

SPAIN
Sector: Chemical

Report date: 7-nov-2024

Ercros (ECR), is an industrial group manufacturing chemical products that operates through 3 divisions: (i) basic chemicals, (ii) intermediate chemicals and (iii) pharmaceuticals. The core activity is the production of chlorine-caustic soda, ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level.

Ercros

Summary and conclusions

Market Data

Market Cap (Mn EUR y USD)	331.0	355.4
EV (Mn EUR y USD)	424.5	455.9
Factset / Bloomberg	ECR-ES / ECR SM	

Shareholders Structure (%)

Victor Manuel Rodríguez Martín	6.1
Joan Casas Galofré	6.0
Dimensional Fund Advisors	5.0
Montserrat García Pruns	3.6
Raphael Kain	1.4
Samson Rock Event Driven Fund	1.4
Free Float	76.5

Eligibility the EU taxonomy	c. c. mitigation. ⁽¹⁾	Adaptation to c. c. ⁽¹⁾
Income	44,9%	44,9%
Opex	33,9%	33,9%
Capex	47,3%	47,3%

(1) c. c. = Climate change

The EU taxonomy

Based on the information for the last closed year (2023), **Ercros** is a company that is required to report information regarding the alignment of its activity with the EU taxonomy from January 1, 2023. For further details, see annex II on [page 9](#).

See explanation of the purpose, basic principles, essential elements and contents of this report on [pages 2 and 3](#) and of the methodology used on [pages 12, 13 and 14](#).

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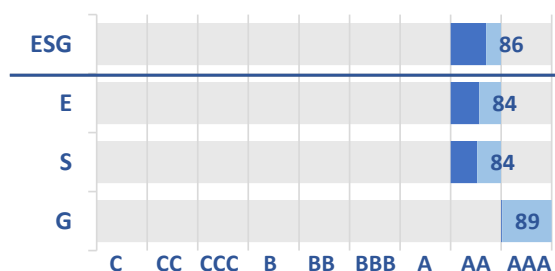
ENVIRONMENTAL (AA). Ercros' 2024 environmental rating and score improved compared to 2023 (84/100 from 75/100 in 2023). It scored higher in climate change and carbon emissions and efficient resource management (+22 and +5 points out of 100 vs 2023, respectively), but slightly lower in environmental management (-2 points from 2023). There is room to do better in climate change and carbon emissions—the only area of this pillar with any meaningful room for improvement—by endorsing leading climate change initiatives (SBTi, Carbon Footprint Registration, Offsetting, and CO₂ Absorption Projects) and cutting carbon emissions relative to EBITDA.

SOCIAL (AA). Ercros has achieved a high (AA) social rating (score of 84/100 vs 77/100 in 2023). The company has (board-approved) HR, diversity and equality, and occupational health and safety (OHS) policies. Its OHS system is independently certified by a third party (ISO 45001:2018). Moreover, Ercros has assessed 77% of its suppliers over the past three years along ESG criteria, with most of the pillar's KPIs faring well between 2021 and 2023. There is room for improvement in employee work-related injury rates, donations and policies to systematise the company's social contribution.

GOVERNANCE (AAA). This is Ercros' strongest pillar. It has improved and achieved the "highest" rating possible, AAA (score of 89/100 vs 87/100 in 2023). The company complies with 96% of the recommendations in Spain's Good Governance Code of Listed Companies. It has a director selection policy that includes specific diversity considerations (33.3% female board members vs 29.6% average for Spanish listed companies) and a risk management system that embeds ESG risks, not to mention an ethics code that is applied both internally and to third parties. Since 2021, the company has had a board-approved tax transparency policy, and it has endorsed Spain's Code of Best Tax Practices. Ercros' governance pillar is very high. The only way to improve this pillar further would be to increase the share of independent and female directors.

OVERALL ESG RATING (AA). Ercros attained an overall ESG Rating 2024 of AA (score of 86/100 vs 80/100 in 2023), cementing its high performance. Governance is clearly one of the company's strengths. The greatest room for improvement is in its environmental pillar commitments and, to a lesser extent, its environmental and social pillar metrics and objectives. The ESG Rating 2024 was held back somewhat by the higher weight of the environmental pillar (+3% vs 2023) and lower weight of the corporate governance pillar. Nevertheless, the company's ESG strength is objectively clear. And none of its pillars shows any material weaknesses.

ESG rating 2024⁽¹⁾ (by pillar)



(1) The dark blue area represents the classification achieved by the company in its ESG rating and the light blue area shows the distance until the next level of ESG rating is achieved.

ESG Rating 2024

AA 86/100

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The European Federation of Financial Analysts Societies

Explanation of the purpose, basic principles, essential elements and contents of this report

A) Purpose

This report is, exclusively, a rating or assessment of a company on the basis of ESG criteria. In other words, a rating prepared on the basis of the degree of compliance of the company with ESG criteria. The work of analysis has been carried out by Lighthouse (*IEAF Servicios de Análisis S.L.U.*) and the rating is issued by the *Instituto Español de Analistas*. This report has been commissioned by the company that is the subject of the rating.

Conversely, this report is NOT: 1) fundamental research, 2) a credit rating, 3) an investment idea or investment proposal.

B) Basic principles

The fundamental principles on which the rating of this report is based are:

- 1) INDEPENDENCE.** The rating exclusively expresses the opinion of the *Instituto Español de Analistas*, a non-profit entity and without conflicts of interest arising from the sale of other financial products to the company that is the subject of the rating. As detailed in the legal information of this report ([pages 15 and 16](#)), the necessary controls have been established to preserve the independence of the rating issued.
- 2) VARIABILITY AND ADAPTABILITY.** The rating is based on the market's ESG standards and the prevailing legislation on the date of publication. This means that the assessment criteria are variable and will incorporate changes as these occur, both in market standards and, especially, in the regulation. The ESG Rating is based on a principle of constant adaptation to legislative changes in respect of ESG material that impact Spanish companies.

