	28,798	1,200	4.2
Group 2	26,186	24,926	1,260	5.1

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration (the Group does not remunerate anyone with variable pay) 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 2020 can be found in section 12.9. 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 men and their average salary in 2021 was EUR 281 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. The wage gap of group 1 was not included since it consisted of only one male worker.

The salary analysis by age in 2021 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. Professional group 5 is the only exception, which is 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 above.

In some employment categories women's salary is higher than that of men

Average salary by job category and age ¹

EUROS

	2021 ²			
	<25 years	25-40 years	41-55 years	>55 years
Managers ³	–	–	124,421	131,167
Senior line personnel	–	–	75,367	86,648
Line personnel	26,430	40,684	51,662	63,715
Group 6 ⁴	–	37,319	41,062	44,683
Group 5	–	34,614	37,862	37,753
Group 4	28,426	30,227	31,291	31,811
Group 3	23,183	27,644	29,393	29,956
Group 2	24,602	24,935	25,577	26,097

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 2020 can be found in section 12.9. 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 2021 was EUR 281 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. The wage gap of group 1 was not included since it consisted of only one male worker.

As regards board members, average remuneration per director in 2021 was EUR 129 thousand (EUR 126 thousand in 2020). This amount includes both the 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 2021 amounted to EUR 552 thousand (EUR 551 thousand in 2020), and the average remuneration of non-executive and proprietary directors for fixed remuneration—these directors do not receive any other type of remuneration—which per director in 2021 amounted to EUR 44 thousand (the same as in 2020 in the case of non-executive directors and EUR 26 thousand for proprietary directors, respectively).

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)		Non-executive directors (4 people)		Proprietary director (1 person)	
	2020	2021	2020	2021	2020	2021
Fixed remuneration	508.7	508.7	44.2	44.2	25.8	44.2
Variable remuneration ¹	—	—	—	—	—	—
Payments in kind	19.0	19.0	—	—	—	—
Life insurance premiums	23.5	24.2	—	—	—	—
Total	551.2	551.9	44.2	44.2	25.8	44.2

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 2020 and 2021, the variable remuneration of this director was 0%.

The amount received by non-executive and proprietary directors is the same for everyone, regardless of their gender or position on the board

12.6 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 2021, there were 15 people in this situation on staff (the same as in 2020), 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 category¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2020	2021
Managers	—	—
Senior line personnel	—	—
Line personnel	1	1
Group 6	1	1
Group 5	—	—
Group 4	11	12
Group 3	2	1
Group 2	—	—
Total	15	15

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

12.7 Work-life balance and employment benefits

The collective agreement and its corresponding improvement signed by Ercros Group management and the union representatives, establish the employment benefits and work-life balance measures that the Group makes available to its employees.

The Group offers its employees the following benefits:

- Contributions to pension plans and mutual entities of which all Ercros Group 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 2021, 962 people (432 workers and 530 family members) were included in the Group's 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
- 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 2021, an agreement was reached with the employee representatives regarding the digital disconnection policy.

In 2021, nine women and no men in the workforce had taken advantage of a reduction in working hours to care for their dependants (12 women and no men in 2020).

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 2021, due to the covid-19 epidemic, the Ercros Group facilitated telecommuting as a measure to curb the spread of the disease, as long as the type of activity carried out by the employee made it feasible. At the end of this year, virtually all the staff at the corporate offices of Barcelona were still working under telecommuting conditions.

12.8 Diversity on the board

a) Gender equality

The Ercros board is composed of six directors, two 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.

In 2021, the board's diversity policy was updated, strengthening the commitment to achieve a balanced presence between men and women on the board of directors of the Ercros Group.

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 reasoned 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.

c) Composition of the board

Name	Training and professional experience ¹	Category	Date of last appointment
Antonio Zabalza Martí	B.S. and PhD in Economics from the Universitat de Barcelona ""UB"); M. Sc. and Ph. PhD from the London School of Economics (University of London). He was the Secretary-General of Planning and Budgets; Secretary of State for Finance and Director of the Spanish Cabinet Office.	Executive	05/06/2020 (AGM ²)
Lourdes Vega Fernández	PhD in Physical Sciences from the Universidad de Sevilla and professor at Khalifa University of Science and Technology, Abu Dhabi Director of Research and Innovation Center on CO ₂ 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..	Independent	05/06/2020 (AGM)
Carme Moragues Josa	B.S. in Economics and Business from the Universidad de Barcelona and completed the management development programme at the IESE Business School. She is a member of the Spanish Institute of Chartered Accountants, Spanish Official Auditors' Register and expert accountant certified by the Spanish Register of Expert Accountants.	Independent	11/06/2021 ³ (AGM)
Laureano Roldán Aguilar	He has a B.S. in Economics and Business from the Universidad Pontificia de Comillas ("ICADE"), specialising in Accounting and Business Management. He was the sole director of the Torras Group and is currently the CEO and director.	Other non-executive	05/06/2020 (AGM)
Eduardo Sánchez Morrondo	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. Among others, he has held the following positions: professor of Chemical Sciences at the Universidad de Oviedo, chairman and CEO of Dow Ibérica and Dow France, and deputy chairman of Dow Europe. He is the chairman and founder of the Bonheur business group.	Other non-executive	05/06/2020 (AGM)
Joan Casas Galofré	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.	Proprietary director	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 shareholders meeting.

³ On 11 June 2021, the general meeting approved the re-election of Carme Moragues Josa as independent director.

12.9 Additional tables

Headcount by age and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2020			31/12/2021		
	Total	Men	Women	Total	Men	Women
Less than 18	—	—	—	—	—	—
18-25	24	15	9	35	25	10
26-30	82	62	20	77	58	19
31-35	122	89	33	123	89	34
36-40	118	95	23	132	106	26
41-45	195	151	44	184	144	40
46-50	203	161	42	220	176	44
51-55	213	195	18	199	177	22
56-60	240	219	21	254	236	18
More than 60	107	93	14	97	83	14
Total	1,304	1,080	224	1,321	1,094	227

Headcount by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2020			2021		
	Total	Hombres	Mujeres	Total	Hombres	Mujeres
Managers	28	22	6	29	23	6
Senior line personnel	62	46	16	61	46	15
Line personnel	227	150	77	232	152	80
Group 6	101	83	18	98	81	17
Group 5	171	158	13	173	159	14
Group 4	533	465	68	564	479	85
Group 3	148	139	9	153	145	7
Group 2	27	14	13	20	15	4
Group 1	—	—	—	1	1	—
Total	1,297	1,077	220	1,329	1,100	228

Evolution of executive staff by gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

Ejercicio	Total	Men	Women	Women/total executives (%)
2017	31	25	6	19.4
2018	30	24	6	20.0
2019	29	23	6	20.7
2020	28	22	6	21.4
2021	29	23	6	20.9

Headcount by type of contract and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2020			31/12/2021		
	Total	Men	Women	Total	Men	Women
Indefinite	1,170	989	181	1,183	991	192
Temporary	116	79	37	123	90	33
Part time	18	12	6	15	13	2
Total	1,304	1,080	224	1,321	1,094	227

Average salary and wage gap by job category and gender ¹

EUROS

	2020				2021			
	Women	Men	Difference	Gap (%)	Women	Men	Difference	Gap (%)
Managers ²	129,843	125,131	4,712	3.8	132,192	127,539	4,653	3.6
Senior line personnel	72,662	82,953	-10,291	-12.4	74,050	81,222	-7,172	-8.8
Line personnel	44,267	53,195	-8,928	-16.8	45,834	54,666	-8,832	-16.2
Group 6 ³	36,037	42,678	-6,641	-15.6	36,466	43,574	-7,108	-16.3
Group 5	37,509	36,718	791	2.2	37,171	37,200	-29	-0.1
Group 4	29,304	31,005	-1,701	-5.5	29,561	31,297	-1,736	-5.5
Group 3	28,474	28,217	257	0.9	29,998	28,798	1,200	4.2
Group 2	24,626	24,225	401	1.7	26,186	24,926	1,260	5.1

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration (the Group does not remunerate anyone with variable pay) 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 2021 was EUR 281 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. Group 1 was not included as it consisted of a single male worker.

Average salary by job category and age ¹

EUROS

	2020				2021			
	< 25 years	25-40 years	41-55 years	> 55 years	< 25 years	25-40 years	41-55 years	> 55 years
Managers ²	–	–	118,078	131,852	–	–	124,421	131,167
Senior line personnel	–	–	74,240	87,583	–	–	75,367	86,648
Line personnel	–	39,081	52,105	63,767	26,430	40,684	51,662	63,715
Group 6 ³	–	34,404	40,281	44,490	–	37,319	41,062	44,683
Group 5	36,883	33,980	37,437	36,991	–	34,614	37,862	37,753
Group 4	27,998	30,203	30,775	31,518	28,426	30,227	31,291	31,811
Group 3	23,549	26,972	28,855	29,034	23,183	27,644	29,393	29,956
Group 2	24,438	24,134	23,855	25,838	24,602	24,935	25,577	26,097

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.).

