



CORPORATE SOCIAL RESPONSIBILITY REPORT

STATEMENT OF NON-FINANCIAL INFORMATION

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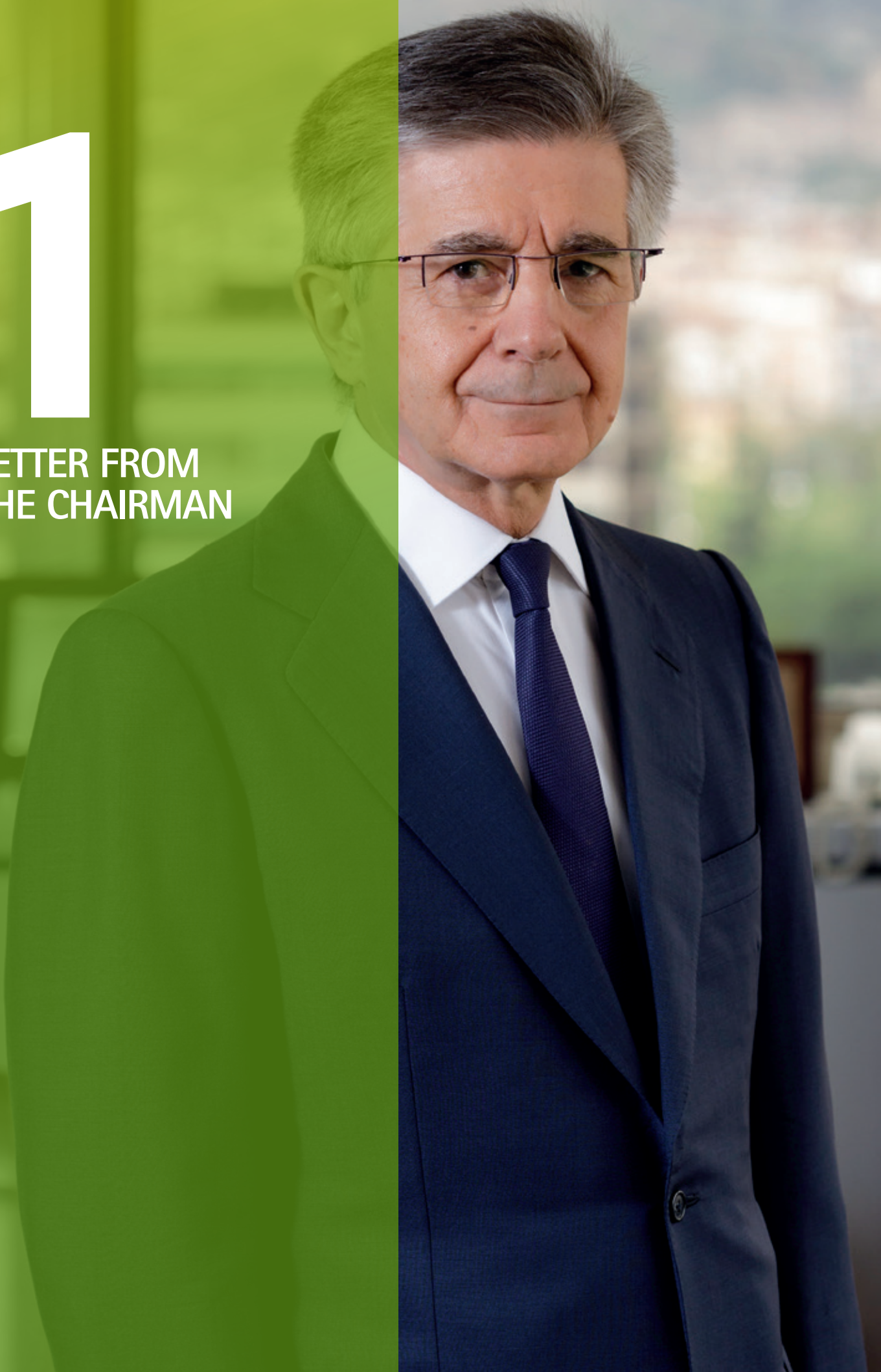
1	Letter from the chairman	4
2	Verification certificate	7
3	Object, methodology and materiality	8
4	Introduction	9
5	Business model	13
6	Non-financial risks	20
7	Contribution to the Sustainable Development Goals ("SDGs")	25
8	Taxonomy of the European Union ("EU")	31
9	Respect for human rights	39
10	Fight against corruption and bribery	45
11	Environmental matters	51
12	Staff matters	69
13	Gender diversity and equal opportunities	83
14	Supply chain	97
15	Social matters	107
16	Dialogue and transparency	115
17	Degree of compliance with the indicators contained in the CSR guide for the chemical and life sciences industry	123
18	Responsibility for the statement of non-financial information	142

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

1

LETTER FROM THE CHAIRMAN



Dear Madams and Sirs,

Despite ongoing weaknesses in the chemical sector, we continued to make progress in 2023 towards the sustainable and responsible development of our business. We are advancing our commitment to climate change mitigation, resource optimisation and social responsibility throughout our value chain.

At Ercros, our management approach is aligned with the United Nations Sustainable Development Goals ("SDGs"), and we are aware of the positive impact our actions can have on economic growth, industrial development, innovation and the fight against climate change.

In the area of social responsibility, our achievements were reflected in excellent ratings and high scores in international surveys: we renewed our *Platinum* medal, the highest level, in the EcoVadis rating; we received a B rating in the Carbon Disclosure Project ("CDP") questionnaire, which assesses the transparency and performance of organisations in relation to climate change; and we scored 80 out of a possible 100 points in the rating by the Spanish Institute of Financial Analysts ("IEAF"), based on the company's level of compliance with ESG (environmental, social and governance) criteria.

In 2023, we updated our ethical code of conduct to adapt its content to Spain's new Whistleblower Protection Act. In addition, we have introduced a new tool on the Ercros's recently redesigned corporate website for reporting suspected breaches of the ethical code of conduct.

We have also obtained UNE 19601 certification, laying down the requirements for a criminal compliance management system, with the aim of preventing offences and reducing criminal risk, thus promoting a culture of ethics and compliance.

With the aim of complying with European legislation, in 2023 we reassessed the degree of eligibility and alignment of Ercros' activities with the taxonomy of the European Union. For the climate change adaptation target, chlorine production and vinyl chloride production continue to meet the criteria set out in the taxonomy.

In 2023, we made further progress in implementing our Plan 3D investment plan, based on three pillars: diversification, digitalisation and decarbonisation. This plan provides for a total investment of EUR 69 million over the course of 2021-2029 and aims, among other things, to achieve a 39% reduction in CO₂ emissions by 2025 compared to 2020, a reduction already exceeding 30% in 2023. More specifically, we reduced scope 1 and 2 greenhouse gas emissions ("GHG") emissions by 17% and energy consumption by 9.5% in 2023 versus 2022.

The Aranjuez and Cerdanyola plants have had their energy management certified to the ISO 50001 standard, joining the Almussafes, Sabiñánigo, Tortosa and Tarragona industrial complex ("CIT") plants already certified to this international standard. It is worth mentioning that more than 98% of the energy consumed by Ercros is certified according to this international standard.

In 2023, we also made improvements to our freight operations that enabled us to avoid generating around 1,300 tonnes of CO₂ by reducing the number of kilometres travelled by more than 2.2 million.

In 2023, the presence of women in our workforce took a significant step forward, reaching 19% at the end of the year (compared to an average of 18% in 2022). We also ran campaigns and trained our employees to ensure that our workplaces are safe environments for women, with zero tolerance for harassment or discrimination.

On a different note, in 2023 our production centres certified their healthy organisation management system ("Sigos"), which not only covers aspects of health prevention, but also focuses on promoting a healthy lifestyle both for the people who work at Ercros and for the people around them. These healthy habits were the subject of campaigns aimed at promoting physical activity, a balanced diet and disease prevention.

Accident rates for 2023 were similar to the previous year: the overall accident frequency rate ("IFG") was 5 compared to 5.1 in 2022. All accidents that have occurred at Ercros facilities have been analysed to identify potential safety improvements. The causes of accidents in 2023 were very diverse, with certain common elements including lack of attention and low risk awareness, which will be the focus of the campaign in 2024.

Absences due to temporary disability decreased from the previous year, from 5.3% in 2022 to 4.8% in 2023. This decrease was in part due to the implementation of the company's absenteeism reduction plan.

Recognising that the success of our business depends to a large extent on the excellence of our people, we continue to invest in their training. With an average of 27 hours of training per person, 96% of our employees participated in training activities. These training activities were attended by 5,483 participants and involved 35,601 hours of training.

In addition, as part of our commitment to training future generations, 69 students completed internships at our sites. We sponsored awards for young researchers, participated in job fairs and promoted careers in science. We also welcomed university, vocational training and secondary school students to visit our factories.

With the aim of positively influencing our working environment, the number of seminars, conferences and roundtables in various fields of knowledge involving the Ercros team multiplied. We also supported sporting, cultural, environmental, educational and solidarity activities throughout the year.

Quality complaints in 2023 stood at 0.3%, indicating that 99.7% of deliveries were satisfactory.

The reduction in our environmental impact is reflected in other areas: for example, 29% of the plastic in the containers and packaging Ercros puts on the market with its products is recycled plastic. Similarly, 129,000 kilos of pallet wood was recycled and the percentage of recovered water in total water consumption increased by 9.3%, which is especially important in the ongoing context of drought.

The Aranjuez and Tortosa plants won Feique's Safety 2023 award, which recognises chemical production centres with more than 50 employees that have not recorded any accidents among their own staff. We were awarded the Business Transparency Prize by the Spanish Association of Accountants and Company Directors ("AECA"). And lastly, the new packs of TCCA tablets received the Innovative Product Award for Sustainability at the Piscina & Wellness trade fair.

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

Antonio Zabalza Martí
Chairman and CEO of Ercros
Barcelona, 23 February 2024

2 / VERIFICATION CERTIFICATE



Bureau Veritas Certification



Bureau Veritas Certification

declara que Según exige la
Ley 11/ 2018

Se ha verificado la información no financiera 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, SA

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

- El contenido del reporte no financiero de la organización cumple con los requisitos establecidos en la Ley 11:2018 en esta materia y los reglamentos referenciados en el alcance del informe.
- Tras la verificación muestral realizada no se ha identificado ninguna cuestión que indique que la información incluida en el reporte correspondiente al ejercicio enero 2023 a diciembre 2023 contiene incorrecciones materiales.

26 de febrero de 2024

Fdo: 
Validador jefe
Bureau Veritas Certification

Bureau Veritas Iberia S.L.
C/ Valportillo Primera 22-24, 28108 Alcobendas-Madrid, España

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3 / OBJECT, METHODOLOGY AND MATERIALITY

This corporate social responsibility report ("CSRR") of Ercros, S.A. ("Ercros") or ("the Company") and its consolidated group ("the Group") or (the Ercros Group"), which includes the statement of non-financial information ("SNFI") for 2023, was approved by the Company's board at its meeting on 23 February 2024 and passed the verification of Bureau Veritas.

The content of the SNFI 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 de Auditoría de Cuentas*), in relation to non-financial information and diversity. A chapter is included in this CSRR to comply with Regulation (EU) 2020/852 on EU taxonomy. This Regulation is mandatory for companies that are subject to the reporting of non-financial information in accordance with the specifications of Directive 2014/957/EU, which was transposed in Spain by Law 11/2018.

The SNFI forms part of the management report and of the parent company, although it is presented in a separate document as permitted by the regulations that govern it.

At the beginning of each chapter of this report, numerical indicators are provided to quantify the relevant information that follows. Throughout the text, an attempt is always made to present the figures for the year analysed in comparison with those of the previous year to show its progress.

This CSRR (corporate social responsibility report) also demonstrates the Ercros Group's commitment to environmental, social and governance ("ESG") criteria in business decision-making. In addition, in Chapter 7 and at the beginning of each chapter, the Sustainable Development Goals ("SDGs") associated with the chapter and benefiting from the company's actions are also detailed.

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 sustainability report 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. The most sensitive issues for the Group in 2023 were: combating climate change, optimising consumption and resources, weak demand in the chemical sector, commitment to gender equality, engaging the value chain in social responsibility issues, and new certifications earned in the areas of criminal compliance, energy management and healthy business.

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



Ercros

4

INTRODUCTION

4.1 The Company

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

At the date of approval of this report –23 February 2024– the share capital of Ercros amounted to EUR 27,431 thousand (EUR 27,430,859.70), represented by 91,436 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 comprises: Antonio Zabalza Martí, chairman and CEO, in the "executive" category; Lourdes Vega Fernández and Carme Moragues Josa, directors included in the "independent" category; Laureano Roldán Aguilar and Eduardo Sánchez Morroondo, directors included in the "other non-executive" category; and Joan Casas Galofré, director included in the "proprietary" category. The board has three committees:

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

The operational management bodies are the executive committee and the steering committee.

Ercros is the parent of a group of subsidiaries that it directly or indirectly controls and that comprise the Ercros Group.

4.2 The Ercros Group

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

In 2023, the Group's revenue from product sales amounted to EUR 707,214 thousand, which was down 29.2% on the previous year's figure of EUR 998,532 thousand.

Expenses in 2023 amounted to EUR 713,320 thousand, down 23.9% on 2022. Procurement and supply costs decreased by 30.5% as a result of lower raw material prices (ethylene and methanol), the phasing out of external EDC as more of our own chlorine is available for PVC production, and lower energy prices.

The evolution of income and expenses resulted in a decrease of 63.9% in ebitda compared to 2022, reaching EUR 44,306 thousand.

After entering the books: (i) depreciation, up 7.7% on 2022 due to higher depreciation on leased assets and property, plant and equipment; (ii) the reversal of impairment losses on investment properties, up EUR 1,545 thousand on 2022; (iii) the financial results, down 90.7% due to the higher cost of debt resulting from the increase in interest rates and lower foreign exchange differences; (iv) income tax expense, down by EUR 41,078 thousand as a result of the decrease in profit before tax in 2023 compared to 2022 and as a result of the impact of the Constitutional Court ruling of 18 January 2024; and (v) profit from discontinued operations, a result for the year of EUR 27,585 thousand has been obtained, 56.2% lower than in 2022.

In 2023, the Group paid EUR 27,450 thousand in taxes, fees and social security contributions to the public authorities, representing 100% of the Group's profit, 36% less than in the previous year (EUR 42,738).

Furthermore, Ercros obtained grants from public authorities amounting to EUR 28,357 thousand (25,490 thousand in 2022), broken down as follows: (i) compensation for indirect greenhouse gas emission costs, EUR 7,214 thousand; (ii) greenhouse gas emission allowances, EUR 16,458 thousand; (iii) compensation to energy-intensive consumers, EUR 660 thousand; (iv) compensation for intensive gas users, EUR 2,594 thousand; (v) capital investments in energy savings, EUR 1,180 thousand; (vi) R&D grants for EUR 45 thousand; and (vii) grants through the Spanish State Foundation for Employment Training ("Fundae"), EUR 206 thousand.

In 2023 the Ercros Group's average headcount was 1,334 people, 14 people less than in 2022.

a) Consolidated income statement

THOUSANDS OF EUROS

	2023	2022	%
Ongoing activities			
Income	757,626	1,059,685	-28.5
Sale of finished goods	707,214	998,532	-29.2
Services rendered	18,080	26,370	-31.4
Other income	31,143	28,394	9.7
Reversal of provisions and other extraordinary income	1,189	399	198.0
Increased inventories of finished goods and work in progress	–	5,990	–
Expenses	-713,320	-937,024	-23.9
Procurements	-348,324	-470,572	-26.0
Decreased inventories of finished goods and work in progress	-8,880	–	–
Supplies	-137,469	-228,015	-39.7
Transport	-42,965	-51,938	-17.3
Staff costs	-91,627	-89,582	2.3
Other operating expenses	-79,065	-76,305	3.6
Allocation of provisions and other extraordinary expenses	-4,990	-20,612	-75.8
Ebitda	44,306	122,661	-63.9
Depreciation and amortisation	-32,273	-29,966	7.7
Asset impairment	1,006	-539	–
Ebit	13,039	92,156	-85.9
Financial income	-8,005	-4,198	90.7
Profit/(Loss) before tax	5,034	87,958	-94.3
Income taxes	23,764	-17,314	–
Profit for the year from ongoing operations	28,798	70,644	-59.2
Net loss for the year from discontinued operations	-1,213	-7,655	-84.2
Profit for the year	27,585	62,989	-56.2

b) Sales by business

THOUSANDS OF EUROS

	2023	2022
Chlorine derivatives	442,729	673,099
Intermediate chemicals	197,392	260,518
Pharmaceuticals	67,093	64,915
The Ercros Group	707,214	998,532

c) Ordinary ebitda by business ¹

THOUSANDS OF EUROS

	2023	2022
Chlorine derivatives	33,873	124,816
Intermediate chemicals	13,423	14,819
Pharmaceuticals	811	3,239
The Ercros Group	48,107	142,874

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

d) Facilities and products

Divisions	Facilities	Main products	Main applications
Chlorine derivatives	Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Caustic potash Caustic soda Chlorine EDC Hydrochloric acid PVC Sodium chlorate Sodium chlorite Sodium hypochlorite Trichloroisocyanuric acid ("TCCA") VCM	Chemical industry Industry in general Manufacture of derivatives Manufacture of VCM Industry in general Construction Bleaching of paper pulp Water treatment Water treatment Swimming pool water Manufacture of PVC
Intermediate chemicals	Almussafes, Cerdanyola and Tortosa	Dipentaerythritol Formaldehyde Moulding compounds Paraformaldehyde Pentaerythritol Resins Sodium formate	Paints Manufacture of derivatives Electrical and sanitary material Resins Paints Lumber industry Tanning industry
Pharmaceuticals	Aranjuez	Erythromycins Fosfomycins Fusidic acid	Skin infections Respiratory infections Urinary 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 1,500 customers in 93 countries.

In 2023, 52.1% of the Group's sales were exported. The European Union ("EU") is the main destination of foreign sales and represents 29.5% of the Group's total sales. The OECD represent 13.3% of the Group's sales and the rest of the world's countries, 9.3%.

In 2023, France and Italy remained the main export destinations, followed by the USA, Turkey, Germany and Portugal.

The intermediate chemicals and pharmaceuticals divisions are the most active abroad, with the former exporting around 65% of its sales and the latter more than 90%. In turn, the chlorine derivatives division -whose activity is more focused on the domestic market-exported around 38% of its sales.

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

In Europe, it leads in sales of trichloroisocyanuric acid ("TCCA") and fosfomycin and its salts. In Spain it leads in sales of caustic soda, caustic potash, sodium hypochlorite, hydrochloric acid, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds and is ranked second in the PVC and resins market ¹.

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

F 105-A

SDGS TO WHICH IT CONTRIBUTES



5.1 Chlorine-caustic soda chain

Chlorine is the common denominator of the products in 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, and the cost of raw materials consumed in the production of the various chlorine derivatives.

Caustic soda is a basic chemical reagent widely used in industry (the main consumers are the aluminium sector -and, therefore, the automotive sector- and the paper industry). Historically, 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. More than 95% of the chlorine produced by the Group in 2023 was used internally to manufacture downstream products (sodium hypochlorite, hydrochloric acid, TCCA and the EDC/VCM/PVC chain).

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

PVC production may also be carried out in part using an intermediate product, EDC, which already includes ethylene and almost all the chlorine. In fact, in the production of PVC, the Group uses both internally-produced and externally purchased EDC. The choice of one or the other option depends on several factors: (i) the availability of chlorine at any given time to produce EDC; (ii) the cost of electricity; (iii) the cost of ethylene; (iv) the cost of the external EDC; and (v) the price of caustic soda. If required by operating conditions and/or margins, Ercros also has the ability to produce PVC from externally sourced VCM monomer.

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 (influenced in particular by the cost of electricity).

The operation of chlorine-caustic soda plants in 2023 was determined by the adjustment to the decreasing rate of commercial demand and the alignment of production to the evolution of energy prices. The end of dicalcium phosphate production at the Flix plant is also worth mentioning.

At a global level, 2023 began with the repercussions from the war in Ukraine and its impact on European energy markets, particularly on those manufacturing sectors with high electricity and gas demand. However, as the year progressed, gas prices and consequently electricity prices were seen to be easing. The reason for this fall in reference energy prices lies not only in the EU's ability to maintain its gas storage at more than adequate levels, but also in lower energy demand linked to industrial activity in energy-intensive sectors.

As mentioned above, the price of electricity is particularly relevant to the chlor-alkali sector due to its energy-intensive nature. In this scenario, despite the easing of energy costs, the decline in demand for chemical products and the consequent fall in prices have severely squeezed manufacturing margins. As a result, the Ercros Group, like the rest of the EU producers of chlorine-caustic soda and chlorinated derivatives, has adjusted its production cycles to assure the profitability of its operations. In this context, the pressure to meet weakening demand has been exacerbated by imports of products from countries with more favourable energy costs. This effect was more evident in the second half of the year. The division's commercial strategy was to defend and consolidate the most favourable market shares, such as the domestic market.

In 2023, the process of replacing the external EDC with an in-house EDC was finalised. Previous reports highlighted that in 2018, more than 90% of the EDC required in the PVC chain was sourced externally, and that this percentage was gradually reduced to just over 60% in 2021 and 30% in 2022. By 2023, the proportion of externally sourced EDCs was reduced to 10%, i.e. the use of internally sourced EDCs accounted for more than 90%. This change in the use of chlorine is in line with the phasing out of the

supply of a significant part of chlorine production to an external customer in accordance with the supply agreement that the Group had in place until the end of 2022.

The proportion of internally sourced EDC is expected to remain high in 2024. However, the division's strategy involves continuously monitoring external EDC or VCM procurement transactions that lead to improvements in production costs.

In 2023, the chlorine derivatives division has focused its investment objectives on the implementation of the 3D Plan projects, including the expansion of the capacity of the sodium chlorite production plant in Sabiñánigo, which was commissioned at the beginning of the year; the brine reuse project in Sabiñánigo, where construction has progressed well and which will be commissioned in the first half of 2024; and the project to use heat to produce hydrochloric acid in Vila-seca I, which will be completed in 2024.

The projects to improve the use of hydrogen in Vila-seca and Sabiñánigo, completed in 2022, yielded results in 2023, with a significant increase in the use of hydrogen as a fuel, replacing natural gas. A project has been launched in Sabiñánigo for the construction of a semi-industrial plant for green hydrogen production, which is due to be completed in 2024.

This investment plan will be continued in 2024 with the launch of further decarbonisation projects, such as the biomass steam generation project at the Tarragona industrial complex ("CIT"). Along these lines, actions aimed at consolidating PVC production and those aimed at strengthening the productive structure to increase the capacity for internal chlorine consumption continue in order to minimise the impact of the end of contract with the main external client of this product. On 13 February 2023, by resolution of the Catalan Government's Department of Enterprise and Employment, the "Ercros project to remodel its two plants in Vila-seca by incorporating facilities aimed at consolidating its production capacity, decarbonisation and digitalisation of their industrial activity" was declared a strategic project in this sense.

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

In 2023, a specific decarbonisation investment plan was drawn up to apply for the Spanish government's "Comprehensive Action Aid for the Decarbonisation of the Manufacturing Industry as part of the Industrial Decarbonisation Strategic Projects for Economic Recovery and Transformation ("PERTE") within the Recovery, Transformation and Resilience Plan". The application was submitted at the beginning of 2024.

The main 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 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 and the various aids to industrial consumers. Given these special circumstances, the price of electricity is a component that affects the Group's international competitiveness. As mentioned above, the electricity supply price in 2023 was lower than in 2022, but still at a level well above the benchmarks before the current energy crisis. The same behaviour was observed for the price of CO₂ emission allowances, with a very slight decline in prices in 2023, mainly in the second half of the year, but remaining at a very high level.

The distinguishing factor of a higher exposure of Central European competitors to an unfavourable energy scenario in 2022 was minimised over the course of 2023. The price of electricity on the spot market in the main EU countries developed at a level more similar to the one negotiated in Spain. However, the effects of Royal Decree law 10/2022, which temporarily introduced a production cost adjustment mechanism to reduce the price of electricity on the wholesale market (capping the cost of gas and coal for the production of electricity in combined cycle, coal-fired and market cogeneration plants), were only symbolically applied in January and February. Thus, the impact of different local compensation and aid formulas for electricity intensive consumers becomes more relevant when assessing the competitiveness of products manufactured in different regions of the EU.

As mentioned in the 2022 report, the consequence of this energy crisis, which is essentially European, has been a reduction in the competitiveness of European producers of chlorine-caustic soda, PVC and other products in the chain vis-à-vis competitors with production sites in other regions less exposed to restrictions in the supply of energy products from Russia, such as Asia (China) and the United States. In this context, it is important to highlight the opening by the EU of an anti-dumping investigation against imports of PVC from the United States and Egypt, published on 15 November 2023.