C) Essential elements












- 1) TERMINOLOGY.** In this report we refer to the ESG pillars based on their initials: E (Environmental), S (Social) and G (Corporate Governance).
- 2) NAME OF THE RATING.** We refer to the classification or assessment of the company as the "ESG Rating" when talking about the overall ESG rating of the company and as "Rating by pillars" when talking about the individual ratings for each of the ESG pillars analysed (Environmental, Social, Corporate Governance): "Environmental Rating", "Social Rating" and "Corporate Governance Rating".
- 3) DATE OF THE RATING.** The rating corresponds to a specific date that figures on the front page of this report. In other words, the rating reflects the classification of the company on the basis of ESG criteria at that date. In addition, the rating is assigned to a year, established according to the last closed accounting year at the date of publication of the rating. If a company issues its financial statements for 2021 on April 30 2022, and its rating is published prior to this date it will be known as the "2021 ESG Rating" but if the rating is published after this date it will be known as the "2022 ESG Rating".
- 4) DATA ON WHICH THE RATING IS BASED.** The rating is prepared using the best information available at the date of its publication. ESG data from the latest Non-Financial Information Report (issued together with the annual accounts) will be a very important but not exclusive source of information. All information that is supplementary and/or subsequent to this will be taken into account to ensure that the rating expresses the best possible opinion at the date of its publication.
- 5) SUPPLEMENTARY INFORMATION.** The annexes include supplementary information that (the Taxonomy aside) has not been taken into account when preparing the rating but that is considered useful in a context of information regarding a company's ESG situation.

- 6) **METHODOLOGY.** Assessment of the company based on ESG directives of both the European Commission and the Global Reporting Initiative. Sources additional to these two main ones include international bodies, fund managers specialising in ESG, important financial entities, etc. A description of the methodology used can be seen on [pages 12, 13 and 14](#) of this report.
- 7) **TYPE OF RATING.** The ESG Rating is based on an alphanumeric scale (AAA, maximum level; C, minimum level). This is supplemented by a numerical score (points out of 100). The type of rating is explained in detail in the section on methodology.

D) Contents

- 1) **CONCLUSIONS.** The company's rating and the reasoning behind this can be found on pages 1 and 4 of this report.
- 2) **OPINION BY PILLARS.** The report includes a detailed opinion regarding the company's position for each of the pillars analysed: E-S-G.
- 3) **ANNEXES.** In addition, relevant information from the point of view of the company's ESG position but that (the Taxonomy apart) has not been taken into account when preparing the rating is included as an annexe. This information is as follows:
- **Key financial indicators.** This includes useful and basic data about the company's financial situation at the date of publication of this report.
 - **The Taxonomy.** Details regarding the company's alignment with the EU Taxonomy on sustainable activities.
 - **Position on megatrends and controversial activities.** In the case of megatrends we talk about areas of activity with good prospects for long-term growth and with a positive impact on the UN's Sustainable Development Goals (SDGs). Controversial activities are those that are theoretically adverse for a good ESG performance (for example: tobacco, gambling, coal mining, etc.).
 - **ESG commitments and corporate reports.** Public commitments and transparency initiatives adopted by the company in respect of ESG.
 - **Controversies and main risks.** Controversies and main risks. Events affecting the company reported in the media and that could affect its ESG position and ESG risks indicated by the company.
 - **Geographical area of operations.** List of countries with a significant weighting of the company's revenue mix.
- 4) **METHODOLOGY.** A detailed explanation of the assessment method used to establish the company's rating and the meaning of the different levels of rating.

The ESG Rating 2024 Analysis ⁽¹⁾

Environmental (E) (33.9%)		AA 84/100	Social (S) (33.6%)		AA 84/100	Corporate Governance(G) (32.6%)		AAA 89/100
	Environmental management	AA 88/100		Environmental management	AA 89/100		Good governance	AA 81/100
	Climate change and carbon emissions	A 74/100		Climate change and carbon emissions	AAA 92/100		Risk management	AA 83/100
	Efficient resource management	AAA 95/100		Efficient resource management	A 67/100		Ethics and integrity	AAA 100/100
				Environmental management	A 75/100		Fiscal transparency and accountability	AAA 100/100

(1) For more details of pesos by pillar of the **Materials** sector, see table [Weighting of each ESG pillar by sector on page 13](#).

The ESG Rating is obtained via an assessment of the three ESG pillars (Environmental, Social and Corporate Governance), to which a weighting has been applied in line with the weighted average of the most widely used international ESG criteria as indicated in the table above. For further details about the weighting of each ESG pillar depending on the sector analysed, see the methodology section on [pages 12, 13 and 14](#).

The three ESG pillars are assessed using widely applied standards and indicators, in accordance with European Commission directives and Global Reporting Initiative standards. In addition to the two sources mentioned above, numerous sources including international bodies (the UN, OECD, WEF...), leading financial entities, investment fund managers (national and international) and specific ESG studies and questionnaires have also been taken into account.

Information supplementary to the ESG rating

Information and data not used to prepare the ESG Rating (apart from the Taxonomy) but that could be useful when interpreting its level and prospects. For more details see the annexes to this report.