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13

SUPPLY
CHAIN



13.1 Materiality of the chapter

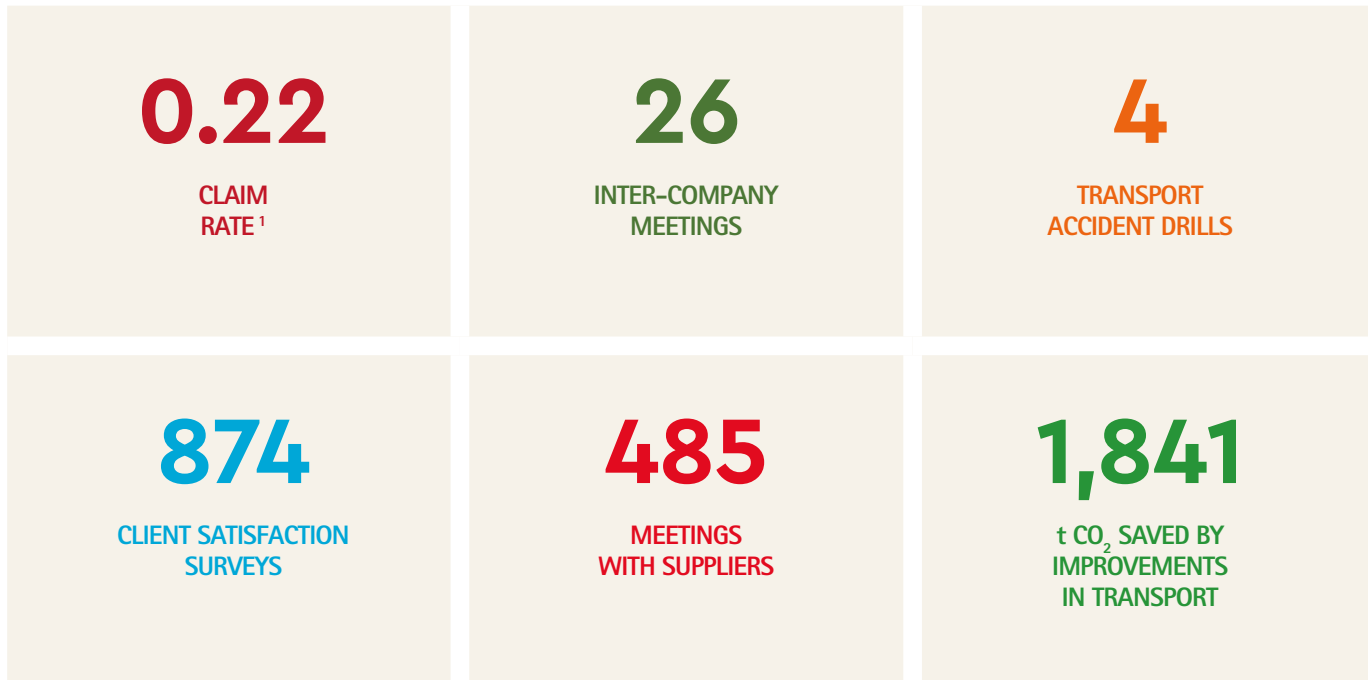
The Ereros Group ensures the good environmental, social and governance performance of its entire value chain. The social responsibility and sustainable management of raw material suppliers, carriers and clients are an essential part of the protection of the products manufactured by the company.

The continuous assessment of its suppliers, the integration of ethical clauses in agreements with them, and control over the transport of goods are some of the tools used by the Group to manage its entire supply chain.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



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

13.2 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 that ensures the hiring of those with adequate reputational references is of particular note.

To strengthen this aspect, in 2021, the Ercros Group launched the control programme for suppliers, known as *Refinitiv World-Check* that, among other features, makes it possible to analyse risks of financial or corruption related crimes of suppliers and clients. [see chapter 9.2.]

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

Suppliers are assessed to verify their capacity to comply with the supply and service agreements

The Group performs annual assessments to verify the capacity of suppliers 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 proper supply management and for defining the purchasing strategy and the application of improvement measures.

In 2021, the Ercros Group provided 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 was received through this channel.

Suppliers have a whistle-blower channel to report non-compliances with the code of ethics

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 2021, the Ercros Group carried out two audits.

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.

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. Given the restrictions caused by covid-19, in 2021 most of the meetings were held by video conference, a tool that is already being used extensively for business relationships. A total of 485 meetings were held (220 meetings in 2020).

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 2021, 26 inter-company committee meetings were held across all the Group's factories (21 meetings in 2020).

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.

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

Through business associations, 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 ("Feique"), 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 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, maintaining also collaboration channels with its suppliers to improve the sustainable features of the products supplied.

In 2021, the Company's internal procedures were reviewed to consider the risk of supply based on the country of origin of the raw material, taking into account also the emissions generated during the supply to Ercros, an aspect which is considered when deciding to assign purchase volumes to suppliers.

One of the actions of the 3D Plan is the gradual inclusion of recycled product in containers and packaging material, without affecting their quality and safety. [see chapter 10.5 (b) and (c)].

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 2021, the tense situation in the supply chain forced the search for alternative suppliers and continuous adjustments to delivery schedules to ensure supply, avoiding production disruption. In this way, none of the Group's production lines has been affected by the lack of raw materials.

In addition, the increase in raw material prices, which in some cases has increased three times in the year, has required more efficient stock management.

The Group's three main raw materials are electricity, methanol and ethylene, which represent 48.5% of the total amount of consolidated purchases in 2021 and more than 40% of the total cost of the chlorine, formaldehyde, and PVC manufacturing processes.

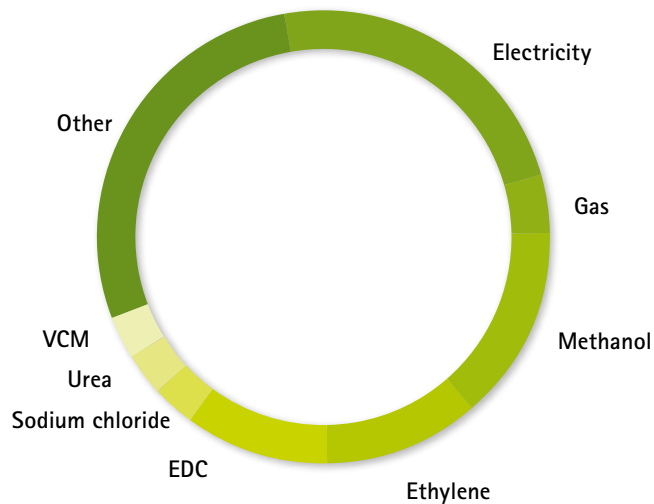
Electricity is the main supply of the Ercros Group, which buys electricity from different retail electricity providers. The contracts with these companies are of varying duration. Furthermore, the Group has contracted long-term "renewable energy packages" known as PPA (Power Purchase Agreements), and continues to explore the possibility of reaching additional agreements. In addition, a solar power generation project is being developed on land owned by Ercros in Flix, property that is not currently affected by any industrial activity. At the same time, other renewable facilities projects are being studied under a self-consumption system in other 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 2021, 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 third most important raw material of this business is ethylene, a petroleum-based product. The supply of this raw material 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.

The eight main raw materials

% OF PURCHASES IN 2021



13.3 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 (“APIs”).

The distribution of APIs in Europe must meet the principles and directives of the best practices regulated by the Good Distribution Practices (“GDP”), which require that the quality of the APIs be insured from the moment they leave the factory until they are received by clients, including storage and transport.

The Ercros Group prioritises the transport of goods by sea and rail versus road transport

The year 2021 was exceptionally complicated for the global supply chain, both for procurement and distribution. The pandemic has caused staff shortages among logistics providers, lack of containers and ships to cover services, congestion at ports, lack of ground transport and lockdowns in certain countries. Added to all this were restrictions on production and the collapse of the Suez Canal for a few days, which was caused by a merchant ship blocking the canal. This resulted in a significant increase in freight prices, which have risen up to three times the normal prices.

However, thanks to the Group’s management and the willingness of all its suppliers and clients, these restrictions have not affected too much the supply to factories and clients, although the level of service has been affected, especially in some cases due to the high congestion in ports, particularly the port of Valencia, which is the port from which a higher percentage of containers with Group products are shipped. To alleviate this situation, departures were diverted to the port of Barcelona.

In 2021, the Ercros Group managed to save 1,841 tonnes of CO₂ (1,840 tonnes in 2020) thanks to the logistical and operational improvements carried out, which made it possible to reduce the distance travelled by 2.4 million kilometres (2.6 million kilometres in 2020). These measures most notably include the storage of caustic soda and caustic potash in tanks located in port terminals close to clients.

Logistics and operational improvements have saved 1,841 tonnes of CO₂

In 2021 it also fulfilled its caustic soda self-sufficiency goal at the Sabiñánigo factory, thereby avoiding the movement of more than 55,000 tonnes from the Vila-seca I factory, with the subsequent reduction of costs and emissions.

