

CORPORATE SOCIAL
RESPONSIBILITY REPORT
STATEMENT OF
NON-FINANCIAL INFORMATION



Ercros

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Ercros

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Company name: Ercros, S.A.
Tax ID No.: A-08000630
Registered office: Avda. Diagonal, 593-595, 08014 Barcelona
Tel.: (+34) 934 393 009
Email: ercros@ercros.es
www.ercros.es

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

1

LETTER FROM THE CHAIRMAN



Dear Madams and Sirs,

2020 was the year of covid-19. The impact of the pandemic has been felt in all aspects of our lives and, of course, in the Ercros Group. At the beginning of this emergency, Ercros created the covid-19 corporate monitoring committee ("CMC-19") and monitoring committees at all its facilities where, in close collaboration with employee representatives, it examined how the problem was progressing and designed plans to manage the situation. This has enabled the Group to implement preventive, organisational and control measures adapted to each production facility in accordance with the recommendations and mandates of the administrative authorities responsible; to reduce the spread of the virus among its workers; and to ensure that business activities are maintained. Thanks to these measures, the Group has continued its production as normal as a chemical company providing essential services.

In 2020 we continued to make progress with regard to the environment, sustainability and governance. We have implemented a zero tolerance policy with regard to market manipulation, made progress in disseminating the code of ethical conduct, which has now been signed by practically all the staff, and maintained our commitment to voluntary programmes and agreements such as the UN Global Compact, the Responsible Care programme promoted by the chemical industry, and the code of good governance for listed companies approved by the Spanish National Securities Market Commission ("CNMV").

EcoVadis has rated the Ercros Group as a Platinum company, with a score of 81 out of 100. This rating places us among the top 1% of the best rated companies. We have also contributed to the achievement of the UN's 17 sustainable development goals ("SDGs") for people, the planet and prosperity.

In 2020 Ercros adhered to the Catalan government's climate action commitments, the main objective of which is to achieve carbon neutrality by 2050 by promoting the energy transition and adopting circular economy principles. Ercros' commitment to decarbonisation is clearly reflected in its 3D Plan, approved by the board of directors in January 2021.

In 2020 we reduced water consumption and greenhouse gas emissions per tonne produced. We have continued to devote efforts and resources to minimising the environmental impact of our factories and to improving the quality of the soil affected by carrying out our production activity in the past. Thanks to the logistical and operational improvements made in freight transport, we have saved 1,840 tonnes of CO₂.

The Ercros Group's workforce remained stable in 2020. The fact that the vast majority of our employees have indefinite-term contracts and that the length of service of our workforce is relatively long are clear indicators of the quality employment offered by the Group. However, we have a long way to go with regard to gender. Although the number of women has increased slightly during the year, we are aware that their weight in the workforce, 17%, can clearly be improved and will require a greater effort on our part.

With regard to prevention, all Ercros production facilities have successfully completed the process of migrating to the "ISO 45000 - Occupational health and safety management systems" standard. However, it has not been a good year in terms of the accident rate, whereby the indicators have worsened after a very good 2019 in this regard. Carelessness in the tasks and activities being carried out is the reason behind the majority of accidents, which is why in 2021 we have launched a campaign to highlight this problem.

The changes in data on absenteeism due to common illness was also not positive in 2020. The increase in absenteeism is a widespread problem in the Spanish industrial sector, which was exacerbated this year by the adverse effect of covid-19. We set up working groups to analyse the causes of absenteeism and establish measures to reduce the rate.

The training of Group employees is a key tool for maintaining competitiveness and achieving safe work. In 2020, 93% of the workforce participated in some training activity, for a total of 23,185 educational hours.

2020 was a complicated year from the point of view of distribution and transport. The numerous restrictions and regulations resulting from the covid-19 epidemic have made it difficult for the Group to sell its products and to supply the factories. In spite of this, thanks to Ercros' management and the willingness of all the Group's suppliers and customers, these restrictions have not affected operations and it has been possible to serve customers without affecting the service.

To strengthen the Customer Service Centre, a key element in the Ercros Group's value chain, a new management model has been implemented based on digitalisation with Zendesk, one of the most advanced customer relations tools on the market, while a new organisational structure has been implemented to streamline demand management, facilitate customer response and improve communication with the rest of the Group's departments.

The Group is involved in all the areas and communities in which it carries out its activities. It has therefore continued to train interns, sponsor local entities, donate food and resources to those affected by covid-19, and invest in research and development. The Group has also continued to provide transparent information to its employees, the media, its shareholders and the market, and has offered its knowledge by encouraging its staff to participate in seminars, debates, conferences and sector fairs.

2020 has been a challenge for everyone that makes up the Ercros Group, a challenge not only with regard to work, but also personally. Covid-19 was unforeseeable. We are successfully overcoming this challenge and are confident that it will be over soon.

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

Antonio Zabalza Martí
Chairman and CEO of Ercros
Barcelona, 19 February 2021

2 / VERIFICATION CERTIFICATE



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 2020 por la Entidad de Certificación de tercera parte e independiente Bureau Veritas, en lo que respecta a su estructura, contenido y fuentes de información de

ERCROS

Y que como resultado de este proceso de verificación **Bureau Veritas Certification** expresa que

- El contenido del estado de información no financiera está basado y soportado por datos y registros comprobados como ciertos. Asimismo, la información, su tratamiento, los cálculos, gráficos, etc., han sido oportunamente comprobados y verificados.
- La trazabilidad y relevancia entre información de base y contenido de los objetivos es adecuada.

Conforme a esto **Bureau Veritas Certification** establece, que el contenido del estado de información no financiera publicada por ERCROS se considera **adecuada y conforme**.

15 Febrero de 2021

Fdo: Silvia Edo Enrich

Validador Jefe

Bureau Veritas Certification



3 / OBJECT, METHODOLOGY AND MATERIALITY

This corporate social responsibility report ("CSRR") of Ercros, S.A. and its consolidated group, which includes the statement of non-financial information for 2020, was approved by the Company's board at its meeting on 19 February 2021 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.

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 with regard to social responsibility that may have an impact on its activity and results. In 2020 the most sensitive issues for the Group were: management of the coronavirus pandemic, issues related to regulatory changes, the fight against climate change and decarbonisation of the industry, accidents affecting people and facilities, gender equality, remediation of industrial soil, reduction of emissions and waste, and consumption and resource optimisation.

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 (<http://explotacion.mtin.gob.es/membrse>), in accordance with Ministerial Order ESS/1554/2016 on the registration and publication of social responsibility and sustainability reports, and on the Social Responsibility Portal of the Catalan government, the *Generalitat*, ("Rscat") (<https://treball.gencat.cat/ca/rscat/mapa-experiencies>).

4

INTRODUCTION



4.1 The Company

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

At the date of approval of this report – 19 February 2021 – 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 annual general meeting and the board of directors. The board is composed of: Antonio Zabalza Martí, chairman and CEO, included in the "executive" category; Lourdes Vega Fernández and Carme Moragues Josa, directors included in the "independent" category; Laureano Roldán Aguilar and Eduardo Sánchez Morondo, directors included in the "other non-executive" category; and Joan Casas Galofré, who was appointed "proprietary" director by the shareholders at the annual general meeting held on 5 June 2020. The board of directors has three supervisory and control committees: the audit committee (which reports to the internal audit service and the compliance committee); the appointments and remuneration committee; and the strategy and investments committee, created in 2020. 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 2020 the Group's revenue from product sales amounted to EUR 547,236 thousand, which was down 14.3% on the previous year's figure of EUR 638,737 thousand. This is due to (i) the general drop in prices of products and raw materials, and (ii) the decrease in sales volume, both a result of less activity in most of the sectors of the economy in which the Group operates due to the adverse effects caused by the covid-19 pandemic. An exception to this general performance has been the case of active pharmaceutical ingredients, the billings of which remained stable in relation to 2019.

Expenses in 2020 amounted to EUR 535,719 thousand, down 14.7% on 2019. The billings for procurements and supplies fell by 22%, as a result of the drop in the price of raw materials and energy, as well as a lower volume of purchases.

The evolution of income and expenses lead to an 18.6% drop in ebitda compared to 2019 that stood at EUR 49,601 thousand.

After accounting for: (i) depreciation and amortisation, up 14.1% on 2019 as a result of the start-up of capacity increase investments; (ii) finance expenses, which decreased by 3.4% compared to 2019; (iii) exchange losses, which increased due to the sharp depreciation of the US dollar against the euro in the second half of the year, resulting in a higher amount compared to the previous year of EUR 2,180 thousand; (iv) income of EUR 509 thousand due to the shareholding in investees; and (v) income tax expense of EUR 728 thousand, a profit of EUR 6,257 thousand was obtained in 2020, which is 79.8% lower compared to the profit obtained in 2019.

In 2020 the Group paid the public authorities EUR 25,871 thousand in relation to taxes, fees and social security contributions, representing 4.13 times the profit for the year and a slight decrease of 0.9% on the previous year (2019: EUR 26,108 thousand, representing 84% of profit).

Furthermore, Ercros obtained subsidies from public authorities amounting to EUR 10,208 thousand (2019: EUR 11,777 thousand), broken down as follows: (i) compensation for indirect greenhouse gas emission costs, EUR 2,295 thousand; (ii) greenhouse gas emission allowances, EUR 5,357 thousand; (iii) capital investments in energy savings, EUR 1,643 thousand; (iv) grants for R&D projects, EUR 595 thousand; (v) grants through the Spanish State Foundation for Employment Training ("Fundae"), EUR 113 thousand; and (vi) capital investments under the modernisation and competitiveness plan, EUR 318 thousand.

The average headcount in 2020 was the same as in 2019, i.e. 1,297 people, distributed among ten production facilities, all located in Spain.

a) Consolidate income statement

EUR THOUSAND

	Year 2020	Year 2019
Income	585,320	689,073
Product sales	547,236	638,737
Services rendered	21,561	31,045
Other operating income	12,746	13,466
Reversal of provisions and other extraordinary income	3,777	2,233
Changes in inventories	—	444
Gains or losses on sale of investment property	—	3,148
Expenses	-535,719	-628,169
Procurements	-267,946	-343,573
Changes in inventories	-8,202	—
Supplies	-72,194	-96,171
Staff costs	-84,296	-83,127
Other operating expenses	-98,398	-97,461
Allocation of provisions and other extraordinary expenses	-4,683	-7,837
Ebitda	49,601	60,904
Depreciation and amortisation	-30,329	-26,576
Impairment of investment property	-4,335	-5,615
Ebit	14,937	28,713
Finance costs	-6,207	-6,502
Exchange differences	-2,254	—
Share of profit of associates	509	414
Profit before tax	6,985	22,625
Income taxes	-728	8,418
Profit for the year	6,257	31,043

b) Sales by business

EUR THOUSAND

	Year 2020	Year 2019
Chlorine derivatives	330,961	391,635
Intermediate chemicals	158,737	189,587
Pharmaceuticals	57,538	57,515
The Ercros Group	547,236	638,737

c) Ordinary ebitda¹ by business

EUR THOUSAND

	Year 2020	Year 2019
Chlorine derivatives	27,191	37,944
Intermediate chemicals	13,961	14,708
Pharmaceuticals	9,355	10,708
The Ercros Group	50,507	63,360

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 has a presence 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 customers in 91 countries.

In 2020, 52% of the Group's sales were exported. The European Union ("EU") is the main destination of foreign sales and represents 30% of the Group's total sales. The OECD represents 11% of the Group's sales and the rest of the world's countries, 11%.

In 2020 France, Italy and Turkey remained the primary export destinations. These three markets alone account for 21% of foreign sales.

The intermediate chemicals and pharmaceuticals divisions are the most active abroad, with the former exporting around 70% of its sales and the latter more than 90%. This also explains why both businesses are the most affected by the dollar/euro exchange rate. In turn, the chlorine derivatives division — whose activity is more focused on the domestic market — exported around 35% of its sales.

The Ercros Group is ranked the world leader in the formaldehyde market. It is also a leader in the fusidic acid and fosfomycin market. In Europe, it leads in sales of trichloroisocyanuric acid ("TCCA") and in Spain it leads in sales of caustic soda, sodium hypochlorite, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds and is ranked second in the PVC and resins market ¹.

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

5

BUSINESS
MODEL



SDGs TO WHICH IT CONTRIBUTES



5.1 Chlorine-caustic soda chain

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

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

Caustic soda is a basic chemical reagent widely used in 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 customer.

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

PVC production may also be carried out in part using an intermediate product, EDC, 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 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. The margin of this product is determined at any given time by the ratio between its selling price and variable manufacturing costs, in particular the price of external EDC, the price of ethylene and the manufacturing cost of chlorine.

The full operation of the capacity expansions of the membrane electrolysis plants, carried out between 2017 and 2020 to mitigate the loss of production resulting from the closure of two mercury technology plants as a result of banning this technology at the end of 2017, has brought chlorine and caustic soda production closer to the levels prior to these closures.

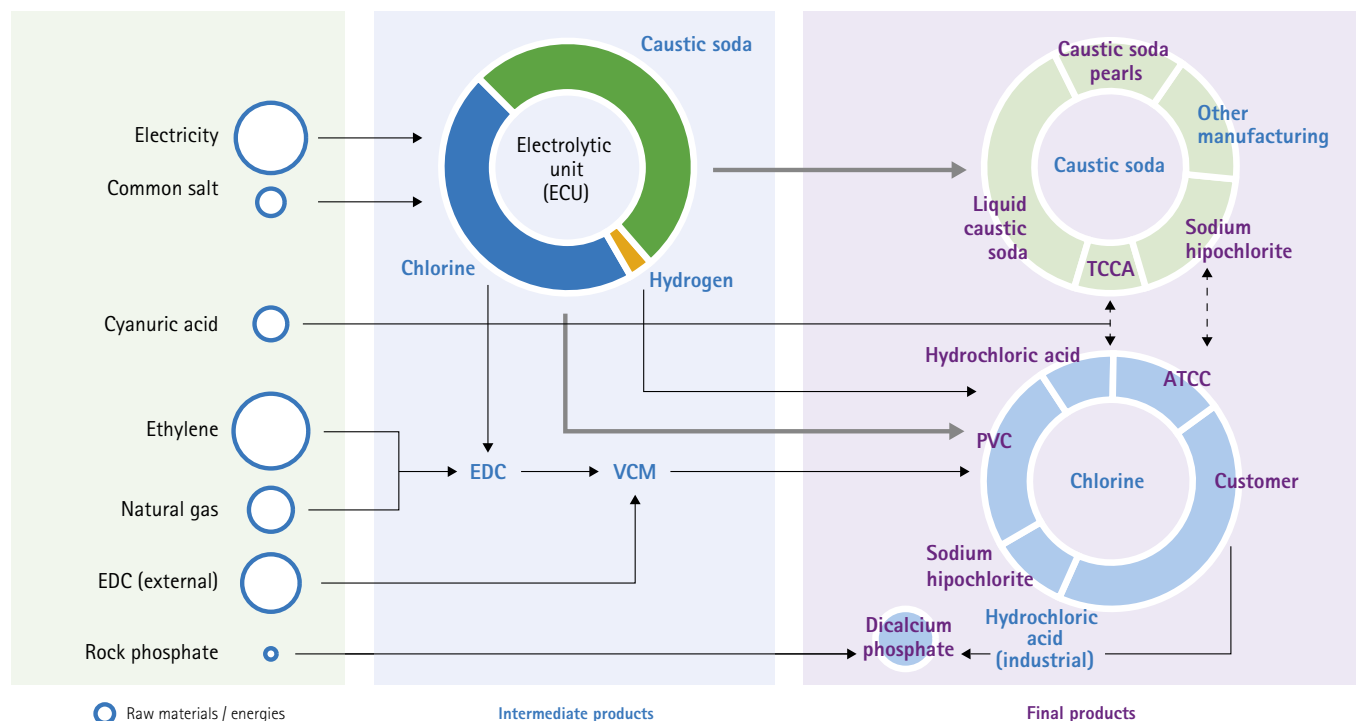
Part of the additional chlorine produced has been used to manufacture EDC, allowing the Group to reduce its external EDC purchases – which was the temporary solution adopted – and replace it with our own EDC. In 2018, 92% of the EDC required in the PVC chain came from external sources, whereas in 2019 this percentage was reduced to 83% and fell to 54% in 2020. This operational change led to an increase in the profitability of PVC.

Another portion of the additional chlorine served to increase the supply required by the main customer of this product, with which the Group has an agreement until the end of 2022.

In 2021 the chlorine derivatives division faces the challenge of upgrading the membrane technology of its older units to more energy-efficient equipment, and optimising the expansion of the capacity of electrolysis plants by increasing the volume of sales of its own caustic soda (the margin of which is higher than that of the caustic soda sold) and of chlorine derivatives; all of this in a context of greater supply on the market and the weakness of the main sources of demand as a result of the covid-19 pandemic. Another short-term objective is the launch of the 3D Plan projects, including the project to expand the sodium chlorite plant in Sabiñánigo. At the medium term, the challenge for the division is to manage the termination of the agreement with the chlorine customer without affecting the profitability of the business. Furthermore, in the long term, the challenge is to assume the costs arising from the industry decarbonisation goals and to increase the weight of products with greater added value and expanding markets, all of which is included in the 3D Plan.

The input of the chlorine derivatives division is electricity, the cost of which is set based on the auction price at the daily energy auctions carried out by Red Eléctrica de España ("REE") to which the regulated

Outline of the chlorine-caustic soda process



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.

In addition, over the last ten years, the Group has been receiving remuneration for the interruptibility service of the electricity supply to the chlorine and caustic soda plants it provides REE, which is set through one or two annual auctions. The amount of this remuneration has gradually decreased each year, so that in 2019 the amount received was five times less than that obtained in 2009. At the end of 2019, an auction was held for the interruptibility service for the first six months of 2020. For the first time, the Group did not bid on any lot because the low remuneration for this service did not offset the cost of the service requirements (production losses, facility shutdown and start-up costs, mandatory minimum energy consumption during the service period, etc.). In the second half of 2020 remuneration was no longer received for the interruptibility service. The Group expects to offset part of the remuneration with the measures introduced by the Royal Decree on the statute for energy-intensive consumers, which, although limited for the time being, are expected to be supplemented by additional mechanisms yet to be implemented. Furthermore, the cost is also expected to be offset with greater modulation of production.

The Group is currently exploring Power Purchase Agreements ("PPAs"). The statute for energy-intensive consumers no requires companies to enter into PPAs. In addition, as detailed in the 3D Plan, photovoltaic generation projects will be carried out on land owned by Ercros that is not currently used for any industrial activity, and operational actions will be taken aimed at increasing the energy efficiency of its processes. With these measures, the Group's strategy is: (i) to reduce energy consumption and the future cost of this supply, and (ii) to ensure that it comes from renewable sources to be in a position to meet the decarbonisation goal set out in the draft Spanish National Integrated Energy and Climate Plan and reinforced by the recent Government Declaration on the climate and environmental emergency, in keeping with the targets set by the European Commission in the Green Pact.

The Spanish energy-intensive industry currently pays more for electricity than its European competitors. The goal of climate neutrality that Europe expects to achieve by 2050 should lead to the convergence of the electricity price paid by all 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 with the expansion of production capacity has improved the Group's energy efficiency and led to a higher utilisation ratio.

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

In addition to chlorine, the second fundamental raw material in the PVC manufacturing process is ethylene, a petroleum-based product. The price of ethylene is determined both by the evolution of oil prices and the availability of ethylene in the Eurozone. 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 mainly by the price of a barrel of oil, the dollar/euro exchange rate and, in the short term, by the situation of European stocks depending, among other things, on the weather. Against the backdrop of the 3D Plan, Ercros 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.

5.2 Formaldehyde chain

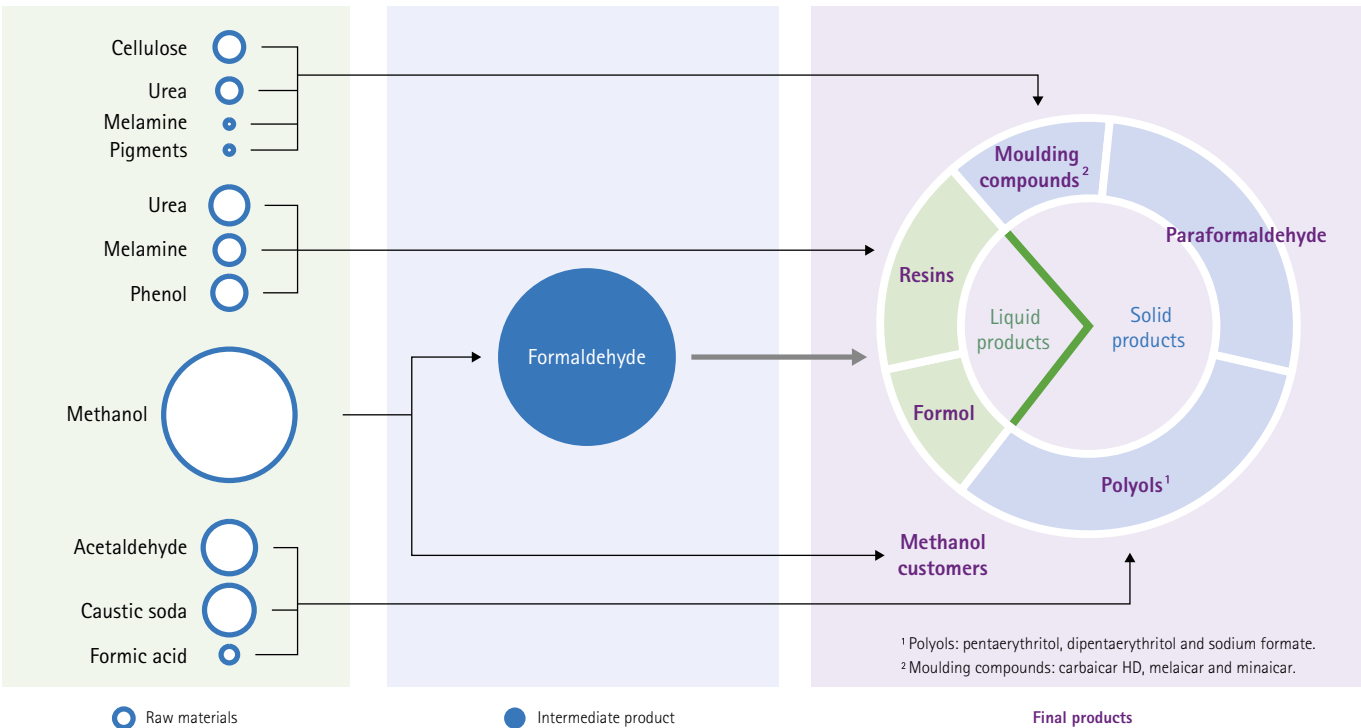
Formaldehyde is the main product of the intermediate chemicals division and its primary raw material is methanol. Procurement of methanol represents around 30% of the division's total costs. The Group has contracts with different terms with various suppliers of this raw material.