NFIR ⁽¹⁾ in accordance with international standards Yes

Benchmark ESG commitments

2030 Agenda	Yes
UN global compact	Yes
EU Transparency Register	No

Taxonomy eligibility	OECD countries	Controversial activities
>44%	86%	0%

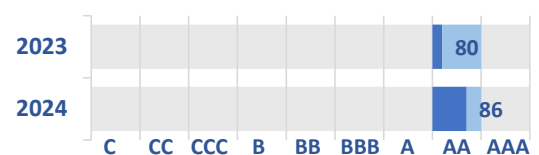
Analysis of revenues from an ESG perspective

(1) Non-Financial Information Report (NFIR).

ESG Rating by pillar

ESG rating	2023		2024	
	AA	(80/100)	AA	(86/100)
Environmental (E)	A	(75/100)	AA	(84/100)
Social (S)	A	(77/100)	AA	(84/100)
Corporate Governance (G)	AA	(87/100)	AAA	(89/100)

Historical evolution of the ESG Rating (2022-2023)



Environmental (E)

AA
84/100

Ercros improved its 2023 environmental rating to AA (increasing its score from 75/100 to 84/100). By aspect, the environmental rating is underpinned by:

Environmental management (AA). Its score decreased slightly from last year (from 90/100 to 88/100), but remains strong in this area. Ercros' environmental management policy is public, and its facilities—representing 100% of its revenue—are independently certified by third parties (in accordance with the ISO 14001, ISO 14064 and ISO 50001 standards). It also has quantified targets (e.g. 3D Plan, direct CO₂ emissions reduction target: -39% by 2025 from 2020).

Climate change and carbon emissions (A). This aspect is affected because the company is not a signatory of leading climate change initiatives (Science Based Targets initiative SBTi, Carbon Footprint Registry), although it has voluntarily pledged to support several environmental initiatives, such as Responsible Care (FEIQUE), the UN Global Compact and the Carbon Disclosure Project (CDP) questionnaire.

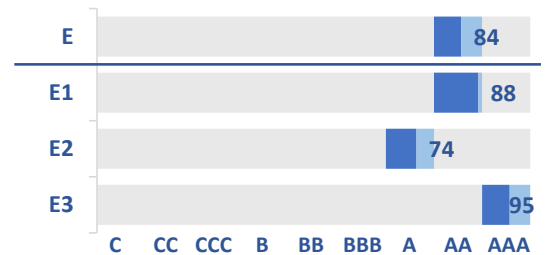
Here it has made considerable inroads, upping its score (from 74/100 to 84/100) by keeping up its good performance in carbon emissions from 2021 to 2023 in absolute terms and by tonnes produced. In 2023, total tonnes in absolute terms of (Scopes 1, 2 and 3) emissions decreased vs 2021 and 2022 (by 29% and 12%, respectively). In relative terms, tonnes produced also decreased (by 17% and 8%, respectively).

Efficient resource management (AAA). The score for this attribute improved slightly from 2023 (to 95/100 from 90/100) driven by the good performance in energy consumption, water consumption and waste managed in absolute terms and by tonnes produced in relative terms from 2021 to 2023. EBITDA performance was negative due to the sharp drop in EBITDA in 2023. In any case, it achieved a quasi-optimal level (95/100) for this attribute.

Conclusion about the environmental rating (AA). The environmental pillar improved vs 2023 (+9 points out of 100). Ercros scored higher in climate change and carbon emissions and Efficient resource management (+22 and +5 points out of 100 vs 2023, respectively), but slightly lower in environmental management (-2 points out of 100 from 2023). There is only room to do significantly better in climate change and carbon emissions by endorsing leading climate change initiatives (SBTi, Carbon Footprint Registry, Offsetting, and CO₂ Absorption Projects) and cutting carbon emissions relative to EBITDA.

	2023	2024
E Environmental	A 75/100	AA 84/100
E1 Environmental management	AAA 90/100	AA 88/100
E2 Climate change and carbon emissions	BB 52/100	A 74/100
E3 Efficient resource management	AAA 90/100	AAA 95/100

Breakdown by concepts



Key Performance Indicators

KPI	2021	2022	2023	% Var. 23/22	% Var. 23/21
Scope 1, 2 y 3 emissions					
tCo2e	1,365,629	1,103,088	950,815	-13.8%	-30.4%
tCo2e/t produced	0.983	0.879	0.813	-7.5%	-17.3%
tCo2e / EBITDA (Mn EUR)	14,619	8,993	21,460	138.6%	46.8%
Energy consumption					
MWh	1,912,854	1,765,883	1,599,976	-9.4%	-16.4%
GigaJulios/t produced	4.950	5.070	4.920	-3.0%	-0.6%
MWh / EBITDA (Mn EUR)	20,477	14,396	36,111	150.8%	76.4%
Water consumption					
m3	12,385,325	11,709,638	10,080,953	-13.9%	-18.6%
m3/t produced	8.920	9.330	8.620	-7.6%	-3.4%
m3 / EBITDA (Mn EUR)	132,586	95,463	227,530	138.3%	71.6%
Waste generated					
Toneladas (t)	59,770	55,368	28,624	-48.3%	-52.1%
t/t produced	0.043	0.044	0.024	-45.5%	-44.2%

Social (S)

AA
84/100

Ercros' 2024 social pillar rating is AA with a score of 84/100 (high performance), up 7 points from 2023. Highlights of the social rating include:

Diversity and talent (AA). Higher score (89/100) of 3 points out of 100 vs 2023. The company has (public and board-approved) HR policies that consider all angles of social interest (e.g. diversity, equality, training). It also has a strategy tied to specific targets (that must be updated). Its situation is optimal in both policies and strategies, with no room for enhancement, in practice.