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

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

In accordance with the guidelines of the Responsible Care programme, four transport accident intervention drills were carried out in 2021. In turn, internal audits were carried out on the loading and unloading operations at all facilities.

a) Transport by sea

The Ercros Group uses maritime transport for raw materials and finished products in large volumes, shipped both in bulk and in containers, and over long distances. When selecting ships and to minimise the risks, the Group requires a maximum age, certain construction materials and CDI certifications (annual inspections carried out by the Chemical Distribution Institute for ships carrying liquid products in bulk).

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

In the selection of ships, the Group requires maximum age and inspection certifications

In 2021, EDC imports decreased and there was no import of caustic soda, 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 these products.

The Ercros Group has signed contracts with shipping companies for the entire year and, therefore, the above price increases of 2021 have only affected specific circumstances, such as the transport of containers to the US.

In 2021, in compliance with the digitalisation objectives of the 3D Plan, the Searates programme was launched, which involves 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. This programme will be fully implemented during the first quarter of 2022.

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.

The Ercros Group uses 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.

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 SQAS certification (Safety and Quality Assessment System) promoted by Cefic, so that the safety, environmental management and quality levels of distributors, warehouses, transport services and tank cleaning stations can be evaluated.

In 2021 there was a significant increase in the price of diesel, which, together with the shortage of drivers and carriers and with the high level of activity, has meant an upward trend in road transport rates.

In December 2021, the Spanish government and the Spanish National Transport Committee reached an agreement to call off the threat of a carrier strike. Some of the points of the agreement reached may have negative effects on companies such as the Ercros Group, which hire the services of these carriers, namely the prohibition of loading and unloading by drivers, the reduction of loading and unloading times or the transfer of future toll costs in relation to high-capacity roadways.

However, on the positive side, the agreement opens up the possibility of increasing the maximum authorised load for vehicle transport up to 44 tonnes. This would make the Spanish industry more competitive and would eliminate the disadvantage it has compared to other countries where such authorisation has already been granted, reducing also emissions generated in transport.

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 worked to interconnect its computer systems with these distribution points, which will reduce the risk of errors and lead to better monitoring of the goods.

The Ercros Group places distribution points closer to clients to reduce transport time and costs

In compliance with the climate change targets, the Ercros Group has launched the transport of PVC in bulk between its Vila-seca II and Monzón factories using a mega-lorry, which allows it to carry almost 40 tonnes of product per trip, compared to the usual 24, thus reducing CO₂.

Following the digitisation objectives of the 3D Plan, the Group has signed an agreement with Fieldeas for the development of a monitoring programme for lorries departing from the factories, which will allow incident detection, decision-making and better information for clients. The Group plans to start implementing this programme in 2022.

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

Among the Group's main achievements in 2021, in relation to the improvement of service and sustainability in distribution, the following can be noted:

- The signing of an agreement with the Barcelona Port Authority, whereby the latter will carry out a study of the emissions of the Group's supply chain over a five-year period. This study was carried out on the emissions generated in transport throughout 2019 and was certified by an external company.
- The adherence to the Operation Clean Sweep - Zero Pellets Loss programme in the selection and approval process for carriers and lorry washing companies, with the aim of reducing microplastic losses to zero during loading, unloading, transport and washing operations.
- The expansion of the network of tanks and warehouses to receive and distribute outsourced caustic soda, caustic potash and sodium carbonate, so as to continue supplying clients despite the Group's own shortage, 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 purchase of 29% recycled pallets (30% in 2020).
- Ongoing actions to reduce the thickness of packaging. In addition, within the framework of the 3D Plan, actions have been initiated to incorporate recycled material into containers and packaging (see section 10.5.b and c). In certain packaging, up to 30% of this type of material was included, without affecting performance and safety.
- The development and implementation in the Vila-seca I, Vila-seca II, Sabiñánigo and Flix factories of a safety training video for drivers who access, circulate and load or unload at the Ercros Group facilities. The implementation of this training is planned in the rest of the Group's production facilities during 2022.
- The preparation of a sanctioning procedure for drivers in the event of non-compliance with factory internal regulations.
- The European Plastics Converters Association ("EuPC") has chosen the Ercros Group as the best supplier of polymers in 2021, a year that has been particularly complicated for the manufacture and distribution of this material worldwide. The EuPC carries out an annual survey among its associates on the quality of suppliers of all plastic raw materials. In 2021, the survey focused on the reliability of deliveries, in which the Group scored at the top of the ranking with a 93.3% level of satisfaction, well ahead of the next classified.

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 dangerous 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. The Chemical Emergency Response Service Provision ("NRCC") contract, exclusively for China, was also renewed for an additional three years at the beginning of 2021.

13.4 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.

In 2021, tools were implemented to analyse clients' 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 2021, 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. In this case, these products represent 85% of this division's production volume.

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

The Flix factory, which produces dicalcium phosphate—a product intended for the manufacture of animal feed—is certified under the Feed Chain Alliance ("FCA"), an internationally accepted quality standard that guarantees product safety and quality throughout the entire supply chain.

b) Customer Service Centre ("CSC")

The 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.

In 2021, the CSC has consolidated the use of 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 also implemented a new organisational structure, which streamlines demand management, facilitates client response time and improves communication with the rest of the Group departments involved.

The CSC also continued to work with the online platform of the Tarragona Chamber of Commerce implemented in 2020, 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.

c) Client satisfaction

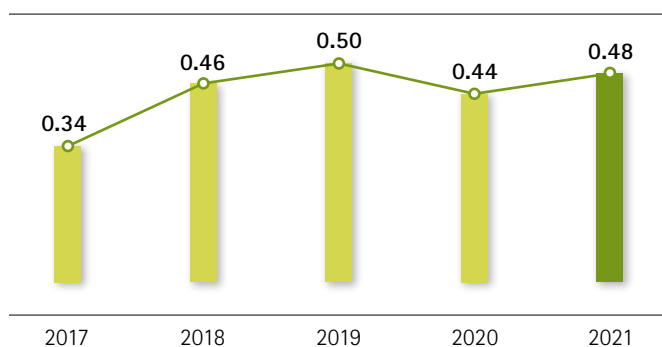
To measure the degree of client satisfaction and improve the service, the Group conducts surveys and records the claims it receives, using an index that measures the volume of products affected by a client non-conformity in relation to the total volume of its own and third-party products distributed.

The sales department of each business area periodically conducts surveys to determine the degree of client satisfaction. In 2021, 874 client surveys were sent with a response rate of 23% (939 surveys in 2020).

In 2021 the claim rate was 0.222 (0.274 in 2020), representing a year-on-year improvement of 18.9%. Sales volume increased by 2.3%, while the tonnes claimed by clients decreased by 17.1%. However, it should be noted that the claims rate per delivery made in 2021 was 0.48 (0.44 in 2020). The impact of the pandemic on the number of returns is worth mentioning, which was a result of the different situations resulting from the pandemic.

More than 70% of the claims correspond to problems with product quality, product presentation, product transport and logistics, where product quality is considered the most significant reason in 2021, accounting for 24.8% of the claims. However, the claim rate for product quality decreased by 7.4% compared to the previous year, from 0.053 in 2020 to 0.049 in 2021.

Evolution of the claim rate per delivery made ¹



¹ The claim rate per delivery made measures the number of deliveries affected by a nonconformity over the number of total deliveries.

In 2021, requests for technical assistance from Ercros Group clients were resolved in 23 days and claims were settled in 31 days (25 and 50 days in 2020, respectively).

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.

All SDS were updated to adapt them to the new European modification regulation on the registration, evaluation, authorisation and restriction of chemicals

The Group provides its clients with the SDS for the products it sells to them, which describe the exposure scenarios (ES) for the uses of these products. In 2021, all the SDS for the products sold by the Group were updated to adapt them to the new EU Regulation 2020/878 on the registration, evaluation, authorisation and restriction of chemicals. 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 chemicals, and CLP, on the classification and labelling of substances, which require companies to register the production and sale of specific 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, UK 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.

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 2021, five 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 and 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.

In 2021, 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 2021, the Ercros Group made improvements to some of its products to adapt them to clients' requirements, including:

- The adaptation of formulas to the specific demands of the swimming pool water treatment tablets ("TCCA").
- The new grades in the ErcrosBio product range tailor-made to meet the needs of each client.
- The expansion of the PVC compound pellets to manufacture rigid products by injection.
- The development of PVC compounds that incorporate recycled material.
- The formulation of PVC compounds suitable for 3D printing for both rigid and flexible applications.
- The expansion of the sectors of application in the ErcrosGreen+ resin catalogue.
- The launch of new resins within the ErcrosTech range for application in markets with more added value.
- The development of a new quality of special HD moulding compounds for electrical materials that allows the manufacture of parts with more complex designs.
- 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.

14

SOCIAL
MATTERS



14.1 Materiality of the chapter

The Ercros Group applies good environmental, social and governance practices ("ESG") in its relations with society, based on the conviction that its development as a company must be linked to the social development of its environment.