92% of the formaldehyde produced is used to manufacture derivatives, both liquid and solid. The latter, which represent around 70% of the business' revenue, have greater added value than liquids and their market is global, 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.

Outline of the formaldehyde process



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 2021 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 customers 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, to maintain the commitment to the gradual decarbonisation of processes in order to continue increasing the quality and standard of service of the products and to achieve excellence in the efficiency of all operations. In the long term, the objective is to diversify the current portfolio.

5.3 Active pharmaceutical ingredients

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

The main value of this business is its dominance in the fermentation processes, as well as 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, as well as its positioning as a reliable and quality supplier of the world's major laboratories.

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

There are a small number of manufacturers of this division's products, 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 customer loyalty.

The main challenges of this business in the short term are, on the one hand, to make the increased capacity of manufacturing 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 beginning 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. In the medium and long term, in addition to expanding the product portfolio mentioned above, its strategy is to meet the quality requirements of customers and regulatory bodies, and to face competition from China and India.

5.4 Competitive situation ¹

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

The Group exports more than one half of its sales (52% in 2020) and sells its products in 91 countries, mainly in the EU.

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

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.

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

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

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

5.5 Seasonal trends

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

The products most affected by changes of a seasonal nature are those used for water treatment –sodium hypochlorite, sodium chlorite and trichloroisocyanuric acid–, with consumption peaking in spring and summer, and PVC, where demand is lowest during the coldest months of the year due to less activity in the construction sector. Demand for other products is steady throughout the year.

Likewise, due to the significant difference in the price of electricity based on the time of day and month, the Group adapts (modulates) the production of those products that are more energy-intensive, sodium chlorate in particular, to increase the rate of production when the price of electricity (pool price plus variable regulated components) is lower.

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. As from the second half of 2018, however, 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.

In recent years electricity prices have also varied significantly from one year to the next, which increases the volatility of the Group's annual results.

6

NON-FINANCIAL RISKS



6.1 Main risks

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

Many of these risks are inherent to the performance of the activities that the Group carries on, or are the result of external factors and, therefore, 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 18 December 2020, the business managers submitted the risk map for each business to the board of directors. These maps, which are updated on an annual basis, identify the relevant risks forecast for 2021 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 these risk maps, the Group has implemented controls aimed at mitigating the risks detected.

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

a) Environmental risk (relevant)

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

The Group: (i) conducts its business in compliance with that established in its environmental authorisations and the requirements arising from applicable regulations and voluntary agreements signed; (ii) officially monitors its environmental performance; and (iii) 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, 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 the medium term.

b) 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 remediating affected soils and sites.

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

In relation to the former site located in El Hondón (Cartagena), on 30 June 2020 the Group filed an appeal for judicial review challenging the ruling of the director-general for the Environment handed down on 16 October 2019, which declared that the soil of the El Hondón sector was contaminated. The judicial review proceedings were filed with the judicial review chamber of the High Court of Justice of the Region of Murcia. Despite the judicial appeal, on 1 July 2020 Ercros submitted the technical project for the cleaning and recovery of El Hondón in order to comply with the obligation established in the Resolution on the declaration of contaminated soil. In December 2020, the directorate general for the Environment of the Region of Murcia issued an order to rectify the soil remediation project for the El Hondón site. The Group has requested that this order be set aside and that the remediation project submitted by Ercros in July 2020 be approved.

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

c) 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 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.

With regard to 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 modulated consumption and the use of renewable energy to reduce the costs and environmental impact.

The serious accident that occurred on 14 January 2020 at the factory of a chemical company in Tarragona called into question the safety and warning measures of factories in the chemical sector. Regional and local administrations are studying the implementation of even stricter regulations for the entire sector. Authorisations and permits from the authorities are also expected to become stricter, which may affect industrial activity.

d) Climate change risk

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

To try to mitigate the effects of these abnormal weather incidents, the Ercros Group's factories have plans in place to mitigate the adverse effects on activities caused by heavy floods of water, power cuts or delays in the transport of goods.

e) 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.

In 2020, a new public benefit surcharge procedure was initiated in connection with past exposure to asbestos. The Group has recognised provisions for the amounts it expects could be claimable in the legal proceedings for which a ruling has yet to be handed down.

f) Human resources risk

In 2020 the covid-19 epidemic posed a risk from the point of view of human resources. This disease could lead to permanent redundancies due to disability or death and many localised 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 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.

Human resources risk also mostly notably includes the risk of low productivity due to the high rate of staff absenteeism (4.5% in 2020), 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, flexible working hours, etc.; (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.



7

CONTRIBUTION TO
THE SUSTAINABLE
DEVELOPMENT
GOALS ("SDGs")



SUSTAINABLE DEVELOPMENT GOALS



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.

The SDGs set an action plan to benefit people, the planet and prosperity

The Ercros Group takes into consideration the fulfilment of the 17 SDGs, although the Group's activity has a particular impact on certain specific goals: SDG 6 - Clean water and sanitation; SDG 8 - Decent work and economic growth; SDG 9 - Industry, innovation and infrastructure; SDG 13 - Climate action; SDG 14 - Life below water; and SDG 15 - Life on land.

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

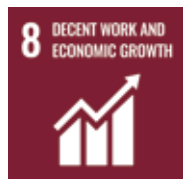
- 5. Business model
- 10. Environmental matters
- 13. Supply chain



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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



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

Chapters

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

8

RESPECT FOR HUMAN RIGHTS



8.1. Materiality of the chapter

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

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



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 CSR Policy

The Group assumes the principles of social responsibility set out in the corporate social responsibility ("CSR") policy, which was updated in 2020 to include references to the criminal risk prevention manual; respect for tax regulations and the criteria of judicial and administrative bodies; a culture of respect for diversity, equality at work and non-discrimination; and Ercros' firm commitment to decarbonisation and circular economy principles.

The guiding principles of the Ercros Group's CSR policy are as follows:

- Comply with current law, including international standards and guidelines; good corporate governance recommendations; internal regulations; and voluntary agreements.
- Support human rights and public freedoms.
- Collaborate with the justice system and implement mechanisms for monitoring policies and for the prevention and supervision of financial and non-financial risks.
- Facilitate a tax strategy 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 at work and non-discrimination.
- Protect the health and safety of employees at the workplace and their environment.
- Preserve the environment, with a firm commitment to the decarbonisation the Group's activities, prevent pollution and promote circular economy principles, reducing the consumption of raw materials and natural resources.
- Provide truthful, clear and complete information about the Group 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.
- Look after the interests of shareholders and ensure compliance with their rights.
- Build trust in society through cooperation and maintain an open, ongoing and transparent dialogue.

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.

In 2020 almost all the Group's staff had already signed the code of ethics; in the case of new hires, employees receive training on the code and then sign it.

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.

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

c) The whistle-blowing channel

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

In 2020, no complaints were filed through the whistle-blowing channel (one complaint was filed through this channel in 2019).

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 Feique (*Federación Empresarial de la Industria Química Española* - Business Federation of the Spanish Chemical Industry).
- 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 2019 report presented by Ercros in 2020 was classified as "advanced".
- The CSR guide for in the chemical and life sciences industry: promoted by Feique in collaboration with Forética, this guide contains 183 indicators, with a compliance level of "excellent" that is explained in chapter 16.
- The EcoVadis CSR rating, the goal of which is to improve businesses' environmental and social practices by taking advantage of the influence of global supply chains. In 2020 the Group obtained Platinum classification with 81/100 points (2019: 77 points), placing the Group among the top 1% of companies.

The Group makes voluntary commitments with more ambitious objectives than those legally required

-
- The code of good governance for listed companies ("CGG"): approved by the CNMV, the CGG contains 64 recommendations, 12 of which are not applicable to Ercros. Of the remaining 52 recommendations, it complies with 50. In terms of the other two, it partially complies with one and can explain its non-compliance with the other. In 2020 the degree of compliance with the recommendations contained in the CGG for listed companies applicable to the Group stood at 96.2% (2019: 94.2%).
 - The 19th general collective agreement for the chemical industry for 2018-2020: the declaration of principles of article 118 of the aforementioned agreement establishes "'Respect for People' as a prerequisite for individual and professional development, with its most immediate reflection in the principles of 'Respect for Legality' and 'Respect for Human Rights', regulating the activity of all people in the exercise of their duties, requiring them to apply appropriate, respectful and dignified treatment, guaranteeing the safeguarding of fundamental labour rights, dignity, personal privacy and equality."
 - Sustainability management systems: The Group applies management systems in its facilities that are accredited by independent companies, following internationally recognised standards that are verified and renewed annually. Specifically, the ISO 14001:2015, UNE-EN ISO 14064-1:2012 (in transition to the 2018 version), UNE-EN ISO 50001:2018 and EMAS standards are applied in environmental matters; the UNE-EN ISO 9001:2015 standard in quality matters, and the ISO 45001:2018 standard in occupational health and safety matters.

8.4 Relations with sensitive geographical areas

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

All its production facilities are located in Spain, which in turn was the destination of 48% of sales in 2020. The Group exported 30% of sales to other countries in the EU and 11% to other Organisation for Economic Co-operation and Development ("OECD") countries, while the remaining 11% went to countries in the rest of the world, with India and China leading the way. In 2019, 52% of sales went to the domestic market, while exports were distributed as follows: 28% to other EU countries, 9% to other OECD countries and 11% to the rest of the world.

With regard to purchases, 64% of procurements and supplies come from Spain; 17% from the EU; 6% from the OECD and 13% from countries in the rest of the world.

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

These requirements are at the top of the first rules contained in the code of ethics. In order to ensure compliance by stakeholders, the Group carries out campaigns to inform about and comply with the code of ethics. More specifically:

- Agreements with suppliers of logistics, goods and services contain a clause whereby they undertake to abide by their own code of ethics or the Group's code of ethics in their interactions with the Ercros Group. 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.
- The Ercros Group's code of ethics includes the requirements that commercial transactions with foreign companies must meet.

The Group ensures that its stakeholders respect and protect human rights and public freedoms

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 vigilance to avoid incurring 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.

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

Another mechanism to ensure vigilance is the procedure for registering suppliers, which requires that suppliers' reputations be analysed.

In 2020, 16 reputational reports were drawn up: 11 for raw materials companies, and the remaining 5 for facilities, and service, warehousing and transport companies, all of which were favourable. With the reports prepared in 2020, the Group has covered the reputational analysis of suppliers that represent 47% of the amount of total purchases in 2020.

In 2021 the Group aims to carry out reputational analyses of 12 suppliers representing up to 54% of total expenditure in 2020.



9

**FIGHT AGAINST
CORRUPTION
AND BRIBERY**

9.1 Materiality of the chapter

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

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



9.2 Main actions

In 2020 the Ercros Group drew up a zero tolerance policy for 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. This policy has been drafted and is pending approval, which will take effect in 2021.

In 2020 the compliance committee drew up an action protocol in the event of an unscheduled inspection at the company's facilities, which proposes guidelines for action to facilitate the work of the inspectors while safeguarding Ercros' interests.

The Ercros Group has also carried out self-assessment questionnaires for the heads of the company's various departments in order to verify and monitor whether the current criminal risk prevention model meets the legally established prevention tasks; in addition, these questionnaires will enable the criminal risk map to be updated.

9.3 The corporate social responsibility policy

The CSR policy most notably includes the following among the principles related to the fight against corruption and bribery assumed by the Group: (i) compliance with the current law; (ii) cooperation with the law; (iii) implementation of mechanisms for the prevention and supervision of financial and non-financial risks; and (iv) adoption of responsible practices in the supply chain.

The CSR policy reflects the principles related to fight against corruption and bribery assumed by the Group

9.4 The code of ethics

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

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

9.6 The criminal risk prevention manual

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

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

9.7 The criminal compliance policy

The criminal compliance policy, which 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.

The internal audit service proposed 39 recommendations for improvement of which 34 have already been implemented

9.8 The internal control system

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

- The International Financial Reporting Standards ("IFRS") Committee that conducts a monthly analysis of the different items of the Ercros Group's financial statements, as well as the implementation of the new IFRS and their impact on the Group's financial statements.
- Controlling the monthly closure of Ercros Group, aimed at checking the main items of the balance sheet and the income statement based on a monthly questionnaire reporting that the closing procedures of the different areas of the organisation that may have an economic impact on the Group's financial statements have been performed correctly.
- The Ercros risk alert system, 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 2020 the internal audit service, which provides a systematic and disciplined approach to assessing and improving the effectiveness of risk management, control and governance processes, carried out ten audits, resulting in 39 recommendations for changing or improving operating procedures. Before the end of the year, 34 of these measures had been successfully implemented.

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

In 2020, as in the previous year, 99% of the payments made by the Ercros Group were supported by a prior order or agreement; this high percentage reflects the Group's control over the economic transactions it carries out and is a result of the financial transparency with which it operates.

9.9 The compliance committee

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

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 2020 the compliance committee met nine times (the same as in 2019) and implemented 100% of the assigned tasks, which included the preparation of the criminal risk prevention manual, the conflict of interest procedure and the criminal compliance policy; updating the code of ethics; and adherence to the code of good tax practices.

Likewise, in 2020, the compliance committee provided training on the prevention of criminal risks to all corporate departments, with the aim of raising awareness among workers of the prevention of criminal risks, as well as reporting information on the content of the code of ethics and the whistle-blowing channel.

The compliance committee ensures staff enforcement with the code of ethics

9.10 Tax litigation and disputes

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

However, occasionally, the tax authorities use criteria 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.

In 2017 Ercros submitted a statement of defence to the Central Economic-Administrative Tribunal ("TEAC") contesting the definitive tax assessment issued by the tax authorities after their review of the Aranjuez factory due to the exemption applied on the consumption of ethyl alcohol used to manufacture medicine in 2011 and 2012 amounting to EUR 5,300 thousand, of which EUR 4,488 thousand relates to the tax rate and EUR 812 thousand to late-payment interest. On 5 February 2020, the TEAC dismissed this appeal; Ercros has filed an appeal with the judicial review chamber of the National Appellate Court against this ruling that rejects the claim filed by Ercros against the settlement agreement of 6 July 2015, which dismissed the appeal for reconsideration filed against the settlement agreement. A ruling has yet to be handed down.

In accordance with the CNMV's notice of 25 November 2019, Ercros reports that on 12 February 2020, the headquarters and Vila-seca I and Vila-seca II factories were searched by Tarragona Criminal Investigations Court no. 2, the investigation of which is currently confidential. In accordance with the good governance practices established by the Company, the audit committee initiated an internal investigation that included a forensic analysis by an independent external company. As the investigation is still confidential, it is not possible to objectively assess the consequences and impact, if any, that may arise from the investigation.

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 pleadings submitted, 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 administrative appeal was filed with the TEAC, which was dismissed on 11 June. On 11 August an appeal was filed with the judicial review chamber of the National Appellate Court and on 13 January 2021 the appeal was submitted.

With reference to the corporation tax assessment for 2012, 2013 and 2014 signed on a contested basis, which 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, the reduction in the tax credit has been reduced to EUR 921 thousand. However, the Company filed an administrative appeal with the TEAC and the corresponding pleadings were submitted on 1 August 2019. On 20 January 2021, the TEAC dismissed the administrative appeal against this ruling. The Group will file an appeal for judicial review with the judicial review chamber of the National Appellate Court.

10

ENVIRONMENTAL
MATTERS

TK-002

EDAR
ESTACIÓN DEPURADORA
AGUAS RESIDUALES

Agencias Instalaciones
y han construido
en el sector de

10.1 Materiality of the chapter

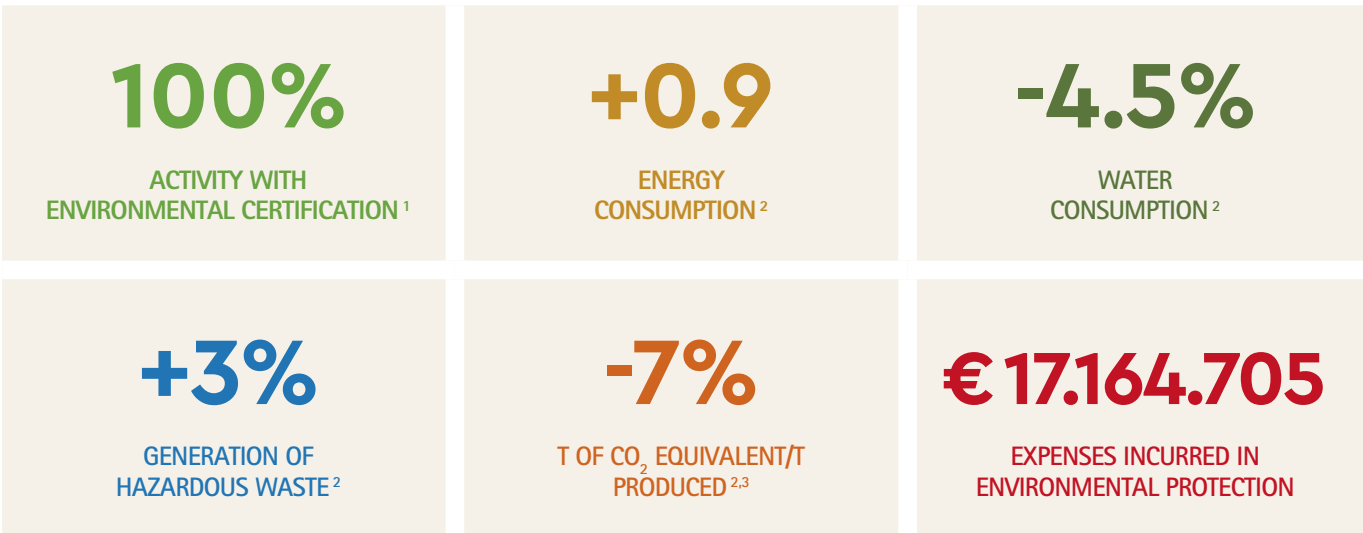
The Ercros Group incorporates environmental criteria in its decision-making and works to minimise its potential adverse effects on the environment. It monitors its impacts, establishes safer and more efficient management models, and analyses and mitigates the environmental risks to which it is subject.

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



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

² Percentage increase/decrease between 2019 and 2020 (units/tonnes produced).

³ Pending external verification.

10.2 Environmental management

The Group's environmental management is aimed at protecting the environment and preventing the effects of the industrial activity on the environment. This is achieved by implementing the most advanced technologies and improving the production processes to reduce emissions to air and water at the source; making the most rational use of energy and raw materials; applying the most suitable waste treatment 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, as well as the procedures and plans arising from the policy; and, on the other hand, the Responsible Care programme.

The body responsible for managing sustainability is the Ercros committee for sustainable development, 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 code of ethics, which contains the rules that Ercros Group staff must comply with in relation to environmental protection: (i) identify and communicate any actual or potential situation that may affect the environment; (ii) consider the risk of damaging the environment before carrying out any operation; (iii) promote the reduction of emissions, discharges and waste generated; (iv) promote the rational use of energy and natural resources; and (v) have all the licences and authorisations required to carry out any activity within the Ercros Group.
- The sustainability policy, which provides the reference framework that governs the Group's actions in terms of sustainability. The purpose of this policy is to protect people and the environment, together with other fundamental pillars such as occupational health and safety, energy efficiency, product stewardship and the satisfaction of customer's needs.
- The sustainability policy is implemented through the sustainability manual that sets out the basic guidelines for the management system, from which arise the general corporate procedures that form the basis for the specific documents for each workplace.
- The sustainability plan, which establishes the annual environmental objectives, among others.
- The energy policy, that is committed to applying sustainability and social responsibility principles in the factories, and that considers energy management as one of the Group's basic management principles. 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.

In addition, the Group has procedures to regulate the training of the people working at its facilities; internal communication; staff awareness, consultation and participation, and the filing of complaints on breaches of the code of ethics through the whistle-blowing channel, among others. In 2020, 10 general sustainability procedures were reviewed, including the change management procedure, and both internal and external communication procedures.

With regard to external stakeholders, the Group has a procedure — the public service hotline — that regulates the submission of complaints, reports and suggestions for improvement. No complaints, reports or suggestions were received through this communication channel in 2020.

b) Environmental certifications

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

- The UNE-EN ISO 14001:2015 ("ISO 14001") standard, accrediting the implementation of an environmental management system that promotes the protection of the environment and the prevention of pollution. Since April 2009, all the Group's industrial facilities have been certified in accordance with this standard.
- The European Eco-Management and Audit Scheme ("EMAS") registration system is a voluntary regulation that accredits companies that have a defined environmental policy and regularly report on the operation of that system by means of an environmental declaration verified by independent bodies. The Monzón, Sabiñánigo and Tortosa factories, and the three integrated facilities in the Tarragona 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.

c) Adherence to voluntary programmes

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

- The Responsible Care programme, an initiative of the global chemical industry that in Spain is promoted by Feique, designed to establish a preventive policy the objective of which is to avoid and control the environmental impact of companies' facilities and operations, in accordance with the best environmental practices of the chemical industry.
- The Global Compact, promoted by the UN, principles 7, 8 and 9 of which establish that "Businesses should support a precautionary approach to environmental challenges", "Undertake initiatives to promote greater environmental responsibility" and "Businesses should encourage the development and diffusion of environmentally friendly technologies", respectively.