Ercros' KPIs showed further improvement in the percentage of female employees (17.2% in 2021; 17.7% in 2022; 18.3% in 2023) All the KPIs performed better except the percentage of women in management (-11.6% vs 2022). The improvement in KPIs was even more noticeable relative to 2022 (total employee turnover, -23.8%, employees with disabilities, +7.8%, and training hours, +8,1%, while the gender pay gap is still negative).

Occupational health and safety (AAA). The score for this attribute improved considerably (+8 points out of 100) after the company defined quantitative targets and improved the workforce injury rate (to 2.7 vs 3.1 in 2022 and 1.8 in 2021). Ercros has explicit board-approved OHS policies. Moreover, it has an OHS system that is independently certified by a third party (in accordance with the ISO 45001:2018 standard on OHS management systems). It did not report any fatalities as a result of work-related injuries in the 2021-2023 period. It does not have an explicit zero accident target linked to the company's chief officer bonus, so there is room for improvement on this front. However, a plan is in place to reduce the rate of occupational accidents.

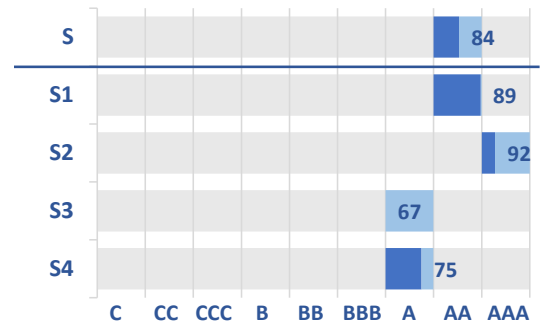
Contribution to society (AA). The company also achieved considerable improvement in its social pillar rating (to A, 67/100, from BB, 47/100 in 2023). It still has a reasonable level of donations at around 0.1% of revenue (0.6% of average free cash flow for the last three quarters), which is higher than in 2022 and 2023 in both absolute and relative terms. Ercros has no public policies ordering or systematising its social contribution (an area where it can improve). These are addressed in its ethics code.

Responsible supply chain (A). The company assesses its suppliers based on ESG criteria (e.g. application of corruption, human rights, OHS, environmental filters). It raised the percentage of suppliers assessed in the last three years slightly (to 77% vs 74% in the 2023 rating, leaving room for further improvement).

Conclusion about the social rating (AA): Ercros raised its social pillar score improved by 7 points out of 100 vs 2023 and achieved an AA rating (high performance). It did particularly well in KPIs (percentage of female employees, gender pay gap, OHS). Employee work-related injury rates (+10.7% vs 2021), donations and policies to systematise the company's social contribution can be improved. Overall, this is a robust pillar with no significant weaknesses in any specific area.

		2023	2024
S	Social	A 77/100	AA 84/100
	S1 Diversity and talent	AA 86/100	AA 89/100
	S2 Health and safety at work	AA 84/100	AAA 92/100
	S3 Contribution to society	BB 47/100	A 67/100
	S4 Responsible supply chain	A 75/100	A 75/100

Breakdown by concepts



Key Performance Indicators

KPI	2021	2022	2023	% Var. 23/22	% Var. 23/21
% of women out of total workforce	17.2%	17.7%	18.3%	3.4%	6.4%
% of women in management positions over total employees in the category	20.7%	20.7%	18.3%	-11.6%	-11.6%
Total staff turnover rate	11.5%	12.3%	9.4%	-23.8%	-18.3%
% of employees with disabilities in Spain out of total employees in Spain	1.1%	1.1%	1.2%	7.8%	6.3%
Training hours per employee	21.3	24.7	26.7	8.1%	25.4%
Wage gap ⁽¹⁾	-4.3%	-6.4%	-5.2%	19.0%	-20.4%
Voluntary donations (thousands of EUR)	95..0	95.4	102.3	7.3%	7.7%

(1) Salary gap expressed as percentages and formulated as:

(Average salary for Men – Average salary for Women) / Average salary for Men

That is, a wage gap of 20% means that the average salary of women is 20% lower than the average salary of men.

Corporate Governance (G)

AAA
89/100

Ercros has raised its governance rating the last three years, achieving AAA in corporate governance (score of 89/100 in 2023, +2 points vs 2022). This has consistently been the company's pillar with the highest rating. Highlights of Ercros' governance rating include:

Good governance (AA). Good governance is still a strength in terms of policies and organisation. The company has: 1) a dedicated ESG committee and a chief ESG officer on the board, 2) a director selection policy and policy of transparency of director remuneration, and 3) complied with 96% of the recommendations in Spain's Good Governance Code of Listed Companies. In 2023, the company maintained a level of 33% independent and female board members.

Risk management (AA). Ercros maintained the good level reached in 2023. ESG risks are embedded in the company's risk management system and reported to the board on a half-yearly basis (with environmental risk as the main non-financial risk considered). It could enhance its rating (marginally) by increasing its reporting frequency (quarterly).

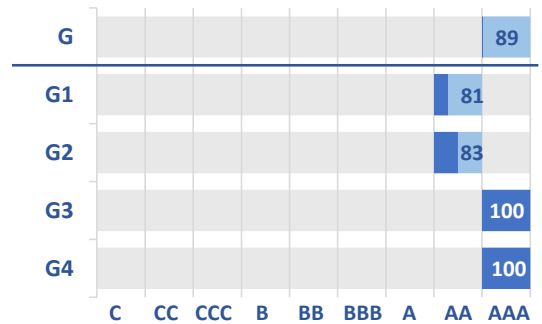
Ethics and integrity (AAA). Ercros has a public and board-approved ethics code that is applied both internally (to employees and management) and to third parties (e.g. suppliers, contractors, JVs). It also has explicit HR and anti-corruption policies. There is no room for improvement in this attribute.