The Group's main and most direct contribution to society is socio-economic in nature, through employment and the activity it generates. However, it also carries out actions aimed at strengthening solidarity, training and innovation, culture, sports and healthy habits, and improving the environment, as part of its contribution towards a more just, equal and sustainable social model.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Direct, indirect and induced jobs

14.2 Stakeholders

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

- Internal: the Company's staff, the contractors' staff, union representatives, suppliers and shareholders.
- External: clients, public authorities, neighbours and companies in the vicinity, the educational community, the media, social and cultural organisations, and investors.

Each workplace has its own stakeholders, which are determined in a social map that takes into account 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 2021 the Group's various workplaces included 431 stakeholders in their social maps.

14.3 Socio-economic contribution

The Group's largest social contribution is the employment and activity it generates. Most of its factories are located in towns with a population of less than 15,000, meaning that these towns are highly dependent on the Group. It is estimated that the Group's activity generated 4,520 direct, indirect and induced jobs¹ in 2021. The employment generated by the Ercros Group represents an average of 3.1% of the active population of the municipalities in which the production facilities are located (the active population of each location was calculated based on the activity rate of the respective province).

In 2021, the Ercros Group paid the public authorities EUR 33.16 million (EUR 25.87 million in 2020) in the way of duties, taxes, fees and social security contributions.

To minimise the negative impact of plant closures at the Flix factory, the Ercros Group has a plan to re-industrialise the area. The consulting firm, Metyis (formerly YGroup), which specialises in re-industrialisation processes, has taken on the search for new projects capable of generating employment in this municipality. The Group also has collaboration agreements with the secondary school in this town, firstly, to promote the training of its workers and second, to jointly develop an educational course on electrotechnical and automated systems.

¹ To calculate the direct, indirect and induced jobs, the average workforce of the Ercros Group in 2021 was multiplied by 3.4, following the criteria set out by the Feique for the chemical industry.

14.4 Main actions

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

In 2021, despite the restrictions imposed by the different waves of the covid-19 pandemic, the Group carried out the following actions:

a) In the field of environmental protection

The main environmental activities are described in chapter 10. Environmental matters. It is worth mentioning the collaborations with the Foundation for the Conservation and Recovery of Marine Animals ("CRAM") and with the Sebes Nature Reserve at Flix.

b) In the social field

- The sponsorship and collaboration actions with 29 organisations (26 in 2020), to which it contributed EUR 95,023 (EUR 121,870 in 2020, in which significant donations of health equipment were made to several hospitals). The actions carried out included: Club Básquet Almussafes; Club de Voleibol Sant Pere i Sant Pau of Tarragona; Peña Ciclista Edelweiss and the Agrupación Deportiva of Sabiñánigo; Club de Futbol Jesús Catalonia of Tortosa; and the Monzón Foto association.
- Contributions to business groups amounting to EUR 76,458 thousand (EUR 70,764 in 2020). In 2021, the Joaquin Costa workers' group at the Vila-seca II factory restarted the activities that were suspended in 2020 as a result of the pandemic.
- Purchases made from special employment centres and/or job placement companies, for a value of EUR 282,902 (EUR 279,906 in 2020).

The Group provided sponsorships amounting to EUR 95 thousand

- In 2021, for the sixth 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 ("UGT") and workers' committees ("CCOO").
- Participation in the "Women with chemistry" campaign, led by Feique, in which Ercros Group workers explained in a video why they decided to devote themselves to chemistry, within the context of the international women's day.
- The dissemination of the "Save Energy!" campaign at the Aranjuez factory, which aimed to raise awareness among staff of the importance of energy savings.

The Group has almost no impact on food waste, as it does not manufacture food products or use them as raw materials in its business. Only two factories have a cafeteria service, both managed by an external company. These companies manage the purchase of food based on the number of daily confirmed closed menus, which thus makes it possible to reduce almost all food waste. It should be added that in 2021, the factory cafeterias remained closed as a result of covid-19.

c) In the field of health and safety

- The covid-19 infection prevention campaigns carried out at all Group workplaces [see chapter 11.2(a)].
- Collaboration with the Military Emergency Unit ("UME") to train its staff on chlorine management in the event of an accident.
- Participation in the World Breast Cancer Day at the Aranjuez factory, with the distribution of a pink mask and a three-fold brochure to the workforce.
- Participation in the European day for the prudent use of antibiotics, which aims to raise awareness on the threat posed by resistance to antibiotics in public health.
- 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, tobacco prevention and telecommuting management [see chapter 11.8].
- Annual general flu, tetanus, and covid vaccination campaigns.
- Briefings on accident prevention, health surveillance, adoption of healthy habits and control of exposure risks; and campaigns on mask use, summer hydration, healthy eating, benefits from physical exercise, cancer prevention, strengthening of the back and use of laptops, among others [see chapter 11.8].

d) In the field of training

- Support for the dual training programmes of the Universitat Rovira i Virgili ("URV") of Tarragona and the Pirámide institutes of Huesca and Flix, whereby the Ercros Group agrees to host and train interns at its facilities.
- Collaboration with the Fundación Universidad y Empresa and the Universidad de Nebrija of Madrid, to carry out distance learning for students of the master's in prevention of occupational hazards.
- Collaboration with the Institut Químic de Sarrià ("IQS") for the tutoring of the project of a student of the master's in chemical engineering.
- Collaboration agreements for hiring interns with secondary schools, universities and other agencies [see chapter 10.7].
- Participation of the Almussafes factory in the second workshop on presentation of companies and occupations, organised by the chemistry faculty at the Universidad de Valencia.
- Sponsorship of a scientific literacy capsule, within the framework of the "Repte Experimental" programme led by the URV and the Institut Català d'Investigació Química ("ICIQ").
- Participation in the video competition on scientific experiments, X(p)rimenta, organised by the Fundació catalana per a la recerca i la innovació ("FCRI"), to promote scientific vocations among students of primary, secondary, Spanish baccalaureate and training cycles.
- Donation to provide computer equipment for the new training classrooms of the Fundación Juanjo Torrejón of Aranjuez, dedicated as school support for children and adolescents in complex environments, employment programmes, reception of immigrants or support in crisis situations.
- Financial contribution allocated to the operation of the nursery and the municipal music school of Flix.
- The launch of a new electronic safety training platform for drivers who load and unload at Group facilities.

- Visits to Group factories for secondary and university students. These visits were suspended in March 2020 due to health measures caused by the pandemic. In 2021, visits resumed, but in a very controlled manner. Three centres visited the Sabiñánigo factory and one Vila-seca I, with a total attendance of 49 people.
- Collaboration with the doctoral thesis "Nuevos materiales bioplásticos con efecto barrera" (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").

Student visits to factories were reactivated in 2021

e) In the field of research

- Collaboration programmes with the Technological and Industrial Development Centre ("CDTI") for the development of a new combined manufacturing system of magnesium hydroxide and potassium nitrate, for sustainable solutions in the manufacturing of biopolymers and the development and escalation of a bioprocess for the production of biopolymers.
- The contract with Polymat, a technology centre of the Universidad del País Vasco, for the characterisation and development of biopolymers.
- The contract with the Leartiker technology centre in Vizcaya, for the development of PVC formulations and compounds for 3D printing.
- Contracts for the development of research projects with the Institute of Chemical Technology of the Universidad Politècnica de Valencia ("ITQ-UPV-CSIC"), to continue with the study of new solid catalysts for the heterogeneous transformation of formaldehyde.
- Agreement with the Centre Tecnològic de Catalunya ("Eurecat") and the URV for a project to develop and characterise new types of resins, related to the new range of ErcrosTech resins.
- Agreement with the IQS to carry out several studies on the development of industrial processes for active pharmaceutical ingredients.
- 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 with the Institut Geològic de Catalunya on the installation of trihedral satellite reflectors in Cardona to measure natural geological movements in the Valle Salino of Cardona.
- Agreement with the Higher Council for Scientific Research ("CSIC") for the experimental study on microbial colonisation and material degradation in mountain environments.
- Agreement with the CSIC, for the development of strains for the production of biopolymers.
- Agreement with the National Renewable Energy Centre ("CENER") for the development and escalation of a biopolymers production bioprocess.
- Collaboration with the Centre Català del Plàstic of the UPC and the Board of Trustees of the Foundation for the Development of New Hydrogen Technologies of Aragón.

f) In the field of social volunteering and solidarity

- Participation in the sports and solidarity challenge called "Kilómetros x Agua" (Kilometres for Water) organised by Oxfam Intermón to raise funds to make drinking water available to people in Africa and South America.
- Collaboration with UNICEF in the child vaccination campaign called "Pequeñas soluciones" (Small Solutions), with the aim to obtain funds and raise awareness of child vaccination campaigns in developing countries.
- Participation in the Cursa de les Cigonyes in the Sebes Nature Reserve at Flix, a solidarity walk to raise funds for the recovery of the white stork.
- Participation in the Fundación Seur's campaign called "Tapones para una nueva vida" (Caps for a New Life), to collect plastic caps to help treat children with serious health issues. In 2021, 226 thousand caps were collected (160 thousand in 2020).
- Collaboration of the Cerdanyola factory with the Red Cross toy collection campaign.
- Food collection campaigns which provided 9,755 kilos of food for Cáritas, the Food Bank and the Red Cross (7,555 kilos in 2020).