- The Operation Clean Sweep programme to achieve zero pellet loss, an action plan promoted by the EU that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.
- The ECVI 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, reducing their environmental impact.
- The RE4Industry project, under the European Horizon 2020 framework promoted in Spain by the Ministry of Science and Innovation, for the promotion of 100% renewable energy in energy-intensive industries.
- The VinylPlus commitment, signed by Europe's leading PVC manufacturers to develop more environmentally responsible ways of producing, using and recycling PVC.

d) Environmental investments, expenses and grants

In 2020 the Group made investments aimed at environmental improvement and protection, including most notably those relating to the changeover to membrane technology at the Sabiñánigo, Vila-seca I and Vila-seca II factories, and various investments in the prevention of soil and groundwater pollution, and the monitoring and control of emissions and discharges, amounting to a total of EUR 5,390 thousand (2019: EUR 8,512 thousand).

The expenses incurred by the Group for the protection and improvement of the environment in 2020 amounted to EUR 17,165 thousand (2019: EUR 18,804 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental regulations on reducing emissions and soil remediation.

In 2020 the Group received grants: (i) for greenhouse gas emission allowances amounting to EUR 5,357 thousand (2019: EUR 4,936 thousand); (ii) for compensation for indirect greenhouse gas emission costs arising from electricity consumption in 2019 amounting to EUR 2,295 thousand (2019: EUR 6,056 thousand); and (iii) for energy savings amounting to EUR 1,643 thousand (2019: EUR 472 thousand).

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 law through Law 5/2013, requires that the integrated environmental permits be adapted at all facilities to which it applies and requires that the best available techniques ("BAT") be applied in production processes within four years of publication of the BAT conclusions obtained from the reference documents on the best available techniques (BAT reference documents) applicable in each case.

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

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

The application of the BAT reference documents 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. The vast majority of the actions have been completed. In the case of the water treatment plant promoted by Aitasa and in which several companies in Tarragona's southern industrial zone have an interest, a project of which Ercros forms part, a notice has been sent to the authorities informing them of the delay in the execution of the project for reasons beyond Ercros' control.

The environmental permits for the Almussafes, Aranjuez, Tarragona, Vila-seca II and Tortosa plants are in the process of being brought into line with the new BAT reference documents.

b) Greenhouse gas emissions

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

In 2009 the European Parliament and the Council amended the aforementioned directive to include the 2020 target of reducing the level of emissions by 20% with regard to 1990 levels. This amendment was transposed into Spanish law through Law 13/2010.

This legislative package establishes the rules for the allocation of free allowances and implements a new auction system.

In 2014 the European Council made a commitment to reduce global greenhouse gas emissions by 40% by 2030 compared to 1990 levels. All economic sectors must contribute to achieving this reduction, which, for the sectors covered by emission allowance trading, translates into a reduction target in 2030 of 43% of emissions below 2005 levels.

Based on this legislative package and in accordance with the resolution from the undersecretariat of state for the Environment of 18 November 2014, the Group has 1,944,959 European Emission Allowances ("EUA") allocated to it at zero cost for the 2013-2020 period, of which 211,285 EUA correspond to 2020 (2019: 215,734 EUA). It should be noted that the Flix factory was not involved in the emission allowance trading market in 2020, as it reduced its production and did not reach the minimum required to be included.

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 law the new developments affecting emission allowance trading in the new trading period that begins on 1 January 2021 (Phase IV: 2021-2030).

In 2019 the facilities included in the emission allowance trading system submitted the application for the allocation at zero cost of emission allowances for the aforementioned period. The update of the benchmarks by the European Commission, which are necessary for the final calculation of the allocation, has yet to be approved. The final allocation is expected to be published in mid-2021.

Furthermore, in 2020 the European Commission published the Guidelines on certain state aid measures in the context of the greenhouse gas emission allowance trading scheme post-2021, in which a new list of eligible sectors for the purpose of charging indirect emissions costs is published. The codes NACE 20.14 of manufacture of basic organic chemical products and NACE 20.15 of manufacture of fertilizers and nitrogen compounds are no longer included on the list of eligible sectors that can apply for this type of aid, which means that both Vila-seca II, as well as Almussafes and Tortosa, will no longer receive the grant for indirect CO₂ costs. The Vila-seca I, Flix and Sabinánigo 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 aforementioned law, all pollution or alteration in the soil that occurred prior to 28 August 1994 is considered historical. In relation to the soil affected by historical pollution, the measures adopted must focus on restoring the functions specific to the soil's use when it was contaminated. Where applicable, the contaminated soil may be contained or confined if it is demonstrated that other solutions are technically or economically impossible. This law clarifies and conditions the actions that the authorities may impose with regard to restoring the soil of historical industrial sites located in Catalonia.

In 2020 provisions were made for various environmental remediation activities amounting to EUR 2,662 thousand (2019: EUR 6,662 thousand).

(i) Remediation of industrial soil

Over the past year, the Group continued with its characterisation and remediation work on the soil at the Aranjuez, Flix, Vila-seca I and Vila-seca II factories in accordance with the projects submitted to the 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, also with the approval of the authorities, work is being carried out to improve the aquifer on the land the Group holds at the premises of the former Palos de la Frontera factory.

(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"). The land clearance and revegetation included in phases 1 and 2 were carried out in 2020.

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

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

(iii) El Hondón land

It has been almost 20 years since Ercros, after reaching agreements with the authorities, released the El Hondón land from its historical industrial activity and 16 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 and purchase agreements and the urban planning of the subdivision plan still in force, 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 Reyat 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 in front of Reyat Urbis of the decontamination of the plots awarded to it in the subdivision project. To cover the costs of this obligation, at 31 December 2020, 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 Reyat Urbis in the reparcelling 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, 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 than residential use.

The designation of Ercros as the party primarily responsible for the remediation of the El Hondón land for industrial use does not prevent Ercros from passing on the aforementioned costs to the landowners.

After considering that the ruling that declared the soil to be contaminated was not in accordance with the law, Ercros filed an appeal that was then dismissed by a resolution of the Regional Minister of Water, Agriculture, Fisheries and the Environment of the Region of Murcia on 5 June 2020. This resolution repeats Ercros' obligation to proceed with the clean-up and recovery of the site to acceptable risk levels for industrial use. Ercros has challenged this resolution of the Regional Ministry in judicial review proceedings. Despite the judicial appeal, on 1 July 2020 Ercros submitted the technical project for the cleaning and recovery of El Hondón in order to comply with the obligation established in the resolution on the declaration of contaminated soil. In addition, Ercros then put up perimeter fencing around the site after reaching an agreement with the Municipal Council of Cartagena.

On 3 December 2020, Ercros received a communication from the Directorate General for the Environment of the Region of Murcia ordering the Company to rectify the remediation project in accordance with the technical report of the Environmental Inspection and Control Service, which serves as the basis for the order to rectify the project. On 5 February 2021, an appeal was filed against this order with the regional minister of the Environment of the Region of Murcia.

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.

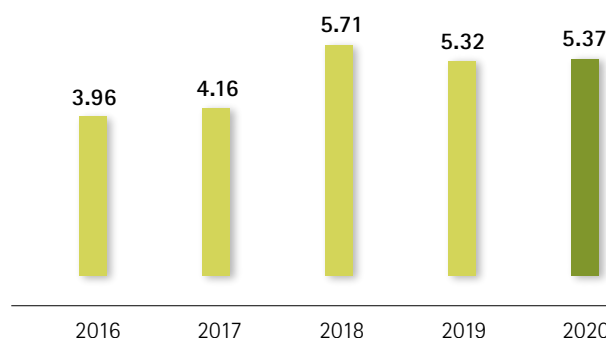
10.4 Environmental indices

The analysis of environmental indices shows that environmental performance in 2020 was similar to that of the previous year, with fluctuations that are typical in production processes. The Ercros Group continues to focus its efforts on reducing its impact on the environment, as can be seen below.

Consumption:

Energy ¹

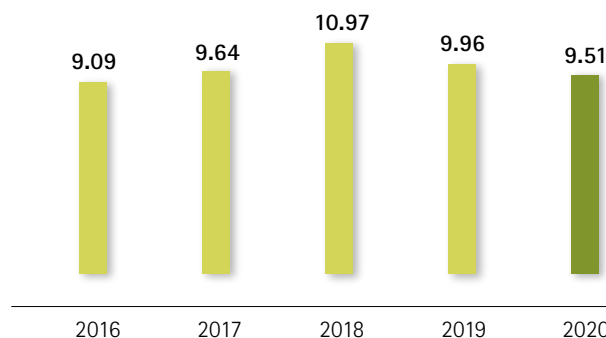
GJ/T PRODUCED



¹ Energy consumption includes electricity and fossil fuel consumption.

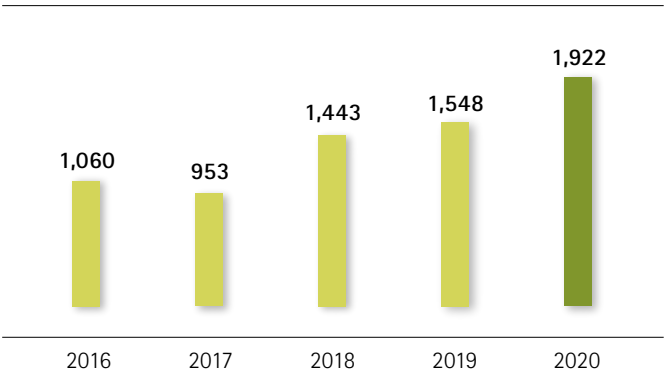
Water

M³/T PRODUCED



Emissions:

Emissions index¹

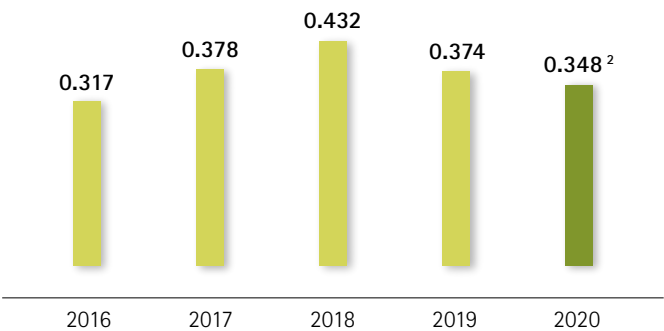


¹ The emissions index is calculated based on data on emissions to air and water, the waste generation at each production facility and on factors that depend on the danger of the environmental impact of the products involved.

In 2018 new compounds were included in the formula for calculating this index, which led to an increase in the index after that year. In 2020 the emissions index increased due to process-related fluctuations, with no significant increase, in absolute terms, for any particular compound.

Greenhouse gases¹

T OF CO₂ EQUIVALENT/T PRODUCED



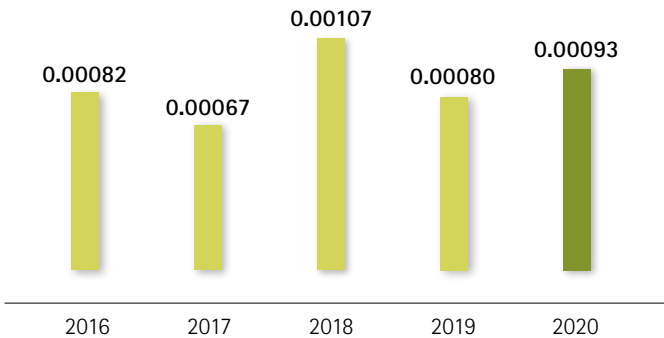
¹ Direct and indirect emissions of CO₂ equivalent (Scope 1 and 2).

² Pending external verification.

In 2020 the direct and indirect greenhouse gas emissions, calculated in accordance with ISO 14064 guidelines, in absolute terms, amounted to 430 thousand tonnes of CO₂ equivalent and are pending verification (472 thousand tonnes of CO₂ equivalent verified in 2019).

Volatile organic compounds ("VOCs")

T/T PRODUCED

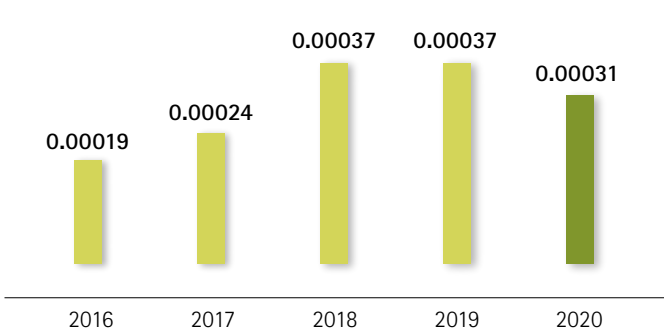


In 2020 emissions of volatile organic compounds increased slightly, due to process-related fluctuations, but remained at the same level as in previous years.

Discharges and waste:

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

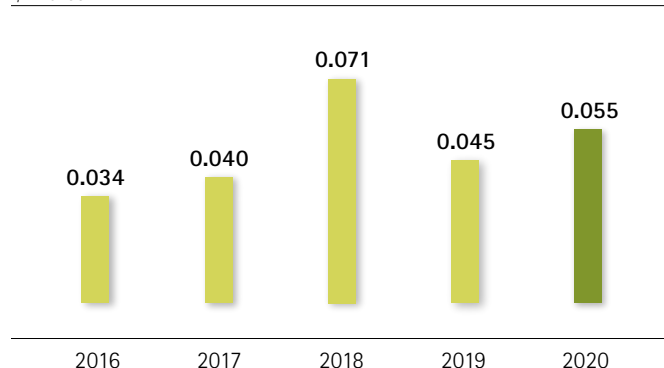
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Waste by type and method of elimination:

Generation of total waste

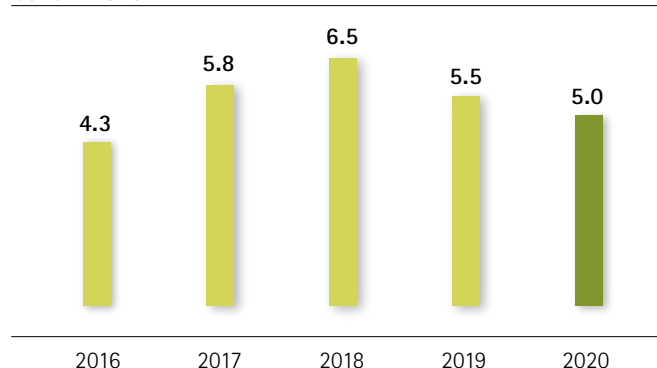
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In 2020 the amount of total waste generated per production unit increased as a result of the waste generated in the decommissioning of facilities that are no longer in use that is being carried out at some sites.

Recovered waste out of total waste generated

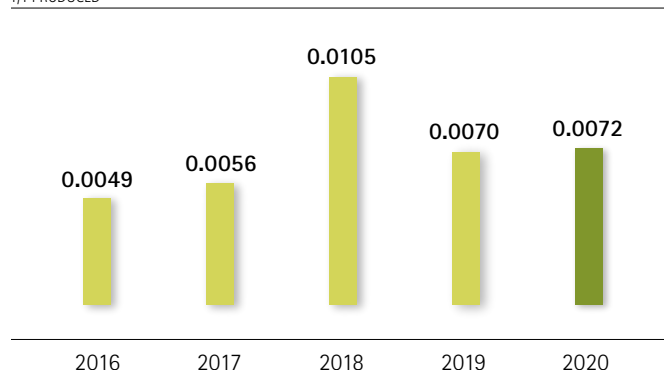
% OF TOTAL WASTE GENERATED



The percentage of waste recovered as a percentage of total waste generated decreased compared to the previous year, although, in absolute terms, the total amount of waste recovered increased by 8%.

Generation of hazardous waste

T/T PRODUCED



In 2020 the amount of hazardous waste generated per production unit increased slightly as a result of process-related fluctuations.

10.5 Environmental impacts

a) Pollution prevention measures

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

(i) Water pollution

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

(ii) Air pollution

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

(iii) Noise and light pollution

In order to minimise the impact of the noise and light created by its facilities, the Group has: (i) shielding of focal points of acoustic emission; (ii) enclosure of the equipment with the highest noise emissions; (iii) placement of silencers on equipment and maintenance thereof; and (iv) programmes to eliminate mercury-vapour lamps and install sodium-vapour lamps or LED lights.

b) Circular economy

(i) Sustainability of consumption and sustainable use of resources

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

At the end of 2017, the Group switched to membrane technology in the chlorine manufacturing processes, which is more efficient in terms of electricity consumption (~22% MWh per unit of chlorine produced). In relation to energy efficiency, the facilities that account for the largest portion of energy consumed (Sabiñánigo, Tarragona, Vila-seca I and Vila-seca II) are ISO 50001 certified.

In 2019 the Group joined the RE4Industry project for the promotion of 100% renewable energy in energy-intensive industries.

In 2020 Ercros adhered to the climate action commitments to curb global warming, established by the Catalan government after a climate emergency was declared in 2019 in this autonomous community. 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 is currently exploring Power Purchase Agreements ("PPAs"). At the same time, progress is being made in studying the possibility of installing photovoltaic panels on land owned by Ercros that is not currently used for any industrial activity. With these measures, the Group's strategy is to reduce energy consumption and the future cost of this supply, and to ensure that it comes from renewable sources to be in a position to meet the decarbonisation goal set, which is in line with the

draft Spanish National Integrated Energy and Climate Plan and reinforce the recent Government Declaration on the climate and environmental emergency, in keeping with the targets set by the European Commission in the Green Pact.

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

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

(ii) Waste prevention and management

The Group carries out significant actions in relation to waste management and prevention, such as: (i) changes in the processes to minimise waste; (ii) improvements in planning processes to minimise losses of raw materials and products; (iii) the installation of a solvent recovery plant for reuse in the Aranjuez facility; (iv) the prioritisation of the procurement of raw materials in bulk to minimise packaging waste; and (v) the construction of two mercury storage facilities, in accordance with regulations on the storage and transport of this product, where the mercury recovered from the dismantled electrolysis plants has been deposited, pending its management in the authorised inerting plants.

c) Fight against climate change

In 2020 Ercros adhered to the climate action commitments to curb global warming, established by the Catalan government. Ercros is therefore committed to: (i) achieving carbon neutrality of its CO₂ emissions by 2050; (ii) broadening its knowledge of the climate impact of its activity; (iii) disseminating and promoting the climate commitment in its organisation; (iv) promoting the energy transition of its activity; (v) reducing the climate impact of the mobility generated; and (vi) gradually adopting circular economy principles.

To achieve these objectives, Ercros will expand the measures already being carried out by appointing a climate action coordinator within the organisation. Ercros 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 include its commitment to the fight against climate change in its code of ethics; include climate aspects in staff training; implement a plan to increase energy efficiency in its production activity, with quantifiable objectives; and design the digitalisation of its activity as a useful means of reducing climate impact.

As a company in the industrial sector, Ercros will adhere to the climate commitments adopted by the business organisations in its sector on a European scale; 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 with regard to climate action. The Group's facilities carry out a series of actions, which include: (i) replacing fuels with others with lower greenhouse gas emissions, whenever possible; (ii) improving manufacturing processes to reduce energy consumption; (iii) controlling leaks in refrigeration equipment and replacing those that do not comply with the standards; (iv) consuming the waste hydrogen from the processes as fuel for the boilers; (v) replacing equipment with others that are more efficient in terms of energy consumption; (vi) conducting energy audits; and (vii) annual verification of emissions by an accredited entity.

The Group continued 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 their environmental impact, if applicable; and is a Gold member of Fundación Empresa y Clima ("FEC"), a private institution that is a reference for climate change mitigation in companies.

d) Accidents with environmental consequences

In 2020 there were no incidents or accidents at the Group's factories with environmental consequences.

On 30 July, an accident took place when a truck carrying caustic soda went off the road and fell down an embankment. The accident did not have any consequences for the driver or any impact on the environment.

10.6 Litigation and sanctions

In 2020 and up to the date of approval of this CSRR on 19 February 2021, the following significant lawsuits were filed or new developments took place in relation to the main lawsuits of environmental importance for which a ruling has yet to be handed down:

a) In relation to the Cardona factory

- There are currently several proceedings at different stages for which the High Court of Justice of Catalonia ("TSJC") 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

- The appeal for judicial review filed by Ercros before the TSJC against the ruling of the Catalan government on the Integrated Environmental Authorisation ("IEA") of the Cerdanyola factory was upheld by the judgment dated 30 September 2019. The Catalan government has filed an appeal to the Supreme Court against the aforementioned judgment, by means of a claim filed on 17 June 2020.