Tax transparency and responsibility (AAA). Since 2021, the company has had a board-approved tax transparency policy and it has endorsed Spain's Code of Best Tax Practices, enabling it to achieve an optimal level of tax transparency. There is no room for improvement here either.

Conclusion about the governance rating (AAA). Relatively speaking, governance is Ercros' greatest ESG strength. The rating of this pillar has improved consistently (AAA, 89/100 in 2024 vs 85/100 in 2023 and 2022), with scores above 80/100 (AA) for all attributes. The company boasts a quasi-optimal position in ethics and tax policy. Ercros is well organised on the governance front, complying with nearly all of the Good Governance Code recommendations. Board composition (still less than 50% independents and 40% female) is the only major potential area for improvement.

		2023	2024
G	Corporate Governance	AA 87/100	AAA 89/100
	G1 Good governance	A 76/100	AA 81/100
	G2 Risk management	AA 83/100	AA 83/100
	G3 Ethics and integrity	AAA 100/100	AAA 100/100
	G4 Fiscal transparency and accountability	AAA 100/100	AAA 100/100

Breakdown by concepts



Key Performance Indicators

KPI	2021	2022	2023
% of independent board members	33,3%	33,3%	33,3%
% of proprietary board members	16,7%	16,7%	16,7%
% of executive board members	16,7%	16,7%	16,7%
% of women on the board of directors	33,3%	33,3%	33,3%
Board remuneration/staff costs (%)	0,92%	0,93%	0,99%
Number of confirmed corruption cases ⁽¹⁾	0	0	0

(1) On the Ercros corporate website there is a Complaints Channel:
<https://www.ercros.es/es/accionistas-e-inversores/gobierno-corporativo/canal-etico>

Annexes

The following annexes include relevant information from the point of view of the company's ESG position but that (the Taxonomy apart) has not been taken into account when preparing the rating.

Annexe I. Key financial indicators

This annexe includes the company's key economic-financial indicators. The aim is twofold:

- **Descriptive.** To the extent that this information contributes to a greater knowledge of the company that is the subject of the rating.
- **Investment capability.** To the extent that improvement in the ESG sphere often requires an investment effort from the company. So it is of interest to know the company's position in terms of growth, profitability, debt and value creation.

The accompanying information is based on the annual accounts of the last three years. The theoretical value creation of the business can be deduced from the ROCE vs WACC relationship, both figures being calculated on the basis of the book value of equity.

Key financial indicators (2021-2023)

	2021	2022	2023	CAGR 21-23
Balance Sheet (EUR Mn)				
Fixed assets & Intangible	342,2	372,8	374,3	
Working capital	58,1	76,1	64,9	
Total assets (ex-cash)	655,8	686,2	642,1	
Equity	331,6	360,7	363,1	
Net debt / (Cash)	59,6	62,8	80,8	
Capital Employed	429,8	470,9	470,5	
P&L and Cash Flow (EUR Mn)				
Total Revenues	811,8	1052,5	755,4	-3,5%
Total Revenues growth	40,1%	29,6%	-28,2%	
Gross Margin (o/Revenues)	35,3%	34,2%	34,5%	
EBITDA	92,9	121,9	43,3	-31,7%
EBITDA growth	96,3%	31,2%	-64,5%	
EBITDA/Revenues	11,4%	11,6%	5,7%	
EBIT	61,8	92,2	13,0	-54,1%
EBIT growth	314,0%	49,0%	-85,9%	
EBIT/Revenues	7,6%	8,8%	1,7%	
Net Profit	43,3	63,0	27,6	-20,2%
Net Profit growth	592,0%	45,5%	-56,2%	
CAPEX	-39,6	-53,2	-24,0	
Free Cash Flow to Equity (FCFE)	22,6	19,4	6,4	-46,9%
FCFE growth	-35,9%	-14,0%	-67,2%	
Dividends	8,2	13,7	6,1	
Other key metrics				
Payout	19,0%	21,8%	22,0%	
Net debt/EBITDA	0,64x	0,52x	1,87x	
Net debt/Equity	0,18x	0,17x	0,22x	
Total assets (ex-cash)/Equity	1,98x	1,90x	1,77x	
CAPEX/Revenues	4,9%	5,1%	3,2%	
ROE	14,1%	18,2%	7,6%	
ROCE	12,6%	16,4%	2,8%	
WACC	10,0%	9,6%	9,5%	

Annexe II. Alignment with the EU Taxonomy for sustainable activities

On the basis of Regulation 2020/852 regarding the creation of a framework to facilitate sustainable investments, the so-called “EU Taxonomy for sustainable activities” applies to participants in financial markets that offer financial products and to companies that are subject to the requirement to publish non-financial statements or consolidated non-financial statements in accordance with article 19 bis or 29 bis of Directive 2013/34/EU of the European Parliament and of the Council, respectively. Articles 19 bis and 29 bis indicate that they apply to large undertakings that are public-interest entities exceeding on their balance sheet dates the criterion of an average number of 500 employees during the financial year.

According to the taxonomy delegated act of July 2021, from January 1 2022, these companies must report the percentage of their revenues, CAPEX and OPEX associated with activities eligible for the taxonomy, taking into account the two principle environmental objectives of the European Union (climate change mitigation and adaptation to climate change). Also, from January 1, 2023 (which will be done at year-end 2023), these companies must report the percentage of revenues, CAPEX and OPEX linked to eligible activities (considering the six environmental objectives of the European Union) and aligned (considering the first two environmental objectives of the European Union) with the taxonomy.