14.5 Awards and recognitions

Throughout 2021, the Ercros Group has been recognised for its good work in different areas, for which it has received the following awards and recognition:

- Security Award 2020 for the Tortosa and Almussafes 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.
- Finalist in the 2021 Atlante Awards, granted by Foment del Treball, in recognition of the covid-19 business management of the Ercros Group.
- Recognition of the 3D Plan as one of the 101 Business Examples for the Climate, an initiative promoted, among others, by the Ministry for Ecological Transition and the United Nations Global Compact.
- Recognition of the 3D Plan to fight climate change granted by the European Chemical Industry Council ("Cefic") which included the Group's strategic project in its library of good responsible practices.
- Recognition from the Alto Gállego County Council to the Sabiñánigo factory, for its contribution to the Aragón Archives of documentation from the early twentieth century as useful information to map the hydroelectric history of Valle de Tena.

14.6 Knowledge sharing

In 2021, Ercros Group staff participated in conferences, round tables, virtual webinars and talks on various areas of knowledge:

- Participation of the general business manager, the product manager of liquid products of the intermediate chemical division and the head of sales of PVC compounds and specialities in the presentation on "The Ercros 3D Plan: diversification, digitalisation and fighting climate change", within the framework of the Expoquimia fair held in Barcelona.
- Participation of the head of sales of PVC compounds and specialities in the webinar on "Materials for 3D printing, new technology for a digital world", organised by Expoquimia.
- Participation of the head of R&D of the basic chemistry division in the round table on "Chemistry at the Spanish University", organised by Feique and the Universidad de Zaragoza, within the framework of the Chemistry Day.
- Participation of the head of the industrial relations department of the Sabiñánigo factory in the "Workshop on Social Responsibility in Business", organised by the local City Council.
- Participation of the head of the technical department for quality and environment in the classes of the master's on "Tools for professional development in the chemical industry", organised by the URV.

14.7 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 ("EBPF"); International Association of Methanol Producers and Consumers ("Impeca"); Association of Energy-intensive Companies ("AEGE") and the Green Hydrogen Platform of Southern Catalonia and the Fundación Hidrógeno Aragón.
- Local business organisations: Chambers of Commerce, Industry and Navigation of Barcelona, Madrid and Tarragona; National Employment Centre of Catalonia (Foment del Treball); CEOE of Aragón; Oscense Business Federation ("CEOS"); Cross-sector Business Federation of the Cinca Medio region ("CEOS-Cepyme Cinca Medio"); Association of Business Owners of Pirineos Alto Gállego ("AEPAG"); Cerdanyola Business Association; Association of Business Owners of the Baix Ebre Industrial Park of Tortosa ("APIBE"); and Association of Industrial Parks of Almussafes ("APPI").
- Other business organisations: Association for Progress and Management ("APD"); Cercle d'Economia of Barcelona; and Fundación Empresa y Clima.

In 2021, the director of the Tarragona industrial complex was appointed chairman of the AEQT service company committee.

15

DIALOGUE AND TRANSPARENCY



15.1 Materiality of the chapter

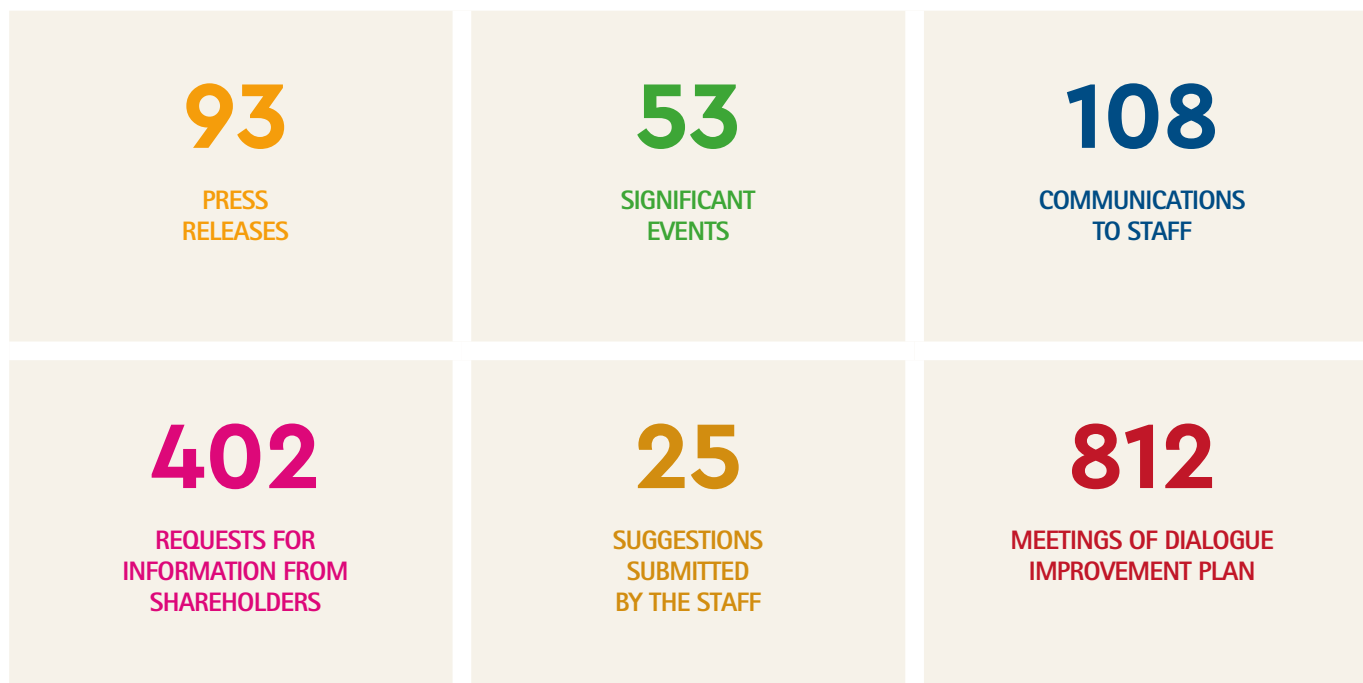
The good governance of the Ercros Group involves building confidence between the company and its stakeholders through dialogue and transparency in reporting. The Group pays special attention to its stakeholders (internal and external), without forgetting society in general.

The main tools used by the Group to promote dialogue and transparency are, in addition to this report, the news releases and the website, participation in events, meetings and the client service lines established.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



15.2 Accountability

Every year the Group publishes a corporate social responsibility report, which includes the statement of non-financial information ("SNFI"). The report also includes the degree of compliance with the 183 indicators contained in the CSR guide for the chemical and life sciences industry, published by 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://expinterweb.mitramiss.gob.es/memrse/https>) 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 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.

15.3 Main actions

In 2021, the restrictions imposed by the covid-19 pandemic led to a reduction or change in the Ercros Group's way of operating. Even so, the Group has sought to maintain dialogue with its stakeholders and to explain its activities in a transparent manner.

Last year, the manual was updated for the use of inclusive language, and the procedures for communicating with society, internal communication, the public service hotline and suggestion management.

Below are the main activities that were carried out, grouped based on their target audience.

a) With society in general

- The new corporate video, which has a particular impact on environmental, social and governance criteria.
- 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 directors' remuneration report ("IRC"), published annually, which reports on the application of the directors' remuneration policy in the year.
- The publication of this annual CSRR-SNFI, which reports on everything related to sustainable development and the Group's non-financial information.
- The update and improvement of the corporate website, which has been submitted to new developments throughout 2021.
- The digital newsletter that contains the most relevant information published by the Group. In 2021, 11 newsletters were sent to an average of 172 recipients (eight newsletters to an average of 144 recipients in 2020).
- The LinkedIn update.

b) With stakeholders

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

- Four arranged student visits, three at the Sabiñánigo factory and one at the Vila-seca I factory, with the participation of 49 people (six visits in 2020 with the participation of 205 people). These figures are still far from returning to normal after the halt imposed by the pandemic.
- The 167 meetings with stakeholders, some in virtual format, organised by the factories compared to 100 in 2020.
- 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 2021.
- The attendance of the chairman, the general business manager and the manager of the Sabiñánigo factory at the business summit held in Zaragoza, which was organised by the employer association of Baleares, Catalunya, Aragón and Comunidad Valenciana.

(ii) Workforce

- Internal memorandums are the means of providing specific information to the Group's staff. In 2021, 108 memorandums were sent out (89 in 2020). Last year, as the evolution of the pandemic improved, events with staff capable of generating an internal note have increased.
- The dialogue improvement plan, a tool to promote internal communication through cascade meetings. In 2021, 812 meetings were held that were attended by 3,586 people (524 meetings in 2020, attended by 2,268 people). It is worth mentioning the momentum which the meetings held by the corporate offices in Barcelona have experienced, from five meetings and 58 attendees in 2020, to 44 meetings and 439 attendees in 2021.
- The internal newsletter associated with the dialogue improvement plan, containing the information provided at the cascade meetings. Four newsletters were published in 2021, the same number as in the previous year. The heading of the 2021 newsletters introduced women who have played an important role in the development of science and technology.
- 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 2021, 25 suggestions for improvements were presented compared to the nine submitted in 2020, which reflects the recovery of staff involvement in this activity, after the halt imposed by the pandemic.