The purpose of the appeal is to void the 20 mg/m³ formaldehyde emission limit – now rendered null and void by the judgment – 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 12 November 2019, the Secretariat for the Environment and Sustainability of the Catalan government appealed to the Supreme Court against the decision in favour of Ercros in relation to the immaterial modification of the IEA for the Cerdanyola factory for the unification of the sources of emissions of gases into the atmosphere. As in the preceding case, the emission limit for formaldehyde contained in this decision was challenged, as well as the emission limits for VOCs and TOC that were voided by the judgment. Ercros filed a notice of opposition to the appeal to the Supreme Court and, finally, the Supreme Court dismissed the appeal through the judgment of 3 November 2020, confirming the court judgment.

c) In relation to the Sabiñánigo factory

- In relation to the disciplinary proceedings initiated by the Ebro river control authority (*Confederación Hidrográfica del Ebro "CHE"*) for exceeding the dumping limits for suspended solids and mercury established in the IEA of the Sabiñánigo factory, the sanction was considered to be minor and payment was made for the sanction contained in the proposed ruling, received on 12 August 2020, consisting of a fine of EUR 2,500.

d) In relation to the Flix factory

- Ercros filed an appeal with the TSJC challenging the ex officio review of the water tax for 2015. On 26 October 2020, the TSJC handed down a judgment upholding the appeal filed by Ercros.
- On 4 February 2020, Ercros filed an appeal for judicial review against the assessment of the dumping control tax issued by the Ebro river control authority for 2018. These proceedings were filed with the High Court of Justice of Aragon.

e) In relation to the Palos de la Frontera factory

- After carrying out all formalities agreed during the proceedings, by order of 7 July 2020, the Court of First Instance and Preliminary Investigation No. 2 of Moguer finally agreed to dismiss the proceedings initiated as a result of the complaint filed by the Public Prosecutor against Ercros, Electroquímica Onubense and Salinas del Odiel, for an alleged crime against natural resources and the environment. This dismissal was requested by Ercros and also by the Huelva Provincial Prosecutor's Office itself, in its report of 5 April 2020.

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

- On 12 February 2020, the Mossos d'Esquadra carried out an entry and search order at the Vila-seca I and Vila-seca II factories, and at the Company's headquarters located in Barcelona. During the course of this search, physical and electronic documentation of various executives of the Company was seized.

The proceedings are currently confidential, and on 14 December 2020 Ercros requested that this secrecy restriction be lifted, a request that was once again made on 1 February 2021.

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

- On 30 June 2020, an appeal for judicial review was filed challenging the ruling of the director-general for the Environment handed down on 16 October 2019, which declared that the soil of the El Hondón sector in Cartagena was contaminated. The judicial review proceedings were filed with the judicial review chamber of the High Court of Justice of the Region of Murcia.

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

10.7 Environmental protection activities**a) Main environmental activities**

The activities carried out in 2020 most notably include the following:

- Soil remediation at the Aranjuez, Flix, Vila-seca I, Vila-seca II factories, as well as work to improve the aquifer on the land at the former Palos 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). The mercury recovered from these facilities is stored in tanks suitable for transport, in a facility built specifically for this purpose in accordance with European regulations, for subsequent shipment to an authorised manager for inerting and disposal of the inerted product in salt mines, in accordance with European regulations. In the case of Flix, more than half of the recovered mercury has already been inerted in a specialised treatment centre.
- Improvement in the sealing of the floors and channels at the sodium chlorate plant in Sabiñánigo.
- 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 1,840 tonnes of CO₂ (2019: 2,671 tonnes) thanks to the logistical and operational improvements introduced in the transport of its goods [see chapter 13.3].

b) Protection of biodiversity

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

- In Flix, since 2001, Ercros has collaborated with and is a member of the Board of Trustees of the Sebes Nature Reserve, located opposite the factory. It is also a member of the Sebes management plan monitoring committee.
- In 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 paragraph 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 close-up photograph of a woman with brown hair, wearing a bright yellow lab coat and a small hoop earring. She is looking through the eyepiece of a microscope. Her left hand, adorned with a ring, is visible near the microscope's body. The background is a solid, vibrant yellow-green color.

11

STAFF
MATTERS

11.1 Materiality of the chapter

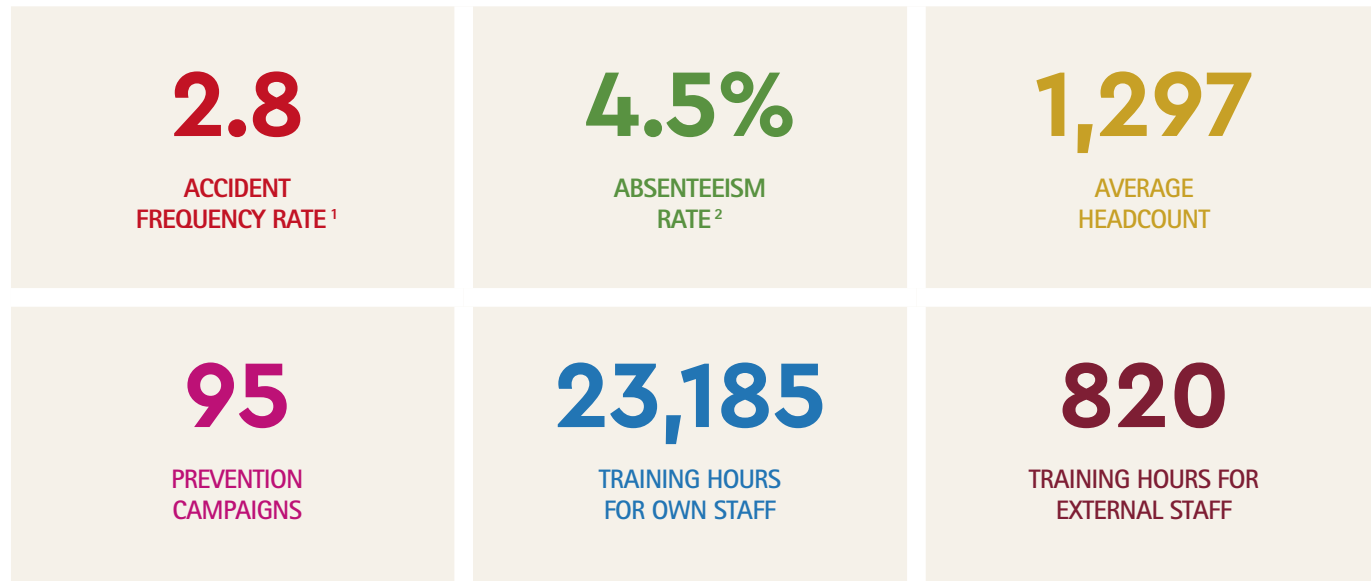
The Ercros Group's responsibility to its staff is focused on creating quality employment in a safe, healthy, diverse and inclusive environment that allows for the development of internal talent.

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Number of accidents with own staff on leave 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 19th general collective agreement for the chemical industry, management of the Group's human resources is based on the following principles: ensuring staff commit to the social responsibility principles; promoting their personal and professional development; adjusting their level of training to the business' needs; providing a working environment in which there are equal opportunities where discrimination and bullying is forbidden; and putting safety at work, prevention of occupational risks and the health of people before and above any business decisions.

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

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

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

In 2020, to deal with the coronavirus epidemic, the Ercros Group set up the covid-19 corporate monitoring committee ("CMC-19") and a monitoring committee at each facility that worked to minimise the risk of infection among the workforce and maintain the company's activity. The committees met regularly throughout the year to assess the efficiency of the measures taken and the need to adopt additional measures as the situation evolves.

The Ercros Group has promoted telecommuting, whenever possible, reinforcing the electronic tools necessary to maintain work activities remotely in a safe and efficient manner. Furthermore, at its factories, where the presence of employees is essential for its operation, it has implemented preventive measures to avoid infection: temperature measurement, reorganisation of work spaces, use of masks and hydroalcoholic gels, disinfection of surfaces, installation of screens, creation of entry and exit routes to reduce contact, ventilation, etc.

11.3 Staff description

In 2020 the Ercros Group's average headcount was 1,297 people, the same as in 2019. At year end, the Group's staff was composed of 1,304 people, 15 people more than in 2018.

Group's average headcount was 1,297, the same figure as the previous year

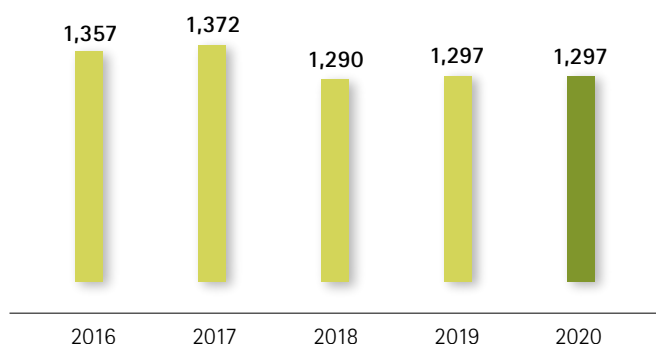
The presence of female employees in 2020 remained at levels similar to 2019 (17.0% in 2020 compared to 16.5% in 2019). The goal of equality is still a long way off, but the trend in recent years has been positive, thanks mainly to the generational change.

The distribution of the workforce by job category in 2020 was as follows: managers represent 2.2% of the workforce (the same percentage as in 2019); senior line personnel, 4.8% (2019: 4.9%); line personnel, 17.5% (2019: 17.6%); staff included in professional group 6 of the general collective agreement for the chemical industry ("CGIQ")¹, 7.8% (2019: 7.9%); staff of group 5 of the CGIQ, 13.2% (2019: 13.5%); staff of group 4 of the CGIQ, 41.1% (the same percentage as in 2019); staff of group 3 of the CGIQ, 11.4% (2019: 11.3%); and staff of group 2 of the CGIQ, 2.1% (2019: 1.5%).

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

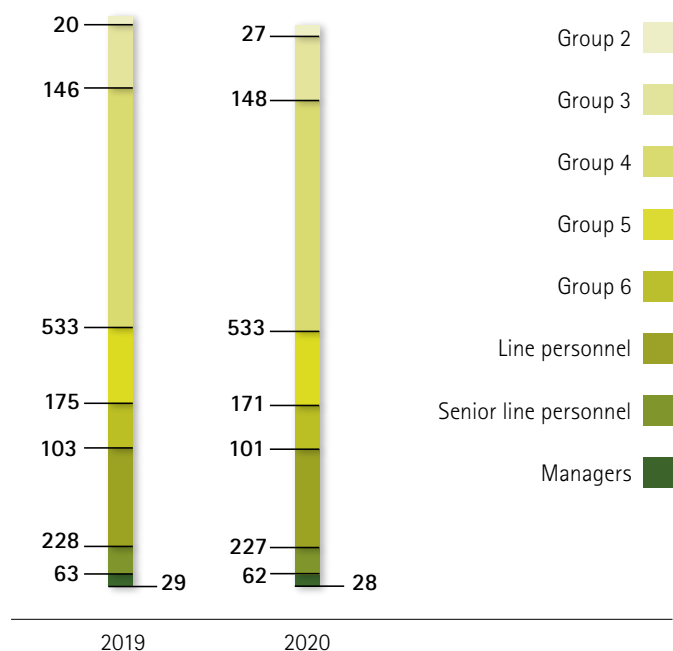
Evolution of average headcount

NUMBER OF PEOPLE



Average headcount by job category

NUMBER OF PEOPLE



At the end of 2020, 89.7% of the workforce had an indefinite-term contract (2019: 90.1%), revealing the high quality of employment offered by the Ercros Group. Likewise, the average length of service of Ercros staff in 2020 was 18.6 years (2019: 18.7 years). In 2020 and 2019, all jobs had a job description.

All the Ercros Group's workplaces are located in Spain, which is also where almost all staff are from: 96.5% of employees at the Group are Spanish (2019: 96.4%) and 3.5% come from other countries.

11.4 Union rights and relations

The regulatory framework governing the Ercros Group's working relationships is the 19th general collective agreement for the chemical industry in force for the 2018-2020 period. All Ercros employees are covered by this agreement.

The 1st agreement to improve the general collective agreement for the chemical industry approved by union representatives and Group management is also in force at the Ercros Group, the two main purposes of which are as follows: (i) to align the working conditions of the Ercros Group workforce, 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) to incorporate measures to improve labour relations such as

prevention, health and environmental protection policies, salary improvements, training plans, measures against absenteeism, equality plans, etc.

In 2020 union elections were held at the Tortosa facility in which UGT obtained four representatives; the Unión Sindical Obrera ("USO"), three representatives; and CC00, two representatives.

The Group has several standing committees composed 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 occupational health and safety management system in accordance with the ISO 45001:2018 standard on occupational health and safety management systems.

Throughout 2020, the facilities have successfully passed the certification audits that guarantee compliance with this standard. Therefore, the migration process from OHSAS 18001 to ISO 45001 can be considered completed.

a) Accident rate

The performance of the Ercros Group's accident rate in 2020 was not positive: the overall accident frequency rate ("OFR"), which measures the number of accidents with and without sick leave among own staff and external staff, stood at 4.0 compared to 2.5 in 2019; this figure also represents an 8% increase in the accident rate compared to the average for the last 5 years.

In 2020 the accident frequency rate among own staff stood at 2.8 compared to 1.4 in 2019; the data has also worsened among external staff who in 2020 had an accident frequency rate of 6.3 compared to 4.6 in the previous year. It should be recalled that 2019 was an exceptionally positive year in terms of accident rates.

By contrast, in 2020 the severity index, which measures the number of days lost due to accidents per thousand hours worked, was 0.19 (2019: 0.27).

Last year there were 13 accidents with medical leave and none without leave, compared to 8 accidents with leave and none without leave in 2019. Of these 13 accidents, 6 involved own staff (2019: 6 accidents) and 7 involved external staff (2019: 5 accidents).

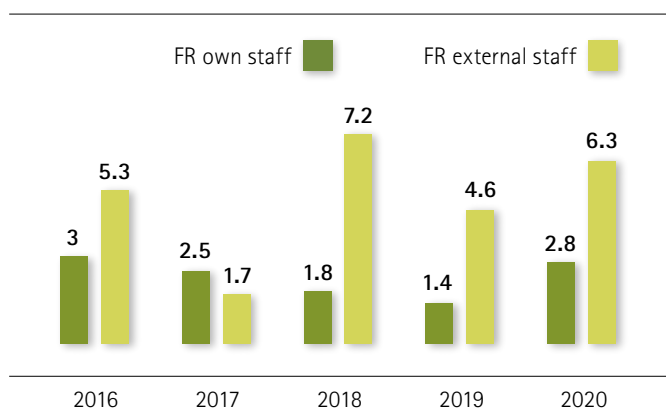
All accidents that occur in the Ercros Group's facilities are subsequently analysed to see if any improvements can be made in the safety measures applied. In 2020 this analysis showed that one of the basic common causes of most of the accidents was carelessness on the part of those involved in the accident, as well as failure to comply with the established procedure.

In 2020 the accident frequency rate among women working at the Ercros Group was zero; however, it should be noted that the presence of women is practically symbolic in the manual workers and service personnel category, which usually has the highest accident rates.

Each factory has an inter-company committee formed by representatives from the facility and contractors, which coordinates the activities related to prevention, the accident rate, management procedures, training plans, etc. In 2020 the inter-company committees held 21 meetings (2019: 19 meetings). Specific meetings were held in 2020 to deal with aspects related to managing the crisis caused by the covid-19 epidemic and to implement protocols aimed at minimising infection at the Ercros Group's workplaces.

The Group launches annual campaigns to raise awareness among staff of occupational safety. In 2020 the Ercros Group's own workers designed the safety campaign and thanks to a competition, 65 graphic proposals were submitted, with the winning proposal being "Safety is not a joke", submitted by an employee of the Tarragona complex and designed by her daughter.

Evolution of the accident frequency rate ¹



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

b) Absenteeism

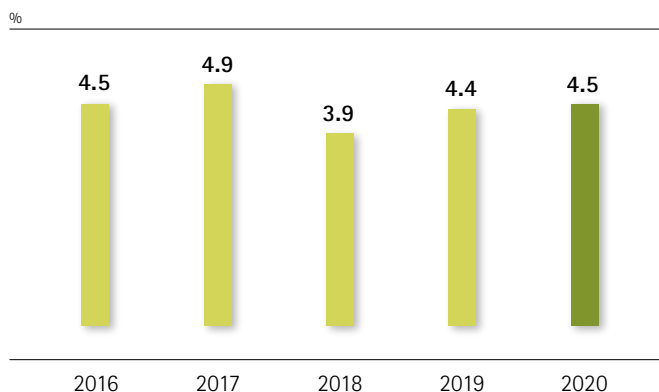
The rates of absenteeism due to common illness in 2019 and 2020 were very similar, increasing from 4.4% to 4.5%. These data show that the covid-19 epidemic has not had any particular impact on the absenteeism rates of the Group's staff.

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

In 2020 the absenteeism rate was higher among men, with 4.9%, than among women, which was 2.9% (2019: 4.9% among men and 2.5% among women). The total number of hours lost to absence from work due to common illnesses was 102,336 hours (2019: 100,592 hours).

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

Absenteeism rate ¹



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

The Group has carried out training courses and prevention campaigns related to the covid-19 pandemic

c) Prevention campaigns

In 2020 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 telecommuting. The courses and campaigns most notably include measures to prevent the spread of covid-19, SARS-CoV-2 preventive

measures at the workplace, healthy diet during lockdown, laptop risks, telecommuting risk self-assessment, use of masks or family reunions and the new normal.

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.

Accordingly, 2020 saw a significant increase in prevention campaigns: 95 in total, compared to 37 in 2019, involving 9,973 people, compared to 2,397 in 2019. Many of these campaigns were carried out remotely so that a larger number of people could participate.

Furthermore, a total of 109 courses on prevention were given in 2020 (132 in 2019), attended by 4,580 people (5,257 in 2019).

Courses taught in 2020

Participants		Participants	
Measures to prevent the spread of covid-19	1,304	Plan to reduce the accident rate	36
Preventive measures for SARS-CoV-2 at the workplace	381	Children's playroom at the office	29
Operational control at Ercros	289	Emergency response	27
Preventive measures for SARS-CoV-2 upon joining the workforce	270	Basic course on occupational risk prevention	21
Occupational risk assessment	259	Use and handling of self-contained breathing apparatus	20
Operation and use of fire extinguishers	231	Work tools	16
Fork-lift trucks	163	HAZOP risk analysis	15
First aid	140	Safety in chemical reactions	14
Laptop risks	123	Risks of formaldehyde and diphoteryne	12
Ergonomic data display screens	123	Company firemen	12
Healthy diet during lockdown	123	Transfer of chlorine tanks	10
ISO 45001: occupational health and safety	113	Ercros sustainability policy	9
Change management in occupational risk prevention	102	Lifeguards	9
Handling of chemicals	88	Safety instrumented systems ("SIS")	7
Safe driving at work	80	Loading and unloading of dangerous goods	6
Building evacuation	80	Safety when working at heights	5
Fire management in offices	80	Occupational risk prevention in the chemical sector	3
Safety in confined spaces	80	3D virtual practice on fall from heights	2
Use of oxygen therapy equipment (Emergency brigade)	70	Legionella: maintenance of facilities	2
Training for the intervention team	48	Explosive atmospheres	2
3D virtual practice in fire fighting	47	Prevention of and protection from combustible dust explosions	1
Initial training in occupational risk prevention	41	3D virtual practice on collapses in confined spaces	1
Basic life support ("AED")	41	Firefighting - 1st intervention team	1
Use of hoses	41	Occupational risk prevention master	1
		Advanced technician in ergonomics	1
		Work permits	1
Total		4,580	

Campaigns carried out in 2020

Participants		Participants	
Covid-19 poster campaigns	1,304	Feique Safety Awards	212
Telecommuting risk self-assessment	1,304	Frost protection recommendations	212
Flu vaccination campaign	830	Thyroid function test	212
Informational campaign on covid-19 prevention	568	Screening for rheumatological diseases	212
ISO 45001	455	Recommendations for a safe Christmas	212
Campaign on the use of masks	430	Protocol for returning from Christmas holidays	212
Campaign to prevent heat stroke, hydration and sun protection	403	Cardiovascular risk prevention campaign	177
Back school workshop	323	International occupational health and safety day	170
Campaign to prevent eye strain	323	Recommendations for the use of portable data display screens	149
Recommendations on family reunions and the new normal	323	Prostate cancer screening	139
Prevention cascade meetings	271	Recommendations for blocking equipment	105
Recommendations on telecommuting	249	Weight control campaign	86
World cancer day	230	Smoking prevention campaign	73
Healthy eating campaign	230	Mindfulness workshop	68
Colon cancer screening	224	Information on the conclusions of the psychosocial risk assessment	39
Recommendation on nutrition during lockdown	218	Campaign to control hyperglycaemia	10
Total		9,973	

d) 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 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 2020, a new public benefit surcharge procedure was initiated in connection with past exposure to asbestos. The Group has recognised provisions for the amounts it expects could be claimable in the legal proceedings for which a ruling has yet to be handed down.

e) Audits and drills

All workplaces periodically conduct safety audits and emergency drills. The drills involve both internal employees and external staff who regularly provide their services at the factories, as well as –occasionally– staff from other organisations and neighbouring companies. In 2020, 11 official drills (2019: 13 drills), 34 internal drills (2019: 45 drills) and 4 drills within the framework of the Spanish centre for emergency responses during the transport of dangerous goods ("Ceret") agreement, to provide assistance in the event of a road accident (2019: 5 drills), were performed.

f) Success stories

At 2020 year end, the Tarragona factory had completed 22 consecutive years without any accidents with leave among its own staff; the Monzón factory had completed 6, the Flix factory had completed 5; the Tortosa factory had completed 2, and the Almussafes factory had completed 1. The corporate offices in Barcelona have had 28 years without work accidents.

The Group's commitment to health and safety was recognised with the 2019 Safety Award, granted by Feique to the Aranjuez, Cerdanyola, Flix, Sabiñánigo 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 instrument in the human resources management model and is a response to its commitment to balance the personal expectations of its staff with the Group's needs and availabilities.

93% of the Group's workforce received training

In 2020, 93% of the Group's staff (the same percentage as in 2019) received training, with an average of 23.1 hours of training per person (2019: 31 hours).

Throughout the year, the Group organised 212 training courses that were attended by 3,164 participants for a total of 23,185 educational hours (2019: 5,704 participants received training on 611 training courses for a total of 44,008 educational hours). Of these courses, 113 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 536 people for a total of 11,428 educational hours. The restrictions imposed by the covid-19 epidemic and the greater number of staff telecommuting explain the decrease in training hours and the number of attendees.