The Group has in place, and has been increasing in 2023, bilateral Power Purchase Agreements ("PPA") for the long-term purchase and sale of renewable energy for a percentage of the electricity consumed by its largest facilities. The statute for energy-intensive consumers requires companies to enter into PPA. In addition, in order to adequately complement the Group's future needs, Ercros continues to explore the possibility of other renewable energy sources.

The availability of these PPA facilitates the formalisation of commercial agreements to sell certain products for longer periods than those that could be concluded in a scenario of full exposure to the wholesale market.

With regard to energy, in 2023 Spain continued to implement legislative initiatives aimed at minimising the impact of high energy costs. In addition to Royal Decree law 3/2023 extending until 31 December the application of the production cost adjustment mechanism to reduce the price of electricity on the wholesale market, Royal Decree law 5/2023 extended measures to respond to the consequences of the war in Ukraine, including an 80% reduction in the cost of access tariffs to electricity transmission and distribution networks for electricity-intensive consumers.

Also noteworthy is the regulatory development of the aid programme for gas-intensive consumers, as set out in the call for aid to offset additional costs due to the exceptional increase in natural gas prices, regulated by order ICT/744/2023 and ICT/775/2023.

All these measures have had a positive impact, but they fall short of what is needed to ensure the competitiveness of Spain's energy-intensive consumers. As already mentioned, the plans to support industry in the United States (the USD 369,000 million Inflation Reduction Act -IRA-), which will come into force in 2023, the 5-year plan to reduce the cost of electricity for industry in Germany from 2024 amounting to EUR 28,000 million, and the special Arenh tariff linked to nuclear power, from which industry in France benefits, represent a potential scenario of reduced competitiveness both within and outside the EU.

The Group expects to reduce the difference in the final MWh price compared with its European competitors through additional mechanisms that may be introduced through amendments to the current Royal Decree on the statute of energy-intensive consumers or through new legislation that may be enacted in the future, aimed at maintaining the competitiveness of the very energy-intensive industries located in Spain.

Over the last few years, trends in energy costs and CO₂ emission rights have strengthened the foundations of the decarbonisation dimension of the 3D Plan, which includes implementing photovoltaic generation projects on land owned by the Ercros Group that is not currently used for any industrial activity. Specifically, photovoltaic generation projects have been launched in Flix (to be commissioned in mid-2024), Monzón (to be commissioned in the first quarter of 2026) and in Vila-seca I, where roofs are being used for photovoltaic generation, also to be completed in 2024.

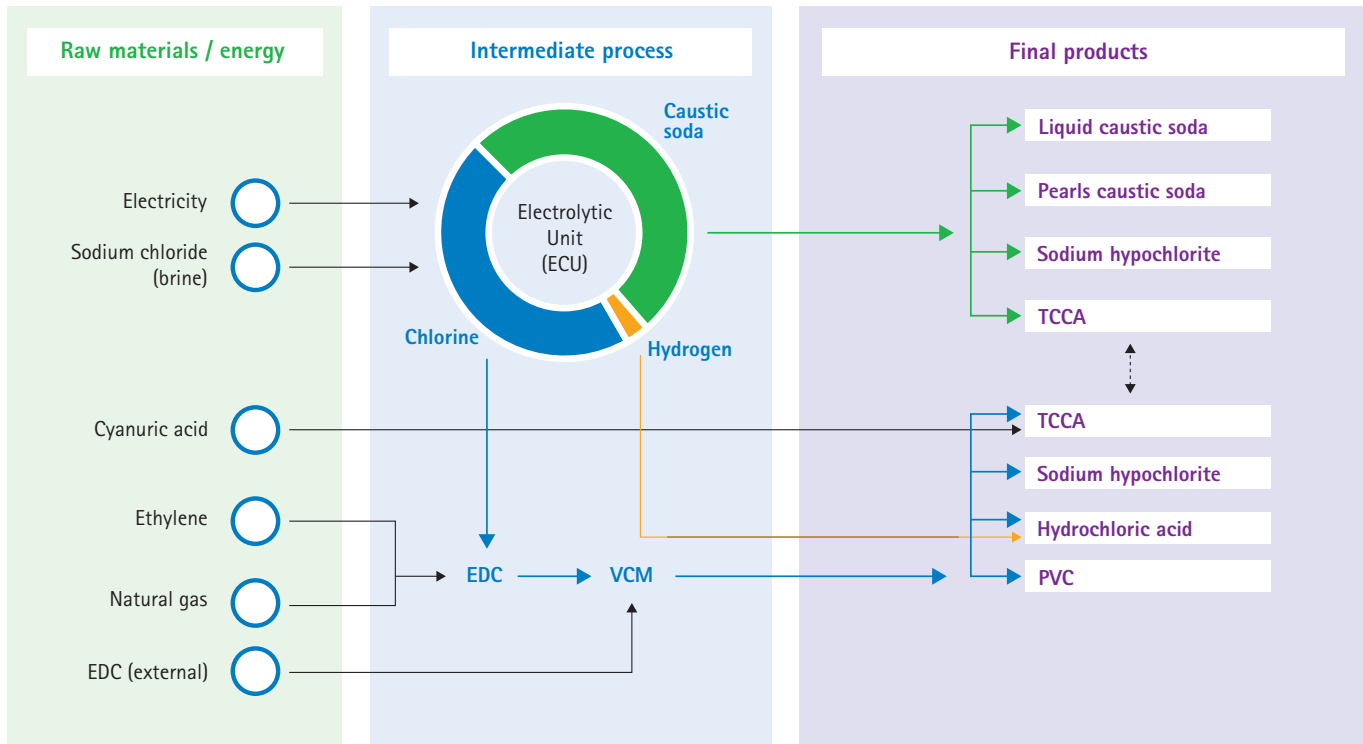
Similarly, operational measures aimed at improving the energy efficiency of processes and substituting net CO₂ emitting fuels will be maintained and strengthened. This makes the Group's strategy even more meaningful by adopting the following measures: (i) to reduce energy consumption and the future cost associated with 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 Spanish national integrated energy and climate plan, in keeping with the targets set by the European Commission in the Green Pact.

The other raw material in the chlorine and caustic soda production process is sodium chloride and the Ercros Group has signed long-term agreements to guarantee the supply of this material with the required quality and competitive prices. In addition, it carries out spot purchase transactions with other international operators to complement and maintain the necessary supply diversification in case of possible supply shortages.

In addition to chlorine, the second fundamental raw material in the PVC manufacturing process is ethylene, a petroleum-based product. The price of ethylene is determined both by the evolution of oil prices and the availability of ethylene in the Eurozone. The supply of this raw material is guaranteed through the agreements that the Ercros Group has signed with two suppliers and that it has been renewing upon maturity based on the Group's needs. This raw material is supplied by pipelines that connect suppliers directly to the Group's facilities.

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

Outline of the chlorine–caustic soda process



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

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

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

5.2 Formaldehyde chain

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

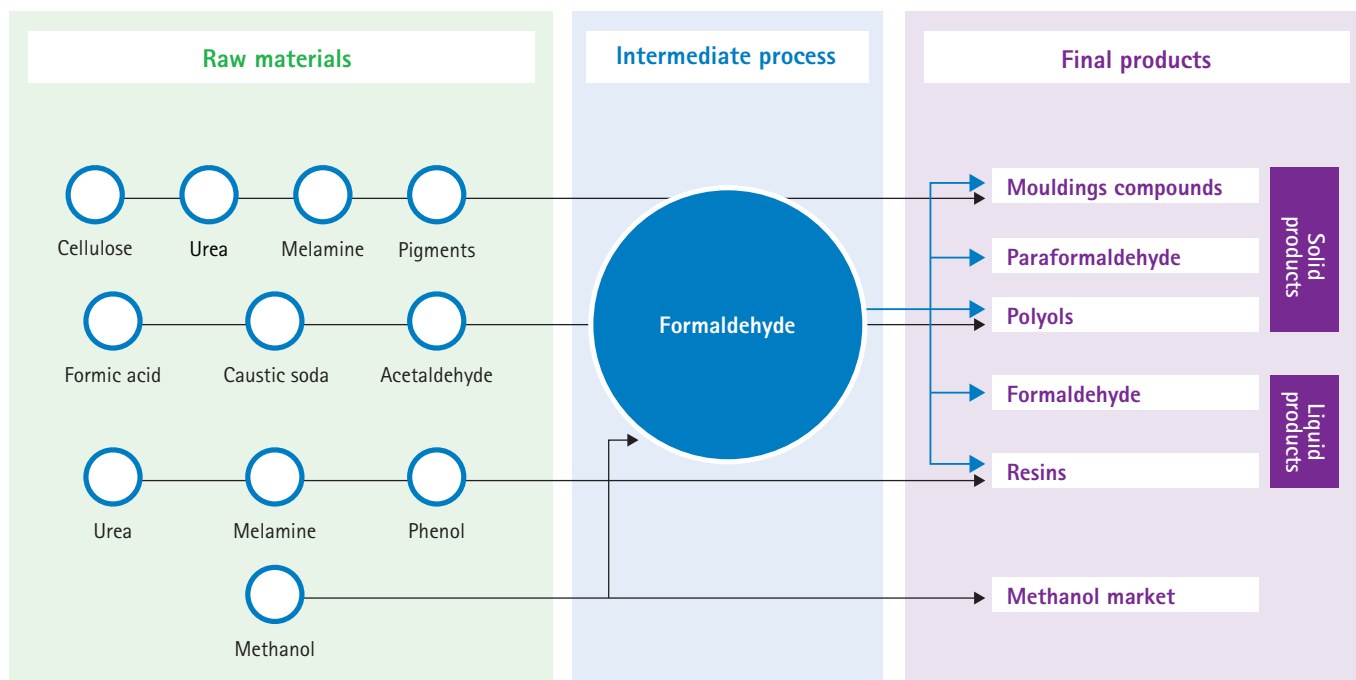
80% of the formaldehyde produced is used to manufacture derivatives, both liquid and solid. These derivatives have a world-wide market (their export quota is in the order of 90%). The main foreign currency of the solid products market is the dollar and, therefore, the business's competitiveness and its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

Solid products, which account for the majority of the division's turnover, are used in the oil and gas sector, and in the manufacture of automotive resins, paints, printing inks, antifreeze, synthetic lubricants, and electrical and sanitary components. The margin for this group of products benefits from recognition by the market of its quality and the know-how applied in its production.

Liquid products, because of their water content and, therefore, higher transport costs, have a smaller market, limited to an 800 to 1,000 km radius from the production facility – the primary currency for which is the euro and, therefore, they are largely unaffected by the exchange rate.

The Group's 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.

Outline of the formaldehyde process



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

The main challenges for this business are: to maximise profitability in a period of low demand for the industry; to continue developing the new resin ranges (ErcrosGreen+ and ErcrosTech); to continue with the digitalisation process of the entire value chain; to maintain the commitment to the progressive decarbonisation of processes; to continue increasing the quality and standard of service of the products and to diversify the current portfolio.

5.3 Active pharmaceutical ingredients

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

The significant weight of overseas markets in the business means that both sales volumes and margins are affected by the dollar/euro exchange rate. Over the past two years, the business has been under very strong margin pressure due to increases in raw material and energy costs and pricing constraints imposed by national health authorities. This has been exacerbated by geopolitical issues in the Middle East, ranging from restricted markets to logistical problems in supplying raw materials.

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

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

5.4 Competitive situations¹

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.

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

The Group exports more than one half of its sales (52.1% in 2023) and sells its products in 93 countries. In 2023, France and Italy remained the main export destinations, followed by the United States, Turkey, Germany and Portugal.

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

In Europe, the Group leads in sales of TCCA and in Spain it leads in sales of caustic soda, caustic potash, sodium hypochlorite, 35% hydrochloric acid, sodium chlorate, formaldehyde, pentaerythritol and moulding compounds and is ranked second in the PVC and resins market. It is also the leading European supplier of fosfomycin and its salts.

The size of the Group's competitors varies based on the business and the type of product marketed. The Group sells its products to more than 1,500 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.

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 seasonal changes are those involving water treatment—sodium hypochlorite, sodium chlorite and TCCA—, with the peak of consumption in spring and summer. In the case of chlorite, the opening of new markets in the Middle East brings stability to demand. PVC tends to see the lowest demand point in the coldest months of the year due to the lower activity in the construction sector. Demand for other products is steady throughout the year.

Likewise, due to the significant difference in the price of electricity based on the time of day and month, the Group adapts (modulates) the production of those products that are more energy-intensive, sodium chlorate in particular, to increase the rate of production when the price of electricity (pool price plus variable regulated components) is lower. The digital transformation brought about by using 3D Plan has made this possible.

Looking at a broader time perspective, in the chemical industry, due to the high volume of products manufactured worldwide and the unequal growth of supply and demand, it is customary for two to five-year periods in which the supply and demand are balanced and the product profitability is healthy and stable, to alternate with other periods of imbalance in which there are upward or downward variations in product prices.

From 2016 to the first half of 2018, the cycle maintained an upward trend, in a context of demand pressure, supply shortages and high prices. However, after the first half of 2018, the trend shifted, marked by oversupply, falling prices and the weakening of global markets. In the second quarter of 2020, the situation was exacerbated by the covid-19 pandemic, which marked a recessive chemical cycle. A turnaround began in the second half of 2020 based on a rapid and strong recovery in demand for consumer goods coupled with post-pandemic supply shortages, which continued very solidly through 2021 and into the first half of 2022. However, by the second half of 2022, there was a shift in consumption patterns, with higher demand for services and lower demand for durable goods.

The weakness in demand in the chemicals sector, which started in mid-2022, continued throughout 2023. In the case of the Ercros Group, this situation, combined with scheduled maintenance shutdowns and increased competition, resulted in lower sales volumes and prices, which were not offset by the relative decline in energy and raw materials prices. Against this background, the efforts of the Group's businesses continued to focus on adapting production rates to demand, while defending margins wherever possible in a situation of highly volatile markets and increasing competition.

6

NON-FINANCIAL RISKS



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

The majority of these risks are inherent in the Group's operations or are the result of external factors. It is possible to mitigate such risks, although it is not always possible to eliminate them altogether.

On 15 December 2023, the management presented the risk map of each business and an aggregate risk map for the Group to the board of directors, identifying the relevant risks foreseen for 2024 based on both the likelihood of occurrence (on a scale of 0% to 100%) and the impact on the Group (on a scale of 0 to 6). Based on these maps, the Group has implemented controls aimed at mitigating the risks detected.

Furthermore, on 15 December 2023, the management also presented to the board the maps of financial impacts arising from risks and opportunities associated with climate change. These maps identify: (i) the probability of these risks and opportunities materialising (on a scale of 0% to 100%); (ii) the time horizon of their materialisation in the short (0-3 years), medium (3-10 years) or long term (more than 10 years); and (iii) the range of financial impact identified for the Group: slight (less than 6 million), moderate (6-15 million) and high (more than 30 million). The Group has implemented various measures and controls to mitigate the identified risks and their financial impact on the basis of these maps.

In addition to non-financial risks, the corporate governance report ("CGR") describes operating and financial risks [see chapter E of the CGR].

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

6.1 Environmental risk (relevant)

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

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

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

All Ercros Group facilities conduct an environmental risk analysis.

6.2 Claims risk due to soil remediation (relevant)

The Ercros Group has a long history of industrial activity and has always complied with and applied the law as it stands at any given time. However, legal requirements introduced in recent years and their application, some of them retroactively, have raised the risk of claims of pecuniary liability to assume the costs of cleaning-up or remediation of affected soils and sites.

The Ercros Group has submitted soil control and remediation and landscape regeneration projects to the competent authorities for all land that has been identified as affected.

In relation to the former site located in El Hondón (Cartagena), on 17 October 2019, Ercros was notified of 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.

On 30 June 2020, Ercros filed an appeal for judicial review challenging the ruling which declared that the soil of the El Hondón was contaminated. Despite the judicial appeal, and given the enforceability of the resolution declaring the soil contaminated, 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. Through orders issued on 30 November 2020 and 12 February 2021, the General Directorate of the Environment requested the correction of the Technical Project.

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

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

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

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

- a) Appeal filed on 30 June 2020 against the decision approving the declaration of contaminated soil: on 2 September 2021, Ercros filed a claim and on 14 February 2022, we were notified of the defence of the Ministry of Water, Agriculture, Livestock and Fisheries of the Autonomous Community of the Region of Murcia, which opposed our claim. Likewise, ADIF, summoned to the proceedings and appearing as a co-defendant, also opposed Ercros' claim by document dated 30 June 2020. On 26 July 2022, an order was issued to admit the appeal for taking evidence. On 29 November 2023, the hearing for the ratification of the expert opinions was held at the High Court of Murcia. A statement of conclusions was filed on 19 December 2023. By order of the High Court of Murcia dated 21 December 2023, it was decided to adjourn the proceedings for 60 days, as requested by the Group on 30 November 2023 and joined by the residents' associations of the Estación and Torreciega sectors, among others.
- b) Appeal filed on 21 January 2022 against the decision rejecting the appeals brought against the requirements to rectify the updated remediation project presented by Ercros: on 23 September 2022, Ercros filed a claim which was admitted for processing by court order on 29 September 2022. On 1 December 2022, Ercros was notified of the defences of the authorities, and on 5 December 2022 and 16 January 2023 the defences of Cartagena city council and Rey al Urbis. Likewise, on 28 September, we were notified of a procedural order accepting the appearance of the Estación sector Residents' Association as a co-defendant. On 20 January 2023, that Association filed a defence. Ercros submitted a statement of conclusions on 17 October 2023. By order of the High Court of Murcia dated 16 January 2024, it was decided to adjourn the proceedings for 60 days, as requested by the Group on 30 November 2023 and joined by the residents' associations of the Estación and Torreciega sectors, among others.

In parallel, Ercros is working with the competent authorities to agree on a remediation project using on-site containment techniques to avoid the mass removal of the waste. The Remediation Project proposal submitted by Ercros has been favourably assessed by the Segura Hydrographic Confederation and by the Nuclear Safety Council.

On 30 January 2024, the Ercros Group transferred the 30m³ of El Hondón waste with the highest concentration of radionuclides, extracted from a specific area, to the El Cabril landfill. The landfill owner, Empresa Nacional de Residuos Radiactivos ("Enresa"), supervised the work.

This action, agreed with the authorities, is the first of ten included in the Group's proposal for the remediation of the land at El Hondón, which is pending administrative approval.

With regard to the restoration of Terrera Vella de Cardona, which the Group operated when the Cardona plant ceased operations in 2017, Ercros submitted an updated restoration plan to the General Directorate of Environmental Quality and Climate Change of the Catalan Government ("DGQA") in the same year. The plan proposed surface water management that was environmentally sustainable and consistent with the Vall Salina comprehensive restoration project, which was designed to allow the potential use of saline resources at Terrera Vella in the future. Currently, the Group is awaiting approval of the plan.

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

Ercros lodged an administrative appeal against this decision in November 2022 and, at the date of publication of this report, the matter has not been resolved by the authorities.

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

6.3 Risks related to regulatory changes

In recent years legal requirements in relation to environmental matters have become increasingly demanding and have given rise to significant changes in the chemical industry, in Europe, Spain and at the autonomous community level. The Ercros Group is making significant efforts to adapt to this new legal framework; it is carrying out the adaptation investments required by current law and is developing the necessary activities and actions to comply with the requirements set out in the different regulations, specifically the legislation on the safety of facilities and people, occupational health, environmental protection and climate change, and the transport, packaging and handling of hazardous goods.

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

The "plastics tax" on the use of plastics in the supply of packaging came into force on 1 January 2023. The application of this tax has not had a significant impact on the Group as it has taken steps in recent years to incorporate recycled material into its packaging, to reuse packaging and to reduce its thickness.

In 2024, the gradual introduction in some EU countries of a tax on CO₂ emissions from lorries based on the number of kilometres travelled could increase the cost of road transport.

6.4 Climate change risk (relevant)

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

Two Representative Concentration Pathway ("RCP") scenarios were evaluated:

- RCP 4.5, which represents a medium emissions pathway, where warming is stabilised at 2.0-2.5°C in 2100. Global emissions peak in 2040 and gradually begin to decline.
- RCP 8.5, which represents a high emissions path with no mitigation, associated with a temperature increase of 3.0-4.5°C in 2100. It leads to a steady increase in emissions over the century.

In the first scenario, RCP 4.5, the transition risks have the greatest impact. In the second, RCP 8.5, the greatest impact comes from the physical risks associated with climate change.

With regard to the risks linked to the transition to a low-carbon economy, the Group is implementing the strategic plan 3D Plan (2021-2029), presented on 28 January 2021, which includes decarbonisation as one of its dimensions. The Group's objective is to intensify Ercros's existing efforts to mitigate climate change and adapt to the new regulatory framework governing industrial activity. This dimension envisages projects in the areas of energy efficiency; adaptation to climate change; maximisation of hydrogen use; circular economy; and sustainability mobility. The Plan's investments are being made according to the planned schedule. Several projects have already concluded to improve energy efficiency, to improve the use of hydrogen produced in the electrolytic processes of chlor-alkali production and to optimise the consumption of chemical products and raw materials; progress has been made in the implementation of the energy improvement and circular economy project for salt recrystallisation in Sabiñánigo; and in the engineering of the energy efficiency, fuel switching, electrification and biomass steam generation projects in Vila-seca I and Vila-seca II.

In terms of the risks related to the physical impact of climate change on Ercros' activities, the variability of weather patterns worldwide, the increase in average temperatures and increasingly extreme weather phenomena such as heavy rains, storms, blizzards, strong winds or reduced rainfall are becoming more frequent and may cause floods, droughts, heat waves, serious damage or other situations that endanger the people working in the Group and prevent the normal operation of production facilities.

In an effort to mitigate the negative effects of these abnormal weather events, the Ercros Group's factories have procedures and action plans for emergency situations resulting from adverse meteorological episodes, which consider the different levels of alert, responsibilities and action protocols in the event of potential adverse weather phenomena such as heavy rainfall, severe frost, heavy snow, strong winds, droughts and heat waves. The Group also invests in adapting its facilities to minimise the use of resources and their reuse.

In addition, the competent authorities have been asked to improve the external infrastructure (water drainage system, access to main roads, etc.) necessary to minimise the adverse effects of abnormal weather events in those plants where this is considered necessary.

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

6.5 Risk of employee claims

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

These types of liabilities are not attributable to the Group's current management, nor do they relate to damage caused to current, active employees, rather, they are liabilities claimed of the Group as the universal successor of companies that have been defunct for many years and are not related in any way to current activities. When this risk is identified, the Ercros Group makes the necessary provisions.

6.6 Human resources risk (relevant)

The Group is exposed to the risk of low productivity due to the high rate of staff absenteeism (4.9% in 2023), which in some workplaces can lead to occasional difficulties in covering all production shifts. To mitigate the impact of this risk, initiatives have been taken such as the implementation of support contracts or the establishment of absenteeism committees in those centres where higher risks have been identified.

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

Due to the nature of the work carried out in the Ercros Group's factories, there is a risk of occupational accidents among its employees. In order to reduce this risk, the Group has implemented a safety management system certified in accordance with ISO 45001:2018 (formerly OHSAS 18001) since 2007, provides its employees with safety equipment and materials, trains its workforce in the prevention of occupational risks, controls and updates all its equipment to comply with the highest safety standards, and analyses all accidents and incidents that occur in its facilities in order to prevent their future recurrence. In addition, three-year accident reduction plans are established, with actions in all the fields described above.



7

CONTRIBUTION
TO THE SUSTAINABLE
DEVELOPMENT
GOALS ("SDGs")



The 17 Sustainable Development Goals ("SDGs") are the result of a consensus among United Nations ("UN") member states to establish a plan of action for 2030 that focuses on the well-being of people, the preservation of the planet and the promotion of prosperity.

In keeping with its commitment to sustainable development, the Ercros Group strives to comply with all 17 SDGs, as detailed below. It should be noted, however, that its activities have a significant bearing on some of these objectives in particular:

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

Below are a few examples that illustrate the Group's contribution to advancing and strengthening the 17 SDGs.



No poverty

- Creation of 4,131 direct, indirect and induced jobs [chapter 15.3].
- EUR 27.45 million paid to the public administration for duties, taxes, fees and social security contributions [chapter 15.3].
- Purchases made from special employment centres and/or job placement companies, for a value of EUR 288,531 [chapter 15.4 b)].



Zero hunger

- Donation by the Monzón factory of 150 kilos of food and cleaning supplies to Caritas [chapter 15.4 f)].
- Sponsorship of the charity run organised by the town council and the Forat del Vent secondary school in Cerdanyola to raise funds for the Food Bank and the Red Cross [chapter 15.4 f)].
- Two factories operate a canteen service tasked with procuring supplies based on the menus confirmed the previous day, thus reducing food waste to a minimum [chapter 15.4 b)].
- To avoid waste, the procurement of foodstuffs used in the manufacture of antibiotics is coordinated with the needs of the production processes [chapter 15.4 b)].