(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. The Group also has a procedure that regulates the operation of this office and a policy regarding the communication of economic-financial, non-financial and corporate information, and communication and contact with shareholders and brokers of the Ercros stock market.

Throughout the year, the shareholder office responded to 402 requests for information (434 in 2020). It also sent 46 announcements on a personalised basis (19 in 2020) to the 304 shareholders (285 in 2020) that requested them through the corresponding form.

- The corporate website has a specific menu for "Shareholders and investors" in accordance with the requirements of CNMV Circular 3/2015, which is periodically updated with information of interest to shareholders. The website also has a mechanism for voting and electronic delegation of shareholders and a shareholder electronic forum, which can be accessed in the period between the call and the holding of the shareholders meeting.
- On 11 June 2021, the Ercros general meeting was held for the first time exclusively online due to the pandemic, as permitted by law.

(iv) Securities market

- Significant events disseminated through the CNMV and Ercros websites, which are the means of communication with the securities market. In 2021, the Group issued 53 communications on other significant events (29 significant events in 2020). This 83% increase was mainly due to the fact that the buyback of treasury shares was resumed in March, which generated a weekly note.
- Regular meetings with analysts and investors who follow Ercros' market price. In 2021, the Group held 20 meetings with analysts and investors, most of whom were fund managers (16 in 2020).
- The participation, on 25 May, in the 17th Virtual Medium Sized Companies Forum (MedCap), organised by the Spanish Stock Exchanges and Markets ("BME").

(v) Media

- Press releases are the main tool for contact with the media. In 2021, 93 press releases were issued (74 in 2020). The significant increase in press releases in 2021 was due to the resumption of activities with informative significance after the 2020 halt due to the pandemic.
- The press conferences for the presentation of the annual results for the previous year, made by the Ercros chairman, Antonio Zabalza, were held at the Group's corporate offices; and the presentation of the strategic plan, Plan 3D, made by the chairman and general business manager, Agustín Franco.
- Within the framework of the presentation of the 3D Plan, four press conferences were held, the first of a general nature and the subsequent ones locally.
- Conducting interviews, responding to requests for information or 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 2021, an average of 11 announcements per factory were issued (eight announcements in 2020).
- Participation in the "La teva química" (Your chemicals) campaign, promoted by the AEQT, to make the chemical industry known to the public in the province of Tarragona.

(vii) Administration

- The meeting of the general business manager, the chlorine derivative division manager and the manager of the Sabiñánigo factory with the Minister of Economy of the Aragón Government to present the actions envisaged in the 3D Plan in this community.
- The visits to the Ercros Group stand at the Expoquimia industry fair of the Secretary-General of Industry of the Ministry of Industry, Commerce and Tourism; the Director-General of Industry of the Catalan Government; and the Director-General of the Centre for Technological and Industrial Development ("CDTI") of the Ministry of Science and Innovation.
- The visit of the mayor of Cerdanyola to the Ercros Group factory located in this town.

(viii) Clients

In 2021, Ercros participated in three international fairs with its own stand:

- Expoquimia, held in Barcelona from 14 to 17 September, within the project called *Smart Chemistry Smart Future* led by Feique. At this fair, the Group presented its new range of green and high-performance products.
- The CPHI Worldwide fair, held in Milan from 9 to 11 November, at which the Group presented the active pharmaceutical ingredients it designs and produces at its Aranjuez factory, which are mainly for export.
- The Piscina and Wellness fair, held in Barcelona from 29 November to 2 December, where the Group presented the products for pool water treatment, which it manufactures in Sabiñánigo and sells worldwide.

Ercros Group staff also participated in the most important fairs, workshops and meetings in this industry:

- The intermediate chemicals division participated virtually in the annual meetings of Formacare; European Petrochemical Association ("EPCA"); and European Phenols Resins Association ("EPRA"). It was also present at the Paints and Coatings fair held in Barcelona.
- The chlorine derivative division participated virtually in Spantex UK; Aquatherm Moscow; Asia Pool and Spa expo; Piscine Connect France; Global Chlor Alkali and Polyurethanes conference; PVC 2021 forum; VinylPlus Sustainability forum; R+T Stuttgart; and European Bioplastics congress. It was present at the SCP Showcase in Lisbon (Portugal); Aqualine in Cologne (Germany); Smagua in Zaragoza; and DFactory Zona Franca in Barcelona.
- The pharmaceuticals division participated in person at the FI Europe fairs in Frankfurt (Germany); Europlx 77 in Brussels (Belgium); and Infarma in Madrid.

15.4 Audits

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

The external auditor E&Y conducts the mandatory audit of the financial statements of the Company and the consolidated Group. E&Y also reviews the information provided in the corresponding directors' reports, in the annual corporate governance report and in the directors' remuneration report and 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. 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 proper performance of the sustainability management system (ISO 9001, ISO 14001 and ISO 45001) in all production facilities, and in the sales departments and the integrated logistics and sustainable development divisions.

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

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



16

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

Verification certificate



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 21 de Febrero de 2022



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.



16.1 Ethics and values

A. Basic level

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

Yes.

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

Yes, in terms of sustainability, the monitoring and control of compliance with legal requirements is an obligation of production facilities under the ISO 14001 and ISO 45001 standards, and there is a specific procedure for this.

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

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

Yes.

4°. Effective member of a business association

Several of them, both 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 chapter 14.7.]

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

Yes, approved in 2018 and complied with by staff.

B. Advanced level

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

Yes. The Company has a CSR policy approved by the board of directors, which was last updated on 28 December 2020.

7°. Effective commitment to Responsible Care

Yes, since 1994.

8°. Effective commitment to aspirational principles of social responsibility

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

C. Level of excellence

9°. Public dissemination of the code of ethics

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

10°. Existence of specific training on ethical values

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

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

The Ethics and Social Responsibility Committee ("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 internal auditor, is responsible for the supervision of and compliance with the code of ethics.

12°. 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.

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

None

16.1 Ethics and values

14°. Effective commitment to social responsibility initiatives

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

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

Yes.

16°. Publication and presentation of a social responsibility report

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

16.2 Human resources

A. Basic level

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

None

2°. Existence of an equality plan

Yes. In 2021, the equality committee updated the Ercros equality plan that included the Group's commitment to equal opportunities and its scope of application. At 31 December, it was in the process of being negotiated.

3°. 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.

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

None

5°. Accident frequency rate among own staff

In 2021, the overall accident frequency rate ("OFR"), which measures the number of accidents with and without sick leave among company staff and external staff, stood at 2.4 compared to 4.0 in 2020.

6°. Fatal accidents among employees

No. In 2021, a worker died due to natural causes at the Almussafes factory.

B. Advanced level

7°. Accident frequency rate among contractors

In 2021, external staff had an accident rate of 3.7 compared to 6.3 in the previous year.

8°. Existence of a prevention policy

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

9°. Fatal accidents among contractors

No.

10°. Occupational disease rate among employees

0.

11°. Application of the collective agreement

Yes, the 20th general collective agreement for the chemical industry for the 2021-2023 period and the 1st agreement to improve the general collective agreement for the chemical industry are in force.

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

The absenteeism rate in 2021 was 5.6, compared to 5.0 in 2020.

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

All production facilities have their occupational health and safety management system certified by AENOR in accordance with the ISO 45001 standard.

14°. Percent of jobs with job descriptions

All jobs have job descriptions.

15°. Satisfaction surveys every three years

Yes.

16°. Percent of indefinite contracts

At the end of 2021, 89.6 % of the workforce had indefinite contracts (89.7 % in 2020).

17°. Employees with performance evaluations

None.

18°. 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.

16.2 Human resources

19°. Existence of a welcome manual for new employees

The Group delivers a welcome manual, which includes general interest information and specific information from the production facilities for the new recruits; last year the welcome manual was handed out to 111 new recruits.

20°. Training hours per employee

An average of 21.3 training hours per employee (17.9 hours in 2020).

21°. Employee training investments and expenses

The expense incurred for training in 2021 amounted to EUR 279 thousand (EUR 282 thousand in 2020), of which EUR 185 thousand came from the subsidy granted by Fundae.

22°. Percent of employees who have received training

In 2021, 82% of the workforce received training (93% in 2020).

23°. Percentage of employees who are women

Between 2020 and 2021, the percentage of the Group's female staff rose from 17% to 17.2%.

24°. Percentage of executives who are women

Between 2020 and 2021, six women continued to hold executive positions, a figure which remains unchanged. However, in percentage terms, the number of women out of the total number of executives has decreased slightly from 21.4% to 20.9%, since there was one male executive more in 2021 (from 28 to 29 executives).

25°. 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.

26°. 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.

27°. 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

28°. Existence of talent management programmes

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

29°. 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.

30°. 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 2021, nine women and no men in the workforce had taken advantage of a reduction in working hours to care for their dependants (12 women and no men in 2020).