Requirements of the report on eligibility and alignment with the EU taxonomy for Ercros

	Requirements	2022	2023
Average number of employees	> 500	1,348	1,334
Entity of public interest?	Yes	Yes	Yes
Taxonomy required for the company?		Yes	Yes

Based on information for the last closed year (2023), Ercros is a company that is required to report information regarding the eligibility and alignment of its activity with the EU taxonomy (regarding the European Union's objectives of 1) Climate change mitigation, 2) Adaptation to climate change, 3) Protection of water and marine resources, 4) Transition to a circular economy, 5) Pollution control y 6) The protection of ecosystems). It is also obliged to report information on the alignment of its activity with the EU taxonomy (regarding the objectives of the European Union of 1) Climate change mitigation and 2) Adaptation to climate change).

The company's level of eligibility with the EU taxonomy is used in preparing the ESG Rating (in the Environmental pillar).

Eligibility with the taxonomy (2023)

Linking the company's activities with the Taxonomy of Sustainable Activities of the European Union

	Climate change mitigation		Adaptation to climate change	
	Eligible (%)	Aligned (%)	Eligible (%)	Aligned (%)
Income	44,9%		44,9%	
Opex	33,9%		33,9%	24,3%
Capex	47,3%		47,3%	32,6%

Eligible activity mitigation

Eligible activity adaptation

Activity 1	3.13. Chlorine manufacturing	3.13. Chlorine manufacturing
Activity 2	3.14. Manufacturing of basic organic chemicals	3.14. Manufacturing of basic organic chemicals
Activity 3	3.15. Manufacture of anhydrous ammonia	3.15. Manufacture of anhydrous ammonia
Activity 4	3.17. Primary plastic manufacturing	3.17. Primary plastic manufacturing

Aligned activity mitigation

Aligned activity adaptation

Activity 1	3.13. Chlorine manufacturing
Activity 2	3.14. Manufacturing of basic organic chemicals

Annexe III. Position on megatrends and controversial activities

By megatrends we mean areas of activity with good prospects for long-term growth and with a positive impact on the Sustainable Development Goals (SDGs).

Controversial activities are those that are theoretically unfavourable to a good ESG performance (for example: tobacco, gambling, coal mining, etc.).

Exposure to megatrends and controversial activities is not used when preparing the ESG rating but is provided as supplementary information.

At the date of this report, Ercros is not present in any megatrend. However, Ercros is committed to the contribution to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), having signed the UN's Global Compact.

At the date of this report, Ercros is not present in any controversial activity

Posicionamiento en megatendencias

Type of activity	% of revenue	Direct impact of activity on SDG	Indirect impact of activity on SDG
Renewable and non-polluting energy	0,00%	SDG 7. Affordable and Clean Energy	SDG 13. Climate Action
Alternative energies	0,00%	SDG 7. Affordable and Clean Energy	SDG 13. Climate Action
Energy storage	0,00%	SDG 7. Affordable and Clean Energy	SDG 13. Climate Action
Agro-industry	0,00%	SDG 15. Life on Land	SDG 2. Zero Hunger
Water resources	0,00%	SDG 6. Clean Water and Sanitation	SDG 14. Life Below Water
Sustainable mobility	0,00%	SDG 11. Sustainable Cities and Communities	SDG 7. Affordable and Clean Energy
Infrastructure of intelligent cities	0,00%	SDG 11. Sustainable Cities and Communities	SDG 13. Climate Action
The circular economy	0,00%	SDG 12. Responsible Consumption and Production	SDG 15. Life on Land
Ecological fashion	0,00%	SDG 12. Responsible Consumption and Production	SDG 13. Climate Action
Ageing population	0,00%	SDG 3. Good Health and Well-being	SDG 11. Sustainable Cities and Communities
Healthcare innovation	0,00%	SDG 3. Good Health and Well-being	SDG 9. Industry, Innovation and Infrastructure
Nutrition	0,00%	SDG 3. Good Health and Well-being	SDG 2. Zero Hunger
Automation and robotics	0,00%	SDG 9. Industry, Innovation and Infrastructure	SDG 8. Decent Work and Economic Growth
Digitisation	0,00%	SDG 9. Industry, Innovation and Infrastructure	SDG 8. Decent Work and Economic Growth
Cybersecurity	0,00%	SDG 16. Peace and Justice Strong Institutions	SDG 9. Industry, Innovation and Infrastructure
5G wireless technology	0,00%	SDG 9. Industry, Innovation and Infrastructure	SDG 8. Decent Work and Economic Growth
Financial technology (Fintech)	0,00%	SDG 9. Industry, Innovation and Infrastructure	SDG 8. Decent Work and Economic Growth

Actividades controvertidas

Type of activity	% of revenue
Gambling	0,00%
Alcoholic drinks	0,00%
Tobacco and tobacco products	0,00%
Adult entertainment	0,00%
Defence	0,00%
Weapons	0,00%
Fossil fuels	0,00%
Coal	0,00%
Nuclear energy	0,00%
Pesticides	0,00%
Palm oil	0,00%
Abortion, contraception and foetal tissue	0,00%
Genetically modified organisms	0,00%
Animal experiments and testing	0,00%
Specialised fur and leather	0,00%
Especially intensive livestock farming	0,00%

Annexe IV. ESG commitments and corporate reports

Details of the public commitments and transparency initiatives adopted by the company in respect of ESG. In addition to the corporate reports published by the company. This information has not been taken into account in the company's rating. But it may be of interest in respect of ESG.

ESG commitments and corporate reports

Public commitments and transparency initiatives	
The 2030 Agenda for sustainable development	Yes
The UN's Global Compact	Yes
The European Union's Transparency Register	No
Sustainability policy or CSR	
Does the company have a specific sustainability policy?	Yes
Is it public?	Yes
Has it been approved by the Board of Directors?	Yes
Public corporate reporting	
Does Law 11/2018 on Non-Financial Information apply to the company?	Yes
Does it publish a NFIR ⁽¹⁾ in accordance with international standards (GRI, SASB or IIRC)?	Yes

(1) Non-Financial Information Report (NFIR).