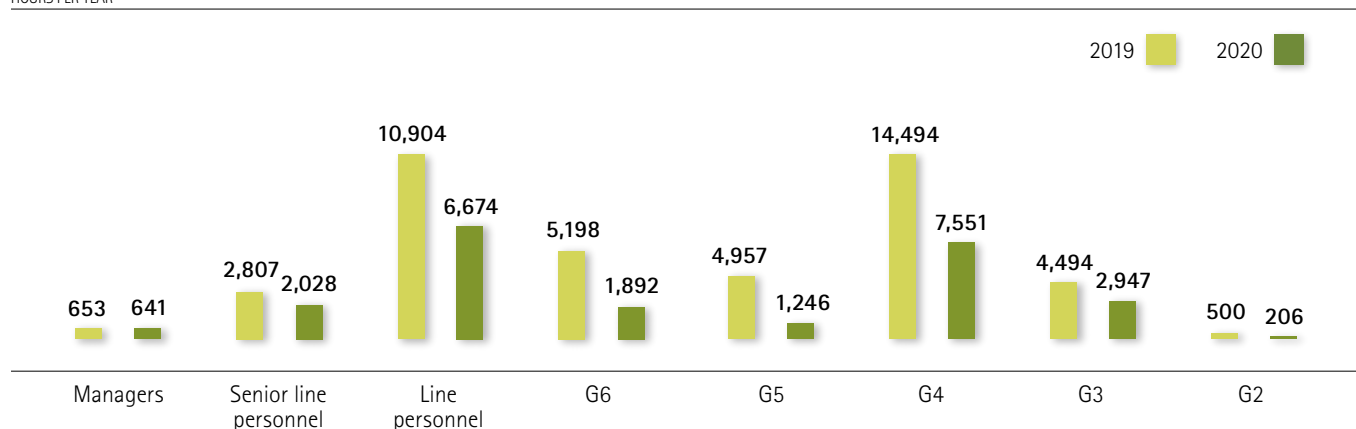
The expense incurred for training amounted to EUR 282 thousand (2018: EUR 337 thousand), of which EUR 162 thousand came from the subsidy granted by Fundae.

In 2020, managers received 641 hours of training (653 hours in 2019); senior line personnel received 2,028 hours (2,807 hours in 2019); line personnel received 6,674 hours (10,904 hours in 2019); those in professional group 6¹ received 1,892 hours of training (5,198 hours in 2019); those in group 5 received 1,246 hours (4,957 hours in 2019); those in group 4 received 7,551 hours (14,494 hours in 2019); those in group 3 received 2,947 hours (4,494 hours in 2019); and those in professional group 2 received 206 hours (500 hours in 2019).

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

Training by job category

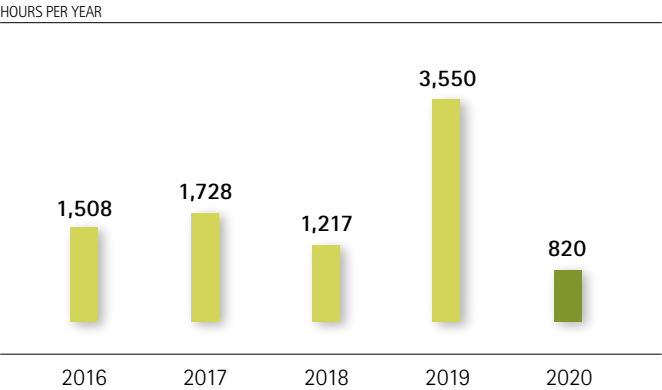
HOURS PER YEAR



The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2020, the staff of these companies received 820 hours of training (3,550 hours in 2019); the reduction in the number of hours is due, on the one hand, to the restrictions put in place as a result of the covid-19 epidemic and, on the other, to the fact that in 2019 the hours of training were abnormally high as a result of the greater number of courses at the Tarragona complex due to the implementation of a new authorisation system to be able to provide service at these facilities, which entailed enhancing the training in health, safety and the environment.

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

Evolution of the training of external staff



The training committee, comprising both representatives from the Group's management and the trade unions, meets annually, coinciding with the preparation of the training plan and, exceptionally, at the proposal of either of the parties. The training committees of the Group's workplaces held 17 meetings in 2020 (2019: 25 meetings).

The areas that receive the most attention in the training plan are technical and health prevention, logistics, specific training in the job position and technical development. In 2020 each employee received an average of 6.9 hours of training on safety and the environment (2019: 9.8 hours).

The Group provides all new hires with training that is relevant to their job position and a welcome manual that includes corporate information of general interest and specific information on the production facility where they will be working. Last year 66 new hires received the welcome manual.

In 2020, training hours were reduced due to the covid-19 epidemic; however, all Ercros Group facilities still offered training to their employees. Many of the courses were carried out remotely through virtual classrooms or e-learning. Much of this training focused on preventing the spread of covid-19 or on adapting to new working circumstances [see section 11.5 c)].

Ercros has signed 31 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2020, 36 professional training, undergraduate and graduate students availed themselves of this option (2019: 62 students). 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.

The Group has signed 31 agreements with educational centers to carry out work practices

11.7 Additional tables and 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, as well as 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, responsible for this work, being able to be assisted by other workers, as well as 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.

Source: The 19th general collective agreement for the chemical industry for 2018-2020.

Headcount by country of origin

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2019	31/12/2020
Spain	1,243	1,258
Other EU countries	19	19
OECD countries	4	4
Rest of the world	23	23
Total	1,289	1,304

Headcount by type of contract and job category

NUMBER OF EMPLOYEES AT YEAR END

31/12/2019									
	Total	Managers	Senior line personnel	Line personnel	G6	G5	G4	G3	G2
Indefinite	1,161	29	63	214	97	166	482	108	2
Temporary	108	—	—	8	3	—	41	37	19
Part time	20	—	—	4	4	5	7	1	—
Total	1,289	29	63	226	104	171	530	146	21

NUMBER OF EMPLOYEES AT YEAR END

31/12/2020									
	Total	Managers	Senior line personnel	Line personnel	G6	G5	G4	G3	G2
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

Headcount by type of contract and age

NUMBER OF EMPLOYEES AT YEAR END

31/12/2019										
	Total	18-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	+60
Indefinite	1,161	10	59	93	102	193	187	240	216	61
Temporary	108	22	24	21	17	10	9	3	1	1
Part time	20	—	—	—	—	—	1	—	—	19
Total	1,289	32	83	114	119	203	197	243	217	81

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

Dismissals by age and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2019			Year 2020		
	Total	Men	Women	Total	Men	Women
Less than 18 years	—	—	—	—	—	—
18-25 years	—	—	—	—	—	—
26-30 years	—	—	—	—	—	—
31-35 years	—	—	—	—	—	—
36-40 years	1	1	—	—	—	—
41-45 years	—	—	—	—	—	—
46-50 years	2	2	—	1	1	—
51-55 years	1	1	—	1	1	—
56-60 years	1	1	—	1	1	—
More than 60 years	7	7	—	—	—	—
Total	12¹	12	0	3	3	0

¹ 58.3% of dismissals in 2019 were related to the collective redundancy procedure.

Dismissals by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2019			Year 2020		
	Total	Men	Women	Total	Men	Women
Managers	—	—	—	—	—	—
Senior line personnel	—	—	—	—	—	—
Line personnel	6	6	—	—	—	—
Group 6	1	1	—	—	—	—
Group 5	—	—	—	—	—	—
Group 4	1	1	—	1	1	—
Group 3	1	1	—	2	2	—
Group 2	3	3	—	—	—	—
Total	12¹	12	0	3	3	0

¹ 58.3% of dismissals in 2019 were related to the collective redundancy procedure.

Training by job category and gender

NUMBER OF HOURS IN THE YEAR

	Year 2019			Year 2020		
	Total	Men	Women	Total	Men	Women
Managers	653	451	203	641	503	138
Senior line personnel	2,807	1,916	891	2,028	1,337	691
Line personnel	10,904	5,934	4,971	6,674	4,067	2,607
Group 6	5,198	3,194	2,004	1,892	1,113	779
Group 5	4,957	3,501	1,456	1,246	1,196	51
Group 4	14,494	13,161	1,333	7,551	6,814	737
Group 3	4,494	4,091	404	2,947	2,762	185
Group 2	500	232	269	206	110	96
Total	44,008	32,478	11,530	23,185	17,902	5,284

Evolution of headcount by facility

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2019	Year 2020
Factories	1,138	1,140
Tarragona Complex	306	311
Vila-seca II	147	152
Vila-seca I	133	133
Tarragona	26	26
Sabiñánigo	218	218
Aranjuez	211	216
Flix	53	49
Almussafes	107	106
Tortosa	113	114
Cerdanyola	101	96
Monzón	30	30
Sales	32	31
Corporate	127	126
Total Ercros Group	1,297	1,297

Accident frequency rate by gender ¹

Year 2019			Year 2020		
Total	Men	Women	Total	Men	Women
1.40	1.40	0	2.80	2.80	0

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

Absenteeism rate by gender ¹

Year 2019			Year 2020		
Total	Men	Women	Total	Men	Women
4.4	4.9	2.5	4.5	4.9	2.9

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.

12

GENDER DIVERSITY
AND EQUAL
OPPORTUNITIES



12.1 Materiality of the chapter

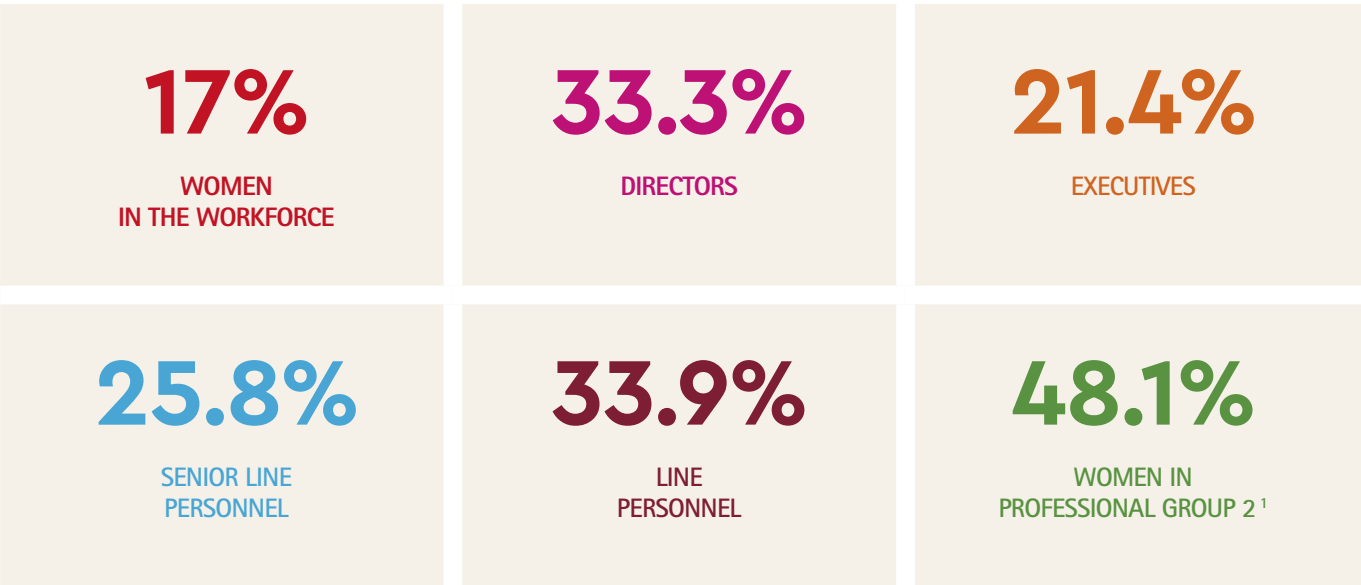
The presence of female employees at the Ercros Group is growing slowly but steadily year after year.

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ The professional groups are explained in chapter 11.7.

12.2 Management of equal opportunities

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

In 2020, the Group's equality plan was updated in accordance with Royal Decree 901/2020, of 13 October. In the initial phase, the situation of women at the company was assessed, analysing the strengths and the issues with room for improvement.

Likewise, the header of the quarterly bulletin published by the Ercros Group was dedicated to highlighting women scientists who have stood out throughout history, and the bulletin has continued to highlight the role of women at the company through interviews.

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].

12.3 Regulatory environment

With regard to equality, the benchmark regulations applied by the Group are the Spanish Equality Act (*Ley de Igualdad*), the 6th principle of the Global Compact agreement, and chapter XVII on equal opportunities of the 19th 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 that requires Group staff: (i) to treat one another with respect, fostering teamwork; (ii) to promote equal treatment of men and women; (iii) not to engage in any behaviour that entails any type of discrimination, abuse or offence as a result of gender or sexual orientation; and (iv) to

12.4 Hiring processes and gender equality

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

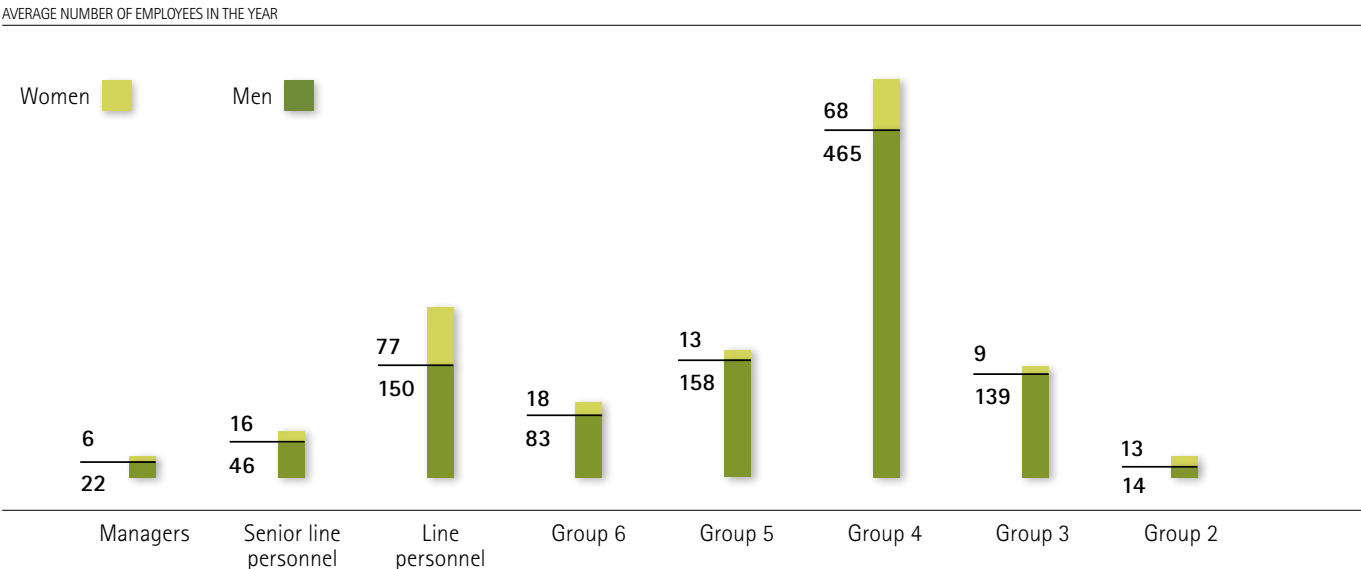
Between 2019 and 2020, the percentage of female staff at the Group rose from 14.9% to 15.7%. This rise follows the same upward trend as in recent years, caused by the generational change and by the greater presence of women in the technical and scientific sectors. However, the Group is aware that its workforce is far from gender parity, especially in job categories linked to factory operations.

In 2020 women in the senior line personnel category accounted for 25.8% of staff; 33.9% in the line personnel category; 17.8% in professional group 6¹; 7.6% in group 5; 12.8% in group 4; 6.1% in group 3; and in group 2 women account for 48.1% of staff. It should be noted that there is a gender balance in group 2; this is a job category made up mostly of recently hired employees and a large number of them are laboratory analysts, a group made up mostly of women.

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.

¹ The professional groups are explained in chapter 11.7

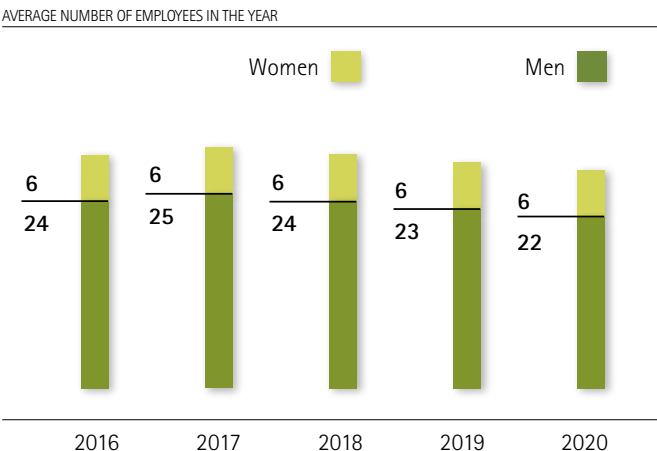
Distribution of job categories by gender in 2020 ¹



¹ The professional groups are explained in chapter 11.7.

Between 2019 and 2020, the number of women that hold executive positions, 6, remained unchanged. However, in percentage terms, the number of women out of the total number of executives has increased slightly from 19.4% to 20.0%, since there was one male executive less in 2020 (from 31 to 28 executives).

Evolution of the managers by gender ¹



¹ The tables with the data compared to 2019 is 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 2020 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 3.8% more, and women in groups 5, 3 and 2, who earn 2.2%, 0.9% and 1.7% 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 12.4% less; line personnel, who earn 16.8% less; and women in groups 6 and 4, who earn 15.6% and 5.5% less than their male colleagues, respectively.

Average salary and wage gap by job category and gender ¹

EUROS

	Year 2020 ²			
	Women	Men	Difference	Gap (%)
Managers ³	129,843	125,131	4,712	3.8
Senior line personnel	72,662	82,953	-10,291	-12.4
Line personnel	44,267	53,195	-8,928	-16.8
Group 6 ⁴	36,037	42,678	-6,641	-15.6
Group 5	37,509	36,718	791	2.2
Group 4	29,304	31,005	-1,701	-5.5
Group 3	28,474	28,217	257	0.9
Group 2	24,626	24,225	401	1.7

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

² The comparison with 2019 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 2020 was EUR 266 thousand.

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; groups 5 and 6 include supervisors.

The salary analysis by age in 2020 provided below shows in general that in the same professional group, as the age of employees increase so do their salaries; even after eliminating the effect of seniority. The two exceptions are professional groups 2 and 5, caused by the concurrence of different factors that make up each sample, such as the workplace, business or job position they belong to.

Likewise, in the same age range, as the job category increases, so does the salary. In this case, there is an exception for employees below the age of 25 for the same reasons as mentioned above.

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

Average salary by job category and age ¹

EUROS

	Year 2020 ²			
	< 25 years	25–40 years	41–55 years	> 55 years
Managers ³	5	5	118,078	131,852
Senior line personnel	5	5	74,240	87,583
Line personnel	5	39,081	52,105	63,767
Group 6 ⁴	5	34,404	40,281	44,490
Group 5	36,883	33,980	37,437	36,991
Group 4	27,998	30,203	30,775	31,518
Group 3	23,549	26,972	28,855	29,034
Group 2	24,438	24,134	23,855	25,838

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, in shifts, etc.).

² The comparison with 2019 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 2020 was EUR 266 thousand.

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; groups 5 and 6 include supervisors.

⁵ The Group has no staff in these age categories within these age ranges.

With regard to board members, average remuneration per director in 2020 was EUR 126 thousand (2019: EUR 148 thousand). 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 2020 amounted to EUR 551 thousand (2019: EUR 562 thousand), as well as 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 2020 amounted to EUR 44 thousand (the same as in 2019) and EUR 26 thousand, respectively.

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

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

The amount received by external directors is the same for all, regardless of their work on the board

Individual remuneration of directors

THOUSAND OF EUROS

	Executive director (1 person)		Non-executive directors (4 people)		Proprietary director (1 person)	
	Year 2019	Year 2020	Year 2019	Year 2020	Year 2019	Year 2020
Fixed remuneration	504.6	508.7	43.9	44.2	—	25.8
Variable remuneration ¹	0	0	—	—	—	—
Payments in kind	21.7	19.0	—	—	—	—
Life insurance premiums	36.0	23.5	—	—	—	—
Total	562.3	551.2	43.9	44.2	—	25.8

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 his gross annual salary —. In 2019 and 2020, the variable remuneration of this director was 0%.

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, 2% of employees at companies with more than 50 permanent employees must have a disability greater than or equal to 33%, unless alternative measures are applied.

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

Staff with disabilities by job category ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2019	Year 2020
Managers	—	—
Senior line personnel	—	—
Line personnel	1	1
Group 6	2	1
Group 5	—	—
Group 4	12	11
Group 3	2	2
Group 2	—	—
Total	17	15

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

Women make up a third of the board of directors

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 2020 there were 15 people in this situation on staff (2019: 17 people), representing 1.2% of the average headcount for the year.

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 2020, 930 people (412 workers and 518 family members) were members of the Group's group health plan.
- Measures to support studying.
- Repayable advances.
- Work cafeteria, vouchers or supplements for food.
- Transport bonuses or supplements.
- Measures to support maternity/paternity: childbirth bonus, reduced working hours and vouchers for childcare.

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

In 2020, 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.

12.8 Diversity on the board of directors

a) Gender equality

The Ercros board of directors is composed on 6 directors, 2 of which are female independent directors, representing 33.3% of the board, 66.6% of the supervisory and control committees, and 100% of the independent directors. Therefore, Ercros has reached the gender diversity goal established in its board diversity policy and in recommendation 14 of the code of good governance for listed companies ("CGG") that proposes achieving an adequate balance between men and women on the board and attempting to ensure that, in 2020, the number of female directors account for at least 30% of all board members.

b) Director selection process

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

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

The obligation to ensure the board's diversity is stipulated in the following internal regulations: (i) the board regulations; (ii) the director selection policy; and (iii) the Ercros board diversity policy.