Good health and well-being

- Adherence to the Luxembourg Declaration, in which the Group commits to integrating the basic principles of occupational health promotion into its business strategy [chapter 9.3].
- Certification of the healthy organisation management system ("Sigos") at the company's workplaces [chapter 9.3].
- The production facilities have certified their occupational health and safety system in accordance with the ISO 45001 standard on occupational health and safety management systems [chapter 12.5].
- In 2023, 42 prevention campaigns were carried out, reaching 20,933 people [chapter 12.5 c)].
- 558 people have participated in training on mobility and travel safety [chapter 12.8].



Quality education

- Ercros coordinated 638 training actions, which were attended by 5,483 people and totalled 35,601 teaching hours [chapter 12.6].
- 96% of the workforce received training, with an average of 26.7 hours of training per person [chapter 12.6].
- 69 secondary, university and dual vocational training students did their work placements at Ercros [chapter 12.7].
- 24 group visits to the Group's production sites were held, with the participation of 892 people [chapter 16.3 b)].



Gender equality

- Ercros has an equality plan in place that guarantees equal opportunities and non-discrimination between men and women [chapter 13.2].
- The presence of female employees in the workforce was 18.3% compared to 17.7% of the previous year, confirming the upward trend in the number of women in the company [chapters 12.3 and 13.4].
- Two of the Group's factories (Tortosa and Aranjuez) are managed by women, a milestone in the traditionally male-dominated industrial sector [chapter 13.2].
- A campaign for the prevention of sexual harassment was launched under the slogan "Harassment is not funny", which includes the LGBTBI+ perspective [chapter 13.2].



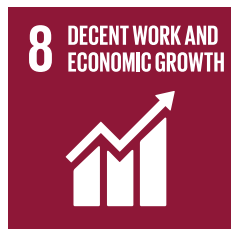
Clean water and sanitation

- Manufacture of chlorine, caustic soda and its derivatives, and sodium chlorite, all essential products for disinfection, sanitation and water treatment [chapter 5.1].
- Consumption of reclaimed water from municipal wastewater treatment plants increased by 9.3% on total water consumption [chapter 11.4].
- All Group sites have waste water treatment facilities, such as biological, physicochemical, mercury, nitrification and chlorination treatment plants [chapter 11.5 a)].
- Organisation of a special edition of the water-saving suggestion competition for all employees [chapter 11.7 a)].



Affordable and clean energy

- Reduction of 9.5% in energy consumption compared to the previous year [chapter 11.4].
- As part of the 3D Plan, projects have been implemented to harness the excess hydrogen generated and not directly consumed in the production processes of the Sabiñánigo, Vila-seca I and Vila-seca II plants for the production of steam as a substitute for natural gas. [chapter 11.5 c)].
- Signing of long-term bilateral renewable Power Purchase Agreements ("PPA") [chapter 11.5 b)].
- Ercros is a member of the RE4Industry project, for the promotion of 100% renewable energy in energy-intensive industries [chapter 11.2 c)].



Decent work and economic growth

- 100% of Ercros' employees are covered by the 20th General collective bargaining agreement for the chemical industry [chapter 12.4].
- The Group's activity generated 4,131 direct, indirect and induced jobs [chapter 15.3].
- Feique Safety Award 2023 for the Aranjuez and Tortosa plants. This award recognises the centres that have had no accidents among their own personnel during the previous year [chapter 12.5 f)].
- No Group employee is under the age of 18. As stated in Article 8 of the Ercros ethical code of conduct, persons bound by the ethical code of conduct do not accept child labour, forced or compulsory labour or work performed under duress [chapter 12.3].



Industry, innovation and infrastructure

- The Group's strategic investment plan for the period 2021-2029, Plan 3D, is structured around the three dimensions of diversification, digitalisation and decarbonisation and provides for a total investment of EUR 69 million [chapter 11.5 c) (ii)].
- Collaboration programmes with the main technology centres, universities and companies in the field of research and development [chapter 15.4 e)].
- Staff participation in conferences, round tables, virtual webinars and lectures covering various areas of knowledge [chapter 15.6].
- R&D expenditure was EUR 6,552 thousand [chapter 17.6].



Reduced inequalities

- Adherence to the UN Global Compact programme since 2000 [chapter 9.3].
- No gender-based pay discrimination, where discrimination means that the average gender pay gap is greater than 25% [chapter 13.5].
- Ercros employs 1.2% of people with a disability equal to or greater than 33% [chapter 13.6].
- Purchases made from special employment centres and/or job placement companies, for a value of EUR 288,531 [chapter 15.4 b)].



Sustainable cities and communities

- Ercros obtained the highest rating, G++, for compliance with the Good Corporate Governance Index ("GCGI") [chapter 9.3].
- 85 out of the 100 possible points in the EcoVadis international rating, which assesses the ESG (environmental, social and governance) practices of companies [chapter 9.3].
- Distribution of 80 announcements of general or local interest, which factories share with their stakeholders [chapter 16.3 b)].
- Sponsorship and collaboration with 32 cultural, sporting and social organisations with a contribution of EUR 102,312 [chapter 15.4 b)].
- Contributions to business groups amounting to EUR 72,513 [chapter 15.4 b)].



Responsible consumption and production

- 100% of customers and 83% of procurement transactions were analysed using the Refinitiv World-Check software tool, which provides information on aspects related to corruption or financial crime [chapter 10.2].
- 99% of the payments made are supported by a prior order or agreement; this high percentage reflects the Group's control over the economic transactions it carries out and is a result of the financial transparency with which it operates [chapter 10.4].
- 100% of the factories have ISO 14001 and ISO 14064 certification on environmental management and specifications for quantifying and reporting greenhouse gas emissions. In addition, factories accounting for more than 98% of the Group's energy consumption are certified under the ISO 50001 energy management standard [chapter 11.2 a)].
- The purchase of 34% recycled pallets [chapter 14.3 e)].
- Use of 29%¹ recycled plastic in plastic containers and packaging [chapter 14.3 e)].



Climate action

- Reduction of 16.6% in greenhouse gas emissions (scopes 1 and 2) compared to the previous year [chapter 11.4].
- Greenhouse gas inventory verified on an annual basis in accordance with the ISO 14064:2018 standard [chapter 11.3 b)].
- Commitment to achieving carbon neutrality of the business by 2050 [chapter 11.5 b)].
- Logistic and operational improvements have avoided 1,343 tonnes of CO₂ emissions [chapter 14.3].
- The decarbonisation axis of the 3D Plan aims to reduce direct CO₂ by 39% by 2025, compared to 2020 [chapter 11.5 c)].



Life below water

- Adherence to the Operation Clean Sweep ("OCS") programme, aimed avoiding losses of microplastic waste that may reach the environment, especially the aquatic environment [chapter 11.2 b)].
- To prevent and, where this is not possible, reduce emissions to water, the factories have, among other systems, waste water treatment plants, retention basins and on-line monitoring equipment. [chapter 11.5 a)].
- Agreement with the Foundation for the Conservation and Recovery of Marine Animals ("CRAM") under which the Group supplies CRAM with chemicals to disinfect and maintain its marine wildlife recovery facilities. [chapter 11.7(b)].



Life on land

- In Flix, collaboration since 2001 with the Sebes Nature Reserve, located across from factory [chapter 11.7 b)].
- In Aranjuez, collaboration with the environmental protection and awareness-raising organisation Aranjuez Sostenible [chapter 11.7 b)].
- In Cardona, collaboration with the Catalan Government and the town council in restoring Vall Salina by replanting the areas freed up since the decommissioning of the Terrera Nova mine dump [chapter 11.7 b)].
- The expenses incurred for the protection and improvement of the environment in 2023 amounted to EUR 19,121,414 [chapter 11.2 d)].
- Reduction of 48.3% in waste generated [chapter 11.4].

¹ Kilograms of recycled plastic vs kilograms of total plastic purchased for containers and packaging.



Peace, justice and strong institutions

- The Ercros Group has been certified as compliant with the UNE 19601 standard, which recognises the company's performance in reducing criminal risks and promoting crime prevention [chapter 9.3].
 - The ethical code of conduct was distributed and explained to 121 new employees, who signed it with a commitment to comply with it [chapter 9.2 b)].
 - Training provided at the Sabiñánigo factory to two future inspectors of the Organisation for the Prohibition of Chemical Weapons ("OPCW") from Colombia and Kenya [chapter 15.4 d)].
-



Partnerships for the goals

- Compliance with 96.2% of the recommendations of the CNMV's Code of Good Governance for listed companies [chapter 9.3].
 - Signed agreements for voluntary mutual assistance in the event of accidents during transportation and agreements to deal with transport and distribution accidents [chapter 14.3 f)].
 - Adherence to a collaboration agreement on explosive precursors, promoted by the Ministry of the Interior, the purpose of which is to fight against the diversion of chemical products towards the illicit manufacture of explosives [chapter 14.4 d)].
 - Direct and active participation in the main sector or territorial associations [chapter 15.7].
-



8

TAXONOMY
OF THE EUROPEAN
UNION

8.1 Introduction

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

The EU taxonomy Regulation establishes technical selection criteria associated with six environmental objectives¹ to classify the activities carried out by a company as environmentally "sustainable" or "non-sustainable". These technical criteria are reflected in two delegated acts: The Climate Delegated Act (Delegated Regulation (EU) 2021/2139), which sets out the conditions for an activity to make a significant contribution to climate change mitigation and adaptation, and the Environment Delegated Act (Delegated Regulation (EU) 2023/2486), which sets out the technical criteria for determining the conditions under which an economic activity is considered to make a significant contribution to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to the prevention and control of pollution, or to the protection and restoration of biodiversity and ecosystems.

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

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

The activities performed by Ercros fall within the scope of this set of standards, some of which qualify in accordance with the delegate acts. With the assistance of Aecom company, an internationally recognised consultancy firm, Ercros has carried out an analysis of the alignment of these activities with the criteria of the EU taxonomy.

For the financial year 2023, the Climate Delegated Act requires a review of the eligibility and alignment of activities with the criteria set out in it. The eligibility of Ercros' core activities was reviewed, as well as investments or operational costs that could be considered to qualify under other activities included in the Climate Delegated Act and as required by the taxonomy Regulation.

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

Furthermore, a technical assessment of the environmental characteristics and performance of activities at the plant level has been carried out with respect to the technical screening criteria established for the climate targets. The analysis makes it possible to determine whether or not Ercros' activities are aligned with the EU taxonomy criteria at activity and plant level, and to identify the gap to be bridged to achieve alignment in each case, for each criterion and climate objective, together with specific recommendations.

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

For the financial year 2023, the Environment Delegated Act requires a study of the eligibility of activities pursuant to its provisions.

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

8.2 Eligibility

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

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

- Activity 3.13² – Manufacture of chlorine: Sabiñánigo factory (Huesca) and Vila-seca I factory (Tarragona).
- Activity 3.14² – Manufacture of organic basic chemicals (vinyl chloride): Vila-seca II factory (Tarragona, vinyl chloride monomer -VCM-).
- Activity 3.15² – Manufacture of anhydrous ammonia: Sabiñánigo factory (Huesca).

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

- Activity 3.17² – Manufacture of plastics in primary forms– manufacture of resins, plastic materials and non-vulcanisable thermoplastic elastomers, as well as customised mixing and blending of resins and the manufacture of synthetic resins not produced to order: Vila-seca II factory (Tarragona, PVC), Cerdanyola factory (Barcelona, moulding compounds) and Monzón factory (Huesca, PVC plastic compounds).
- Activity 1.1³ – Manufacture of pharmaceutical ingredients (API) or active substances: Aranjuez factory.

Their eligibility was determined based on the description of the activity in the text of the Delegated Act (and not on the CNAE codes, regarded only as indicative by the taxonomy Regulation).

8.3 Alignment results assessment of and compliance with Regulation 2020/852/EU

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

Results of alignment with the climate objectives of the taxonomy

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

Y: Yes.

N: No.

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

³ Qualification in accordance with Annex III of Delegated Regulation (EU) 2023/2486.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- GHG emissions from vinyl chloride production processes are below the threshold of 0.268 t of CO₂e/t vinyl chloride set by the Delegated Climate Act.
- The activity at the Vila-seca II plant is subject to an environmental authorisation procedure which assessed the effects on the bodies of water in the receiving medium. Furthermore, the discharge monitoring programme is expressly adapted to the supervisory requirements set out in the Water Framework Directive.
- No production, marketing or use of persistent organic compounds, mercury, ozone depleting substances, hazardous substances in electrical and electronic equipment, or substances covered by Article 57 of the Reach Regulation. The BAT threshold emission ranges are complied with, including the assessment of alternatives to avoid cross-media effects.
- The checks prior to the environmental impact assessment ("EIA") were completed at the Vila-seca II plant, although the submission of an environmental impact study was not mandatory. In the context of the monitoring plan, which tests the effect of bioaccumulation of pollutants on the fauna in the receiving environment, it was found that the ecosystem remains healthy and that no bioaccumulation occurs. Furthermore, the plant is located on industrial land.

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

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

c) Conclusions of the alignment analysis

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

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

8.4 Key performance indicators

After the alignment analysis carried out in accordance with:

- Delegated Regulation (EU) 2021/2178 of 6 July 2021.
- Communication C/2023/305 of 20 October 2023 of the Spanish National Securities Market Commission ("CNMV") on the interpretation and application of certain provisions of the Delegated Act on the disclosure of information pursuant to Article 8 of the EU taxonomy Regulation on the reporting of taxonomy-eligible and taxonomy-aligned economic activities and assets.
- The report issued by the CNMV on the breakdowns relating to the European taxonomy for the financial year 2022, in particular the section on quantitative information on non-financial institutions.

Key performance indicators were calculated and are summarised below:

THOUSANDS OF EUROS

Activity	2023		2022	
	% Opex	% Capex	% Opex	% Capex
Non-aligned eligible activities				
Manufacture of anhydrous ammonia	0.64	0.06	1.28	0.02
Manufacture of plastics in primary forms	14.11	9.52	14.56	4.20
Total	14.75	9.58	15.84	4.22
Eligible and aligned activities				
Manufacture of chlorine	19.52	22.22	20.79	14.15
Basic organic chemicals	13.03	2.05	11.30	2.57
Total	32.55	24.27	32.09	16.72
Ineligible activities	52.70	66.15	52.07	79.06
Group total	100	100	100	100

8.5 Content of key performance indicators

a) Calculation of key performance indicators

Key indicators have been calculated in accordance with annex I of committee delegated regulation ("EU") 2021/2178 of 6 July 2021.

(i) Key performance indicator for capital expenditure ("capex")

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

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

- 3.13 Manufacture of chlorine:
 - Sabiñánigo: chlorine-caustic soda electrolysis, general manufacturing plant (salt crystallisation), environment (waterproofing of floors and channels, chlorine area).
 - Vila-seca I: chlorine-caustic soda membranes, caustic soda concentration, compressed hydrogen, hydrogen distribution, shipments (chlorine load adjustment), environment (continuous analysis of chlorine and hydrochloric acid), refrigerated water (refrigerated water pumps).
- 3.14 Manufacture of VCM:
 - Vila-seca II: VCM cost centre.
- 3.15 Manufacture of anhydrous ammonia:
 - Sabiñánigo: ammonia cost centre.
- 3.17 Manufacture of plastics in primary forms:
 - Cerdanyola: all cost centres.
 - Monzón: all cost centres.
 - Vila-seca II: all centres except for VCM.

(ii) Key performance indicator for operating expenses ("opex")

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

The types of expenditure used are as follows:

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

8.6 Details of key performance indicators

a) Key performance indicators for capital expenditure ("capex")

Year	2023		Substantial contribution criteria							No significant harm criteria							Minimum guarantees	Proportion of capex that conforms to the taxonomy year 2022	Category: Facilitator activity	Category: Transitional activity
	Codes	Absolute capex	Capex ratio	Climate change mitigation	Adaptation to climate change	Water	Contamination	Circular economy	Biodiversity	Climate change mitigation	Adaptation to climate change	Water	Contamination	Circular economy	Biodiversity					
		Thousands €	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	F	T		

A. Taxonomy-eligible activities

A.1 Sustainable environmental activities (in line with the taxonomy)

1. Chlorine manufacturing	CCM 3.13 CCA3.13	7,186	22.88%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	67.56%	-	-
2. Manufacture of basic organic chemicals	CCM 3.14 CCA3.14	664	2.05%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	12.29%	-	-
Capex of sustainable environmental activities (in line with the taxonomy) (A.1)		7,850	24.27%	-	24.27%	-	-	-	-	Y	Y	Y	Y	NP	Y	Y	-	-	-
Of which: facilitator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.2 Taxonomy-eligible but not environmentally sustainable activities

				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
1. Manufacture of plastics in primary forms	CCM 3.17 CCA3.17	3,080	9.52%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	-	-	-
2. Manufacture of anhydrous ammonia	CCM 3.15 CCA3.15	19	0.06%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	-	-	-
Capex of activities eligible according to the taxonomy but not environmentally sustainable activities that do not conform to the taxonomy) (A.2)		3,099	9.58%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A.1 + A.2		10,949	33.86%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Activities not eligible under taxonomy

Capex of non-taxonomy-eligible activities		21,391	66.14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A + B		32,340	100.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

S: Yes
 N: No
 NA: Not applicable
 EL: Eligible
 N/EL: Not eligible
 CCM: Climate change mitigation
 CCA: Climate change adaptation
 F: Facilitating activity
 T: Transition activity

b) Key performance indicators for operating expenses ("opex")

Year	2023		Substantial contribution criteria							No significant harm criteria							Minimum guarantees	Proportion of opex that conforms to the taxonomy year 2022	Category: Facilitator activity	Category: Transitional activity
	Codes	Capex	Opex ratio	Climate change mitigation	Adaptation to climate change	Water	Contamination	Circular economy	Biodiversity	Climate change mitigation	Adaptation to climate change	Water	Contamination	Circular economy	Biodiversity					
	Thousands €	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	F	T		

A. Eligible activities according to the taxonomy

A.1 Environmental activities (that conform to the taxonomy)																				
1.	Chlorine manufacturing	CCM 3.13 CCA3.13	8,273	19.52%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	67.56%	-	-
2.	Manufacturing of basic organic chemicals	CCM 3.14 CCA3.14	5,522	13.03%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	12.29%	-	-
Opex of sustainable environmental activities (in line with the taxonomy) (A.1)			13,795	32.55%	-	32.55%	-	-	-	-	Y	Y	Y	Y	NP	Y	Y	-	-	-
Of which: facilitator			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: transitional			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.2 Activities eligible according to the taxonomy but not environmentally sustainable

					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
1.	Manufacturing of plastics in primary forms	CCM 3.17 CCA3.17	5,892	14.11%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	-	-	-
2.	Manufacture of anhydrous ammonia	CCM 3.15 CCA3.15	271	0.64%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	-	-	-
Opex of activities eligible according to the taxonomy but not environmentally sustainable activities that do not conform to			6,253	14.75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A.1 + A.2			20,048	47.30%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Activities not eligible according to the taxonomy

Opex of activities not eligible according to taxonomy			22,340	52.70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A + B			42,388	100.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

S: Yes
 N: No
 NA: Not applicable
 EL: Eligible
 N/EL: Not eligible
 CCM: Climate change mitigation
 CCA: Climate change adaptation
 F: Facilitating activity
 T: Transition activity



9

RESPECT FOR
HUMAN RIGHTS

9.1 Materiality of the chapter

The Ercros Group has an unwavering commitment to respect human rights, both in its internal operations and in its relations with third parties. The company is committed to respecting the fundamental rights set out in national and international laws and seeks to ensure that its business partners share this commitment.

The Group has established rules, policies, procedures and control systems to ensure compliance with applicable laws in the conduct of its business. Furthermore, to reflect its commitment to higher ethical and human rights standards, the company voluntarily participates in external programmes and agreements that go beyond what is required by law. This approach is not limited to regulatory compliance, but also extends to encouraging ambitious ethical values and aspirations in all its areas of operation.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



9.2 Regulatory framework

The Ercros Group strives to integrate social responsibility and respect for human rights into its decision-making and daily operations, both within the organisation itself and in the communities in which it operates.

These principles are formally established in the corporate social responsibility policy and are implemented through regulations, policies, manuals, plans and procedures that guide the Group's actions in all its areas of activity.

a) The corporate social responsibility policy

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

- Comply with current law, including international standards and guidelines; good corporate governance recommendations; internal regulations, in particular the criminal risk manual and the ethical code of conduct, and voluntary agreements to which the company adheres.
- Support human rights and civil liberties, especially freedom of association, the right to collective bargaining and the elimination of child and forced labour.
- Collaborate with justice and implement mechanisms for monitoring policies and for the prevention and supervision of financial and non-financial risks, including those related to ethical aspects and business behaviour.
- 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 in employment, non-discrimination and employment inclusion to ensure equal opportunities, creating and promoting a diverse and inclusive working environment.
- Protect the health and safety of employees at the Group's workplace, and those living in surrounding areas.
- Protect the environment, with a firm commitment to the decarbonisation of the company's activities, prevent pollution and promote circular economy principles, reducing the consumption of raw materials and natural resources.

- Promote channels of dialogue, participation and communication; provide truthful, clear and complete information on the company and the impacts and risks generated by its activity.
- Adopt responsible practices in the supply chain and broaden compliance with ethical principles and standards to all participants.
- Meet the needs of customers, provide them with relevant information on the products they purchase and protect the products throughout their value chain.
- Ensure shareholders' interests and guarantee their rights, in particular, those relating to equal treatment, information, participation and voting.
- Encourage society's confidence through cooperation and maintain an open, fluid and transparent dialogue that responds to the demands and concerns of the general public and, specifically, those of the communities where the company carries out its activity.

b) The ethical code of conduct

In 2023, the Ercros Group updated its ethical code of conduct for workers to adapt its content to the Whistleblower and Anti-Corruption Act. The code sets out the standards of ethical and responsible behaviour that Group employees must observe in the course of their work. Specifically, these rules include:

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

This code applies to the board of directors, management, employees and contractors working at the Group's facilities. Failure to comply with this ethical code of conduct may result in disciplinary action imposed by the audit committee and enforced by the human resources department.

The company has conducted staff training on the ethical code of conduct and promoted compliance since its approval in 2018.

In 2023, the ethical code of conduct was received, understood and signed by 121 new employees. This commitment is renewed on a daily basis by the employees who log on to the Group's computers by ticking off a dialogue box.

c) The whistleblowing channel

On 13 June, Ercros launched the new digital platform of the whistleblowing channel on the home page of the corporate website (www.ercros.es), which is available on all pages of the website via the "Whistleblowing channel" icon. This page allows complaints to be lodged against alleged breaches of regulations and non-compliance with Ercros' internal rules and regulations that come to the attention of anyone in the company in a work or professional context.

Complaints lodged through the whistleblowing channel are handled by the Ercros Group compliance committee, which is the body delegated by the audit committee to perform this function. The audit committee is responsible for protecting the confidentiality and anonymity of the cases it deals with.

All communications through the whistleblowing channel's digital platform are confidential and, if requested, anonymous. Whistleblowers will be protected from any form of retaliation and the investigation of the complaint will be conducted objectively, discreetly and diligently.

In 2023, five complaints were submitted to the whistleblowing channel, of which one was accepted and dealt with in a timely manner (one complaint was received by the channel in 2022).

9.3 External voluntary programmes and agreements

The Ercros Group assumes voluntary commitments and supports programmes and agreements with more ambitious objectives than those applicable to it by law, including:

- The Responsible Care programme: in 2023, the Ercros Group renewed its CSR certification as a Responsible Care company. The Group is a benchmark company in the implementation of this international programme, of which it has been a member since 1994. This initiative, supported in Spain by the Spanish Chemical Industry Business Federation ("Feique"), involves an annual self-evaluation according to the criteria set by the European Chemical Industry Council ("Cefic").

These criteria cover aspects such as: (i) corporate leadership culture, (ii) safeguarding people and the environment, (iii) strengthening management systems for chemicals, (iv) influencing business partners, (v) stakeholder engagement and (vi) contributing to sustainability. In 2023, the Ercros Group scored 81.9 out of 100 in this self-assessment, outperforming the average score of 74.6 out of 100 of the 127 European companies that completed the questionnaire. In 2022, the score was 81.0 out of 100.