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.

31°. 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.

32°. Work-life balance policy

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

16.2 Human resources

33°. Existence of contractor training programmes

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

34°. Hours of contractor training

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2021, the staff of these companies received 2,277 hours of training (820 hours in 2020).

35°. 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 2021, a complaint was submitted to the whistle-blowing channel which was accepted for processing in time and form (no complaints were filed through this channel in 2020).

36°. Existence of a diversity management policy

Yes, the equality policy and the board's diversity policy.

37°. Existence of measures to support studying

Yes, there are measures to support studying for workers and their children.

38°. Existence of repayable advances

Yes, there is the possibility of accessing repayable advances.

39°. Existence of pension plans

Yes, there are contributions to pension plans and mutual entities of which all Ercros Group staff are beneficiaries.

40°. Existence of life and accident insurance

Yes. Currently, all of the Group's employees are covered by life insurance chargeable to the Group.

41°. Existence of health insurance

Yes. In 2021, 962 people (432 workers and 530 family members) were included in the Group's health plan.

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

Yes [see the table on "2021 prevention campaigns" in chapter 11.8].

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

Yes [see chapter 12.7].

44°. Existence of transport bonuses or supplements

Yes, there are transport bonuses or supplements as a reconciliation measure.

45°. Existence of maternity/paternity support measures

Yes. Measures to support maternity/paternity: childbirth bonus, reduced working hours and vouchers for childcare

46°. Existence of employee stock options

No.

47°. Employee volunteering activities and programmes

Yes, the Group and its employees collaborate with the Fundación Juanjo Torrejón, Oxfam Intermon, Unicef, Fundación Seur, Red Cross, Caritas and Banc dels Aliments.

48°. Existence of a contingency plan

Yes. Existence of a data recovery plan, in the event of a disaster or computer system crash. In 2020, a contingency plan was prepared for covid-19.

16.3 Shareholders and investors

A. Basic level

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

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

2°. 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.

3°. Degree of compliance with the CGG

In 2021, the degree of compliance with the recommendations contained in the CGG applicable to the Group stood at 96.2% (the same as in 2020).

4°. 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.

5°. Significant events and other communications to the regulatory bodies

In 2021, the Group issued 53 communications on other significant events (29 significant events in 2020).

6°. Number of general meetings

On 11 June 2021, the Ercros general meeting was held for the first time exclusively online due to the pandemic, as permitted by law (in 2020, the meeting was held on 5 June).

7°. Attendance at the annual general meeting

The meeting was attended by 6,298 shareholders owning 68,802,140 shares, representing 68.14% of the subscribed share capital.

8°. Presentations of results achieved

Each year, two reports are presented corresponding to the Ercros Group's results in the first and second half of the year and two interim notes, with the results for the first and third quarters. The dates for publication of results in 2021 were: 26 January, 11 May, 28 July and 10 November.

B. Advanced level

9°. 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.

10°. Existence of specific shareholder relations systems

The Group has a shareholder's office with a dedicated manager, that channels the dialogue and the relationship with shareholders and investors. The Group also has a procedure that regulates the operation of the shareholder office and policy for contacting and communicating with shareholders, institutional investors and proxy advisers.

C. Level of excellence

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

Yes, there is a dedicated manager in charge of the shareholder's office.

12°. Existence of periodic newsletters for shareholders

No.

The Company personally sends information of interest about the Ercros Group to those shareholders who request it through a form available on the website. Throughout the year, the shareholder office responded to 402 requests for information (434 in 2020). It also sent 46 announcements on a personalised basis (19 in 2020) to the 304 shareholders (285 in 2020) that requested them through the corresponding form.

13°. Existence of regular meetings

Yes. In 2021, the Group held 20 meetings with analysts and investors, most of whom were fund managers (16 in 2020).

14°. Existence of mechanisms to encourage participation

Shareholders are encouraged to participate at the general meeting through absentee and proxy voting and compensation for attendance.

15°. Inclusion of the Ercros Group in sustainability ratings

The Ercros Group has been participating in the EcoVadis CSR rating (with a rating of 84 over 100 in 2021) and since 2021, in the Lighthouse ESG rating of the IEAF, with a rating of 77 over 100.

16.4 Environment

A. Basic level

1°. Existence of an environmental/sustainability policy

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

2°. 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.

3°. Biennial report on environmental matters associated with the business

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

4°. Convictions and serious sanctions

See chapter 10.6: litigation and penalties.

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

EUR 3,623.47 [see chapter 10.6: litigation and penalties]

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

In 2021 there were no incidents or accidents at the Group's factories with environmental consequences.

B. Advanced level

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

Yes, 100%.

8°. Environmental protection investments and expenses

The expenses incurred by the Group for the protection and improvement of the environment in 2021 amounted to EUR 18,289 thousand (EUR 17,165 thousand in 2020). The total amount of investment in safety and the environment in 2021 was EUR 13,714 thousand (EUR 9,920 thousand in 2020).

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

In 2021 each employee received an average of 6.3 hours of training on safety and the environment (6.9 hours in 2020).

10°. Water consumed per tonne produced

Specific water consumption was 8.92 m³ per tonne produced in 2021 (9.51 m³/tonne in 2020).

11°. Energy consumed per tonne produced

The consumption of electricity and other fuels in 2021 was 4.95 GJ per tonne produced (5.37 GJ/t in 2020).

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

In the absence of external verification, in 2021, the Ercros Group emitted 0.345 tonnes of CO_{2eq} per tonne produced (0.399 tonnes of CO_{2eq} in 2020) (including scope 1 and 2 emissions).

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

In 2020 the Ercros Group emitted 0.00012 tonnes of nitrogen oxide per tonne produced. At the time of the approval of this CSRR-18 February 2022-the Group did not yet have the data corresponding to 2021, so this information will be reported in the next CSRR. In 2019 the Ercros Group emitted 0.00017 tonnes of nitrogen oxide per tonne produced.

16.4 Environment

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

In 2020 the Ercros Group emitted 0.00004 tonnes of sulphur dioxide per tonne produced. At the time of the approval of this CSRR–18 February 2022–the Group did not yet have the data corresponding to 2021, so this information will be reported in the next CSRR. In 2019 the Ercros Group emitted 0.00004 tonnes of sulphur dioxide per tonne produced.

15°. Tonnes of suspended solids emitted per tonne produced

In 2020 the Ercros Group emitted 0.000013 tonnes of suspended solids per tonne produced. At the time of the approval of this CSRR–18 February 2022–the Group did not yet have the data corresponding to 2021, so this information will be reported in the next CSRR. In 2019 the Ercros Group emitted 0.000014 tonnes of suspended solids per tonne produced.

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

In 2021 the Ercros Group emitted 0.00066 tonnes of volatile organic compounds per tonne produced (0.00093 t/t in 2020).

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

In 2021 the chemical oxygen demand of the Ercros Group's discharges was 0.00047 tonnes per tonne produced (0.00031 t/t in 2020).

18°. Tonnes of heavy metals discharged per tonne produced

In 2020 the Ercros Group emitted 0.0000022 tonnes of heavy metals per tonne produced. At the time of the approval of this CSRR–18 February 2022–the Group did not yet have the data corresponding to 2021, so this information will be reported in the next CSRR. In 2019 the Ercros Group emitted 0.0000025 tonnes of heavy metals per tonne produced.

19°. Tonnes of phosphorus discharged per tonne produced

In 2020 the Ercros Group emitted 0.000006 tonnes of phosphorus per tonne produced. At the time of the approval of this CSRR–18 February 2022–the Group did not yet have the data corresponding to 2021, so this information will be reported in the next CSRR. In 2019 the Ercros Group emitted 0.000009 tonnes of phosphorus discharged per tonne produced.

20°. Tonnes of nitrogen discharged per tonne produced

In 2020 the Ercros Group emitted 0.000013 tonnes of nitrogen per tonne produced. At the time of the approval of this CSRR–18 February 2022–the Group did not yet have the data corresponding to 2021, so this information will be reported in the next CSRR. In 2019 the Ercros Group emitted 0.000017 tonnes of nitrogen per tonne produced.

21°. Total tonnes of waste generated per tonne produced

In 2021 the Ercros Group generated 0.043 tonnes of total waste per tonne produced (0.055 t/t in 2020).

22°. Tonnes of hazardous waste generated per tonne produced

In 2021 the Ercros Group generated 0.0071 tonnes of hazardous waste per tonne produced (0.0072 t/t in 2020).

23°. Percentage of recovered waste in relation to waste generated

In 2021 the Ercros Group's recovered waste accounted for 6.4% of the total waste generated (5% in 2020).

24°. Description of recovery projects

See chapter 10.7(a).

C. Level of excellence

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

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.

16.5 Supply chain/suppliers and contractors

A. Basic level

1°. Existence of control mechanisms for raw material records

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

B. Advanced level

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

Yes. Suppliers must pass an initial accreditation and clauses on ethical compliance are included in their agreements and/or orders.

3°. 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.

4°. 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

5°. Description of success stories

Success stories are described in chapter 13.3(e).