At the annual general meeting held on 5 June 2020, the significant shareholder Joan Casas Galofré was appointed proprietary director.

c) Composition of the board

Name	Training and professional experience ¹	Category	Date of last appointment
Antonio Zabalza Martí	<p>He has a B.S. and PhD in Economics from the University of Barcelona; Master of Science and PhD from the London School of Economics (University of London).</p> <p>He was the Secretary-General of Planning and Budgets; Secretary of State for Finance and manager of the Cabinet of the Spanish President.</p>	Executive	05/06/2020 (AGM ²)
Lourdes Vega Fernández	<p>She has a PhD in Physical Sciences from the University of Seville and was a post-doctoral Associate at the School of Chemical Engineering at Cornell University (USA).</p> <p>She is the founder of Alya Technology Et Innovation and a full professor of the Gas Research Centre of the Petroleum Institute of Abu Dhabi.</p>	Independent	05/06/2020 (AGM)
Carme Moragues Josa	<p>She has a B.S. in Economics and Business from the University of Barcelona and completed the management development program at the IESE Business School.</p> <p>She is a member of the Spanish Institute of Chartered Accountants, Spanish Official Auditors' Register and expert accountant certified by the Spanish Register of Expert Accountants.</p>	Independent	23/06/2017 ³ (AGM)
Laureano Roldán Aguilar	<p>He has a B.S. in Economics and Business from Comillas Pontifical University ("ICADE"), with a focus in Accounting and Business Management.</p> <p>He was the sole director of the Torras Group and is currently the CEO and director.</p>	Other non-executive	05/06/2020 (AGM)
Eduardo Sánchez Morroondo	<p>He has a B.S. in Chemistry from the University of Oviedo and received his PhD in Chemistry (Technical Chemistry) from the same university in 1980.</p> <p>Among others, he has held the following positions: professor of Chemical Sciences at the University of 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.</p>	Other non-executive	05/06/2020 (AGM)
Joan Casas Galofré	<p>He has extensive experience in business analysis and in the management of shareholdings in different entities, most notably including the ownership interest in Ercros, S.A., a company in which he is a significant shareholder.</p>	Proprietary	05/06/2020 (AGM)

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

² AGM: Annual General Meeting

³ On 23 June 2017, the shareholders at the annual general meeting ratified the appointment by co-option of the independent director Ms Moragues Josa made by the board on 21 March 2017.

12.9 Additional tables

Headcount by age and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2019			31/12/2020		
	Total	Men	Women	Total	Men	Women
Less than 18 years	—	—	—	—	—	—
18-25 years	21	15	6	24	15	9
26-30 years	94	73	21	82	62	20
31-35 years	114	83	31	122	89	33
36-40 years	119	92	27	118	95	23
41-45 years	203	161	42	195	151	44
46-50 years	197	162	35	203	161	42
51-55 years	243	226	17	213	195	18
56-60 years	217	196	21	240	219	21
More than 60 years	81	69	12	107	93	14
Total	1,289	1,077	212	1,304	1,080	224

Headcount by job category and gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	Year 2019			Year 2020		
	Total	Men	Women	Total	Men	Women
Managers	29	23	6	28	22	6
Senior line personnel	63	47	16	62	46	16
Line personnel	228	153	75	227	150	77
Group 6	103	85	18	101	83	18
Group 5	175	161	14	171	158	13
Group 4	533	468	65	533	465	68
Group 3	146	136	10	148	139	9
Group 2	20	10	10	27	14	13
Total	1,297	1,083	214	1,297	1,077	220

Evolution of the managers by gender

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

Year	Total	Men	Women	Women/total executives (%)
2016	30	24	6	20,0
2017	31	25	6	19.4
2018	30	24	6	20.0
2019	29	23	6	20.7
2020	28	22	6	21.4

Headcount by type of contract and gender

NUMBER OF EMPLOYEES AT YEAR END

	31/12/2019			31/12/2020		
	Total	Men	Women	Total	Men	Women
Indefinite	1,161	984	177	1,170	989	181
Temporary	108	76	32	116	79	37
Part time	20	17	3	18	12	6
Total	1,289	1,077	212	1,304	1,080	224

Average salary and wage gap by job category and gender ¹

EUROS

	Year 2019				Year 2020			
	Women	Men	Difference	Gap (%)	Women	Men	Difference	Gap (%)
Managers ²	126,395	131,808	-5,413	-4.1	129,843	125,131	4,712	3.8
Senior line personnel	69,892	80,164	-10,272	-12.8	72,662	82,953	-10,291	-12.4
Line personnel	43,789	51,908	-8,119	-15.6	44,267	53,195	-8,928	-16.8
Group 6 ³	35,056	42,089	-7,033	-16.7	36,037	42,678	-6,641	-15.6
Group 5	35,864	36,001	-137	-0.4	37,509	36,718	791	2.2
Group 4	28,788	30,189	-1,401	-4.6	29,304	31,005	-1,701	-5.5
Group 3	28,086	27,432	654	2.4	28,474	28,217	257	0.9
Group 2	24,156	23,678	478	2.0	24,626	24,225	401	1.7

¹ To calculate the average remuneration for each category, the corresponding average fixed remuneration (the Group does not remunerate anyone with variable remuneration) was taken after applying the necessary adjustments to avoid distortions and facilitate consistent comparison. For example, the Group has eliminated bonuses for length of employment and specific supplements for the job, such as bonuses for working at night, on bank holidays, in 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 2020 was EUR 266 thousand.

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

Average salary by job category and age ¹

EUROS

	Year 2019				Year 2020			
	< 25 years	25–40 years	41–55 years	> 55 years	< 25 years	25–40 years	41–55 years	> 55 years
Managers ²	⁴	⁴	120,323	140,802	⁴	⁴	118,078	131,852
Senior line personnel	⁴	60,966	73,049	84,468	⁴	⁴	74,240	87,583
Line personnel	⁴	36,705	48,379	58,039	⁴	39,081	52,105	63,767
Group 6 ³	⁴	33,525	39,814	43,465	⁴	34,404	40,281	44,490
Group 5	35,984	33,494	36,584	36,154	36,883	33,980	37,437	36,991
Group 4	27,310	29,405	30,116	30,780	27,998	30,203	30,775	31,518
Group 3	21,388	26,355	28,202	28,094	23,549	26,972	28,855	29,034
Group 2	23,932	23,633	23,633	25,208	24,438	24,134	23,855	25,838

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, in 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 2020 was EUR 266 thousand.

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

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

13

SUPPLY
CHAIN



13.1 Materiality of the chapter

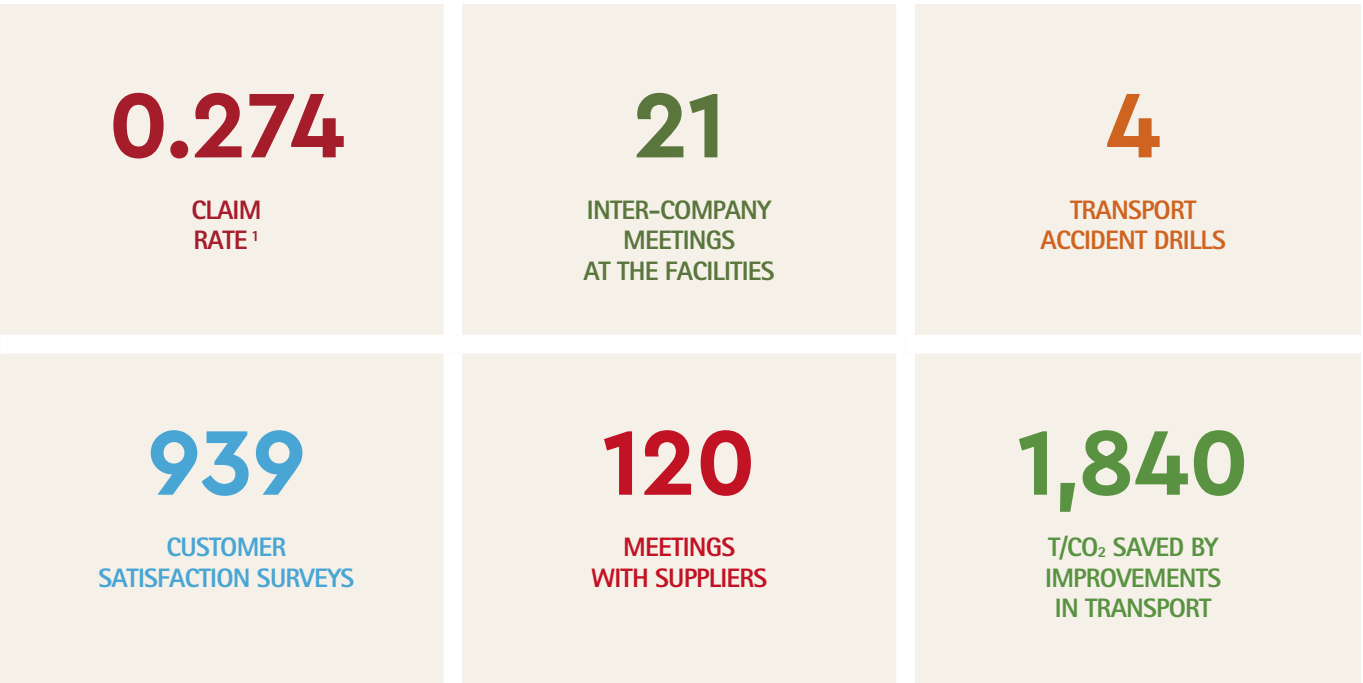
Respect for the principles of corporate social responsibility leads the Ercros Group to give priority not only to the criteria of price and quality in the configuration of its supply network, but also other criteria linked to the social, environmental and ethical performance of its suppliers and the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

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Number of tonnes of product affected by a customer non-conformity out of number of tonnes sold.

13.2 Suppliers

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

The Ercros Group has rules that determine its actions with regard to the supply chain, such as the distribution code of the Responsible Care programme, article 17 of the code of ethics and its internal procedures, among which the procedure for adding suppliers that ensures suppliers with adequate reputational references are hired is of particular note.

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

In contracts with suppliers, the Group incorporates social responsibility parameters

The Group performs annual assessments to verify the ability 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 addition, the Group conducts follow-up audits of external transport and storage companies and suppliers of raw materials, containers and packaging with the aim of improving the service contracted.

Every time a new warehouse is procured, the Group conducts a preliminary audit to 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 customer claims. Given the impact of the lockdowns and the restrictions in place due to covid-19, in 2020 the number of meetings was reduced, and many were held by videoconference. A total of 120 meetings were held (2019: 220 meetings).

Each factory has an inter-company committee formed by representatives from the facility and the companies that provide services, which coordinates actions between the Group and the suppliers with regard to prevention, the accident rate, management procedures or training plans. In 2020, 21 inter-company committee meetings were held across all the Group's factories (2019: 19 meetings). It should be noted that the meetings held last year to discuss issues related to preventing the spread of covid-19 at the Group's facilities played an important role.

The suppliers provide the Group with the mandatory SDS of the raw materials they consume, specifying the intended uses of the raw materials.

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, preservation and improvement of the environment, quality of customer service and training of external employees. Specifically, through the Feique it participates in the Spanish Federation for the Transport of Goods (Confederación Española de Transporte de Mercancías "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 contracted by its members, including the Group's factories located in Tarragona, which guarantees compliance with prevention standards and facilitates business coordination.

a) Main raw materials

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

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

In 2020 the covid-19 epidemic forced the Ercros Group to increase contact with its suppliers to ensure the availability of the raw materials required for its production processes and thus avoid a disruption in its production, which meant that at no time did this lead to an interruption or reduction in production activity.

The Group's three main raw materials are methanol, electricity and ethylene, which represent 30% of the total amount of consolidated purchases and more than 40% of the total cost of the chlorine, formaldehyde, and PVC manufacturing processes.

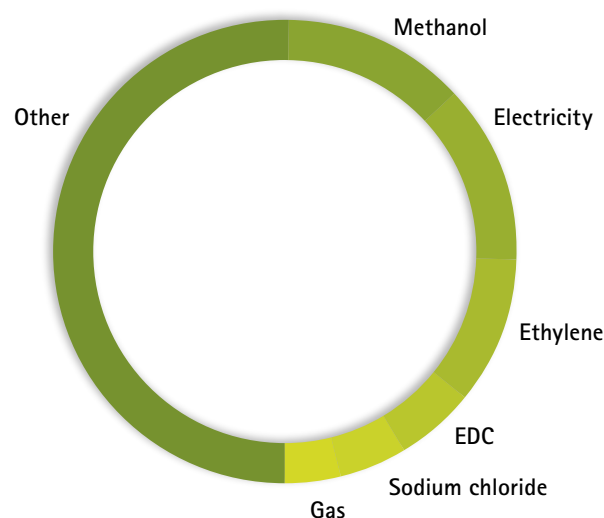
Methanol is the main raw material of the intermediate chemicals division and is produced from natural gas. The Group has signed supply agreements with various international suppliers from different areas and with different intervals to avoid supplier concentration risk and prevent agreements from renewing at the same time. The tariff suspension on imports of cyanuric acid from China was renewed in 2020 and will remain in force for a period of five years; the tariff suspension on imports of methanol has also been maintained.

Electricity is the main supply of the chlorine derivatives division, which purchases it from various electricity resellers in Spain and France. The contracts with these companies are for less than three years and are renewed at the end of their term after a comparison of technical and economic conditions. The Group is currently exploring Power Purchase Agreements ("PPAs"). In addition, photovoltaic generation projects will be carried out on land owned by the Group that is not currently used for any industrial activity. It also continues to implement operational measures aimed at making its processes more energy efficient. The strategy pursued by the Group with these measures is to reduce energy consumption and the future cost of this supply, and to ensure that it comes from renewable sources.

The second 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 main raw materials

% OF PURCHASES IN 2020



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 aircraft as a means of transport when, as occurs with active pharmaceutical ingredients, the volume shipped is small and the distance is large.

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

2020 was a complicated year from the point of view of distribution and transport. The numerous restrictions and regulations resulting from the covid-19 epidemic have made it extremely difficult for the Group to sell its products and to supply the factories.

In spite of this, thanks to Ercros' management and the willingness of all the Group's suppliers and customers, these restrictions have not affected operations and it has been possible to serve customers without affecting the service and factories without affecting their production.

In 2020, the Ercros Group managed to save 1,840 tonnes of CO₂ (2019: 2,671 tonnes) thanks to the logistical and operational improvements carried out, which made it possible to reduce the distance travelled by 2.6 million kilometres (2019: 3.8 million kilometres). These measures most notably include the storage of caustic soda and caustic potash in tanks located in port terminals close to customers.

In 2020 it also fulfilled its caustic soda self-sufficiency goal at the Sabiñánigo factory, thereby avoiding the movement of more than 54,000 tonnes from the Vila-seca I factory, with the subsequent reduction of costs and emissions.

Logistical and operational improvements saved 1,840 tonnes of CO₂

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.

The work that began in 2019 continued in 2020, so that more countries (Mexico and Canada) to which the Group exports formaldehyde would accept the new regulations approved in 2018 that declassified this product as a flammable solid, in accordance with the regulations on the international transport of dangerous goods. The new classification of formaldehyde makes it possible to optimise the logistics processes in which it is involved, resulting in increased competitiveness with regard to other producers, better services being provided to customers and a reduction in distribution costs.

In accordance with the distribution code of the Responsible Care programme, four transport accident intervention drills were carried out in 2020.

a) Transport by sea

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

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

In 2020 the transport of EDC and caustic soda by sea continued decrease, thanks to the increase in the production capacity of the Vila-seca I factory, which has reduced the need to purchase these products.

In 2020, as a result of IMO 2020 coming into force, which calls for environmental improvements such as requiring ships to use very low-sulphur fuel or install scrubbers (exhaust gas cleaning systems), there was a significant rise in maritime transport costs.

In the last few months of the year, several global circumstances have affected the availability of slots on vessels, or the availability of containers. This has led to a significant increase in freight prices and service problems. The Ercros Group has not been affected by the increase in the price of these maritime freights or by the service problems since it had contracts signed for the whole of 2020.

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

A significant rise in freight prices is expected for 2021, although the Ercros Group's policy of fixed tenders and agreements for the entire year will minimise the impact.

b) Rail transport

The Group uses transport by rail in containers for destinations in which its service needs are covered and the costs are adequate. Intermodal transport (combined with road transport) is used for the distribution of finished products that have to travel medium- and long-distances, as well as for the supply of various raw materials to the Group's factories from Europe.

The Ercros Group uses a combination of transport by sea and rail for the procurement of phosphate rock from Morocco. In 2021 the Group renewed the service agreement with Renfe for the transport of phosphate rock between the Port of Tarragona and the Flix factory.

Likewise, once the strikes that took place in France in 2019 were resolved, shipments by intermodal transport to certain European destinations was successfully resumed.

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 the Cefic that enables the safety, environmental management and quality levels of distributors, warehouses, transport services and tank cleaning stations to be evaluated.

In 2020 the decrease in the price of gas oil meant a reduction in road transport tariffs.

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

The Ercros Group continues its strategy to bring its product distribution points closer to customers, to improve customer service and reduce transport time and costs [see section 13.3 above].

The Group brings the shipping points of its products closer to customers to reduce CO₂ emissions and transport time and cost

d) Air transport

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

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

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

Lastly, air transport is without a doubt the most rapid means to cover the long distances between the Aranjuez factory and the majority of customers. It is important to remember that this business exports 93% of its products to countries across the world.

e) Achievements

The Group's main achievements in 2020, in relation to the improvement of service and sustainability in distribution, most notably include the following:

- The Ercros Group has been a pioneer in signing an agreement with the Port Authority of Barcelona, whereby the latter will carry out a study of the emissions of the Group's supply chain for five years. This study will be certified by an external auditor and will allow us to define our level of emissions and propose actions to reduce them. The item to be assessed and certified will be the emissions generated in 2019.
- Due to the growing concern about the presence of plastics in the environment, the Ercros Group has asked its transporters to join the Operation Clean Sweep programme to achieve zero pellet loss, with the aim of reducing losses of microplastics to zero during loading, unloading and transport operations. Throughout 2020, 100% of carriers have joined the programme.

- The expansion of the network of tanks and warehouses to receive and distribute outsourced caustic soda, caustic potash and sodium carbonate to continue supplying customers despite the Group's own shortage, while bringing the product closer to customers, consequently reducing the distance travelled for delivery and, thereby CO₂ emissions. In 2021 the storage capacities of these products have been reduced to bring them into line with the new volumes to be distributed, maintaining those tanks and warehouses furthest away from the production facilities, where the savings in the generation of emissions are most significant.
- The container load for carbonate purchases in South Korea was increased from 20 to 24 tonnes per container. This has meant a 20% reduction in shipments.
- A mid-term agreement has been signed for the storage of TCCA, which guarantees the regular production of such a seasonal product.
- The purchase of 30% recycle pallets (2019: 29% recycle pallets).
- Actions have continued to reduce the thickness of the containers, as well as the use of recycled materials in manufacturing them.
- An action and communication procedure in the event of a transport accident has been drawn up.

f) Mutual assistance agreements

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

The Group has contracted the Chemical Transportation Emergency Centre ("Chemtrec") system in its highest category (Global Authorisation) for more than 60 countries, which allows it to address any situation that occurs in the distribution of its own products. 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 Customers

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

The sustainability management system applied by the Group includes the commitments it makes to its customers 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. Furthermore, it provides customers with a customer service centre ("CSC").

In relation to its customers, the Group aims to:

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

a) Quality management

The quality requirements applied by the Group – established in the sustainability management system – are based on the international standard UNE-EN ISO 9001:2015. In 2020 all factories successfully passed the certification audit.

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

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

At the Flix factory, the dicalcium phosphate plant – 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 along the supply chain.

b) Customer Service Centre ("CSC")

The CSC is the department responsible for managing customer relations with regard to claims, technical assistance requests, queries, suggestions, etc. It also manages customer orders, except for active pharmaceutical ingredients, which are managed directly by the sales departments of the pharmaceuticals division.

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

In 2020, after the analysis carried out by Axis Corporate with regard to the functioning of the CSC, and assessing whether the CSC should be established as a key element in the Ercros Group's value chain and whether improvements need to be implemented that would enable it to become a benchmark in customer service within the chemical sector, a new management model was established. This new model is based on digitalisation with *Zendesk*, one of the most advanced customer 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 customer response and improves communication with the rest of the Group departments involved.

In 2020 the Group continued to hire interns at the CSC. These internships allow students to complete their practical training and support their integration into the labour market.

Likewise, the use of an on-line platform of the Chamber of Commerce of Tarragona has been implemented, which allows certificates of origin to be obtained and the authentication of invoices.

c) Customer satisfaction

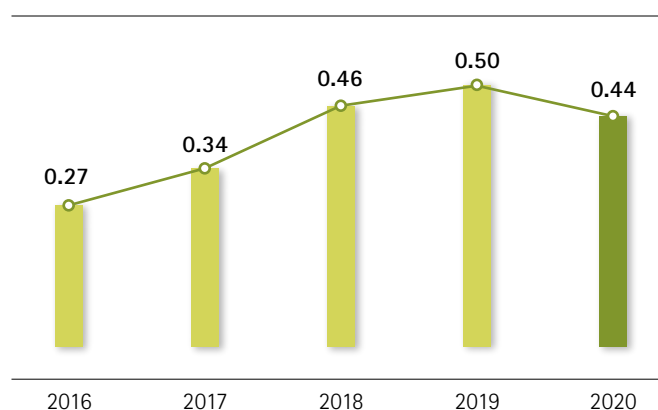
To measure the degree of customer satisfaction and improve the service, the Group conducts surveys and records the claims it receives, through an index that measures the volume of products affected by a customer non-conformity in relation to the total volume of own and third-party products distributed.