The Ercros website incorporates a new digital platform for the ethical channel

- The Global Compact Programme: since 2000, the Ercros Group has voluntarily adhered to Global Compact Programme, an initiative promoted by the United Nations ("UN") aimed at encouraging companies to assume social responsibility by implementing ten universal principles relating to the protection of human rights, working conditions, the environment and the fight against corruption.
- The CSR implementation guide for the chemical and life sciences sector: promoted by Feique in collaboration with Forética, includes 183 indicators, with compliance rated "excellent", as detailed in chapter 17.
- The EcoVadis CSR rating: Ercros Group scored 85 out of a possible 100 points in the international evaluation of ESG (environmental, social and governance) practices of companies. This result places Ercros in the top 1% of companies surveyed and secures its *Platinum* recognition for the fourth consecutive year. In 2022, the score was 84 out of 100. Over the course of 2023, the Group shared its EcoVadis performance with the 18 customers and suppliers who requested it via the platform set up for this purpose by the EcoVadis rating.
- The IEAF ESG rating: in 2023, the Ercros Group scored 80 out of a possible 100 points (78/100 in 2022) in the rating promoted by the Spanish Institute of Financial Analysts ("IEAF"), which is based on the company's level of compliance with ESG criteria.
- 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 2023 the degree of compliance with the recommendations contained in the CGG for listed companies applicable to the Group stood at 96.2% (the same as in 2022).

- The 20th General collective bargaining agreement for the chemical industry for 2021-2023: the declaration of principles of article 119 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, EMAS, ISO 14001:2015, UNE-EN ISO 14064-1:2012 and UNE-EN ISO 50001:2018 standards for energy management are applied in environmental matters; UNE-EN ISO 9001:2015 for quality; and ISO 45001:2018 for occupational health and safety.
- In 2023, the Ercros Group retained its certification of compliance with the Good Corporate Governance Index ("GCGI"), once again confirming the highest rating (G++) in terms of Good Corporate Governance practices. The purpose of the IBGC is to evaluate and identify improvement actions and establish benchmarks with other businesses, based on European legislation and the CNMV's CGG.
- The Ercros Group completes the Carbon Disclosure Project ("CDP") questionnaire, which measures the transparency and performance of organisations in relation to climate change. In 2023, the Ercros Group scored B, improving on its 2022 score of D [see section 11.5 c)].
- In 2023, the Ercros Group was certified as compliant with the UNE 19601 standard, which recognises the company's performance in reducing criminal risks and promoting crime prevention [chapter 10.2].
- In 2023, the company signed the Luxembourg Declaration, which commits the company to integrate the basic principles of occupational health promotion into its business strategies, to implement occupational health promotion objectives that exceed legal requirements, and to comply with the framework for managing the health of its employees.

In this respect, the Ercros Group has validated the healthy organisation management system ("Sigos") of all its work centres. In addition to incorporating aspects of prevention into people's health, this system also has implications for encouraging health and healthy lifestyles for both the people who work at Ercros and the people around them.

In 2023, the Group updated its sustainability policy to introduce changes associated with its certification as a healthy organisation and to address ethical compliance issues.

9.4 Relations with sensitive geographical areas

The Group carries out most of its activities in areas that have specific laws that prohibit child labour and forced or compulsory labour. In any case, as stated in Article 8 of the ethical code of conduct, persons bound by it do not accept child, forced or compulsory labour or work carried out under duress.

All its production facilities are located in Spain, which in turn was the destination of 47.9% of sales in 2023. The Group exported 29.5% of sales to other countries in the EU and 13.3% to other Organisation for Economic Co-operation and Development ("OECD") countries, while the remaining 9.3% went to countries in the rest of the world. In 2023, France and Italy remained the main export destinations, followed by the USA, Turkey, Germany and Portugal.

With regard to purchases, 71.1% of procurements and supplies come from Spain; 17.9% from the EU; 5.2% from the OECD and 5.7% 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.

The sustainability policy has been updated to address ethical compliance issues

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

- Agreements with suppliers of logistics, goods and services contain a clause whereby they undertake to abide by their own ethical code of conduct or the Group's ethical code of conduct in their interactions with the Ercros Group. Acceptance of the code is implied in all orders through the introduction of an ethical clause either in the respective agreements or in the orders placed by the Group.

Ercros monitors the risks related to financial crimes and corruption of its clients and suppliers

- Ercros Group provides its clients and suppliers with a confidential channel through which they can report any unlawful act, breach of the ethical code of conduct, fraud or irregularity they might detect during their contracting process.
- The Ercros Group's ethical code of conduct includes the requirements that commercial transactions with foreign companies must meet.

The Group has therefore mitigated the risk of non-compliance with respect for human rights in the Group. In addition, the Group has established safeguarding mechanisms that strengthen 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.

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

In 2023, the supplier registration process was revised to ensure that suppliers with appropriate reputational references are engaged, including stricter social responsibility criteria.

To this end, the Ercros Group uses the Refinitiv World-Check control programme, which, among other things, enables it to analyse the risks of financial crime or corruption among suppliers and customers. With this system, 83% of purchases, 100% of customers and 123 suppliers, representing 4.2% of the total number of suppliers, were monitored in 2023.



10

FIGHT AGAINST
CORRUPTION
AND BRIBERY

10.1 Materiality of the chapter

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

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

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



10.2 Main actions

In 2023, the Ercros Group certified its criminal compliance under the UNE 19601 standard, which certifies the company's performance in reducing criminal risks and promoting crime prevention.

The UNE 19601 standard establishes the requirements of the criminal compliance system that certified companies must guarantee, including: preventing the commission of criminal offences; promoting a culture of prevention and compliance among company personnel; establishing the necessary monitoring measures to reduce the risk of committing offences; and offering a greater guarantee of security to shareholders, investors and other stakeholders.

On 28 April 2023, following the publication of the Spanish Whistleblower and Anti-Corruption Act and, based on a favourable report from the audit committee, the board of directors approved the following measures: (i) adapting the internal whistleblowing system (ethical channel) to the new Whistleblower and Anti-Corruption Act; (ii) establishing the whistleblowing and whistleblower protection policy; (iii) updating the ethical code of conduct; (iv) updating the whistleblowing procedure; and (v) appointing, within the compliance committee, the director of the internal audit service as the person in charge of managing the internal whistleblowing system and processing investigation files, which was registered with the Catalan Anti-Fraud Office on 11 May 2023.

On 13 June, the new online whistleblowing channel platform was launched on the home page of the group's website, allowing the submission of reports of suspected violations and non-compliance with the group's rules and internal regulatory framework that come to the attention of any person in a professional or business context within the company.

The Ercros Group uses the Refinitiv World-Check control programme, which, among other things, enables it to analyse the risks of financial crime or corruption among suppliers and customers. With this system, 83% of purchases, 100% of customers and 123 suppliers, representing 4.2% of the total number of suppliers, were monitored in 2023.

In 2023, the Ercros Group updated its criminal risk map to adapt it to the Spanish Full Guarantee of Sexual Freedom Act. In this map, these risks are classified according to the likelihood of their occurrence and the impact that their occurrence would have on the Group. Based on these risk maps, the Group has implemented controls aimed at mitigating the criminal risks detected.

The Group has certified its criminal compliance according to the UNE 19601 standard

The Group also has an agents and commissions procedure, the purpose of which is to define and establish the system to be followed for managing and controlling commercial agents and paying commissions derived from their sales.

The Group received the award for Corporate Transparency among IBEX Medium and Small Cap listed companies, given annually by the Spanish Association of Accounting and Business Administration ("AECA"). This recognition reflects the company's ongoing commitment to transparent disclosure of financial, governance and sustainability information. This is the fourth time that AECA has acknowledged the Ercros Group's sustained effort to disclose financial, governance and sustainability information in a transparent manner.

10.3. Regulatory framework

a) The ethical code of conduct

The ethical code of conduct pays particular attention to how employees should behave in relation to anti-corruption and anti-bribery. Among the rules introduced, the following stand out: (i) cooperation with the authorities responsible for combating fraud and money laundering; (ii) supervision of accounting records and books to ensure that they clearly and accurately reflect all transactions carried out by the Group; (iii) the obligation of employees involved in administrative and accounting tasks to strengthen internal control and maintain reliable accounting records; (iv) the prohibition of any conduct that may constitute bribery, attempted bribery or the exercise of undue influence on public authorities or officials and regulatory bodies; and (v) the requirements that must be met in commercial transactions with foreign countries.

b) The criminal compliance management system

The Ercros Group has a criminal compliance management system that complies with the UNE 19601:2017 standard, which establishes the requirements for management systems that go beyond compliance with the law and help companies and organisations prevent crimes and reduce criminal risks, thus promoting a culture of ethics and compliance.

c) The criminal compliance policy

The criminal compliance policy sets out the guiding principles to promote a culture of business ethics at all levels of the organisation, consistent with the core values of the Ercros Group. These values include its culture of respect for the environment and natural resources, its commitment to service to build solid, long-term relationships with its stakeholders based on trust and its economic and social values.

The main guiding principles of the criminal compliance policy include the promotion of strict compliance with the law by the professionals who work in the Ercros Group. Priority is also given to the identification, assessment and prevention of criminal risks that may occur in the company, in order to effectively minimise these risks.

d) The internal whistleblowing system policy

The internal whistleblowing system and whistleblower protection policy, which together with the whistleblowing channel and internal investigations procedure form part of the internal whistleblowing system, establish the structure, regulatory framework and general principles of action required within the company in accordance with the Whistleblower and Anti-Corruption Act to prevent and detect alleged irregularities within the company and to deal with them promptly and effectively.

e) The anti-corruption and crime prevention policy

The purpose of the anti-corruption and crime prevention policy is to establish the principles that guide the Ercros Group's activity in relation to the eradication of any corrupt practice of which it is aware. Among the key principles of the aforementioned policy it is worth highlighting: (i) the adoption of a zero-tolerance approach to business corruption and other criminal activities; (ii) active cooperation with the relevant authorities; (iii) the implementation of a comprehensive model for the detection, prevention and control of criminal offences; and (iv) the application of corrective measures to those who engage in corrupt practices.

f) Zero tolerance policy on market manipulation

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

g) The personal data protection policy

The purpose of the personal data protection policy is to guarantee the right to data protection of all natural persons who have relations with the Ercros Group, guaranteeing respect for the right to honour and privacy in the processing of different categories of personal data.

h) The tax policy

The tax policy ensures compliance with applicable tax regulations within the context of achieving the corporate interests and supporting the long-term business strategy that avoids tax risks and inefficiencies in the implementation of business decisions.

Ercros has a robust internal regulatory framework to prevent corruption and bribery crimes

i) The corporate social responsibility policy

In relation to the corporate social responsibility policy, among the principles related to the fight against corruption and bribery assumed by the Group, the following are worth noting: (i) strict compliance with current law; (ii) performance of economic activity with full respect for tax law and the criteria of judicial and administrative bodies; (iii) implementation of mechanisms for the prevention and monitoring of financial and non-financial risks; and (iv) adoption of responsible practices in the supply chain, applying them to all stakeholders in the chain.

10.4. The internal control system

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

- The International Financial Reporting Standards ("IFRS") committee that conducts a monthly analysis of the different items of the Ercros Group's financial statements, as well as the implementation of the new IFRS and their impact on the Group's financial statements.
- 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 governing conflicts of interest are set out in the Ercros Group's own internal regulations under article 24 of the ethical code of conduct, in article 20 of the internal code of conduct in matters relating to the securities market for persons subject to the code and in the conflicts of interest procedure.

In addition, the Company's directors must submit to article 41 of the board regulations and perform their professional duties vis-a-vis the Ercros Group with diligence and loyalty and without engaging in any activity that may be in conflict of interest with the company.

In 2023 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 nine audits, resulting in 56 recommendations for changing or improving operating procedures. Before the end of the year, 36 of these measures had been successfully implemented.

The external audit company 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.

Last year, as in the previous one, 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.

The compliance committee has carried out training and awareness actions aimed at the entire workforce

10.5. The compliance committee

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

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

In 2023, the Group earned UNE 19601 certification in criminal compliance, which establishes the requirements for criminal compliance management systems with the goal of going beyond compliance with the law and helping companies and organisations prevent crimes from being committed and reduce criminal risk and, thus, promote a culture of ethics and compliance. This standard provides guidance to establish, develop, implement, assess, maintain and improve an effective compliance management system that generates response from the organisation.

In addition, throughout 2023, the compliance committee conducted training and awareness-raising activities for the Group's employees in the areas of criminal compliance and the prevention of criminal risks, including the following: (i) articles in the internal bulletin on the UNE 19601 certification; (ii) the new digital platform of the whistleblowing channel on the corporate website; (iii) the adaptation of the internal regulations to the new law on the protection of whistleblowers; (iv) the appointment of the person in charge of the whistleblowing system of the compliance committee; and (v) the implementation of three training campaigns aimed at the employees on the prevention of sexual harassment, the ethical channel and the prevention of money laundering and terrorist financing offences.

Finally, during the year, the compliance committee sent a total of 12 circulars to company employees, segmented according to their content and the group of employees to whom they were addressed, addressing issues related to criminal compliance.

10.6. Tax litigation and disputes

Practically all the Group's operations are carried out at the parent company, Ercros, S.A., which has its registered office in Spain and pays taxes in full in Spain.

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

a) In relation to the personal income tax audit

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

b) In relation to the corporation tax audit

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



11

ENVIRONMENTAL MATTERS



11.1 Materiality of the chapter

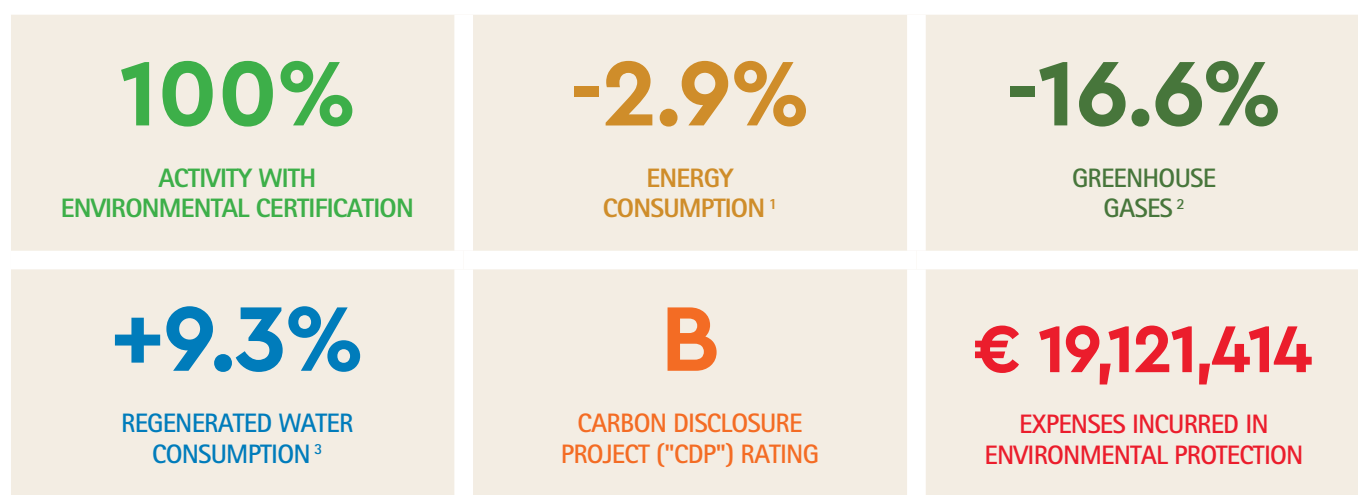
The Ercros Group and its stakeholders share the firm conviction of the relevant role that companies have in the fight against climate change. This conviction drives the company to make decisions and carry out investments that contribute to mitigating the climate emergency. The Group expects to achieve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

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

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ GJ/t produced vs 2022

² Total direct and indirect emissions of CO₂ equivalent (scope 1 and 2) compared to 2022.

³ Percentage of regenerated water as a proportion of total water consumption.

11.2 Environmental management

The Group's environmental management focuses on preserving and protecting the environment and on preventing industrial activities from harming the environment. This is achieved by using the latest technologies and introducing improvements in production processes to minimise emissions to the atmosphere, especially those that contribute to climate change, and to water at source. It also promotes the most efficient use of energy and raw materials, reduces waste and, where prevention is not possible, applies the most appropriate measures. Needless to say, the Company is committed to complying with all applicable laws and regulations.

In particular, this entails:

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

The Ercros Group relies on several key tools to achieve its environmental goals. The first of these is the 3D Plan with a specific focus on decarbonisation and digitalisation. Another tool is the sustainability management system, which elaborates the sustainability policy and its manual, including procedures, follow-up plans and signed voluntary programmes and agreements. Among these, Responsible Care stands out.

Sustainability management falls under the purview of the Ercros sustainable development committee ("Cedes"), comprising the general business manager, the managers of the three divisions, the industrial and factory managers, and the managers of integrated logistics, human resources, institutional relations and communication, and sustainable development. The sustainable development manager serves as the liaison and coordinator of the Cedes.

At the local level, each workplace has its own sustainability committee, which is responsible for achieving site-specific objectives.

EcoVadis has awarded a score of 90 out of 100 to Ercros' environmental performance

The Ercros Group scored of 90 out of 100 for environmental performance according to the international EcoVadis rating. Globally, the company scored 85 out of 100 on this sustainability index, placing it in the top 1% of companies.

a) Internal regulatory framework

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

- The sustainability policy, which is the reference framework for the company's actions in the area of sustainability, and which emphasises the Ercros Group's commitment to the climate neutrality objectives of the European Green Pact and its desire to achieve total decarbonisation of its operations by 2050.

Furthermore, this policy aims 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.

In 2023, the sustainability policy was updated to reinforce the company's ethical compliance and introduce new commitments on the healthy organisation management system. The sustainability policy is approved by the board of directors and signed by the company chairman.

- The sustainability manual, which sets out the sustainability policy, explains the management system and sets out its key principles. This manual is the basis for defining company-wide procedures, from which specific documents are prepared for each workplace.

- The Ercros Group's ethical code of conduct sets out the rules to be followed by its employees, including those relating to environmental protection, such as: (i) identifying and reporting any actual or potential environmental impact; (ii) considering the risk of environmental damage before engaging in any activity; (iii) promoting the reduction of emissions, discharges and waste generated; (iv) promoting the rational use of energy and natural resources; and (v) obtaining all necessary permits and authorisations to carry out activities within the Ercros Group.
- The sustainability plan sets out the annual corporate environmental objectives, among others.
- The Ercros Group's energy policy calls for the application of sustainability and social responsibility criteria in the factories, considering energy management as one of the Group's basic management principles. To meet this commitment, the Aranjuez and Cerdanyola plants had their energy management systems certified to the ISO 50001 standard in 2023. They join the plants in Almussafes, Sabiñánigo, Tortosa and the Tarragona industrial complex ("CIT"), which are already certified to this international standard. More than 98% of the energy consumed by the Ercros Group is certified according to this international standard.

In addition, the Group has procedures, policies and protocols in place to manage all aspects of the business and its facilities that relate to sustainability. During 2023, 13 of these procedures were published or revised, including the procedure for risk assessment within the framework of the management system, the implementation and maintenance of the management system for a healthy organisation and the preventive safety observation procedure.

The Group has a public hotline procedure for handling requests for information or complaints from external stakeholders at its factories. In 2023, two communications were received through this channel.

In addition, the Group has a whistleblowing procedure that provides a mechanism for submitting complaints in cases of alleged non-compliance with the values of the Ercros ethical code of conduct. In 2023, a confidential and anonymous whistleblowing mailbox was implemented on the Group's corporate website.

98% of Ercros' energy consumption is certified according to the international standard ISO 50001

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 CIT are included on that register.

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

- The UNE-EN ISO14064-1:2018 ("ISO 14064") standard on specifications for the quantification and declaration of greenhouse gas emissions.
- The UNE-EN ISO 50001:2018 ("ISO 50001") standard for energy management systems, implemented at the Almussafes, Vila-seca I, Vila-seca II, Sabiñánigo, Tarragona and Tortosa plants, and which was implemented and certified at the Aranjuez and Cerdanyola plants in 2023.
- The Operation Clean Sweep ("OCS") programme to reduce the potential release into the environment of microplastics in the form of pellets, flakes or resin powder at the Vila-seca II and Monzón centres.

c) Adherence to voluntary programmes

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

- In 2023, the Group renewed its CSR Company certification under the Responsible Care programme, a global chemical industry initiative promoted in Spain by the Spanish Chemical Industry Federation ("Feique"), which is designed, among other things, to establish a preventive policy aimed at preventing and controlling the environmental impact of companies' facilities and operations, in accordance with the best environmental practices of the chemical industry.

- Principles 7, 8 and 9 of the Global Compact, promoted by the UN, establish that "Businesses should support a precautionary approach to environmental challenges", "undertake initiatives to promote greater environmental responsibility" and "encourage the development and diffusion of environmentally friendly technologies", respectively.
- The climate action commitments to curb global warming, promoted by the Catalan Government in 2020.
- The OCS-Zero Pellets Loss, an action plan promoted by the EU that aims to avoid the loss of microplastics to the environment, especially the aquatic environment.
- The ECVM Charter, promoted by the European Council of Vinyl Manufacturers ("ECVM") to measure and monitor the production, use and disposal of vinyl (EDC, VCM and PVC) with a view to, where appropriate, reducing their environmental impact.
- The RE4Industry project, under the European Horizon 2020 framework promoted in Spain by the Ministry of Science, Innovation and Universities, for the promotion of 100% renewable energy in energy-intensive industries. Within the framework of this project, Ercros participates in the multi-thematic national panel called Cluster ES, a technical consultation group.
- The VinylPlus 2030 commitment, signed by the main European PVC manufacturers, with the aim of contributing proactively to global sustainable development through the achievement of quantifiable targets for recycling, carbon emission reduction and the use of renewable energy.
- The commitment to the GetHyGA initiative, an action plan promoted by the Aragón Government that seeks to create an industrial ecosystem around the production, transport, storage and consumption of hydrogen as a source of energy.
- The Voluntary Agreements programme created by the Catalan Government's Office for Climate Change, to which the Cerdanyola plant has adhered, supports and recognises companies that are actively committed to the fight against climate change and that are not part of the emissions trading market.

d) Environmental investments, expenses and grants

In 2023, the Group made investments aimed at improving and protecting the environment, including, most notably, those included in the 3D Plan: replacing and upgrading process gas treatment equipment and high-efficiency coolers for the paraformol and resin plants in Almussafes, the salt recrystallisation plant in Sabiñánigo and the heat recovery plant for the hydrogen chloride

furnaces in Vila-seca I, which will start operating in 2024. Also worth mentioning are the various investments in industrial safety, including the first stages of the project to replace the spherical VCM tanks with semi-buried ones at Vila-seca II.

Total investments in safety and environment in 2023 amounted to EUR 10,822 thousand (2022: EUR 9,792 thousand).

The expenses incurred by the Group for the protection and improvement of the environment in 2023 amounted to EUR 19,121 thousand (2022: EUR 21,362 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental regulations on reducing emissions and soil remediation.

In 2023, grants associated with environmental actions were secured: (i) for greenhouse gas emission rights amounting to EUR 16,458 thousand (2022: EUR 16,833 thousand); (ii) as compensation for the costs of indirect greenhouse gas emissions deriving from electricity consumption in 2022 amounting to EUR 7,214 thousand (2022: EUR 4,603 thousand); (iii) for energy savings amounting to EUR 1,180 thousand (2022: EUR 2,258 thousand); (iv) as electro-intensive consumers amounting to EUR 660 thousand (2022: EUR 1,194 thousand); and (v) as gas-intensive consumers amounting to EUR 2,594 thousand (2022: EUR 400 thousand).

11.3 External regulatory environment

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

a) Industrial emissions

Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control), transposed into Spanish 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 Decree law 1/2016, of 16 December, transposing the aforementioned directive, consolidates into a single legal text the amendments made to Spanish Law 16/2002, of 1 July, on integrated pollution prevention and control and the provisions on industrial emissions contained in regulations with force of law.

Ercros has adapted its facilities to the applicable BREFs: the BREF for chlor-alkali production ("CAK"), which required the change of technology in 2017; the BREF for large-volume organic chemicals ("LVOC"), which required adaptations to the EDC, VCM and formaldehyde production plants; and the BREF for common water and waste gas treatment and management systems ("CWW"), which required the implementation of various measures in all the Group's centres; and the construction and commissioning of the water treatment plant jointly developed by Aguas Industriales de Tarragona ("Aitasa") and several other companies in the Sur de Tarragona industrial park, a project that includes the Ercros Group and which was commissioned in June 2022. In December 2022, the thermal gas treatment system at the Vila-seca II plant, which is considered BAT under the LVOC BREF, was commissioned.

On 12 December 2022, Implementing Decision (EU) 2022/2427 setting out conclusions on BAT for common waste gas treatment and management systems in the chemical sector was published in the Official Journal of the EU. A period of four years is allowed for upgrading the facilities.