6°. 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.

7°. Hours of training for suppliers/contractors

In 2021, the staff of these companies received 2,277 hours of training (820 hours in 2020).

8°. 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") and the Associació d'Empreses de Serveis de Tarragona ("AEST") on a platform which many of the companies in Tarragona and Barcelona serving the chemical industry are members of.

9°. Existence of intranet for suppliers/contractors

Indirectly through the AEQT and the AEST, the Ercros Group encourages direct and personal communication through email.

In 2021, the Ercros Group provided 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.

10°. 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 2021, 26 inter-company committee meetings were held across all the Group's factories (21 meetings in 2020).

16.6 Customers and consumers

A. Basic level

1°. 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

2°. 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.

3°. R&D expenses

In 2021, investments and expenses related to innovation and technology amounted to EUR 6,637 thousand (EUR 6,339 thousand in 2020).

4°. 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.

5°. Accidents per tonne transported

No accident occurred in 2021.

B. Advanced level

6°. Existence of customer service

Yes, the Customer Service Centre ("CSC")

7°. Claim rate

In 2021 the claim rate was 0.222 (0.274 in 2020), representing a year-on-year improvement of 18.9%.

8°. Client satisfaction surveys

The sales department of each business area periodically conducts surveys to determine the degree of client satisfaction. In 2021, 874 client surveys were sent with a response rate of 23% (939 surveys in 2020).

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

100% [see chapter 13.4(c)].

10°. Safety data sheets on products sold

Yes. All SDS were updated in 2021 to adapt them to the new European regulation on the registration, evaluation, authorisation and restriction of chemicals.

C. Level of excellence

11°. Life cycle analysis of the main products

The Ercros Group has not carried out the life cycle analysis of its products as such, but it designs, produces and distributes its products from a life cycle perspective to minimise their impact. These studies are scheduled to be launched in 2022.

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

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

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

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").

14°. 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.

16.6 Customers and consumers

15°. Portal or area for consumers and clients

The corporate website has a section with specific information of interest for clients.

16°. 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.

17°. Description of success stories about improvements to existing products

Specific formulas for TCCA tablets, new grades of the ErcrosBio range, expansion of the PVC compound pellets, development of PVC compounds incorporating recycled material, formulation of PVC compounds suitable for 3D printing, expansion of the ErcrosGreen+ resins catalogue, launch of new ErcrosTech resins, development of new quality of HD moulding compounds, modification of pharmaceutical manufacturing processes to offer particle sizes adapted to the specific needs of clients, and the development of processes to expand the catalogue of pharmaceuticals offered in sterile quality.

18°. Description of success stories about bottling, wrapping and packaging materials

Purchase of 29% recycled pallets, actions to reduce the thickness of containers and the incorporation of up to 30% recycled material in certain packaging.

19°. Description of success stories about distribution efficiency

Launch of a mega-lorry between Vila-seca and Monzón that allows up to 40 tonnes of product to be transported per trip; expansion of the tank and warehouse network to bring products closer to clients; development of a monitoring programme for lorries departing from factories; and implementation of the Searates programme for continuous monitoring of containers by sea.

16.7 Contribution to and cooperation with society

A. Basic level

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

The Ercros Group has different information media that explain the applications of the products it sells and their social contribution: the website, the CSRR, the corporate video, participation in industry fairs, etc.

B. Advanced level

2°. Direct jobs generated

In 2021, the Ercros Group's average headcount was 1,329 people, 32 people more than in 2020.

3°. Indirect and induced jobs generated

It is estimated that the Group's activity generated 4,520 direct, indirect and induced jobs in 2021.

4°. Total employment generated/employed in the municipality

The employment generated by the Ercros Group represents an average of 3.1% of the active population of the municipalities in which the production facilities are located (the active population of each location was calculated based on the activity rate of the respective province).

5°. Billings/sales

In 2021, sales amounted to EUR 772,317 thousand, 41.1% more than the previous year's sales of EUR 547,237 thousand.

6°. Value of total investments made

In 2021, the investments made amounted to EUR 34,775 thousand (EUR 31,270 thousand in 2020).

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

In 2021, the Ercros Group paid the public authorities EUR 33,161 thousand (EUR 25,871 thousand in 2020) in relation to duties, taxes, fees and social security contributions.

8°. Displaced or resettled populations

None.

9°. Integration initiatives implemented

In its communications, the Ercros Group encourages the use of the dominant language in each community, which is especially important at the facilities based in Catalonia.

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

See chapters 10.2 and 10.5.

C. Level of excellence

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

In 2021 the value of sponsorships per employee was EUR 71.5 (EUR 94 in 2020).

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

Not applicable.

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

None.

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

Covid-19 infection prevention campaigns; collaboration with the Emergency Military Unit to train its staff on chlorine management in the event of an accident; participation in the world day against breast cancer; participation in the European day for the prudent use of antibiotics; epidemiological studies of the most frequent pathologies; training courses on the prevention of occupational hazards, annual vaccination campaigns; and preventive and health briefings.

¹ The Ercros Group's portfolio does not allow for this type of activity.

16.7 Contribution to and cooperation with society

15°. 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 283 thousand (EUR 279 thousand in 2020).

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

See chapter 14.4(b).

17°. Existence of training programmes for the local community

The production facilities have agreements with local academic centres to hire interns. [see chapter 11.7.]

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

In 2021, 63 students participated in internships at the Group's workplaces, which represents a significant increase compared to 36 students in 2020 and a figure similar to previous years.

19°. Activities carried out with the media

In 2021, 93 press releases were issued (74 in 2020), five press conferences were held and all media requests were answered.

20°. Activities carried out with public authorities

See chapter 15.3(b) (vii).

21°. Activities carried out with legislative chambers

See chapter 15.3(b) (vii).

22°. Activities carried out with business organisations

See chapter 14.7.

23°. Activities carried out with trade unions

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

Contributions to business groups amounting to EUR 76 thousand (the same amount as in 2020).

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.

24°. Activities carried out with consumer and user organisations

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

25° Activities carried out with environmental groups

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

26°. Activities carried out with professional organisations

Through the business organisations in which it participates.

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

See chapter 14.4(e) and 14.6.

28°. Activities carried out with companies in the vicinity

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

29°. Activities carried out with neighbourhood associations

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

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

Sponsorship and collaboration actions with: Club Bàsquet Almussafes; Club de Voleibol Sant Pere i Sant Pau of Tarragona; Peña Ciclista Edelweiss and the Agrupación Deportiva, of Sabiñánigo; Club de Fútbol Jesús Catalonia of Tortosa; and the Monzón Foto association.

16.8 Communication and dialogue

A. Basic level

1º. 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.

2º. Existence of a corporate publication

The internal newsletter associated with the dialogue improvement plan, which contains the information provided at the cascade meetings. In 2021, four newsletters were published (the same as in 2020) [see chapter 15.3(b) (ii)].

3º. Existence of a website

Yes, www.ercros.es.

4º. Existence of an internal communication procedure

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

B. Advanced level

5º. Existence of a website in Spanish

The corporate website is in Spanish, English and Catalan.

6º. 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 chapter 15.2].

7º. 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 2021, an average of 11 announcements per factory were issued (eight announcements in 2021).

8º. 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 2021, a communication was received through this channel.

The contest for suggestions, which channels and rewards suggestions for improvement proposed by staff. In 2021, 25 suggestions were presented compared to the nine submitted in 2020.

9º. Existence of recorded internal meetings

Through the dialogue improvement plan, which is a tool to promote internal communication through cascade meetings, implemented at all of the Group's workplaces. In 2021, 812 meetings were held that were attended by 3,586 people (524 meetings in 2020, attended by 2,268 people).

C. Level of excellence

10º. Regular publication of a sustainability report or CSRR

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

11º. Existence of a regular external newsletter

Since 2014, the Ercros Group has 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 chapter 15.3(a)].

12º. Organisation of external open house days

In total, four visits were held in which 49 people participated (six visits in 2020 with the participation of 205 people). In 2021, no open house day was held, the Group hopes that, if the evolution of the pandemic allows it, this type of event can be recovered in the factories in 2022.

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

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

16.8 Communication and dialogue

14°. Existence of a public advisory panel

Through the Feique and the AEQT.

15°. Description of CSR campaigns

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

16°. Regular opinion surveys

In 2021 the production facilities did not conduct opinion surveys among their stakeholders, as these are conducted every three years.

17°. Use of 2.0 tools

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

18°. Existence of an intranet or staff area

The Ercros Group has developed the virtual notice board hosted on the Group's server, which performs the functions of an intranet and is freely accessible to staff. In 2021, the Success Factors tool was launched, which allows staff to have access to their information contained in human resources files and access to the Company's general information.

19°. Existence of a regular internal newsletter

The newsletter associated with the dialogue improvement plan. Four newsletters were published in 2021 (the same number as in 2020).

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

In 2021, no open house day was held, the Group hopes that, if the evolution of the pandemic allows it, this type of event can be recovered in the factories in 2022.

DIRECTORY

Corporation

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Tarragona factory

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