The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2020, 939 customer surveys were sent with a response rate of 25% (2019: 904 surveys).

In 2020 the claim rate was 0.274 (2019: 0.216), representing a year-on-year improvement of 26.8%. The volume of sales remained stable (+0.1%) while the tonnes claimed by customers increased by 26.9%. However, it should be noted that the claims rate per delivery made in 2020 was 0.44 (2019: 0.50). 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, transport and logistics, the latter being the most significant reason and accounting for 40.5% of the claims.

Evolution of the claim rate per delivery made ¹



¹ The claim rate per delivery made measures the number of tonnes delivered affected by a non-conformity out of the total number of deliveries made

d) Product stewardship

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

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

The Group provides its customers with the SDS of the products it sells to them, which describe the exposure scenarios for the uses of these products. In the case of raw materials, the Group verifies that the uses for which these raw materials are intended are included in the SDS provided by the suppliers.

The Group has SDS for all products manufactured and for the products and mixtures that it sells in the languages of the EU requested by the sales departments and the CSC, in accordance with the European REACH regulations, on the registration, evaluation and authorisation of chemical substances, and CLP, on classification and labelling of substances, which oblige companies to register the production and sale of certain chemical substances. In addition, the Group provides SDS to customers in non-EU languages with the regulations applicable in the country of destination of the product (China, India, South Korea, Serbia and Russia). The SDS are reviewed and updated when new information emerges on 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 2020, nine 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. Pursuant to 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 the content thereof pursuant to their risks.

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

In 2020 the Group updated its sodium hypochlorite dossier to add the use of this product as a virucide for the disinfection of surfaces suitable for covid-19.

Furthermore, in 2020 the Group pre-registered 11 substances in Turkey's Reach Kkdik, in response to the needs of its customers and to facilitate the supply of products in Turkey.

In addition, throughout the year the Ercros Group has assessed and determined the needs of its customers for the legal adaptation of certain chemical substances to the new REACH and Biocides UK regulations, applicable after Brexit and effective from 1 January 2021.

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 explosive.

In addition, in 2020 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 2020 the Ercros Group made improvements to some of its products to adapt them to its customers' requirements, including: (i) the micro-encapsulation of aromas and adaptation of formulas to the specific demands of swimming pool water treatment tablets ("TCCA"); (ii) new grades in the ErcrosBio range of products with high mechanical and thermal performance that facilitate demoulding in the manufacture of injection moulded parts; (iii) the expansion of the palette of PVC compounds to manufacture rigid injection moulded products; (iv) the development of PVC compounds using recycled material; (v) a new PVC formula suitable for 3D printing and medical applications; (vi) the diversification of the ErcrosGreen+ resin portfolio; (vii) the launch of new resins within the ErcrosTech range for application in coatings in the construction sector; (viii) a new HD moulding powder grade especially for healthcare materials; (ix) the modification of pharmaceutical manufacturing processes to offer particle sizes in line with specific customer needs; and (x) the development of processes to expand the portfolio of sterile pharmaceutical products offered.

14

SOCIAL MATTERS



14.1 Materiality of the chapter

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

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



14.2 Stakeholders

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

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

Each workplace has its own stakeholders, which are determined in a social map that takes into account its area of influence, its sector, the community to which it belongs, etc.

The social map is dynamic and updated periodically. It includes the relationship of the stakeholders of each workplace and is an essential tool for managing the relationship of the factories with their environment. In 2020 the Group's various workplaces included 423 stakeholders in their social maps.

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

14.3 Social and economic contribution

One of the Group's greatest contributions to society is the jobs generated by its business. 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 3,113 indirect and induced jobs in 2020¹. The employment generated by the Ercros Group represents an average of 2.9% of the active population of the municipalities in which the production facilities are located (the active population of each location was calculated on the basis of the activity rate of the respective province).

¹ To calculate the indirect and induced jobs, the average workforce of the Ercros Group in 2020 was multiplied by 2.4, following the criteria set out by the Feique.

In 2020 the Ercros Group paid the public authorities EUR 25,871 thousand (2019: EUR 26,108 thousand) in relation to taxes, fees and social security contributions.

To minimise the negative impact of plant closures at the Flix factory, the Ercros Group has a plan to reindustrialise the area. The consulting company, YGroup, which specialises in reindustrialisation processes, has taken on the search for new projects capable of generating employment in this municipality. The Group also has collaboration agreements with the secondary school in this town, one to promote training its workers and another to jointly develop an educational course on electrotechnical and automated systems.

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 2020, as a result of the restrictions imposed by the covid-19 pandemic, many of the planned actions could not be carried out. However, the Group was able to carry out several of those scheduled and included some new actions related to the pandemic, as explained below:

a) In field of environmental protection

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

b) In the social field

- Sponsorship of 26 entities or social initiatives (2019: 24), to which it contributed EUR 122 thousand (2019: EUR 108 thousand), including: the Foundation for the conservation and recovery of marine animals ("CRAM"); the Sebes Natural Reserve of Flix; the Unicef Foundation-Spanish committee; the Intermon Oxfam Foundation; the Emiliani Foundation of Aranjuez; Caritas diocesan; the Food Bank; the municipal nursery and music school of Flix; the Puentes Sardas school of Sabiñánigo; the Universitat Rovira i Virgili of Tarragona; the Dertosa of Tortosa Foundation for international studies; the Biennial "F. Llop de Campredó" painting event; the Aranjuez sports club; the Almussafes basketball club; the La Canonja football club; the Sant Pere i Sant Pau volleyball club in Tarragona; and the Monzón mountain club and the Sabiñánigo sports association.
- Contributions to business groups amounting to EUR 71 thousand (2019: EUR 76 thousand).

- Purchases made from special employment centres and/or job placement companies, for a value of EUR 279 thousand (2019: EUR 295 thousand).
- 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 based on the number of daily confirmed closed menus, thus reducing almost all food waste. It should be added that in 2020 the factory cafeterias have been closed since March as a result of covid-19.
- The organisation of information campaigns and prevention training on measures to prevent the spread of covid-19, covid-19 preventive measures in the workplace, use of masks or family reunions and the new normal.
- Specific training for staff working remotely on: a healthy diet during lockdown, laptop risks and telecommuting risk self-assessment.
- The submission to the health and safety committees of each workplace of the assessment of the psychosocial risk study of its own staff carried out in the previous year. Each committee established action plans based on the outcome of each study.

The Group provided sponsorships amounting to EUR 122 thousand

c) In the field of health and safety

Within the framework of the pandemic, the Group carried out a numerous actions in the field of health and prevention, as detailed below:

- The donation, through AEQT, of 12 breathing apparatus and protective material to the following hospitals: Joan XXIII in Tarragona, Sant Joan in Reus, Sant Pau i Santa Tecla in Tarragona and Verge de la Cinta in Tortosa.
- The direct donation of nearly 7,000 l of bleach for the disinfection of ambulances, urban roads and surfaces to various entities in Sabiñánigo and Vila-seca; 173 protective suits to the Flix primary care centre, Móra d'Ebre Hospital and Vila-seca Municipal Council; and plastic material to make face protection screens in Aranjuez.
- The creation of covid-19 monitoring committees at corporate level and in each workplace. These committees were in charge of proposing prevention measures with the aim of minimising the risk of infection for workers and maintaining the Company's activity.
- The application of specific protection measures for own and external staff, for carriers that load or unload at the factories and for people who occasionally have to access the workplaces.
- Epidemiological studies on the most frequent pathologies occurring in the production facilities.
- Training courses on occupational risk prevention, first aid and emergencies; risks of specific job positions; healthy eating and lifestyle; and domestic risks.
- Annual general flu and tetanus vaccination campaigns.
- Specific campaigns and informational events on the prevention of accidents, health monitoring, adoption of healthy habits, and control of exposure risks. These include campaigns on the importance of hydration and heat stroke in summer, weight control, visual fatigue, cardiovascular risk, recommendations in case of frost, World Cancer Day, the fight against smoking and diabetes control.
- Participation in European Antibiotic Awareness Day, with the aim of raising awareness of the threat posed by antibiotic resistance to public health, and encouraging prudent and responsible use of antibiotics.
- Awarding prizes to the winners of the 2nd safety poster competition, open to all Ercros Group staff. The winning entry, which inspired the Group's workplace safety campaign, was "Safety is no joke". The jury of the awards underscored the high level of the works submitted to the competition, with a total of 65 graphic proposals put forward.

d) In the field of training

- Visits to the Group's production facilities by secondary school and university students in the first quarter of the year. For safety reasons, these visits have been suspended since the pandemic was declared.
- The renewal of the collaboration agreement with the secondary school of Flix to develop the advanced vocational training in electro-technical and automated systems, alternating and with dual training courses with the educational centre and the factory that the company has in this town.
- The donation of computer equipment and economic funds to the Vila-seca school in Tarragona to contribute to improving the school's computer room.
- Participation in the Experimenta Challenge, an initiative led by the Universitat Rovira i Virgili ("URV") and the Institut Català d'Investigació Química ("ICIQ"), to promote careers in science among primary and secondary school students in Tarragona.

36 students had internships at Ercros facilities

-
- Collaboration agreements with secondary schools to hire interns. In 2020, 29 secondary students and students from other centres did their internships at the Group (2019: 36 students). The Group has agreements with the following schools: the Salesianos Loyola School, the Vicente Aleixandre Secondary School and the Lopez de Vega Secondary School, in Aranjuez; the Compte de Rius Secondary School, in Tarragona; the Domingo Sabio-Salesianos School, in Monzón; the Biello Aragón Secondary School and the Pirámide Public Vocational School, in Sabiñánigo; and the Lluïsa Cura Secondary School, in Barcelona.
 - The agreements with the following universities for internships for graduate and postgraduate students: In 2020, 6 university students had internships at the Group (2019: 27 students). The universities are: Universidad Complutense de Madrid ("UCM"), Universidad Rey Juan Carlos ("URJC"), Universidad Autónoma de Madrid ("UAM") and Universidad Europea, in Madrid; Universitat Politècnica de Catalunya ("UPC"), in Barcelona; and URV, in Tarragona.

e) In the field of research

- Collaboration programmes with the Centre for Technological and Industrial Development ("CDTI") for the development of a new system for the combined manufacture of magnesium hydroxide and potassium nitrate from common extraction methods in API fermentation processes, the range of ErcrosGreen+ resins, and sustainable solutions in the manufacturing of biopolymers.
- The contract with Polymat, a technology centre of the University of the Basque Country, 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 Polytechnic University of Valencia ("ITQ-UPV-CSIC"), to continue with the study of new solid catalysts for the heterogeneous transformation of formaldehyde.
- The agreement with the Technological Centre of Catalonia ("Eurecat") and the URV for a project to develop and characterise new types of resins.
- The contract with the Chemical Institute of Sarrià ("IQS"), to carry out various studies on the development of industrial processes for generic drugs and thermal stabilisation of copolymers.
- Sponsorship of the UAM-Ercros chair, the main objective of which is to promote research, teaching and study activities in the field of pharmaceutical chemistry.
- Collaboration on the doctoral thesis "New Bioplastics with Barrier Properties" by José Ignacio Valero, a chemical engineer and member of the Ercros Group's R&D department. His thesis is the result of a collaboration agreement signed between the Group and the UPC.
- Collaboration with the Catalan Geological Institute on the installation of trihedral satellite reflectors in Cardona to measure natural geological movements in the Vall Salina of Cardona.
- Collaboration with the Spanish National Research Council ("CSIC"), the Catalan Plastics Centre of the UPC and the Board of Trustees of the Foundation for the Development of New Hydrogen Technologies of Aragon.

f) In the field of social volunteering and solidarity

- Against the backdrop of the pandemic, the Group has collaborated with sector organisations, health and municipal services, and non-profit organisations through donations of sanitary materials, disinfectant supplies and food. In addition to the donations indicated in subsection c) above, it is worth mentioning the donation of food and food vouchers for vulnerable people affected by the pandemic.
- Participation in the Fundación Seur's "Caps for a New Life" campaign to collect plastic caps to help treat children with serious health issues. In 2020, 160 thousand caps were collected (2019: 230 thousand).
- The food collection campaigns, through which 7,555 kilos of food have been collected for Caritas and the Food Bank.

14.5 Awards and recognitions

Throughout 2020, the Ercros Group has been recognised for its good work in different areas, for which it has received the following awards and recognition:

- Safety Award 2019 for the Aranjuez, Cerdanyola, Flix, Sabiñánigo and Tortosa factories, by Feique. 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 previous year.
- Award for Business Transparency, in the category of listed companies on the IBEX Medium and Small Cap indices, by the Spanish Association of Accounting and Business Administration ("AECA"). The Group was a finalist for this award, which distinguishes the quality, accessibility, usability, content and presence of the information disseminated through its corporate website.
- Recognition by the Spanish Association of Swimming Pool Professionals ("Asofap") for having belonged to the association for 20 years.

The Group's occupational safety has been recognised by Feique

14.6 Knowledge sharing

In 2020 Ercros staff participated in conferences, round tables, virtual webinars and talks on various areas of knowledge:

- The participation of the general business manager in the business networking organised by Fundación Empresa y Clima ("FEC"), an event in which the Ercros Group was the guest company invited to explain the basic points that define the Group, its current situation and its main development plans.
- The participation of the manager of the pharmaceuticals division in the "Hoy por hoy" programme of Cadena Ser in Aranjuez, as part of the International Day of Women and Girls in Science.
- The participation of an IT technician from the Sabiñánigo factory in a conference as part of the International Day of Women and Girls in Science.
- The involvement of the head of the plastics IT department at the conference on technological innovation in the chemical sector, organised by the Technological Circle of Catalonia ("CTecno") and the Digital Cluster, to participate in the debate on the impact of technology in the chemical industry.
- The participation of the sales manager of PVC compounds and specialties, as a speaker at the "Chemical innovation to accelerate the shift towards a circular economy" webinar organised by Expoquimia and the "Final destination of post-consumer bioplastics" webinar organised by UPM and Ecoembes, within the framework of the H2020 Bioplastics Europe project.

14.7 Partnership

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

- Organisations in the chemical sector: 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.
- Organisations of product manufacturers or consumers: European Association of Chlorine Manufacturers ("EuroChlor"); Spanish Association of Chlor-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 ("Impca"); Association of Energy-intensive Companies ("AEGE") and the Green Hydrogen Platform Southern Catalonia.
- Local business organisations: Chambers of Commerce, Industry and Navigation of Barcelona, Madrid and Tarragona; National Employment Centre of Catalonia (*Foment del Treball Nacional*); CEOE 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 Zone of Tortosa ("Apibe"); and Association of Business Owners 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.

15

DIALOGUE AND
TRANSPARENCY



15.1 Materiality of the chapter

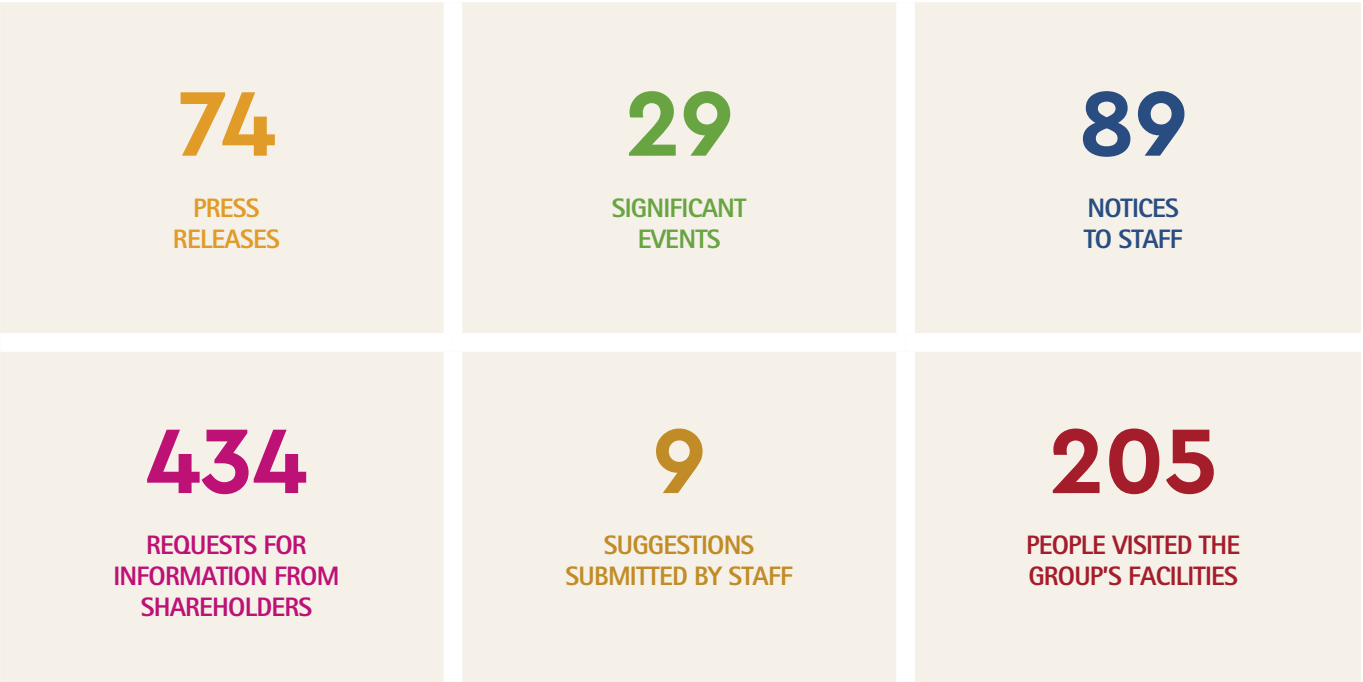
Transparency in communication and effectiveness in dialogue are essential for building trust between companies and their stakeholders. Therefore, the Ercros Group informs and listens to its employees, customers, shareholders, authorities and society in general.

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

SDGs TO WHICH IT CONTRIBUTES



MAIN INDICATORS



15.2 Accountability

Every year the Group publishes a corporate social responsibility report ("CSRR"), 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 SNFI is published on the Ercros Group's website and on the website of the CNMV. It is also published on the website of the Ministry of Employment and Social Security, in the corporate social responsibility reports section (<https://explotacion.mtin.gob.es/memrse>), in accordance with Ministerial Order ESS/1554/2016 on the registration and publication of social responsibility and sustainability reports, and on the Social Responsibility Portal of the Catalan government ("Rscat") (<https://treball.gencat.cat/ca/rscat/mapa-experiencies>), in addition to being disseminated worldwide through the Global Compact and nationally through the Spanish Global Compact network.

The Group also accounts for its responsible performance by publicly disclosing its degree of compliance with (i) the recommendations of the CGG, which is part of the annual corporate governance report ("ACGR"); (ii) the Responsible Care programme, audited by Feique; and (iii) the CSR rating given by EcoVadis each year.

The Group is registered in the register of stakeholders of the Catalan government.

The Group pays special attention to legislative developments and good governance recommendations and incorporates best practices; promotes the transparency and the proper functioning of the stock markets; and safeguards the interests of investors with regard to 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 to be prepared in the event of a crisis.

The voluntary internal code of conduct on matters related to the stock market regulates the rules of conduct to be observed by the persons included in its scope of application in relation to Ercros shares and insider information.

The public service hotline procedure regulates communication with society.

15.3 Main actions

In 2020, due to the restrictions imposed by the covid-19 pandemic, many of the actions that the Ercros Group usually carries out have been reduced or have changed format. Even so, the Group has sought to maintain dialogue with its stakeholders and to explain its activities in a transparent manner. Below are the main activities that were carried out, grouped based on their target audience.

a) With society in general

- The annual economic and financial report, which contains the most relevant economic and financial figures for the year.
- The ACGR, which provides information on the governance of the Company and the degree of fulfilment of the recommendations of the code of good governance report ("CGG").
- The directors' remuneration report, 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 updating and improvement of the corporate website. In 2020 the Group worked on a new development that will be active in 2021.
- The digital newsletter that contains the most relevant information published by the Group. In 2020, 9 newsletters were sent to an average of 144 recipients (2019: 12 newsletters to an average of 138 recipients).
- The LinkedIn update.

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

b) With stakeholders

(i) In general

- The celebration of open house days and arranged visits aimed at Ercros Group employees and their families; the educational community; and neighbourhood, business and social associations, etc. In 2020, 6 visits were held at the Group's various facilities, which were attended by a total of 205 people (2019: 35 visits by 1,308 people). The impossibility of carrying out external visits to the workplaces after the pandemic was declared explains the drop in the number of visitors.
- Despite the situation, the workplaces continued to hold meetings, sometimes remotely, with their stakeholders; a total of 100 meetings were held, compared with 122 meetings in 2019.
- The public service hotline, which regulates the submission of complaints, reports and suggestions for improvement.
- Updating the virtual notice board that contains information of interest to staff. It is freely accessible by employees, acts as a corporate intranet and is hosted on the Ercros Group's server.
- The suggestions competition, which channels and rewards suggestions for improvement proposed by staff. In 2020, 9 suggestions for improvement were submitted (2019: 25 suggestions).
- Dissemination among the staff of the "Don't blame plastic" campaign carried out by the plastic manufacturing companies to raise awareness of its correct use, especially at the end of its useful life.
- Dissemination among the staff of the video "The chemistry behind covid-19", produced by Feique.
- The campaign to disseminate the new newsletter issued by the Tarragona Chemical Business Association ("AEQT") among the Group's employees.