In 2022, a major amendment to the Cerdanyola plant's permits was requested to update and adapt them following a number of small changes that had accumulated at the plant. Also in 2022, an application was submitted for substantial modifications to the Vila-seca I permit to add new production processes that will allow full and better use of the plant's chlorine capacity, as well as improvements in the areas of decarbonisation of activities and industrial safety of the facilities. These projects are part of the project that was declared strategic by the Catalan Government in February 2023, as it meets the criteria established in the GOV/177/2022 Resolution of 6 September 2022.

The authorisation of the Almussafes plant is still in the process of being adapted to the LVOC BREF. In January 2023 the authorisation for the Vila-seca II plant was published.

Ercros factories work to reduce their greenhouse gas emissions

b) Greenhouse gas emissions

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

Directive (EU) 2018/410 of the European Parliament and the Council amending Directive 2003/87/EC was published on 19 March 2018, which establishes a system for greenhouse gas emission allowance trading for the 2021-2030 period. In January 2019, Royal Decree 18/2019 was published, which implements aspects contained in that directive, relating to the application of the system for greenhouse gas emission allowance trading for the 2021-2029 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 began on 1 January 2021 (phase IV: 2021-2030).

In 2023, Directives (EU) 2023/958 and 2023/959 were published, which must be transposed to amend Spanish Law 1/2005.

The Ercros facilities covered by the emissions trading system are Almussafes, Sabiñánigo, Tarragona, Tortosa, Vila-seca I and Vila-seca II.

The final free allocation of greenhouse gas emission allowances for the period 2021-2029 was approved by the Council of Ministers on 13 July 2021. These final allocations are subject to dynamic allocation adjustments, i.e. based on the level of activity of the facility in the two years leading up to the allocation year.

With regard to the indirect emission subsidy, the Vila-seca I and Sabiñánigo centres remain eligible to receive it. The Flix centre stopped receiving it in 2023, after temporarily suspending its activities, and must repay what it received the previous three years. In May 2023, the Order announcing the indirect cost compensation subsidies for 2022 was published, including hydrogen production as a beneficiary of these subsidies.

In May 2023, Regulation (EU) 2023/956 on the Carbon Border Adjustment Mechanism ("CBAM") came into force, replacing the mechanisms established by Directive 2003/87/EC to prevent carbon leakage by applying an equivalent carbon price to imports. It does not affect the products manufactured by Ercros, nor does it affect imported products, although in the latter case a certain residual effect cannot be ruled out.

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 2023 provisions were made by Ercros for various environmental remediation activities amounting to EUR 3,414 thousand (2022: EUR 14,169 thousand).

(i) Remediation of industrial soil

Over the past year, the Group continued with its characterisation and remediation work on the soil at the Aranjuez, Flix, Vila-seca I and Vila-seca II factories in accordance with the projects submitted to the competent authorities. In turn, the control and monitoring plan for soil and groundwater approved by the authorities is underway at the Sabiñánigo and Monzón factories. In the rest of the Group's facilities, the annual preventive controls of groundwater continue to be carried out. Lastly, 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 and on the land where the former Silla factory was located. In the second case, the land characterisation process finalised in 2023, including the requirements of both the Valencian Government and the Júcar Hydrographic Confederation water authority.

(ii) Cardona mine dumps

The Group is restoring the Terrera Nova mine dump in Cardona -where saline waste extraction activity concluded in 2012- in accordance with the plan approved by the Directorate General of Environmental Quality and Climate Change of the Catalan Government ("DGQA"). In 2022, the Group carried out earthworks, removed saline soils, filled the fifth terrace with gravel and topsoil and continued testing to promote revegetation.

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.

In October 2022, Ercros voluntarily relinquished the operation of the mine dump. In spite of this, the authorities resolved, subsequent to this waiver, to terminate the mining right, declaring Ercros' obligation to leave the site in safe conditions for people and things, and to restore the land in accordance with the terms of the restoration programme and the new environmental impact statement approved by the authorities in September 2022. This programme requires the Ercros Group to carry out restoration work at the Terrera Vella site in Cardona that goes far beyond the restoration programme proposed in 2018 and establishes a guarantee to ensure that the work is carried out. Ercros filed an administrative appeal against this decision in November 2022.

(iii) El Hondón land

It has been 22 years since Ercros, after reaching agreements with the authorities, released the El Hondón land from its historical industrial activity and 20 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 Reyal Urbis, signed an agreement to implement a voluntary Remediation Project for the contaminated soil. This agreement provided for the distribution of the full cost of the decontamination of the land in accordance with the percentages of urban development. Ercros assumed the cost of the decontamination of the plots awarded to Reyal Urbis, S.A. in the land subdivision plan. To cover the costs of this obligation, at 31 December 2022, Ercros had recognised a provision amounting to EUR 4,780 thousand, equivalent to 25% of the total estimated recovery cost, which is the percentage assigned to Reyal Urbis, S.A. in the reparable project.

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

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

On June 30, 2020, Ercros filed an appeal before the contentious-administrative jurisdiction by which it challenged the resolution by which the declaration of contaminated soil in the El Hondón was agreed. Despite the judicial challenge, and given the enforceability of the resolution declaring contaminated soil, Ercros presented on July 1, 2020 the Technical Project for the cleaning and recovery of El Hondón for the purposes of complying with the obligation established in the resolution of declaration of contaminated soil. Through separate requests dated November 30, 2020 and February 12, 2021, the General Directorate of the Environment requested the correction of the technical Project.

On February 5 and 23, 2021, Ercros presented appeals against the aforementioned requirements for rectification of the Project, requesting that they be void and that the Remediation Project presented by Ercros in July 2020 should be approved.

Apart from the appeals filed, Ercros presented on October 20, 2021 a new updated version of the El Hondón Technical Project, which incorporates what was indicated by the different experts and academic centres that have evaluated said project.

On November 29, 2021, Ercros was notified of the Resolution of the Minister of Water, Agriculture, Fisheries and Environment of the Region of Murcia of November 19, 2021, which resolves the inadmissibility of the aforementioned appeals. On January 21, 2022, Ercros filed a second contentious-administrative appeal against the aforementioned resolution of inadmissibility of the appeals before the Superior Court of Justice of Murcia ("TSJMU").

The status of each of the two contentious-administrative appeals is as follows:

- a) Appeal filed on June 30, 2020 against the resolution by which the declaration of the contaminated soil was agreed: on September 2, 2021, Ercros presented a statement of claim and on February 14, 2022, the TSJMU notified Ercros of the opposition response from the Department of Water, Agriculture, Livestock and Fisheries of the Autonomous Community of the Region of Murcia. Likewise, ADIF, summoned in the procedure and appearing as a co-defendant, has also opposed Ercros' claim through a letter dated June 30, 2020. On July 26, 2022, the TSJMU issued an Order agreeing to the receipt of proof of appeal. On November 29, 2023, the hearing to ratify expert opinions was held before the TSJMU. On December 19, 2023, Ercros presented a written statement of conclusions. By Decree of December 21, 2023, the TSJMU agreed to the suspension of the procedure, requested on November 30, 2023.
- b) Appeal filed on January 21, 2022 against the resolution of inadmissibility of the appeals filed against the requirements for rectification of the updated Remediation Project presented by Ercros: on September 23, 2022, Ercros presented a written demand that was admitted for processing through an ordering procedure on September 29, 2022. On December 1, 2022, the TSJMU notified Ercros of the administration's response, and on December 5, 2022 and January 16, 2023 the responses of the Cartagena City Council and Reyál Urbis. Likewise, on September 28, the TSJMU notified the ordering procedure by which the appearance as co-defendant of the Station Sector Neighbourhood Association was accepted. On January 20, 2023, said Association presented a response to the lawsuit. On October 17, 2023, Ercros presented a written statement of conclusions.

In parallel, Ercros is working with the competent authorities to agree on a Remediation Project using on-site containment techniques to avoid the mass removal of the waste. The Remediation Project proposal submitted by Ercros has been favourably assessed by the Segura Hydrographic Confederation and by the Nuclear Safety Council.

On 30 January 2024, the Ercros Group transferred the 30m³ of El Hondón waste with the highest concentration of radionuclides, extracted from a specific area, to the El Cabril landfill. The work was supervised by Empresa Nacional de Residuos Radiactivos ("Enresa").

This action, agreed with the authorities, is the first of ten included in the Group's proposal for the remediation of the land at El Hondón, which is pending administrative approval for the project.

d) Major accidents involving dangerous substances

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

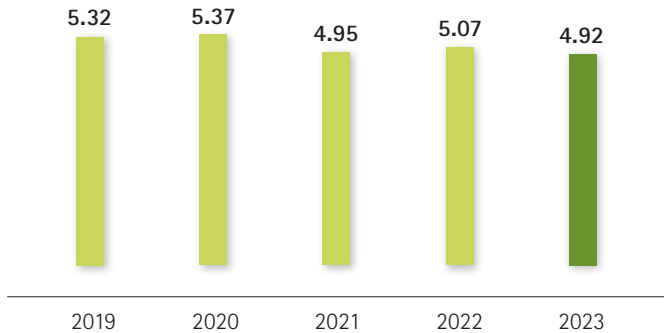
11.4 Environmental indicators

The analysis of environmental indicators shows an environmental performance in 2023 that, with usual fluctuations in production processes, is an improvement on previous year figures. The Ercros Group continues to focus its efforts on reducing its impact on the environment, as can be seen below.

Consumption:

Energy¹

GJ/T PRODUCED

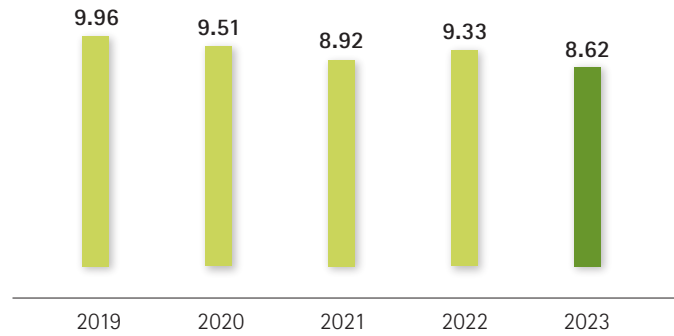


¹ Energy consumption includes electricity and fossil fuel consumption.

In 2023, there was a reduction in energy consumption per tonne as a result of the shutdown of operations at Flix and a reduction in consumption at a number of centres. Energy consumption, in absolute terms, was down 9.5% compared to 2022.

Water

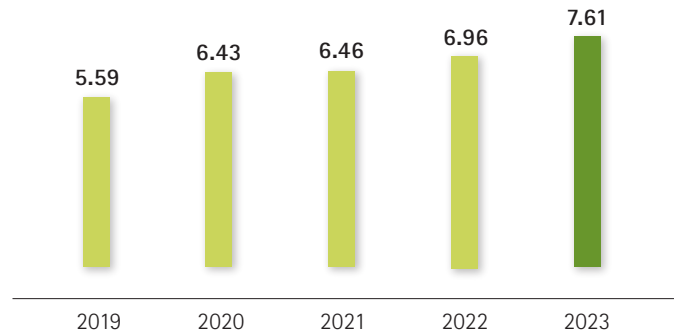
M³/T PRODUCED



In 2023, water consumption per tonne produced decreased as a result of minor improvements at a number of sites and the shutdown of activities at the Flix site. Water consumption, in absolute terms, was down 13.9% compared to 2022.

Regenerated water consumption

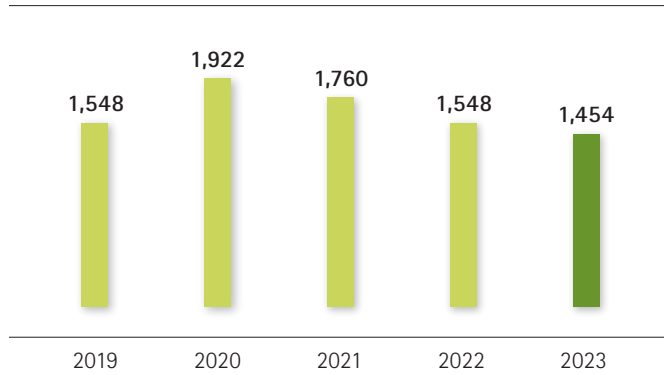
% OF TOTAL WATER CONSUMPTION



The percentage of regenerated water from the Tarragona and Vila-seca and Salou municipal wastewater treatment plants used in the Tarragona complex remained at around 31% in 2023. Regarding Ercros' total water consumption, the percentage has increased by 9.3%

Emissions:

Emissions index¹

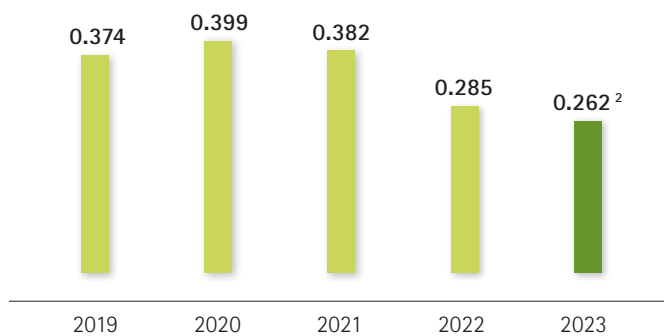


¹ The emissions index is calculated based on data on emissions to air and water, the waste generation at each production facility and on factors that depend on the danger of the environmental impact of the products involved.

In 2023, the emission rate decreased by 6%, mainly as a result of the shutdown of the Flix site. Improvements were also observed in some centres as a result of various interventions in the air and water vectors.

Greenhouse gases¹

T of CO₂ EQUIVALENT/T PRODUCED



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

² Pending external verification.

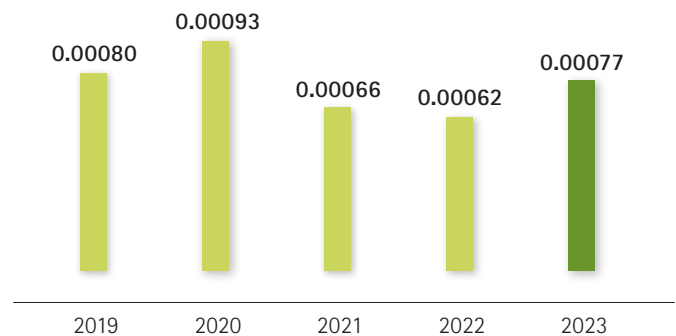
In 2023, direct and indirect greenhouse gas emissions from imported energy were 306 thousand tons of CO₂ equivalent, which represents a reduction of 16.6% compared to the previous year, although they are pending verification by from an accredited entity (367 thousand tons of CO₂ equivalent verified in 2022).

In absolute terms, emissions in 2022 were 1,078 thousand tonnes of CO₂ equivalent, calculated and verified according to ISO 14064:2018 guidelines. This figure includes direct emissions, indirect emissions from imported energy, indirect emissions from transport and distribution, upstream and downstream, and indirect emissions from the use of the organisation's products and services. Emissions from the use of products are not included. It should be noted that when verifying the 2022 emissions, the 2021 inventory was re-examined and an error was detected. Verified emissions for 2021 were, in absolute terms, 1,337 thousand tonnes of CO₂ equivalent. Verified data for 2023 was not available at the time of drafting this report.

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

Volatile organic compounds ("VOC")

T/T PRODUCED



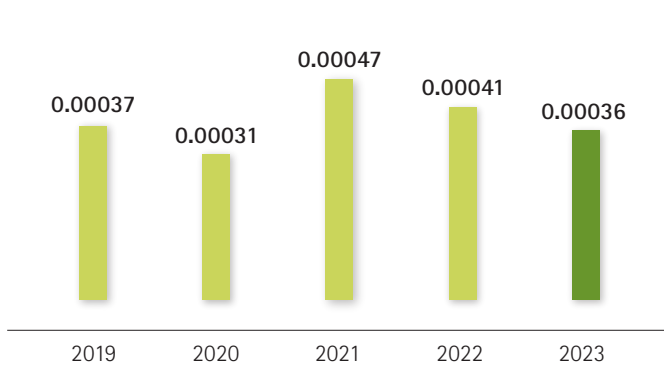
In 2023, VOC emissions per tonne produced increased compared to 2022 due to process-specific variations and different production schemes.

Ercros has reduced its greenhouse gases and its emissions rate

Discharges and waste:

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

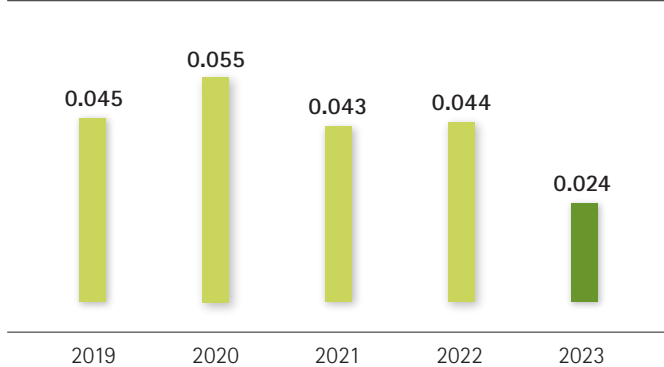
T/T PRODUCED



Waste by type and method of elimination:

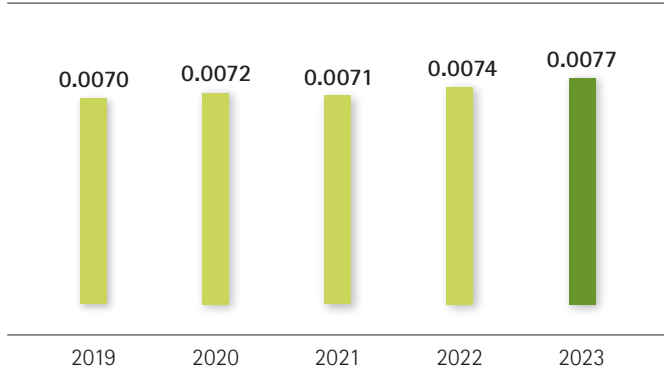
Generation of total waste

T/T PRODUCED



Generation of hazardous waste

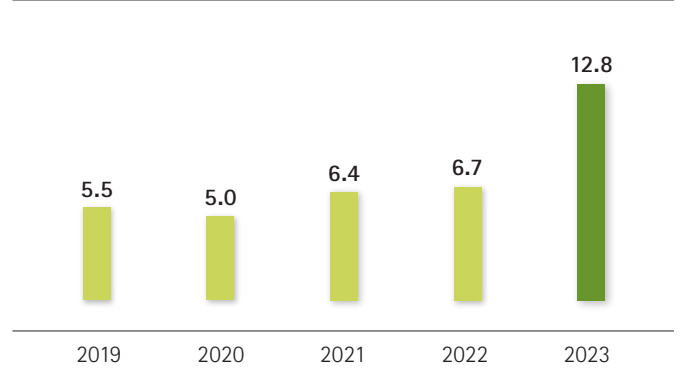
T/T PRODUCED



The generation of hazardous waste was slightly higher than in 2022 as a result of remediation activities and some changes in the production system to processes with higher waste generation per tonne of production.

Recovered waste out of total waste generated

% OF TOTAL WASTE GENERATED



The increased percentage is due to reduced total waste generated. The amount of waste recovered in absolute terms remains similar to previous years.

11.5 Prevention of environmental impacts

a) Pollution prevention measures

The Ercros Group implemented environmental management systems based on ISO 14001 in all its facilities, and the improvements necessary to comply with the requirements established in the integrated environmental authorisations, due to the publication of the conclusions of the BAT of the current BREF.

In 2023, the Vila-seca II and Monzón centres were certified by AENOR for their compliance with the OCS Europe programme to reduce the potential release of microplastics into the environment in the form of pellets, flakes or resin powder.

The centres of the Ercros Group have systems in place to reduce all types of pollution and minimise their environmental impact:

(i) Water pollution

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

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

(ii) Air pollution

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

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

(iii) Noise and light pollution

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

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

b) Circular economy

(i) Sustainability of consumption and sustainable use of resources

The Ercros Group has an investment plan, the 3D Plan, which rests on three pillars: diversification, digitalisation, and decarbonisation. This plan is a sustainability tool that aims, among other things, to decarbonise Ercros' operations, stepping up the significant efforts already made by the company to mitigate climate change. Among the commitments acquired in this plan, the Ercros Group agreed to:

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

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

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

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

Several energy efficiency projects have been launched in Tortosa, including the recompression of process vapours and the replacement of several pieces of equipment with much more energy-efficient ones. Among the mitigation measures adopted, of particular note are the projects to improve the use of hydrogen produced by electrolysis as a fuel to replace natural gas at Vila-seca I and Sabiñánigo, and the replacement of light fittings with LED in the factories of Almussafes, Cerdanyola, Tortosa and the CIT.

Regarding the circular economy, the Group applies reduction, reuse and recycling principles to the raw materials it consumes and collaborates with its suppliers to improve the sustainable features of the products supplied. As part of the 3D Plan, work is under way on the new salt recrystallisation plant from mother liquor in Sabiñánigo. Work is also being carried out on the manufacture of new grades of PVC-based materials using post-consumer recycled PVC and, in the field of research, the Nuclis R&D collaboration programme with the Catalan Government to obtain more sustainable moulding compounds stands out.

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

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

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

As far as energy efficiency is concerned, more than 98% of Ercros' energy consumption is certified in line with the ISO 50001 standard. Accordingly, the centres of Sabiñánigo, Tarragona, Vila-seca I, Vila-seca II, Almussafes, Tortosa, Aranjuez and Cerdanyola are certified. The last two earned certification in 2023.

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

(ii) Waste prevention and management

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

- Changes in processes to minimise waste.
- Improvements in the planning of processes to minimise the loss of raw materials and products and to be able to reuse these rejected materials.
- Improvements to the solvent recovery plant at the Aranjuez factory.
- The prioritisation of bulk raw material supplies to minimise packaging waste.
- Adherence to the OCS system for the reduction of pellets (microplastics). In 2023, the Vila-seca II and Monzón plants successfully passed the certification audits of the OCS programme.

- Studies with customers to reuse packaging to reduce the waste they generate.
- Projects to collect and reuse rejected or surplus products from customers for reuse in our production processes as secondary raw materials, both for the manufacture of PVC and moulding compounds.
- Membership of Envalora, a collective system of extended producer responsibility for better management of packaging and packaging waste.

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

c) Fight against climate change

(i) Commitments

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

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

To achieve these goals, the Group has extended the measures already in place by appointing the director of sustainable development as the organisation's climate action coordinator.

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

Ercros is adhered to the Operation Clean Sweep system to reduce microplastic losses

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

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

As a company in the industrial sector, the Ercros Group will adhere to the climate commitments adopted by the business organisations in its sector 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.

Since 2022, the Cerdanyola centre has participated in the Voluntary Agreements programme organised by the Climate Change Catalan Office for centres in Catalonia not included in the Emissions Trading Scheme ("ETS").

All these measures are in addition to those already in place with regard to climate action. The Group's centres perform a range of actions, of which the following stand out:

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

In 2023, the Ercros Group completed the Carbon Disclosure Project ("CDP") questionnaire, which measures the transparency and performance of organisations in relation to climate change. Ercros has received a B (Management) rating, which reflects that Ercros is taking coordinated action on climate issues. This is a significant improvement from the 2022 rating of D (Disclosure).

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

(ii) The 3D Plan

In 2021, the Ercros Group launched the 3D Plan, an investment plan that is based on three pillars: diversification, digitalisation and decarbonisation. The Plan foresees a total investment of EUR 69 million in the 2021-2029 period, of which EUR 31.4 million relate specifically to the decarbonisation of the activity. The Group's goal is to reduce direct CO₂ emissions by 39% in 2025, as regards 2020 emissions; for this purpose the main actions will be:

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

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

The 3D Plan foresees a 39% reduction in CO₂ emissions

d) Accidents with environmental consequences

In 2023 there were no incidents or accidents at the Group's factories with environmental consequences.

In terms of minor incidents, in November there was a solvent spill at the multi-purpose plant in Aranjuez, which did not affect the rest of the factory and did not spread beyond the premises.

No significant transport incidents have been reported.

11.6 Litigation and sanctions

In 2023 and up to the date of approval of this CSRR –23 February 2024–, the following significant lawsuits and/or new developments took place in relation to the main lawsuits of environmental importance for which a ruling is still pending:

a) In relation to the Flix factory

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

- Judicial review proceedings brought before the High Court of Aragon on 16 March 2022 against the ruling of the Regional Administrative Court of Aragon dismissing the claim against the settlement of the dumping control tax for 2020. On 9 November 2022, the High Court of Aragon issued an order declaring the proceedings concluded, with the proceedings pending voting and ruling.

b) In relation to the former site located in El Hondón

- On October 17, 2019, Ercros was notified of the Resolution of the General Director of the Environment of October 16, 2019, agreeing to the declaration of contaminated soil for the soils corresponding to the El Hondón sector of Cartagena.