Annexe V. Controversies and main risks

We understand a controversy to be any incident (legal, corporate, social) in which the company has been involved that has had a significant impact in the mass media in the last 3 years, and that due to its nature and/or importance may affect the market's perception of the degree of compliance of the company with ESG standards.

This is not something that is used when preparing the ESG rating, but controversies that have appeared in the mass media during the period of time analysed are provided as supplementary information.

No controversies in the last 3 years

In addition, details are given of those risks referred to by the company in the last 3 years that are not reflected in the media but with a potential ESG impact.

Controversial news / Litigation identified by the company	Sources and links	Related Subject
Land remediation El Hondón (Murcia)	https://www.ercros.es/es/accionistas-e-inversores/informacion-financiera/informes-anales (pag. 21) https://www.ercros.es/sites/default/files/content/file/2024/04/30/64/informe-gobierno-corporativo-2023_2.pdf (pagina 45)	E.1. Environmental management
Restoration of the Terrera Vella de Cardona	https://www.ercros.es/es/accionistas-e-inversores/informacion-financiera/informes-anales (pag. 21) https://www.ercros.es/sites/default/files/content/file/2024/04/30/64/informe-gobierno-corporativo-2023_2.pdf (pagina 45)	E.1. Environmental management

Annexe VI. Geographical area of operations

This annexe includes details of the countries that contribute the most to the company's revenues. In addition to an analysis of the company's exposure to various factors with a potential impact on ESG (fiscal transparency, corruption, etc.). This information has not been taken into account in the company's ESG rating.

Main countries in which Ercros operates

Country	Offices (Yes/No)	% of revenue
Spain	Yes	47.9%
Rest of the European Union		29.5%
Rest of the OECD		13.3%
Rest of the world		9.3%
Nº of countries		
OECD countries	33	86%

The ESG Rating methodology of the Instituto Español de Analistas

Lighthouse's ESG assessment methodology is based on a questionnaire. The basic principles of the questionnaire and of the application of the methodology are as follows

- 1) **Sources of information.** The questionnaire is completed, mainly, with public information, and supplemented by non-public information provided by the company that is the subject of the rating. Our methodology prioritises public information, giving it a higher score.
- 2) **Company feedback.** When obtaining data, Lighthouse's methodology hinges on the company's feedback as regards qualifying and understanding its position on each of the questions. To this effect, Lighthouse maintains a continuous relationship with the company assessed, so that the questionnaire reflects its true position on ESG. This prevents the method being reduced to an algorithm applied to public information.
- 3) **Methodological sources.** The methodology used and the necessary information is aligned with the main international standards for the reporting of non-financial information (GRI, SASB, CDP). This has two significant effects: i) it guarantees that the result of the ESG Rating is equivalent to and comparable with the rest of the market ratings; and ii) it makes it easier for the company to provide the data required for the assessment as these will be conventional.
- 4) **Simplification.** Our questionnaire seeks to reduce the number of questions, eliminating general questions that lack material significance for the companies and focusing on those questions that are critical in terms of ESG and that allow differences among companies to be established without forsaking a high level of requirement in the assessment of corporate sustainability.
- 5) **Supporting documentation.** The assessment of certain questions requires supporting documentation to be provided in order to verify the answers given. This is in response to the growing demand from investors for greater transparency and access to information. Similarly, to assess some of the questions it is a necessary condition that the corresponding information be public. The goal is to ensure the strength of the rating based on the credibility of the data used.
- 6) **Questions to assess.** The rating gives value to three concepts. These concepts are used in all the questions assessed (E-S-G):
 - **ESG commitments and plans:** the implication of the company in respect of ESG (as evidenced by its signing of international agreements, the adoption of internal organisational initiatives in favour of ESG, etc.).
 - **Data transparency:** in other words, the availability of the data required to complete the questionnaire.
 - **ESG indicators (level, growth).** The company's absolute figures that reflect its degree of compliance in matters such as (and only by way of example): level of emissions, diversity, make-up of the Board of Directors, etc. or the improvement/worsening of the company's data in the last three years.

Structure of the ESG Rating questionnaire by type of question

	Environmental questionnaire	Social questionnaire	Corporate governance questionnaire	Total ESG questionnaire
Weight of each pillar in the rating (*)	33.9%	33.6%	32.6%	
Type of question				
ESG commitments	35.6	44.1	51.1	43.5
Data transparency	21.6	24.0	15.7	20.5
ESG indicators (level, growth)	42.8	31.8	33.2	36.0

(*) The weight of each pillar in the rating reflects the weighting of each pillar (Environmental, Social, Corporate Governance) in the preparation of the total rating. Accordingly, and by way of example, the total weight in the questionnaire of questions about Data Transparency will be the one they have in each pillar weighted for the weight of this pillar in the rating.

- 7) **Principal and supplementary information.** Whenever possible the rating will be prepared with quantitative information. Supplementary information will also be provided that is considered useful for interpreting and qualifying the rating. This supplementary information has not been used (apart from the taxonomy) to prepare the rating but is included separately (Annexes) in the report.
- 8) **Independence.** The methodology aims to guarantee an independent opinion. The role of the company being limited to providing the necessary information for the preparation of the rating.

The questionnaire has been prepared and used according to the eight principles described above. The questionnaire is divided into two blocks of questions: a general one, for collecting information that will not

be used directly to assess the company but that is deemed useful and/or necessary and a second block of ESG data for the preparation of the ESG Rating.