Despite the restrictions, meetings with stakeholders were held remotely

(ii) With staff

- Internal memorandums are the means of providing specific information to the Group's staff. In 2020, 89 memorandums were sent (2019: 141 memorandums). Once again, this decrease is caused by the fact that fewer staff events were held that could generate a memorandum.
- The dialogue improvement plan, a tool to promote internal communication through cascade meetings. In 2020, 524 meetings were held that were attended by 2,268 people (2019: 963 meetings, attended by 3,936 people).
- The internal newsletter, which contains information from the cascade meetings and contains a common section – with general information on the Group – and a section specific to each factory. Four newsletters were published in 2020, the same number as in the previous year. In particular, these newsletters informed workers about the situation caused by covid-19 and all the prevention measures carried out at the workplaces to minimise the risk of infection.
- The Group has a shareholder's office with a dedicated manager that channels the dialogue and the relationship with shareholders and investors. The Group also has a procedure that regulates the operation of the shareholder office and policy for contacting and communicating with shareholders, institutional investors and voting advisors. Throughout the year the shareholder office responded to 434 requests for information (2019: 235 requests). It also sent 19 information notes to the 285 shareholders who requested them (2019: 30 notes to 278 shareholders).
- 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 an electronic forum of shareholders, which can be accessed in the period between the call and the holding of the shareholders meeting.
- On 5 June 2020, the Ercros annual general meeting was held for the first time exclusively online due to the pandemic, as permitted by law.

(iv) With the securities market

- Significant events disseminated through publication on the websites of the CNMV and Ercros, which are the means of communication with the securities market. In 2020 the Group issued 29 significant events (2019: 34 significant events). This decrease is due to the completion in April 2020 of the treasury share purchase programme, during which a press release was sent each week.
- Regular meetings with investors who follow Ercros' market price. In 2020 the Group held 16 meetings with analysts, investors and managers (2019: 65 meetings). The decrease in the number of meetings is also due to the uncertainty generated by the pandemic.
- Participation in two roadshows in Barcelona and Madrid in which three and eleven fund managers took part, respectively.

(v) With the media

- Press releases are the main tool for contact with the media. In 2020, 74 press releases were issued (2019: 68 press releases).
- The press conference to announce the annual results for the previous year, given by the chairman of Ercros, Antonio Zabalza, held at the Group's corporate offices.
- Conducting interviews, responding to requests for information or writing articles were other activities carried out in the interest of information transparency.

(vi) With neighbours

- Announcements of general or local interest that are distributed by the factories to their external stakeholders. In 2020 an average of 8 announcements per factory were issued (2019: 14 announcements).

(vii) With authorities

- The visit of the mayor of Aranjuez to the factory that the Ercros Group has in that town to notify her of the expansion of the finished products warehouse.
- The visit of the councillor for public safety and mobility of Aranjuez to show him the safety equipment and the self-protection plan of the facility located in this town.

- The chairman of Ercros, accompanied by the general business manager, met with the president of the Regional Government of Aragon and the mayor of Sabiñánigo to explain the Group's investment plans in that community.

(viii) With customers

In 2020, despite the restrictions imposed by covid-19, the Ercros Group's technical and sales staff continued to participate in the most important trade fairs, seminars and conferences in their sector, albeit remotely as a result of the pandemic:

- The intermediate chemicals division participated in: the 46th Annual Conference on Explosives and Blasting Techniques in Denver, Colorado; the ADF&PCD and PLD trade fair in Paris, the world's leading event for premium packaging, dispensing technology and aerosols; the virtual conferences organised by the American Fuel & Petrochemical Manufacturers ("AFPM"), the Independent Commodity Intelligence Services ("ICIS"), the European Petrochemical Association ("EPCA"), the Latin American Petrochemical and Chemical Association ("APLA") and the Formacare Association; and the virtual meetings of the Cefic's executive committee.
- The chlorine derivatives division participated in: the Assembly of the Spanish Association of Swimming Pool Professionals ("Asofap") and the Piscina & Wellness virtual forum, organised by this Association; the Piscine Lyon virtual trade fair in France; the Pool & Spa virtual trade fair in the US; the informational seminars organised by IHS metrics; the general assembly of EuroChlor; the online meetings organised by the Cefic; the Biopolymer Summit congress, held in Zaragoza; the Biopolymers Meeting, held in Valencia; the webinar on bioplastics organised by Bioplastics Magazine; the virtual talk on packaging organised by Ecoembes; and the webinar on circular economy organised by Feique.

15.4 Audits

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

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

The 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, as well as in the sales departments and the integrated logistics and sustainable development divisions.

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

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

External audits enable the Group to assess its efficiency and effectiveness

16

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



Verification certificate



**BUREAU
VERITAS**

Bureau Veritas Certification



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 15 de Febrero de 2021


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 arising from the ISO 14001 and ISO 45001 standards and there is a specific procedure.

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

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

Yes.

4°. Effective member of a business association

Several of them, both sector and regional associations [see chapter 14.7].

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

Yes [see chapters 8.2 b) and 9.4].

B. Advanced level:

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

Yes. The Company has a CSR policy approved by the board of directors, which was 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 [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 – 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 [see chapter 9.5].

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

None

16.1 Ethics and values

14°. Effective commitment to social responsibility initiatives

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

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

Yes.

16°. Publication and presentation of a social responsibility report

Yes [see chapter 15.2].

16.2 Human resources

A. Basic level:

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

None

2°. Existence of an equality plan

Yes [see chapter 12.2].

3°. Existence of a human rights plan

There is no human rights plan defined as such but its 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

The overall accident frequency rate ("OFR"), which measures the number of accidents with and without sick leave among own staff, stood at 2.8 compared to 1.4 in 2019.

6°. Fatal accidents among employees

No.

B. Advanced level:

7°. Accident frequency rate among contractors

In 2020 the accident frequency rate among external staff stood at 6.3 compared to 4.6 in the previous year.

8°. Existence of a prevention policy

Yes.

9°. Fatal accidents among contractors

No.

10°. Occupational disease rate among employees

0.

11°. Application of the collective agreement

Yes, the 19th general collective agreement for the chemical industry for the 2018-2020 period and the 1st agreement to improve the general collective agreement for the chemical industry are in force.

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

In 2020 the rate was 4.5% (2019: 4.4%).

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-term contracts

At the end of 2020, 89.7% of the workforce had indefinite-term contracts (2019: 90.1%).

17°. Employees with performance evaluations

None.

18°. Existence of training plans

Yes [see chapter 11.6].

19°. Existence of a welcome manual for new employees

Yes [see chapter 11.6].

16.2 Human resources

20°. Training hours per employee

An average of 23.1 hours of training per employee (2019: 31 hours)

21°. Employee training investments and expenses

The expense incurred for training amounted to EUR 282 thousand (2019: EUR 337 thousand), of which EUR 162 thousand came from the subsidy granted by Fundae.

22°. Percent of employees who have received training

In 2020, 93% of the workforce (the same percentage in 2019) received training.

23°. Percentage of employees who are women

The presence of female employees in 2020 was 17.0% compared to 16.5% in 2019.

24°. Percentage of executives who are women

Between 2019 and 2020, the number of women that hold executive positions, 6, remained unchanged. However, in percentage terms, the number of women out of the total number of executives has increased from 20.7% to 21.4%, since there was one male executive less in 2020 (from 29 to 28 executives) [see chapter 12.4].

25°. Participation of employee representatives in training matters

Through the training committee that prepares the annual training plan. This joint committee is 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 occupational health, safety and environment committee, as well as the health and safety committees at each workplace.

27°. Participation of employee representatives in environmental matters

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

C. Level of excellence:

28°. Existence of talent management programmes

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

29°. Existence of career plans

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

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

Yes [see chapter 12.7].

31°. Programmes to promote telecommuting

Yes. In 2020, as a result of the coronavirus pandemic, staff whose work could be carried out remotely have been telecommuting. The Group offers its employees the resources necessary to be able to work remotely in all cases where this is possible.

32°. Work-life balance policy

Yes [see chapter 12.7].

33°. Existence of contractor training programmes

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

34°. Hours of contractor training

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2020 the staff of these companies received 820 hours of training (2019: 3,550 hours).

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

Yes [see chapter 8.2 c)].

36°. Existence of a diversity management policy

Yes [see chapter 12.2].

16.2 Human resources

37°. Existence of measures to support studying

Yes [see chapter 12.7].

38°. Existence of repayable advances

Yes [see chapter 12.7].

39°. Existence of pension plans

Yes [see chapter 12.7].

40°. Existence of life and accident insurance

Yes [see chapter 12.7].

41°. Existence of health insurance

Yes [see chapter 12.7].

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

Yes [see chapter 15.5 c)].

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

Yes [see chapter 12.7].

44°. Existence of transport bonuses or supplements

Yes [see chapter 12.7].

45°. Existence of maternity/paternity support measures

Yes [see chapter 12.7].

46°. Existence of employee stock options

No.

47°. Employee volunteering activities and programmes

See chapter 14.4 f).

48°. Existence of a contingency plan

Yes. Existence of a data recovery plan in the event of a disaster or massive computer system failure and a contingency plan for covid-19 [see chapter 11.2]

16.3 Shareholder 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

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

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

In 2020 the degree of compliance with the recommendations contained in the CGG for listed companies applicable to the Group stood at 96.2% (2019: 94.2%).

4°. Publication of the annual corporate governance report

Yes.

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

In 2020 the Group issued 29 significant events (2019: 34 significant events).

6°. Number of general shareholders meetings

On 5 June 2020, the Company held its annual general meeting remotely for the first time (in 2019 the meeting was held on 14 June).

7°. Attendance at the annual general meeting

The meeting was attended by 6,420 shareholders owning 73,042,434 shares, representing 73.208% 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.

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 voting advisors.

C. Level of excellence:

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

The manager of the shareholder office.

12°. Existence of periodic newsletters for shareholders

No.

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

13°. Existence of regular meetings.

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

14°. Existence of mechanisms to encourage participation

Shareholders are encouraged to participate 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 since 2013 [see chapter 8.3].

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 and aims to protect people and the environment, ensure product stewardship and satisfy the needs of its customers.

2°. Commitment to pollution prevention

Yes [see chapter 10.2 a)].

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

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

4°. Convictions and serious sanctions

See chapter 10.6.

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

See the answer above.

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

In 2020 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 2020 amounted to EUR 17,165 thousand (2019: EUR 18,804 thousand).

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

In 2020 each employee received an average of 6.9 hours of training on safety and the environment (2019: 9.8 hours).

10°. Water consumed per tonne produced

The specific water consumption was 9.51 m³ per tonne produced in 2020 (2019: 9.96 m³/tonne).

11°. Energy consumed per tonne produced

The consumption of electricity and other fuels in 2020 was 5.37 GJ per tonne produced (2019: 5.32 GJ/t).

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

In the absence of external verification, in 2020 the Ercros Group emitted 0.348 tonnes of CO_{2eq} per tonne produced (2019: 0.374 tonnes of CO_{2eq}/t 2eq/t) (including scope 1 and 2 emissions).

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

In 2019 the Ercros Group emitted 0.00017 tonnes of nitrogen oxide per tonne produced. At the time of the approval of this CSRR – 19 February 2021 – the Group did not yet have the data corresponding to 2020, so it will be reported on in the next CSRR. In 2018 the Ercros Group emitted 0.00013 tonnes of nitrogen oxide per tonne produced.

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

In 2019 the Ercros Group emitted 0.00004 tonnes of sulphur dioxide per tonne produced. At the time of the approval of this CSRR – 19 February 2021 – the Group did not yet have the data corresponding to 2020, so it will be reported on in the next CSRR. In 2018 the Ercros Group emitted 0.00006 tonnes of sulphur dioxide per tonne produced.

16.4 Environment

15°. Tonnes of suspended solids emitted per tonne produced

In 2019 the Ercros Group emitted 0.000014 tonnes of suspended solids per tonne produced. At the time of the approval of this CSRR – 19 February 2021 – the Group did not yet have the data corresponding to 2020, so it will be reported on in the next CSRR. In 2018 the Ercros Group emitted 0.000017 tonnes of suspended solids per tonne produced.

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

In 2020 the Ercros Group emitted 0.00093 tonnes of volatile organic compounds per tonne produced (2019: 0.00080 t/t).

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

In 2020 the chemical oxygen demand of the Ercros Group's discharges was 0.00031 tonnes per tonne produced (2019: 0.00037 t/t).

18°. Tonnes of heavy metals discharged per tonne produced

In 2019 the Ercros Group emitted 0.0000025 tonnes of heavy metals per tonne produced. At the time of the approval of this CSRR – 19 February 2021 – the Group did not yet have the data corresponding to 2020, so it will be reported on in the next CSRR. In 2018 the Ercros Group emitted 0.0000023 tonnes of heavy metals per tonne produced.

19°. Tonnes of phosphorus discharged per tonne produced

In 2019 the Ercros Group emitted 0.000009 tonnes of phosphorus per tonne produced. At the time of the approval of this CSRR – 19 February 2021 – the Group did not yet have the data corresponding to 2020, so it will be reported on in the next CSRR. In 2018 the Ercros Group emitted 0.000013 tonnes of phosphorus per tonne produced.

20°. Tonnes of nitrogen discharged per tonne produced

In 2019 the Ercros Group emitted 0.000017 tonnes of nitrogen per tonne produced. At the time of the approval of this CSRR – 19 February 2021 – the Group did not yet have the data corresponding to 2020, so it will be reported on in the next CSRR. In 2018 the Ercros Group emitted 0.000021 tonnes of nitrogen per tonne produced.

21°. Total tonnes of waste generated per tonne produced

In 2020 the Ercros Group generated 0.055 tonnes of total waste per tonne produced (2019: 0.045 t/t).

22°. Tonnes of hazardous waste generated per tonne produced

In 2020 the Ercros Group generated 0.0072 tonnes of hazardous waste per tonne produced (2019: 0.0070 t/t).

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

In 2020 the Ercros Group's recovered waste accounted for 5% of the total waste generated (2019: 5.5%).

24°. Description of recovery projects

See chapter 10.7 a).

C. Level of excellence:

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

See chapter 10.7 b).

16.5 Supply chain/suppliers and contractors

A. Basic level:

1°. Existence of control mechanisms for raw material records

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

B. Advanced level:

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

Yes [see chapters 8.2 b) and 13.2].

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

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

4°. Existence of supplier/contractor assessment procedures

Yes [see chapter 13.2].

C. Level of excellence:

5°. Description of success stories

See chapter 13.3 e).

6°. Supplier/Contractor audits

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

7°. Hours of training for suppliers/contractors

In 2020 the staff of companies providing goods and services received 820 hours of training (2019: 3,550 hours).

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

Yes [see chapter 13.2].

9°. Existence of intranet for suppliers/contractors

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

10°. Working group meetings

Each factory has an inter-company committee formed by representatives from the facility and contractors, which coordinates the activities related to prevention, occupational health, management procedures, training plans, etc. In 2020 the inter-company committees held 21 meetings among all the factories (2020: 19 meetings).

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 customer data protection clauses

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

3°. R&D expenses

In 2020 investments and expenses related to innovation and technology amounted to EUR 6,339 thousand (2019: EUR 6,099 thousand).

4°. Existence of a register of claims and their resolution

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

5°. Accidents per tonne transported

On 30 July, an accident took place when a truck carrying caustic soda went off the road and fell down an embankment. The accident did not have any consequences for the driver or any impact on the environment.

B. Advanced level:

6°. Existence of a customer care service

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

7°. Claim rate

In 2020 the claim rate, which measures the volume of non-compliant products issued in relation to the total volume issued, was 0.274 (2019: 0.216).

8°. Customer satisfaction surveys

The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2020, 939 customer surveys were sent with a response rate of 25% (2019: 904 surveys).

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

100% [see chapter 13.4 c)].

10°. Safety data sheets on products sold

Yes [see chapter 13.4 d)].

C. Level of excellence:

11°. Life cycle analysis of the main products

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

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

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

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

See chapter 13.4 d)].

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

Not applicable to the Ercros Group as it does not carry out marketing or advertising activities.

15°. Portal or area for consumers and customers

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

16.6. Customers and consumers	
<p>16°. Existence of an accessibility policy and actions</p> <p>The Ercros Group's facilities contain proper signage, in several languages.</p> <p>For safety reasons, due to the type of products manufactured, the Group's production facilities have restricted access for people with severe physical disabilities.</p> <p>17°. Description of success stories about improvements to existing products</p> <p>See chapter 13.4 e).</p>	<p>18°. Description of success stories about packaging materials, packing and packaging</p> <p>See chapter 13.3 e).</p> <p>19°. Description of success stories about distribution efficiency</p> <p>See previous indicator.</p>

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, etc.

B. Advanced level:

2°. Direct jobs generated

In 2020 the Ercros Group's average workforce was 1,297 employees (the same as the previous year).

3°. Indirect and induced jobs generated

In 2020 it is estimated that the Group's activity generated 3,113 indirect and induced jobs (2019: 3,113 jobs) [see chapter 14.3].

4°. Total employment generated/employed in the municipality

The employment generated by the Ercros Group represents an average of 2.9% of the active population in the municipalities where the production facilities are located ¹.

5°. Billings/sales

In 2020 sales amounted to EUR 547,237 thousand, 14.3% less than the previous year's sales of EUR 638,737 thousand.

6°. Value of total investments made

In 2020 the investments made amounted to EUR 31,270 thousand (2019: EUR 33,572 thousand).

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

In 2020 the Ercros Group paid the public authorities EUR 25,871 thousand (2019: EUR 26,108 thousand) in relation to taxes, fees and social security contributions.

8°. Displaced or resettled populations

None

9°. Integration initiatives implemented

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

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

See chapter 10.2 and 10.5.

C. Level of excellence:

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

In 2020 the value of sponsorships per employee was EUR 94 (2019: EUR 83.3).

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

Not applicable ².

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

None

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

See chapter 14.4 c) and f).

15°. Value of purchases made from special employment centres and/or job placement companies

In 2020 the Ercros Group made purchases from special employment centres and/or job placement companies amounting to EUR 279 thousand (2019: EUR 295 thousand).

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

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

16.7 Contribution to and cooperation with society

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

See chapter 14.4 b).

17°. Existence of training programmes for the local community

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

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

See chapter 14.4 d).

19°. Activities carried out with the media

In 2020, 74 press releases were issued (2020: 68 press releases). The communications department attends to and facilitates the work of the media with respect to the Ercros Group [see chapter 15.3. b) (v)].

20°. Activities carried out with 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 [see chapter 11.4].

Contributions to employee business groups in 2020 amounting to EUR 71 thousand (2019: EUR 76 thousand).

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

24°. Activities carried out with consumer and user organisations

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

25°. Activities carried out with environmental groups

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

26°. Activities carried out with professional organisations

Through the business organisations in which it participates.

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

See chapter 14.4 e) and 14.6.

28°. Activities carried out with neighbouring companies

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

29°. Activities carried out with neighbourhood associations

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

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

See chapter 14.4 b) and f).

16.8 Communication and dialogue

A. Basic level:

1°. Existence of a person with assigned communication functions

At the corporate level, the communication functions are the responsibility of the institutional relations and communications department and, at each production facility, there is a person with delegated communication functions.

2°. Existence of a corporate publication

The internal newsletter associated with the dialogue improvement plan, which contains the information provided at the cascade meetings. In 2020, four newsletters were published (the same as in 2019) [see chapter 15.3 b) (ii)].

3°. Existence of a website

Yes, www.ercros.es.

4°. Existence of an internal communication procedure

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

B. Advanced level:

5°. Existence of a website in Spanish

The corporate website is in Spanish, English and Catalan.

6°. Publication of the annual report

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

7°. Issuance of public announcements

The Ercros Group periodically sends out announcements that are of general or local interest, which are distributed to external stakeholders based on their content. In 2020 an average of 8 announcements per workplace were issued (2019: 14 announcements).

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

For suggestions, queries or complaints from external stakeholders, the Ercros Group has the public service hotline procedure and the suggestion contest that channels and rewards suggestions for improvement proposed by staff. In 2020, 9 suggestions for improvement were submitted (2019: 25 suggestions).

9°. Existence of recorded internal meetings

Through the dialogue improvement plan, which is a tool to promote internal communication through cascade meetings that has been implemented at all of the Group's workplaces. In 2020, 524 meetings were held that were attended by 2,268 people (2019: 963 meetings, attended by 3,936 people).

C. Level of excellence:

10°. Regular publication of a sustainability report or CSRR

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

11°. Existence of a regular external newsletter

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

12°. Organisation of external open house days

See chapter 15.3 b) (i).

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

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

14°. Existence of a public advisory panel

Through Feique and AEQT.

16.8 Communication and dialogue

15°. Description of CSR campaigns

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

16°. Regular opinion surveys

In 2020 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.

19°. Existence of a regular internal newsletter

The newsletter associated with the dialogue improvement plan. Four newsletters were published in 2020 (the same number as in 2019).

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

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

In 2020, 6 visits were held at the Group's various facilities, which were attended by a total of 205 people (2019: 35 visits by 1,308 people).



DIRECTORY

Corporation

Headquarter

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

Shareholders office

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

Chlorine derivatives division

Headquarter

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

Basic chemicals

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

Customer service centre ("CSC")

E-mail: cac@ercros.es

East zone:

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

West zone:

Tel.: +34 902 518 400

Export:

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

Sales office in France

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

Plastics

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

Customer service centre ("CSC")

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

Water treatment

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

Customer service centre ("CSC")

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

Production facilities

Flix factory

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

Monzón factory

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

Sabiñánigo factory

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

Tarragona industrial complex

Tarragona factory

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

Vila-seca I factory

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

Vila-seca II factory

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

Intermediate chemicals division

Headquarter

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

Customer service centre ("CSC")

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

Sales office in China

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

Innovation and technology department

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

Production facilities

Almussafes factory

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

Cerdanyola factory

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

Tortosa factory

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

Pharmaceuticals division

Headquarter and Aranjuez factory

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

Commercial department

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

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For further information:

Ercros

Avda. Diagonal, 593-595

08014 Barcelona - Spain

Tel.: +34 609 880 630 and 934 393 009

E-mail: ercros@ercros.es

www.ercros.es