On June 30, 2020, Ercros filed an appeal before the contentious-administrative jurisdiction by which it challenged the resolution by which the declaration of contaminated soil in the El Hondón was agreed.

Despite the judicial challenge, and given the enforceability of the resolution declaring contaminated soil, Ercros presented on July 1, 2020 the technical project for the cleaning and recovery of El Hondón for the purposes of complying with the obligation established in the resolution of declaration of contaminated soil.

Through separate requests dated November 30, 2020 and February 12, 2021, the General Directorate of the Environment requested the correction of the Technical Project.

On February 5 and 23, 2021, Ercros presented appeals against the aforementioned requirements for rectification of the Project, requesting that they be void and that the Remediation Project presented by Ercros in July 2020 should be approved.

Apart from the appeals filed, Ercros presented on October 20, 2021 a new updated version of the El Hondón Technical Project, which incorporates what was indicated by the different experts and academic centres that have evaluated said project.

On November 29, 2021, Ercros was notified of the Resolution of the Minister of Water, Agriculture, Fisheries and Environment of the Region of Murcia of November 19, 2021, which resolves the inadmissibility of the aforementioned appeals. On January 21, 2022, Ercros filed a second contentious-administrative appeal against the aforementioned resolution of inadmissibility of the appeals before the Superior Court of Justice of Murcia ("TSJMU").

The status of each of the two contentious-administrative appeals is as follows:

- Appeal filed on June 30, 2020 against the resolution by which the declaration of the contaminated soil was agreed: on September 2, 2021, Ercros presented a statement of claim and on February 14, 2022, the TSJMU notified Ercros of the opposition response from the Department of Water, Agriculture, Livestock and Fisheries of the Autonomous Community of the Region of Murcia. Likewise, ADIF, summoned in the procedure and appearing as a co-defendant, has also opposed Ercros' claim through a letter dated June 30, 2020. On July 26, 2022, the TSJMU issued an Order agreeing to the receipt of proof of appeal. On November 29, 2023, the hearing to ratify expert opinions was held before the TSJMU. On December 19, 2023, Ercros presented a written statement of conclusions. By Decree of December 21, 2023, the TSJMU agreed to the suspension of the procedure, requested on November 30, 2023.
- Appeal filed on January 21, 2022 against the resolution of inadmissibility of the appeals filed against the requirements for rectification of the updated remediation Project presented by Ercros: on September 23, 2022, Ercros presented a written demand that was admitted for processing through an ordering procedure on September 29, 2022. On December 1, 2022, the TSJMU notified Ercros of the administration's response, and on December 5, 2022 and January 16, 2023 the responses of the Cartagena City Council and Reyal Urbis. Likewise, on September 28, the TSJMU notified the ordering procedure by which the appearance as co-defendant of the Station Sector Neighbourhood Association was accepted. On January 20, 2023, said Association presented a response to the lawsuit. On October 17, 2023, Ercros presented a written statement of conclusions.

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

11.7 Environmental protection activities

a) Main environmental activities

The activities carried out in 2023 most notably include the following:

- The use of 31% reused water in the Tarragona industrial complex from a regenerated water plant that processes water from the water treatment plants of the nearby towns of Vila-seca and Tarragona.

- The consolidation of the 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, USA and Japan. In 2023, the Group took the lead in promoting the use of panels made from these more sustainable resins at the annual meeting of the European Panel Federation, the leading industry gathering in Europe.
- The organisation of an extraordinary edition of the competition for suggestions on how to save water, open to all Group staff. A total of seven water saving proposals for the company's manufacturing processes were shortlisted for the competition.
- The market launch of a new, more sustainable packaging for TCCA tablets. The new box, which won an award at the Piscina & Wellness trade fair in Barcelona, is made from responsibly sourced cardboard, is 100% recyclable and the inner bag is made from recycled plastic.
- The use of wireless sensors in the factories of the Ercros Group, powered by the waste heat from the centre's own activities, instead of traditional batteries.
- The continuation of soil remediation work at the Aranjuez, Flix, Vila-seca I, Vila-seca II factories, as well as work to improve the aquifer on the land at the former Palos de la Frontera factory [see section 11.3 c) (i)].
- Actions associated with the 3D Plan: project to improve the recovery of hydrogen generated during electrolysis in Vila-seca I and Sabiñánigo; vapour recompression project in Tortosa; improvement in factory lighting by replacing with LED lamps; replacement of equipment with more energy-efficient units; project to optimise solvent consumption in Aranjuez.
- Actions to reuse packaging; using recycled material in packaging; reducing the thickness of packaging; recovering used big-bags for recycling to be used in new packaging; or purchasing recycled pallets or recovering wood from used pallets [see chapter 14.3.e].
- The reduction of transport emissions by 1,343 tonnes of CO₂ (2022: 1,630 tonnes) thanks to the logistical and operational improvements introduced in the transport of its goods [see chapter 14.3].

Thanks to the logistical improvements introduced, transport emissions have been reduced by 1,343 tons of CO₂

b) Protection of biodiversity

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

- In Flix, since 2001, Ercros has collaborated with and is a member of the board of trustees of the Sebes Nature Reserve, located opposite the factory. It is also a member of the Sebes management plan monitoring committee.
- The agreement with the Foundation for the Conservation and Recovery of Marine Animals ("CRAM") under which the Group supplies CRAM with chemicals to disinfect and maintain its marine wildlife recovery facilities. Company staff participated in the sea turtle release day held by the organisation.
- In Aranjuez, it works with the Aranjuez Sostenible Association, a non-profit organisation that aims to promote sustainability and environmental awareness. Through this agreement, the company works with the EcoAranTajo environmental education and river restoration programme.
- In Sabiñánigo, it has collaborated with the FCH2RAIL consortium, headed by Construcciones y Auxiliar de Ferrocarriles ("CAF"), to carry out the first tests of the green hydrogen train that will connect Zaragoza and Canfranc.
- 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 greening of the spaces recovered after the end of operations at Terrera Nova mine dump [see section 11.3(c) (ii) above].

In 2023, the Group carried out forestry work at this site with the aim of preventing forest fires.

- In Cerdanyola, the Ercros Group factory has been recognised for its compliance with the programme of voluntary agreements for the reduction of greenhouse gas emissions ("GHG") promoted by the Catalan Government.
- The Group joined the Operation Clean Sweep ("OCS") programme, an action plan also promoted by the EU that aims to avoid the loss of microplastics to the environment, especially the aquatic environment. In 2023, the Vila-seca II and Monzón plants successfully passed the audits of the OCS programme.

In the same vein, in 2023 the Group joined the Tarragona Zero Pellet Loss Platform, an initiative of the Catalan Government to prevent and monitor the presence of pellets in the natural environment of the Tarragona industrial park.

- The public-private partnership project with the State Research Agency for the development of anti-fouling, bio-based and biodegradable marine coatings.



12

STAFF
MATTERS

12.1 Materiality of the chapter

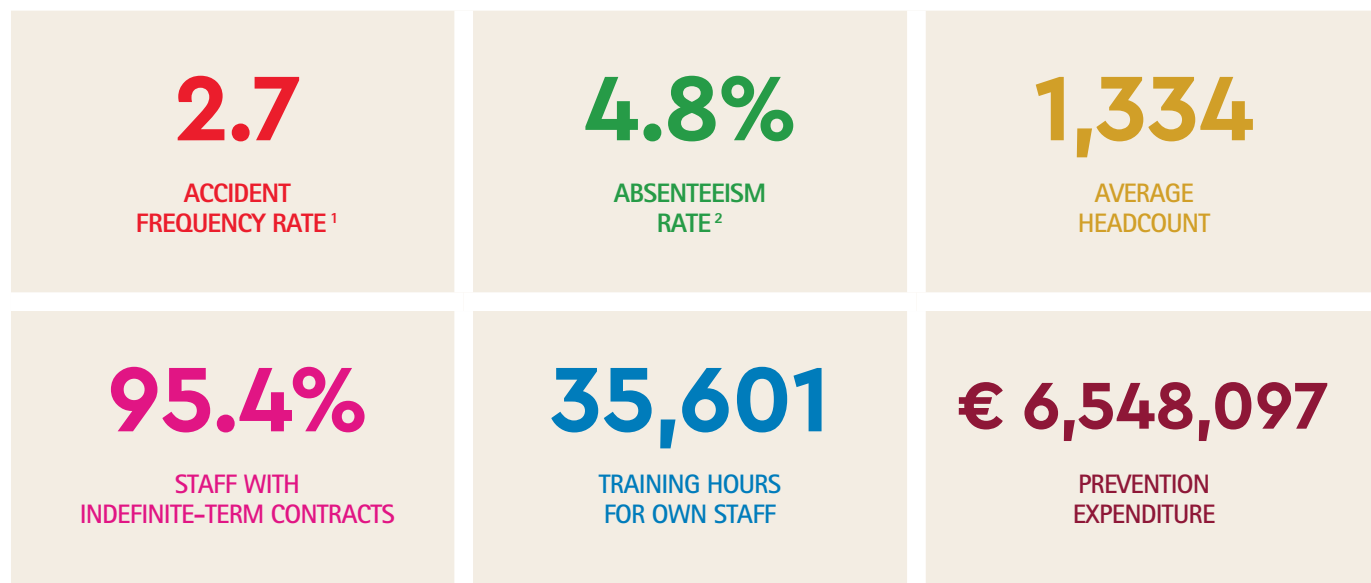
Our employees are the main stakeholders in the social facet of corporate responsibility, which is why the Ercros Group puts them at the heart of its policies, regulations and procedures.

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

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Number of accidents among staff with 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.

12.2 Human resources management

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

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

The working time of the Ercros Group's staff is regulated at each workplace based on the activity carried out. Staff employed in the factories' production departments usually work shifts. In addition, there is staff on duty 24 hours a day in the production and maintenance, customer service and information systems areas to handle any unexpected issue.

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

12.3 Staff description

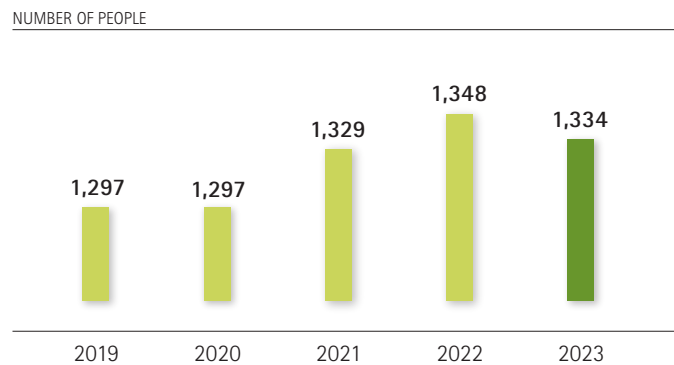
In 2023, the average headcount of the Ercros Group consisted of 1,334 people, 14 fewer than in 2022, due to the closure of the Flix factory and the redundancy programme affecting part of the workforce. At year end, the Group's staff was composed of 1,313 people, 23 people less than the previous year.

The proportion of female employees in the workforce in 2023 was 18.3% compared to 17.7% of the previous year, confirming the upward trend in the number of women in the company and reflecting the Ercros Group's active commitment to equality.

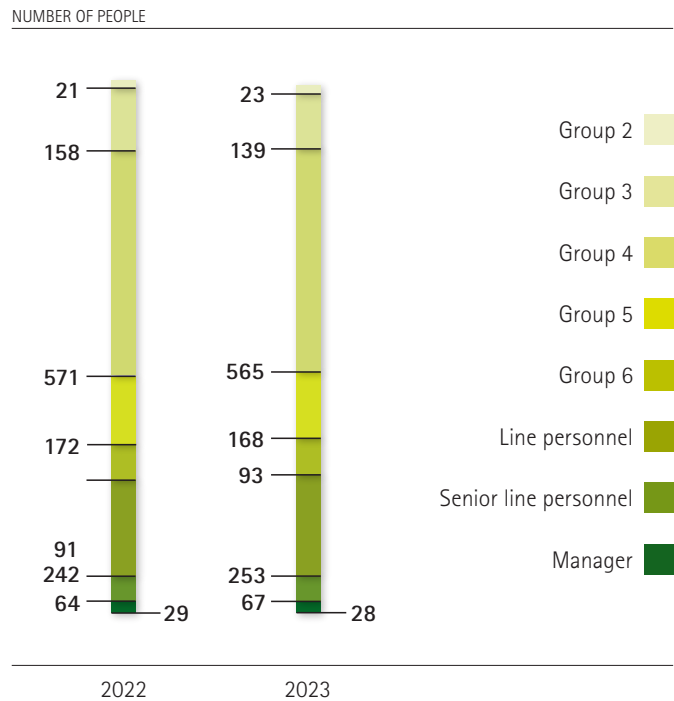
The average workforce in 2023 was 1,334 people

The distribution of the workforce by employment category in 2023 was as follows: managers represent 2.1% of staff (2.2% in 2022); senior line personnel, 5.0% (4.7% in 2022); and line personnel, 18.9% (18.0% in 2022). Concerning the professional groups of the 20th General collective bargaining agreement for the chemical industry, staff distribution was as follows: group 6, 7.0% (6.8% in 2022); group 5, 12.6% (12.8% in 2022); group 4, 42.3% (42.4% in 2022); group 3, 10.4% (11.7% in 2022); group 2, 1.7% (1.6% in 2022); and, as in the previous year, no one in group 1.

Evolution of average headcount



Average headcount by job category



At the end of 2023, 95.4% of the workforce had an indefinite-term contract (2022: 92.4%), reflecting the quality of employment offered by the Ercros Group. Likewise, the average length of service of Ercros staff in 2023 was 15 years (2022: 16.1 years). In 2023 and 2022, all jobs had a job description.

All the Ercros Group's workplaces are located in Spain, which is also where almost all staff are from: 95.4% of employees at the Group are Spanish (2022: 95.5%) and 4.6% come from other countries.

It should also be noted that no Group worker is under 18 years of age. As stated in Article 8 of the Ercros ethical code of conduct, persons bound by the ethical code of conduct do not accept child labour, forced or compulsory labour or work performed under duress.

In 2023, 6% of the Group's workforce continued to telecommute, the same percentage as in the previous year.

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

95.4% of the Ercros workforce has a permanent contract

12.4 Union rights and relations

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

In addition, the second Agreement to improve the General collective bargaining agreement for the chemical industry, approved by trade union representatives and the Group management is in effect for the Ercros Group, whose main purposes are: (i) the payment of a wage bonus to all staff to recognise their efforts during the covid-19 pandemic, paid in the April 2023 payroll; and, (ii) the incorporation of measures to improve labour relations including the digital disconnection policy and the telecommuting agreement.

In 2023, trade union elections were held at the Almussafes and Sabiñánigo centres. The UGT union obtained five representatives in Almussafes and four in Sabiñánigo; CCOO obtained four in Almussafes and two in Sabiñánigo; and the Sindicato Obrero Aragónés ("SOA") obtained three representatives in Sabiñánigo.

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.

12.5 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.

In 2023, the company signed the Luxembourg Declaration, which commits the company to integrate the basic principles of occupational health promotion into its business strategies, to implement occupational health promotion objectives that exceed legal requirements.

Likewise, the Ercros Group's factories validated their healthy organisation management system ("Sigos"), which not only covers aspects of health prevention, but also focuses on promoting a healthy lifestyle.

In 2023, the Ercros Group carried out a psychosocial risk assessment of its entire workforce. The aim was to improve situations that could affect the emotional wellbeing of the Group's employees by assessing the potential psychosocial factors affecting them. Based on the results of the study, an action plan for improvement was drawn up in each work centre. This is discussed and updated in the various health and safety committees.

a) Accident rate

In 2023, the Ercros Group's accident rate improved: the overall accident frequency rate, which measures the number of accidents with and without sick leave among own and external staff, stood at 5.0, compared to 5.1 in 2022. However, there was a 31% increase in the number of accidents with sick leave among both own and contracted personnel compared to the average of the last five years, with a significant reduction in the number of accidents without sick leave and medical assistance.

In 2023, the accident frequency rate for own staff improved and stood at 2.7, compared with 3.1 in 2022. However, the rate for external staff deteriorated to 4.9 from 2.7 a year earlier.

In 2023, the severity index, which indicates the number of days lost as a result of accidents per 1,000 hours worked, improved to 0.16, compared with 0.28 in 2022.

Last year there were 11 accidents with medical leave and five without leave, compared to ten accidents with leave and seven without leave in 2022.

Of these 16 accidents, ten involved own staff (2022: 12 accidents) and six involved external staff (2022: five accidents). Seven commuting accidents among company staff travelling from work to home occurred in 2023. For this reason, the first of the two general safety campaigns focused on the prevention of commuting accidents, under the slogan "Stay alert on the move. Safety must also continue outside the workplace". The other campaign, launched in the second half of the year, focused on splash prevention with the slogan "Don't get splashed! Chemical splashes can be very serious, protect yourself".

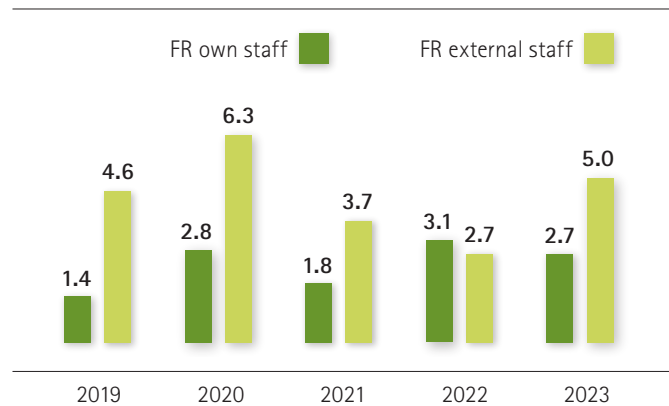
All accidents that occur in the Ercros Group's facilities are subsequently analysed and the analysis reports are distributed to the workplaces to see if any improvements can be made in the safety measures applied. In 2023, the causes of accidents were very diverse, with some common elements such as carelessness or lack of risk awareness, which is why the campaign to be launched in 2024 will address this issue with the slogan "At work and in your daily life, overconfidence and haste are a bad combination. Don't underestimate the risks".

In 2023, of the six accidents resulting in sick leave among company employees, six were men and none were women; however, it should be noted that women are a minority in the manual and service category, which usually has the highest accident rates.

Each factory has an inter-company committee comprised representatives from the facility and contractors, that coordinates the activities related to prevention, the accident rate, management procedures, training plans, etc. In 2023 the inter-company committees held 28 meetings (2022: 24 meetings).

In 2023, prevention expenses amounted to EUR 6,548 thousand, which were allocated, among others, to safety equipment and material, surveillance, analytical controls, studies and ergonomic equipment, and health examinations for staff (EUR 6,658 thousand in 2022).

Evolution of the accident frequency ("FR")¹

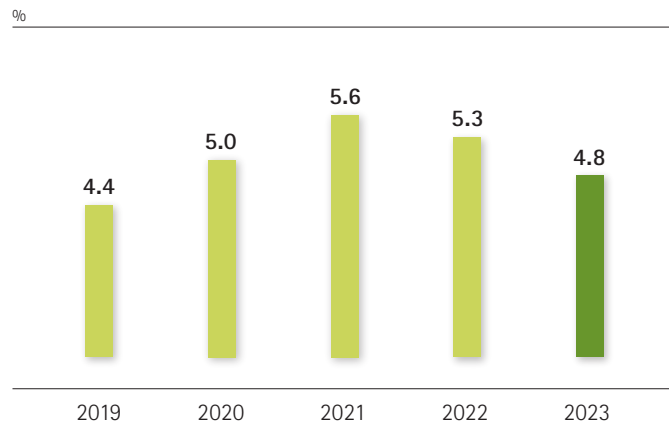


¹ Number of accidents with leave for every 1 million hours worked.

b) Absenteeism

Absenteeism due to temporary illness has improved from 5.3% in 2022 to 4.8% in 2023.

Absenteeism rate¹



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

Throughout the year, 42 prevention campaigns have been carried out

The positive trend in this index over the last three years is the result of a plan implemented by the Ercros Group in an attempt to improve the absenteeism rate. The plan includes the following measures: (i) greater coordination between the Group and both mutual entities for accidents at work it has contracted; (ii) monitoring staff with higher levels of absenteeism; and (iii) regular contact with staff on sick leave by their workplace medical service. At the workplaces with the highest absenteeism rates, multidisciplinary working groups have been created to analyse the specific causes and propose concrete solutions, such as the introduction of relief contracts and the creation of a special attendance bonus.

In 2023 the absenteeism rate was higher among men, with 3.7%, than among women, which was 1.5% (2022: 4.6% among men and 0.7% among women). Absenteeism among women is somewhat lower than the percentage corresponding to their presence in the total headcount. The total number of hours lost to absence from work due to common illnesses was 114,280 hours (2022: 125,504 hours).

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

c) Prevention campaigns

In 2023, all the Group's centres continued to carry out the customary training and prevention campaigns to monitor health, promote healthy habits and control exposure risks, aimed at the staff working at its facilities, whether its own employees or staff of contractors.

In 2023, 42 prevention campaigns were carried out, reaching 20,933 people (33 campaigns and 14,699 people in 2022).

Furthermore, a total of 210 courses on prevention were given throughout the year (223 in 2022), attended by 2,442 people (2,329 in 2022).

As mentioned at the beginning of this section, the Ercros Group joined the Luxembourg Declaration on the promotion of health at work in 2023; for this reason, throughout the year it has stepped up its efforts to implement campaigns for the dissemination of healthy lifestyles, such as:

- "Enjoy fruit", a campaign aimed at encouraging people to eat fruit.
- "Walk to Santiago", initiative in which the staff of Sabinánigo used a mobile application to virtually walk the kilometres that separate their town from Santiago de Compostela.
- "Postural hygiene, back workshop and stretching" with the aim of reducing musculoskeletal injuries.
- "10,000 steps a day: Walking is Health", promoting the benefits of walking.
- "Cardiovascular prevention and healthy eating", on the influence of eating habits on cardiovascular health.
- "Why do you smoke?", on the dangers of smoking.
- "Protection from heat", due to last year's high temperatures, several campaigns were run on hydration, sun protection and heat stroke.

d) Claims

Occasionally, the Group must face claims from former employees, or their heirs, related to compensation for damages arising from asbestos exposure, and surcharges related to state health-care services for a lack of safety measures for exposure to asbestos.

It is important to note that these types of liabilities are not attributable to the Group's current management, nor do they relate to damage caused to current, active employees. These 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.

Throughout 2023, the proceedings related to the state health-care surcharges in connection with past exposure to asbestos continued. 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 of other organisations, neighbouring companies or external organisations such as fire brigades, ambulances or civil protection personnel.

In 2023, 13 official drills (the same number as in 2022), 19 internal drills (2022: 39 drills) and three drills within the framework of the Spanish centre for emergency responses during the transport of dangerous chemical goods ("Ceret") agreement, to provide assistance in the event of a road accident (2022: four drills), were performed. The decrease in the number of internal drills is due to the closure of the Flix factory, a centre which, as a result of its production processes, conducted a large number of drills throughout the year.

f) Success stories

At 2023-year end, the Tarragona factory completed 25 consecutive years without any accidents with leave among its own staff; the Monzón factory completed nine; the Flix factory completed eight; and the Cerdanyola and Sabiñánigo factories completed three. The corporate offices in Barcelona have had 31 years without work accidents.

Also noteworthy are the 19 years without accidents with leave of external service staff at the Monzón facilities; the 17 years at the Tarragona facilities; and the six years at the Cerdanyola facilities.

The Monzón factory marked 3,333 consecutive days without occupational accidents, clearly demonstrating the commitment of all its staff to safety and prevention.

The Group's commitment to health and safety was recognised with the 2023 Safety Award for the Aranjuez and Tortosa factories from the Spanish Chemical Industry Business Federation ("Feique"). This award recognises production facilities in the chemical industry with more than 50 employees which, during the previous year, have not recorded any accidents with or without sick leave among their own staff.

96% of the staff has received training, with an average of 26.7 hours of training per person

12.6 Training

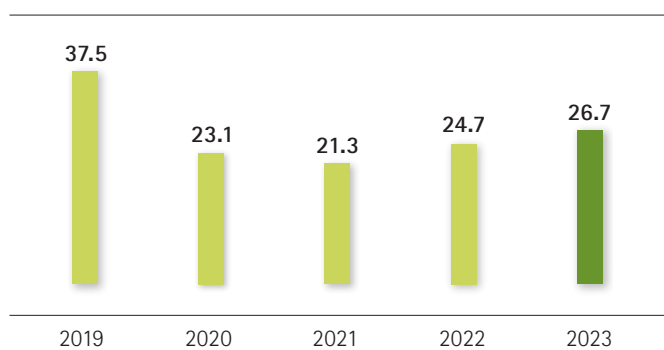
The Ercros Group's competitiveness largely depends on the professional skills of the people who work there and their opportunity to develop and grow at work.