Structure of the assessment questionnaire

General block

This is a general section describing the company. It does not have any score assigned to it and so does not form part of the ESG classification.

It is comprised of:

- **Company profile**
 - Basic data about the company
 - Shareholder structure
 - Key financial indicators.
 - Geographical area of operations
- **Sector in which the company operates**
 - Presence in activities associated with megatrends or with opportunities for long-term growth
 - Presence in controversial activities
 - Breakdown of revenue, EBITDA, CAPEX and OPEX by activity
 - Alignment with the EU Taxonomy for sustainable activities
- **ESG controversies and risks**
- **ESG commitments and corporate reports**
 - Public commitments and transparency initiatives
 - Sustainability policy or CSR
 - Public corporate reporting

ESG block – data for preparing the rating

This block is divided into three pillars: E (Environmental), S (Social) and G (Corporate Governance), from which the IESG Rating is obtained.

It is comprised of:

- **Pillar E (Environmental)**
 - E.1. Environmental management
 - E.2. Climate change and carbon emissions
 - E.3. Efficient resource management
- **Pillar S (Social)**
 - S.1. Diversity and talent
 - S.2. Health and safety at work
 - S.3. Contribution to society
 - S.4. Responsible supply chain
- **Pillar G (Corporate Governance)**
 - G.1. Good governance
 - G.2. Risk management
 - G.3. Ethics and integrity
 - G.4. Fiscal transparency and accountability

The questionnaire allows a partial rating of the company to be obtained for each of the pillars (E – S – G). This rating is obtained by assigning weights within each segment to each of the themes assessed on the basis of international standards (e.g.: within the Social pillar, “Diversity and talent” will have one weighting, “Contribution to society”, another, etc.).

Once assessments have been obtained for each pillar (E – S – G) they will be assigned weightings in order to obtain the overall rating. This weighting will be different for each sector and has also been established on the basis of international standards. The weightings by sector are as follows:

Weighting of each ESG pillar by sector

Sector	Environmental	Social	Corporate governance
Consumer cyclical	27.2%	36.3%	36.5%
Consumer non-cyclical	29.8%	34.5%	35.7%
Financial	16.7%	33.0%	50.3%
Industrial	27.8%	35.5%	36.7%
Real estate	36.0%	33.5%	30.5%
Materials	33.9%	33.6%	32.6%
Oil & Gas	35.0%	30.4%	34.6%
Healthcare	13.2%	41.4%	45.4%
Technology	18.7%	42.3%	39.0%
Telecoms	28.0%	31.2%	40.8%
Utilities	39.3%	30.7%	30.0%

Source: Own elaboration based on the document “Weights overview, S&P Global Corporate Sustainability Assessment (CSA) 2023”.

The application of the questionnaire is structured in 5 stages aimed at ensuring the maximum accuracy of the information used and the independence of the rating:

- 1) Lighthouse collects public information.
- 2) The questionnaire is sent to the company that verifies the public information and provides non-public data.
- 3) Two-way feedback (the company – Lighthouse) aimed at resolving any doubts that may have arisen when completing the questionnaire.
- 4) Lighthouse prepares the rating and writes the assessment report.
- 5) The final report is delivered to the company.

The result of this process can be both an overall rating for the company (ESG Rating), and partial ratings for each of the pillars analysed (E – S – G).

The rating is expressed on the basis of an alphanumeric scale whose maximum level is AAA and minimum C. The rating is also offered converted to a numerical scale (out of 100 points).

The ESG Rating scale

Rating	Equivalent score	Level of ESG performance
AAA	88.8 – 100	The highest
AA	77.7 – 88.8	Very high
A	66.6 – 77.7	High
BBB	55.5 – 66.6	High intermediate
BB	44.4 – 55.5	Intermediate
B	33.3 – 44.4	Low intermediate
CCC	22.2 – 33.3	Low
CC	11.1 – 22.2	Very low
C	0 – 11.1	The lowest

The rating is also shown using charts that make it easier to interpret the company’s position on the assessment scale (the dark blue area represents the classification achieved by the company in its ESG rating and the light blue area shows the distance until the next level of ESG rating is achieved). For example:



Finally, the current context is characterised by the need to continually adapt regulations governing the requirements applicable to companies and the information these have to provide in respect of ESG. Accordingly, in order to unify criteria to objectivise the corresponding assessments, both our questionnaire and the weightings attributed to each section will be reviewed annually, bringing these into line with prevailing regulations and the main benchmark standards of the market.

These annual reviews will involve potential changes to the questionnaire and/or the weightings attributed to the sectors and to the various sections analysed. These changes may have significant effects on a company's rating so they will be clearly explained. The updating of the questionnaire and of the weightings ensures the inclusion in the assessment process both of regulatory changes and of all those factors that are significant for the market from the point of view of the ESG assessment of a company.

In conclusion: From a methodological viewpoint the ESG Rating is defined on the basis of 4 principles/objectives:

- **Independence.** A methodology that ensures an independent opinion of the company's ESG position.
- **Updating.** A methodology that is fully adapted to ESG regulations prevailing at the time of application.
- **Rigour.** A methodology able to reflect with the maximum objectivity possible the ESG position of the company in relation to regulatory and market standards. And with verification of the data used with the evaluated company.
- **Viability.** A methodology that is accessible to all kinds of company (listed or not; small, medium or large in size) to the extent that it is based on a reasonable demand for data and information and focused on priority aspects of ESG.

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- to analyse companies to assess their degree of compliance with ESG regulations and criteria (following the nomenclature accepted by the market for the Environmental, Social and Corporate Governance sphere of any company).

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