Training, which occupies a prominent place in the Group's activity, is seen as a basic tool in the human resources management model. This approach reflects the commitment to balance the personal expectations of its staff with the Group's needs and available opportunities.

In 2023, the Ercros Group organised 638 training courses that were attended by 5,483 participants for a total of 35,601 educational hours (2022: 4,045 participants received training on 529 training courses for a total of 33,340 educational hours). Of these courses, 284 received a subsidy through the Fundación Estatal para la Formación en el Empleo ("Fundae" – a Spanish state foundation that promotes employment), which were attended by 2,468 people for a total of 19,414 educational hours.

In 2023, 96% of the Group's staff (2022: 93%) received training, with an average of 26.7 hours of training per person (2022: 24.7 hours). The increase in the percentage of employees trained and in the number of hours trained per person is due, among other things, to the implementation of various training activities at Group level involving a significant proportion of the workforce. For example, more than half of the staff took part in the "Travel and mobility safety" training course.

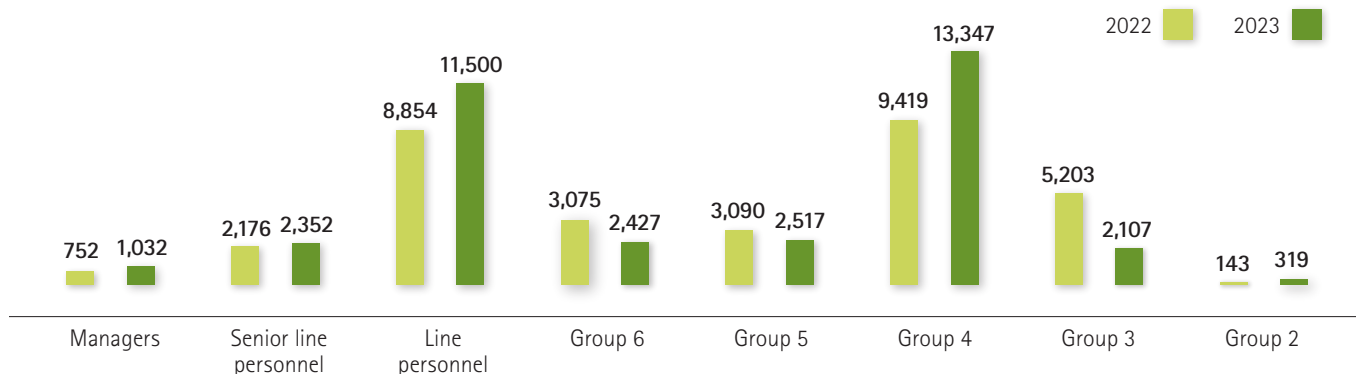
Annual training hours per person



The expense incurred for training in 2023 amounted to EUR 412 thousand (2022: EUR 391 thousand), of which EUR 206 thousand came from the subsidy granted by Fundae for that year.

Training by job category

HOURS PER YEAR



In 2023, managers received 1,032 hours of training (752 hours in 2022); senior line personnel received 2,352 hours (2,176 hours in 2022); line personnel received 11,500 hours (8,854 hours in 2022); those in professional group 6¹ received 2,427 hours of training (3,075 hours in 2022); those in group 5 received 2,517 hours (3,090 hours in 2022); those in group 4 received 13,347 hours (9,419 hours in 2022); those in group 3 received 2,107 hours (5,203 hours in 2022); and those in professional group 2 received 319 hours (143 hours in 2022).

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2023 the staff of these companies received 1,363 hours of training (2022: 1,277 hours).

The transport companies complete the training of their employees with the safety data sheets ("SDS") of the products they transport that are provided by the Ercros Group. All the Group's factories have a specific safety training system in place, including evaluation, for lorry drivers who come to load and unload at the Group's facilities.

In 2023, video shorts on legal compliance issues and grammar tips were disseminated to all 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 28 meetings in 2023 (2022: 26 meetings).

¹ The characteristics of the professional groups included in the 20th General collective bargaining agreement for the chemical industry are explained in section 12.8 below.

The areas that receive the most attention in the training plan are technical and health prevention, specific training in the job position and technical development. In 2023 each employee received an average of 10.7 hours of training on safety and the environment (2022: 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 121 new hires received the welcome manual.

In 2023, all Ercros Group facilities offered training courses to their employees. Some of the courses were carried out remotely through virtual classrooms or e-learning.

12.7 Training coursed for interns

The Ercros Group has signed 30 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2023, a total of 69 students took advantage of this possibility (64 students in 2022).

In 2023, 24 secondary level vocational training students participated in internships in the Group (29 students in 2022). In addition, 21 dual vocational training students (FP Dual) combined their theoretical studies in the classroom with practical learning in the Group's various workplaces. Agreements are in place with the following institutes and schools: Colegio Salesianos Loyola, IES Palomeras, IES Lope de Vega, IES Domenico Scarlatti, IES Vicente Aleixandre, Colegio Valle del Miro, IES Comte de Rius, Colegio Santo Domingo Savio, IES Biello Aragón, CPIFP Corona de Aragón, IES San Valero, Institut de l'Ebre, IES Mateo Alemán, IES La Paloma, IES Pere Martell, IES Mor de Fuentes, CPIFP Pirámide, Escola Lluïsa Cura and Escola STUCOM.

In 2023, 23 university students had internships at the Group (2022: 21 students). The university centres are: Universidad Complutense de Madrid, Universidad Politécnica de Madrid, Universidad Rey Juan Carlos, Universidad Autónoma de Madrid, Fundación General de la Universidad de León y de la Empresa, Universitat Rovira i Virgili, Universidad de Zaragoza and Universitat de Barcelona.

Finally, a student from the Instituto Aragonés de Empleo completed his internship in Sabiñánigo.

It should be added that the work centres of the Group have organised, promoted or taken part in activities aimed at the training of future generations of workers in the industrial sector:

- The Cerdanyola factory mentored two senior secondary students as part of the Cerdanyola Talent Factory programme to promote entrepreneurial talent.
- The Almussafes, Monzón, Tortosa and Cerdanyola factories took part in fairs and conferences to promote industrial employment and vocational training.
- The Sabiñánigo factory provided training on chemical plant operations to two future inspectors of the Organisation for the Prohibition of Chemical Weapons ("OPCW") from Colombia and Kenya.

12.8. Tables and additional information

Functions of the professional groups in accordance with the General collective bargaining agreement for the chemical industry.

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.
Professional group 1	Functions that consist of operations carried out following specific, clearly established instructions, with a high degree of dependence, preferably requiring effort or attention and that do not need specific training, with the possible use of basic peripheral information systems, such as readers or scanners, and provided that the worker has been trained in their use.

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

Headcount by country of origin

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2022	31-12-2023
Spain	1,276	1,253
Rest of the EU	23	21
OECD countries	6	6
Rest of the world	31	33
Total	1,336	1,313

Headcount by type of contract and job category

NUMBER OF EMPLOYEES AT YEAR END

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

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2023									
	Total	Managers	Senior line personnel	Line personnel	G6	G5	G4	G3	G2	G1
Indefinite	1,253	27	63	253	94	160	535	113	8	–
Temporary	60	–	1	3	1	–	27	12	16	–
Part time	–	–	–	–	–	–	–	–	–	–
Total	1,313	27	64	256	95	160	562	125	24	–

Headcount by type of contract and age

NUMBER OF EMPLOYEES AT YEAR END

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

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2023									
	Total	18-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	+60
Indefinite	1,253	24	77	108	142	152	227	196	237	90
Temporary	60	10	14	10	9	6	5	2	–	4
Part time	–	–	–	–	–	–	–	–	–	–
Total	1,313	34	91	118	151	158	232	198	237	94

Dismissals by age and gender

NUMBER OF EMPLOYEES IN THE YEAR

	2022			2023		
	Total	Men	Women	Total	Men	Women
Under 18 years	–	–	–	–	–	–
18- 25 years	–	–	–	1	1	–
26- 30 years	–	–	–	3	2	1
31-35 years	–	–	–	3	3	–
36-40 years	–	–	–	2	1	1
41-45 years	–	–	–	6	6	–
46-50 years	–	–	–	1	1	–
51-55 years	–	–	–	1	1	–
56-60 years	–	–	–	9	9	–
More than 60 years	3	2	1	16	15	1
Total	3	2	1	42	39	3

Dismissals by job category and gender

NUMBER OF EMPLOYEES IN THE YEAR

	2022			2023		
	Total	Men	Women	Total	Men	Women
Managers	–	–	–	1	1	–
Senior line personnel	–	–	–	1	1	–
Line personnel	1	–	1	10	9	1
Group 6	–	–	–	4	4	–
Group 5	–	–	–	9	8	1
Group 4	–	–	–	7	6	1
Group 3	2	2	–	9	9	–
Group 2	–	–	–	1	1	–
Total	3	2	1	42	39	3

Training by job category and gender

NUMBER OF HOURS IN THE YEAR

	2022			2023		
	Total	Men	Women	Total	Men	Women
Managers	752	483	269	1,032	595	438
Senior line personnel	2,176	1,329	847	2,352	1,523	829
Line personnel	8,854	5,217	3,637	11,500	6,478	5,022
Group 6	3,705	947	2,759	2,427	1,932	496
Group 5	3,090	2,598	493	2,517	2,075	442
Group 4	9,419	8,730	689	13,347	11,450	1,897
Group 3	5,203	4,671	532	2,107	1,693	414
Group 2	143	87	56	319	74	245
Total	33,340	24,060	9,280	35,601	25,818	9,783

Evolution of headcount by facility

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2022	2023
Tarragona complex	331	335
Vila-seca I	148	151
Vila-seca II	157	157
Tarragona	26	27
Sabiñánigo	230	232
Flix	48	23
Monzón	32	32
Aranjuez	218	228
Almussafes	113	113
Tortosa	117	116
Cerdanyola	96	87
Factories	1,185	1,166
Sales	37	36
Corporate	126	132
Total	1,348	1,334

Staff in telecommuting situation

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2022	2023
Almussafes	–	–
Aranjuez	–	–
Cerdanyola	–	–
Tarragona complex	12	11
Flix	–	–
Monzón	–	–
Sabiñánigo	–	–
Tortosa	–	1
Corporate	66	69
Total	78	81

Accident frequency rate by gender ¹

2022			2023		
Total	Men	Women	Total	Men	Women
3.1	2.7	0.4	2.7	2.7	0.0

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

Absenteeism rate by gender ¹

2022			2023		
Total	Men	Women	Total	Men	Women
5.3	4.6	0.7	4.8	3.7	1.5

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

Prevention campaigns in 2023

	Participants
Preventive safety advice	5,757
Protection from heat	2,038
Stay alert on the move	1,347
Avoid splashes	1,347
Flu vaccination	1,347
Postural hygiene, back workshop and stretching	844
Working in ATEX environments (risk of explosion)	485
Breast cancer prevention	493
"Enjoy fruit" (video on healthy eating)	558
Ladders and chin straps	362
Access control (Christmas campaign)	362
Healthy breakfasts	361
Avoiding a sedentary lifestyle	361
How to achieve a positive attitude at work	361
10,000 steps per day: Walking is health	476
Healthy habits, also at Christmas	467
Diphtherine use	262
Accident-free days counter	250
Healthy living	250
Accident-free year for contractors	250
Annual medical check-ups	250
Win the battle against mosquitoes!	250
Cardiovascular prevention and healthy eating	250
World high blood pressure day	255
Anti-smoking: "Why do you smoke?"	230
Prevention of commuting accidents	210
"Enjoy fruit" (weekly advice with fruit distributions)	170
Access to the offices during the works at Vila-seca II	127
First aid for burns	123
Handling chemicals	123
Road and motorcycle safety	123
Falls at the same level	123
Use of personal protective equipment	123
Accident prevention (leaflet)	123
Prevention of colorectal cancer	149
Fruit day	119
Prostate cancer prevention	63
Walk to Santiago	46
Promotion of physical activity: family walk	35
Celebrating the milestone of 3333 accident-free days	30
Sign up to go running	17
Cleaning up chemical spills	16
Total	20,933

Prevention courses in 2023

	Participants
Travel and mobility safety	558
Fire prevention and firefighting	488
Prevention in chemical plants	227
Self-protection plans and warning chain	188
Liability for occupational accidents	133
Loading and unloading of dangerous goods	106
Prevention and sustainability conferences	101
Safety in the operation of forklifts and lifting platforms	75
Crises and emergencies	60
Electrical risk prevention	49
Work at height	46
Night and shift work	45
Healthy organisation management system	43
Accident investigation	38
Preventive resources	32
Work in ATEX environments (explosive atmospheres)	29
Assembly and use of awnings for hot work	26
Prevention of occupational hazards	24
Information security	24
Operating hoists and overhead cranes	18
Work permits	18
Risks of diisocyanates	17
Signaller and slinger	16
Legionella prevention and control	15
Risk management and assessment	15
Chlorine brigade training	13
Diphtherine use in chemical splashes	12
Storage of chemicals	11
The human factor	8
Industrial boiler operator	2
Melamine risks	2
Evaluation and updating of safety data sheets	1
Preventive measures in the phenolic resin laboratory	1
Sustainability training for administrative staff	1
Total	2,442



13

GENDER DIVERSITY
AND EQUAL
OPPORTUNITIES



13.1 Materiality of the chapter

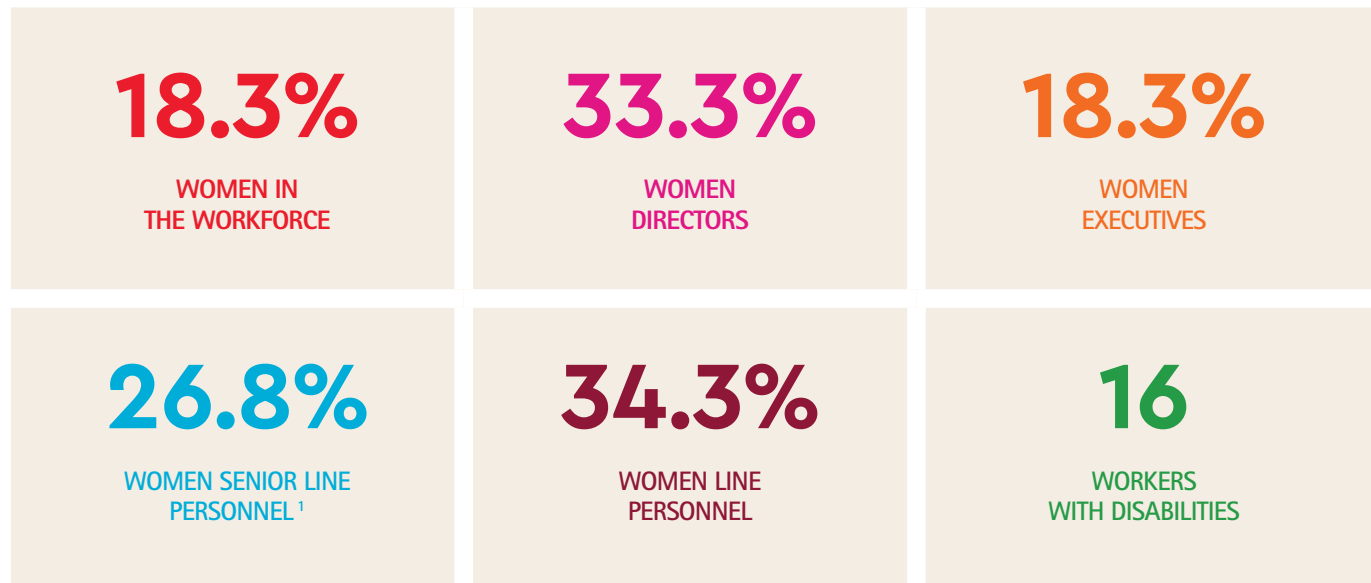
The Ercros Group and its stakeholders consider it important to advance equal opportunities and non-discrimination on the grounds of origin, gender, opinion or any other social or personal circumstance.

The implementation of the equality plan, supported by a robust legal framework, plays a crucial role in ensuring the absence of discrimination against people working in the Ercros Group.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ The professional groups are explained in chapter 12.8.

13.2 Management of equal opportunities

The Ercros Group has an equality committee, dedicated to ensuring equal opportunities and non-discrimination. 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. Its responsibilities include; applying and ensuring compliance with the equality plan and policy; and reporting on the evolution of the right to equal opportunities and non-discrimination.

The Ercros Group equality plan seeks to guarantee equal opportunities and treatment between men and women

The objectives of the Ercros Group's equality plan are as follows:

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

The following specific measures proposed by the equality plan and to be developed over the next few years are worth highlighting:

- Publishing vacancies in the company, accessible to all staff.
- Establishing a positive discrimination clause for new contracts in favour of the under-represented gender.
- Encouraging collaborations with training or similar centres to promote the presence of women in scientific and technical education and attract female candidates to the company.

- Awareness training on equality issues throughout the workforce.
- Specific training aimed at strengthening female leadership.
- Preparing and disseminating a catalogue of work-life balance measures in the company.

At the time of writing, the Ercros Group has female managers at the head of two of its factories: Tortosa and Aranjuez, which will become three from March with the appointment of a female manager at Sabiñánigo, a milestone in this traditionally male-dominated industry. As a result, three of the Group's ten production sites will be managed by women.

On 8 March, International Women's Day, various events were held to commemorate and call for equality between men and women and the Ercros Group produced and broadcast an audiovisual montage of the experience and testimonies of women who work in the company.

In 2023, the Group launched a campaign to prevent sexual harassment under the slogan "Harassment is not funny", including the LGBTBI+ perspective as in all other issues related to equality and non-discrimination.

In 2023, the company's women were also invited to attend a training day on leadership and female empowerment at Ercros, in which 61% of women belonging to this work centre participated.

As regards stakeholders, in 2023 the Ercros Group sponsored the Woman in a Legal World Women's Advocacy Congress and the women's sections of the Almussafes Basketball Club and Sant Pere i Sant Pau Volleyball Club in Tarragona.

Similarly, the quarterly bulletin published by the Ercros Group dedicates its main header to female scientists who have excelled throughout history, further highlighting the role of women in the company through interviews.

13.3 Regulatory environment

The reference regulations applied by the Group in the field of equality are the Equality Act; Royal Decree 901/2020 regulating equality plans and their registration; Royal Decree 902/2020 on equal pay for women and men; Law 15/2022 on equal treatment and non-discrimination; principle six of the Global Compact and chapter 17 on equal opportunities of the 20th General collective bargaining agreement for the chemical industry.

The Group also has applicable internal regulations to ensure compliance with the equality and non-discrimination goals:

- The CSR policy, containing the Group's commitment to wholly assume and integrate equal opportunities and treatment between women and men in the course of its business and in its internal management policies, rejects any kind of discrimination, abuse or bullying.
- The equality and non-discrimination policy, updated in 2022, which ratifies and renews the Ercros Group's commitment to effective equality, ensures non-discrimination and prevents and punishes sexual harassment.
- The board's diversity policy [see section 13.8 b) below].
- The director selection policy [see section 13.8 b) below].
- The work-life balance policy, which facilitates the implementation of measures to reconcile personal and professional life.
- The ethical code of conduct, requires Group staff: (i) to treat one another with respect, fostering teamwork; (ii) to promote equal treatment of men and women; (iii) not to engage in any behaviour that entails any type of discrimination, abuse or offence as a result of gender or sexual orientation; and (iv) to ensure that hiring, promotions and access to training of staff is based on skills and performance of their professional duties, and their professional experience.
- The whistle-blowing channel procedure that facilitates the reporting of sexual or gender-based harassment and, in general, breaches of the rules contained in the ethical code of conduct.
- The manual for the prevention of sexual and psychological harassment.
- The procedure for hiring and managing interns, which defines the general criteria for hiring and managing interns (hiring, schedule, remuneration, oversight, etc.) [see section 13.4 below].
- The staff recruitment procedure, which includes positive discrimination clauses in its wording and an annex which must be provided to recruitment partners, so as to ensure that even outsourced recruitment processes take into account the gender perspective.

13.4 Hiring processes and gender equality

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

Between 2022 and 2023, the proportion of women in the Group's average headcount increased from 17.7% to 18.3%, reaching 18.9% by the end of 2023. This increase follows the upward trend of recent years. This trend is explained by generational change, greater presence of women in technical and scientific fields and Ercros Group's efforts to increase female presence in its workforce.

However, the Group is aware that its workforce is far from gender parity, especially in job categories linked to factory operations. It therefore remains committed to implementing additional efforts to encourage the participation of female candidates in the selection process.

Women represent 18.3% of the workforce

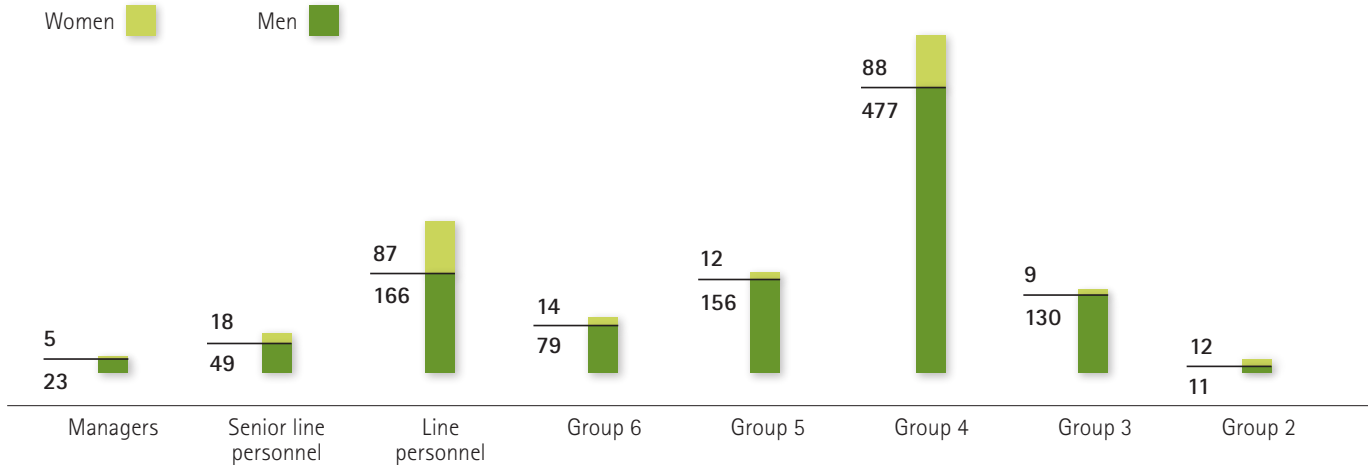
In 2023 women in the senior line personnel category accounted for 26.8% of staff; 34.3% in the line personnel category; 15.5% in professional group¹ 6; 7.1% in group 5; 15.6% in group 4; 6.2% in group 3; and 52.2% of staff in group 2.

Both the staff recruitment process and the procedure for hiring interns contain a positive discrimination clause with respect to the under-represented gender in the corresponding professional category. This measure aims to implement actions that contribute to gender balance. Among two candidates on equal footing, the one belonging to the under-represented gender will be chosen.

¹ The characteristics of the professional groups included in the General collective bargaining agreement for the chemical industry are explained in chapter 12.8.

Distribution of job categories by gender in 2023 ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

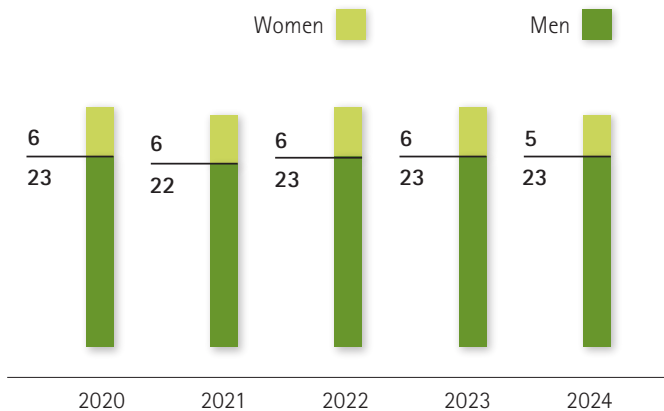


¹The professional groups are explained in chapter 12.8.

Following the retirement of one female manager in 2023, the number of female managers has been reduced from six to five. Thus, women in managerial positions represent 18.3% of all executive staff (20.7% in 2022).

Evolution of executive staff by gender ¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR



¹The tables with the data compared to 2022 is provided at the end of the chapter.

13.5 Remuneration

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

In keeping with this principle, the Group does not discriminate in pay based on gender. Following this principle, there is no gender pay discrimination, where for the purposes of this report and in the absence of a statutory percentage, discrimination means that the average gender pay gap exceeds 25%.

Ercros does not practice wage discrimination based on gender

Average salary and wage gap by job category and gender ¹

EUROS

	2023 ²			
	Women	Men	Difference	Gap (%)
Managers ³	143,840	147,454	-3,614	-2.5
Senior line personnel	79,723	85,507	-5,784	-6.8
Line personnel	47,457	55,882	-8,425	-15.1
Group 6 ⁴	38,816	45,412	-6,596	-14.5
Group 5	38,735	39,183	-448	-1.1
Group 4	31,960	32,524	-564	-1.7
Group 3	27,395	30,048	-2,653	-8.8
Group 2	25,525	25,714	-189	-0.7

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 2022 can be found in section 13.9. Additional tables.

³ The calculation of executive staff does not include the chairman, whose remuneration is explained below, or the two general managers that belong to senior management. Senior management consists of three men and their average salary in 2023 was EUR 337 thousand including fixed and variable remuneration.

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

The salary analysis by age in 2023 provided below shows in general that in the same professional group, as the age of employees increase so do their salaries; even after eliminating the effect of seniority. The two exceptions are professional groups 4 and 2, caused by the concurrence of different factors that make up each sample, such as the workplace, business or job position they belong to.

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

As age increases, the salary of the staff also increases.

Average salary by job category and age ¹

EUROS

	2023 ²			
	<25 years	25–40 years	41–55 years	>55 years
Managers ³	–	–	141,359	155,276
Senior line personnel	–	–	76,908	92,344
Line personnel	29,050	41,506	54,785	65,374
Group 6 ⁴	–	40,126	43,954	46,298
Group 5	–	38,238	39,010	39,784
Group 4	31,808	31,720	32,562	33,133
Group 3	24,760	28,205	30,340	31,372
Group 2	25,596	25,475	25,173	26,774

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 2022 can be found in section 13.9. Additional tables.

³ The calculation of executive staff does not include the chairman, whose remuneration is explained below, or the two general managers that belong to senior management. Senior management consists of three people and their average salary in 2023 was EUR 337 thousand, including fixed and variable remuneration.

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

With regard to board members, average remuneration per director in 2023 was EUR 151 thousand (2022: EUR 139 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 2023 amounted to EUR 611 thousand (2022: EUR 575 thousand), as well as the average remuneration of non-executive and proprietary directors for fixed remuneration which in 2023 amounted to EUR 53 thousand (EUR 48 thousand in 2022) and remuneration of the director who chaired the supervisory and control committees, which in 2023 amounted to EUR 16 thousand per director.

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

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

Individual remuneration of directors

THOUSANDS OF EUROS

	Executive director (1 person)		External directors (4 people)								Proprietary director (1 person)	
	Antonio Zabalza		Laureano Roldán		Eduardo Sánchez		Lourdes Vega		Carme Moragues		Joan Casas	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Fixed remuneration	542	573	49	53	49	53	57	69	57	69	49	53
Fixed remuneration Chair of supervisory and control committees	542	573	49	53	49	53	49	53	49	53	49	53
	—	—	—	—	—	—	8	16	8	16	—	—
Variable remuneration ¹	—	—	—	—	—	—	—	—	—	—	—	—
Payments in kind	20	26	—	—	—	—	—	—	—	—	—	—
Life insurance premiums	13	12	—	—	—	—	—	—	—	—	—	—
Total	575	611	49	53	49	53	57	69	57	69	49	53

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 2022 and 2023, the variable remuneration of this director was 0%.

13.6 Disabilities

The Group complies with Royal Legislative Decree 1/2013, of 29 November, approving the revised text of the General Act on the Rights of Persons with Disabilities and their Social Inclusion. According to that Act, in companies with more than 50 permanent employees, at least 2% of their workforce must include employees with disability greater than or equal to 33%, unless alternative measures are applied.

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

In 2023 there were 16 people in this situation on staff (one more than in 2022), representing 1.2% of the average headcount for the year.

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

Staff with disabilities by job category¹

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2022	2023
Managers	—	—
Senior line personnel	—	1
Line personnel	1	1
Group 6	1	1
Group 5	1	1
Group 4	11	11
Group 3	1	1
Group 2	—	—
Total	15	16

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

13.7 Work-life balance and employment benefits

The collective agreement and its corresponding improvement, signed by Ercros Group management and the union representatives, defines the employment benefits and work-life balance measures that the company 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.
- Health 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 2023, a total of 1,018 people (455 employees and 563 family beneficiaries) were members of the Group's health group.
- Measures to support studying.
- Repayable advances.
- Work cafeteria, vouchers or supplements for food.
- Transport bonuses or supplements.
- Measures to support maternity/paternity: childbirth bonus, reduced working hours and vouchers for childcare.
- The framework agreement on telecommuting reached between the company and employee representatives, which regulates the terms under which staff can choose this form of working.
- The digital disconnection policy, which includes the right of workers not to connect to any digital device of a professional nature during rest periods.

In 2023, fourteen women and no men in the workforce had taken advantage of a reduction in working hours to care for dependants (ten women and no men in 2022).

The workday of Ercros Group staff is logged through access control on entering and leaving the facilities. This system fulfils the obligation to monitor the presence of employees for security reasons and, where possible, allows flexibility in the calculation of working hours, thus promoting the work-life balance of employees.

In 2023, 6% of the Ercros Group's workforce was telecommuting, maintaining the same proportion as in 2022.

13.8 Diversity on the board

a) Gender equality

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

Women represent 33.3% of the board of directors

b) Director selection process

The director selection process starts with an analysis by the board of the Company's needs, in accordance with its regulatory framework. Subsequently, in case of appointment or re-election of an independent director, the appointments and remuneration committee submits its proposal to the board in a reasoned report. In other cases, for non-independent directors, the proposal comes directly from the board and is supported by a 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.

There are no obstacles in processes for filling vacancies in the Company that prevent the appointment of female directors. The policies and regulations on this matter expressly include the board's commitment to favour gender diversity in the appointment of new directors, ensuring also that selection processes do not suffer from implicit biases that could lead to any type of discrimination.

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

33.3% of the board is made up of independent directors.

c) Composición del consejo de administración

Name	Training and professional experience ¹	Category	Date of last appointment
Antonio Zabalza Martí	<p>B.S. and PhD in Economics from the Universitat de Barcelona ("UB"); M. Sc. and Ph. D. from the London School of Economics (University of London); post-doctoral fellow at the University of Chicago, and assistant professor in the Department of Economics at the London School of Economics. Professor of Economic Theory at the Universidad de Valencia.</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> <p>On several occasions he has acted as a consultant for the World Bank, the International Monetary Fund and the OECD. He has also been a board member of: Minas de Almadén; Transmediterránea, Instituto Nacional de Industria, Instituto de Crédito Oficial, Iberia and the Instituto Nacional de Hidrocarburos. He has been chairman of the Spanish Association of Large Energy Consumers ("AEGE"), chairman of the Catalan Business Federation of the Chemical Sector ("Fedequim") and vice-chairman of the Spanish Chemical Industry Business Federation ("Feique").</p>	Executive	05-06-2020 (AGM ²)
Lourdes Vega Fernández	<p>PhD in Physical Sciences from the Universidad de Sevilla and professor at Khalifa University of Science and Technology, Abu Dhabi. Founder and Director of the Research and Innovation Center on CO₂ and Hydrogen (RICH Center) and Senior Director of the Petroleum Institute at Khalifa University of Science and Technology, Abu Dhabi. Founder of Alya Technology & Innovation.</p> <p>She has been a scientific researcher at the Spanish National Research Council, professor and vice-director of external and international affairs at the School of Chemical Engineering of the Universitat Rovira i Virgili in Tarragona. In the US, she has been postdoctoral associate of the School of Chemical Engineering of Cornell University and visiting scholar of the Department of Chemical Engineering of the University of Southern California. She has held the following positions, among others: general manager of Matgas; global technology manager of the Air Products Group for a number of sectors; R&D manager of the subsidiary Carbuos Metálicos; and leader of the working group on CO₂ uses of the Spanish CO₂ Technology Platform.</p> <p>She is a member of the Emirates Scientific Council and the MBRAS of the United Arab Emirates, fellow of the American Institute of Chemical Engineers, member of the College of Physicists of Spain, corresponding academician of the Royal Academy of Sciences of Spain.</p>	Independent	05-06-2020 (AGM)

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

² AGM: annual general meeting

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

13.9 Additional tables

Headcount by age and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2022			31-12-2023		
	Total	Men	Women	Total	Men	Women
Less than 18	–	–	–	–	–	–
18-25	42	26	16	34	22	12
26-30	87	65	22	91	63	28
31-35	123	92	31	118	92	26
36-40	140	113	27	151	113	38
41-45	183	144	39	158	120	38
46-50	216	175	41	232	190	42
51-55	198	165	33	198	162	36
56-60	262	245	17	237	220	17
More than 60	85	72	13	94	82	12
Total	1,336	1,097	239	1,313	1,064	249

Headcount by job category and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2022			31-12-2023		
	Total	Men	Women	Total	Men	Women
Managers	30	24	6	27	21	6
Senior line personnel	64	47	17	64	47	17
Line personnel	247	164	83	256	163	93
Group 6	89	77	12	95	79	16
Group 5	170	157	13	160	150	10
Group 4	565	479	86	562	476	86
Group 3	157	144	13	125	116	9
Group 2	14	5	9	24	12	12
Group 1	–	–	–	–	–	–
Total	1,336	1,097	239	1,313	1,064	249

Headcount by type of contract and gender

NUMBER OF EMPLOYEES AT YEAR END

	31-12-2022			31-12-2023		
	Total	Men	Women	Total	Men	Women
Indefinite	1,234	1,031	203	1,253	1,024	229
Temporary	91	66	25	60	40	20
Part time	11	–	11	–	–	–
Total	1,336	1,097	239	1,313	1,064	249

Developments in management staff

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

Year	Total	Men	Women	Women/total executives (%)
2019	29	23	6	20.7
2020	28	22	6	21.4
2021	29	23	6	20.7
2022	29	23	6	20.7
2023	28	23	5	18.3

Average salary and wage gap by job category and gender ¹

EUROS

	2022				2023			
	Women	Men	Difference	Gap (%)	Women	Men	Difference	Gap (%)
Managers ²	142,965	136,357	6,608	4.8	143,840	147,454	-3,614	-2.5
Senior line personnel	76,579	81,703	-5,124	-6.3	79,723	85,507	-5,784	-6.8
Line personnel	47,546	55,237	-7,691	-13.9	47,457	55,882	-8,425	-15.1
Group 6 ³	37,082	44,628	-7,547	-16.9	38,816	45,412	-6,596	-14.5
Group 5	38,622	38,402	219	0.6	38,735	39,183	-448	-1.1
Group 4	31,115	31,739	-623	-2.0	31,960	32,524	-564	-1.7
Group 3	27,058	29,272	-2,214	-7.6	27,395	30,048	-2,653	-8.8
Group 2	25,140	25,455	-316	-1.2	25,525	25,714	-189	-0.7

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 2023 was EUR 337 thousand including fixed and variable remuneration.

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

Average salary by job category and age ¹

EUROS

	2022				2023			
	< 25 years	25-40 years	41-55 years	> 55 years	< 25 years	25-40 years	41-55 years	> 55 years
Managers ²	–	–	130,919	141,822	–	–	141,359	155,276
Senior line personnel	–	–	78,865	88,948	–	–	76,908	92,344
Line personnel	–	40,889	54,448	63,975	29,050	41,506	54,785	65,374
Group 6 ³	–	39,096	43,050	45,748	–	40,126	43,954	46,298
Group 5	–	37,584	38,636	38,590	–	38,238	39,010	39,784
Group 4	30,890	30,881	31,809	32,375	31,808	31,720	32,562	33,133
Group 3	24,262	27,810	29,541	31,147	24,760	28,205	30,340	31,372
Group 2	25,011	25,035	–	–	25,596	25,475	25,173	26,774

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 2023 was EUR 337 thousand including fixed and variable remuneration.

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



14

SUPPLY
CHAIN

14.1 Materiality of the chapter

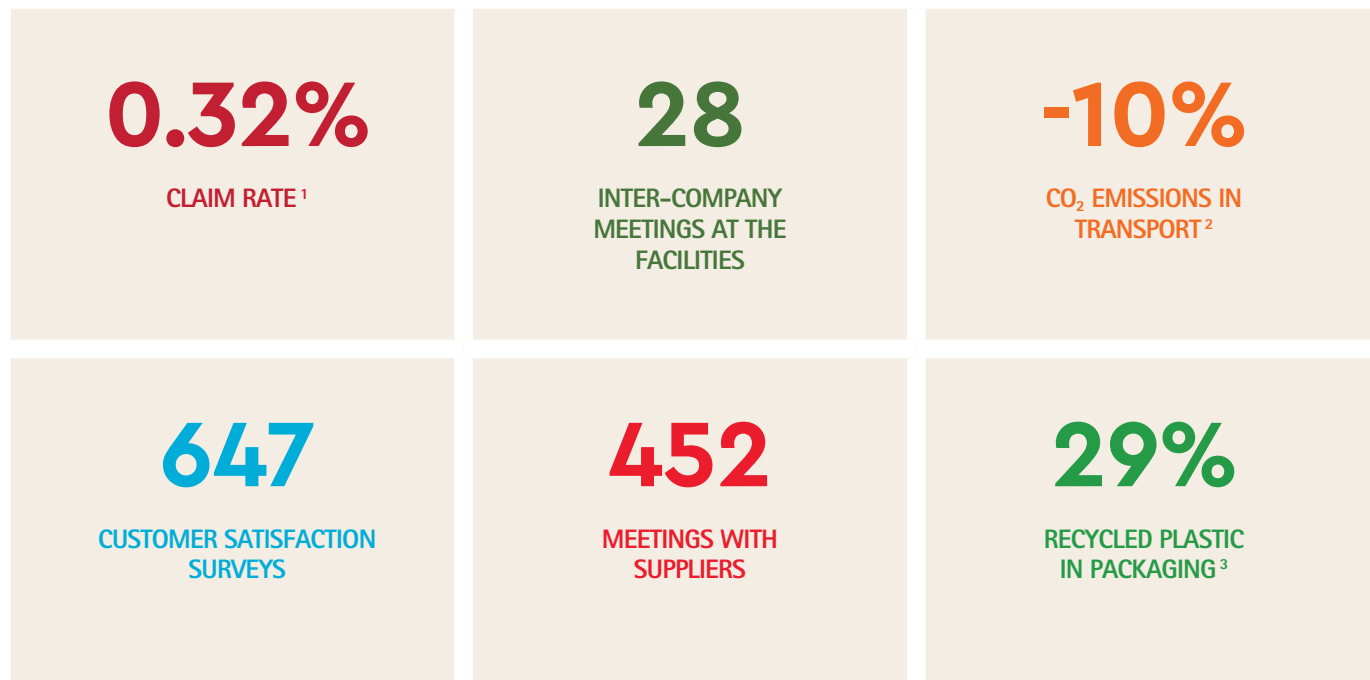
Supply chain sustainability is a priority for the Ereros Group, which is why it has identified all its members and involves them by sharing common objectives. These objectives involve ethical conduct, respect for the environment and compliance with the strictest international standards.

The Group has worked successfully in a number of areas, such as reducing CO₂ emissions from transport, increasing the circularity of raw materials, ensuring ethical compliance by suppliers, protecting the value chain of the Group's products and meeting the needs of its customers.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



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

² Emissions in 2022 compared to 2021 (2023 emissions are pending external verification).

³ Kilograms of recycled plastic vs kilograms of total plastic purchased for containers and packaging.

14.2 Suppliers

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

The Ercros Group has rules that determine its actions as regards the supply chain, such as those derived from the Responsible Care programme, article 17 of the ethical code of conduct and its internal procedures.

In 2023, 14 logistics and transport procedures were revised, including the supplier registration process, which ensures that suppliers with appropriate levels of reputation are used, including stricter criteria for social responsibility.

In 2023, 14 logistics and transportation procedures have been reviewed

To strengthen this aspect the Ercros Group has in place a control programme, the Refinitiv World-Check that, among other features, makes it possible to analyse risks of financial or corruption related crimes of suppliers and clients. This system has enabled 123 suppliers to be monitored during 2023, which while representing 4.2% of the total number of suppliers, account for 83% of the procurement amount [see chapter 10.2].

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

The Group performs annual assessments to verify the capacity of suppliers, haulers and warehouse to comply with the supply and service agreements entered into. These assessments cover verifying certifications, analysing the level of satisfaction with the service provided and documenting any incidents or non-compliance with the agreed terms within the assessed period. These assessments are the basis for the proper management of procurement and distribution and for defining the strategy for contracting suppliers and implementing improvement actions.

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

In addition, the Group conducts follow-up audits of external transport and storage companies and suppliers of raw materials, containers and packaging with the aim of improving the service contracted. In 2023, four audits of suppliers, one audit of transport companies and five audits of product warehouses were carried out. In 2024, the Group plans to conduct five audits of suppliers, three audits of transport companies, three audits of warehouses and three audits of suppliers of marketed products.

Similarly, six technical visits were made to customers in 2023 to review the procedures and facilities for unloading our goods and to suggest improvements.

Every time a new warehouse is procured, the Group conducts a preliminary audit to assess its suitability. In the case of warehouses intended for products classified as food additives, an audit is also carried out by an external company every three years to confirm the validity of the storage and compliance with the requirements stipulated for these types of products. In this line, two warehouses were audited in 2023: one for liquid caustic soda ash in Seville and another for potassium carbonate and flaked potash in Tarragona.

The Group also holds individual meetings with suppliers of raw materials, containers, packaging and transport. These meetings deal with issues relating to the quality of the service provided, the implementation of new rules and regulations, particularly in relation to dangerous goods and safety. Initiatives to improve environmental performance are proposed, accident reports are reviewed and reports of customer complaints are evaluated. In 2023, 452 meetings were held (375 in 2022), most of which were held by video conference, a tool that has already been implemented for business relationships.

In the case of service suppliers, 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 2023, 28 inter-company committee meetings were held across all the Group's factories (2022: 24 meetings).

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

Through business associations, the Ercros Group takes part in working groups with associations of suppliers and service companies, in order to maintain an open dialogue to achieve optimum conditions of safety, conservation and improvement of the environment, quality of customer service and training of external employees. Specifically, through the Spanish Chemical Industry Business Federation ("FEIQUE"), the Group participates in the Spanish Goods Transport Confederation ("CETM").

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

a) Main raw materials

The Group's three primary commodities are electricity, methanol, and ethylene, which account for more than 40% of the total amount of purchases and supplies in 2023.

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

Methanol is the main raw material of the intermediate chemicals division. The Group has supply agreements in place with various international suppliers from different areas and with different intervals to avoid supplier concentration risk and prevent agreements from renewing at the same time. In 2023 the EU maintained the suspension of the tariff on methanol imports, otherwise it would have harmed the Group by making imports of this raw material more expensive.

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

One of the main raw materials used in the chlorine derivatives business is sodium chloride (salt), which is used in the electrolytic processes for the production of caustic soda and sodium chlorate. In order to reduce the consumption of salt, a recrystallisation plant for the salt effluent from the TCCA plant is being built at the Sabiñánigo plant, which will allow the salt contained in this effluent to be recovered and reused as a raw material in the electrolysis plants mentioned above.

In 2023, the established internal procedures have been applied, considering the supply risk based on the country of origin of the raw material and the emissions generated during supply. These assessments have been taken into account when allocating purchase volumes to the different suppliers.

During the year, the management for the prevention and detection of illegal or irregular transactions with countries under EU economic sanctions procedure was implemented, which establishes the management and control of commercial transactions (purchases and sales) with countries and entities subject to EU economic sanctions.

Given the Group's dependence on certain raw materials, which are subject to cyclical price fluctuations and possible availability constraints, strategies such as stable contracts for the most volatile raw materials, supplier diversification and efficient inventory management are implemented. Furthermore, the Group negotiates 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.

Electrical energy is the main supply of the Ercros Group

During 2023, and continuing the trend that started in late 2022, the strained supply chain situation that started in 2021 eased considerably, accompanied by a decline in commodity prices, especially in the second half of the year.

However, towards the end of the year, the Israel-Gaza conflict and attacks on ships in the Red Sea area, forcing vessels to divert around the Cape of Good Hope, affected the supply chain, increasing transit times and freight and raw material costs, resulting in higher emissions.

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

In 2023, the Ercros Group continued to use recycled material in its packaging. This was done without compromising the quality and safety of the packaging. In the past year, this material accounted for 69.4% of the references purchased (36.1% in 2022). In addition, 29.9%¹ of the plastic in the Group's packaging is recycled (19.6% in 2022), bringing environmental benefits and a reduction in plastic packaging tax payments of more than EUR 53 thousand. This initiative will be sustained over time.

From an environmental perspective, from 1 January 2024, shipping will be included in the EU Emissions Trading Scheme ("ETS"), which means that ships will have to pay for the emissions they produce, a cost that shipping companies will pass on to shippers.

14.3 Distribution and transport

The Ercros Group follows product distribution procedures that meet the maximum safety guarantees and minimise environmental impact.

In this sense, it prioritises – whenever possible – freight transport by sea and rail, rather than opting for road transport. The Group uses air freight when the volume to be sent is small and the distance to cover is long, as with the transport of active pharmaceutical ingredients.

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

Container freight prices continued to fall throughout the year, returning to more reasonable levels before the 2021 spike. At the end of the year, however, this trend slowed due to the Israeli-Gaza conflict and began an upward trend that will depend on the duration of the conflict and the level of market demand.

The emissions generated in 2022 by the Ercros Group in the transport of its raw materials and finished products, an action initiated in 2019, were calculated in 2023, including all means of transport (land, sea, air and intermodal), which was also verified by an external company. Total emissions in 2022 were 26,254 tonnes CO₂, -10% compared to emissions of 29,309 in 2021. The Group continues to perform this calculation annually and to implement plans and actions to reduce its emissions.

In 2023, the objective of self-sufficiency in liquid caustic soda ash at the Sabiñánigo plant was practically achieved (99%), avoiding the transport of more than 50,000 tonnes from the Vila-seca I plant, with a consequent reduction in costs and emissions.

This measure, together with the logistical improvements made in the distribution of caustic soda and potash, with warehouses close to customers, and in the supply of cyanuric acid, optimising the transport of this material between the Port of Barcelona and the Sabiñánigo plant, has resulted in a reduction of more than 2.2 million kilometres travelled and avoided the generation of 1,343 tonnes of CO₂.

In accordance with the guidelines of the Responsible Care programme, three intervention drills for transport accidents were carried out in 2023, one of them at the Sabiñánigo centre with direct activation of the Ceret emergency response system. At the same time, and in compliance with established legislation, technical visits were made by the safety adviser of an external company to all the facilities that receive or dispatch hazardous goods.

a) Transport by sea

The Ercros Group uses maritime transport for raw materials and finished products in large volumes – shipped both in bulk and in containers – and over long distances. To minimise risks, the Group's vessel selection process imposes a maximum age limit, certain construction materials and CDI certifications (annual inspections of ships carrying bulk liquid products performed by the Chemical Distribution Institute).

¹ Kilograms of recycled plastic vs kilograms of total plastic purchased for containers and packaging.

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

In 2023, the increased availability of chlorine at the Vila-seca I plant has eliminated the need to purchase external EDC, and the PVC production at Vila-seca II was self-sufficient.

Given the situation of falling freight rates, quarterly rather than annual agreements have been concluded with the various shipping lines during 2023, allowing them to take advantage of lower freight rates to reduce transport costs. For 2024, prices have been fixed for the first half of the year in view of the expected turnaround and new environmental costs.

b) Rail transport

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

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

c) Road transport

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

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

Although 2023 was not particularly difficult for the transport sector, in the second half of the year, as demand fell, the results of transport companies fell sharply, which, together with the withdrawal of subsidies for the purchase of diesel, means that the situation could become more tense by 2024.

The shortage of lorry drivers, new environmental regulations and the introduction of the ETS for road transport in a few years' time are other factors creating stress and uncertainty in the market.

Despite the agreements reached in 2022, the entry into force of the legislation increasing the maximum authorised load to 44 tonnes, which should benefit the Group, continues to be postponed.

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. In addition, the Group has continued to work on linking its IT systems to these distribution points, which reduces the risk of errors and enables better tracking of goods.

In 2023, in line with the digitalisation objectives of the 3D Plan, the projects to reserve loading slots in factories and to track and trace lorries will be launched, both of which are expected to be definitively implemented in the first half of 2024. These new systems will improve the operational organisation of the factories, reduce loading times, allow trucks to be tracked in real time and improve the information provided to the Group's customers.

d) Air transport

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

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.

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 90% of its products to countries across the world.

e) Achievements

The Group's main achievements in 2023, in relation to the improvement of service and sustainability in distribution, most notably include the following:

- The purchase of 34% recycled pallets (2022: 33% recycled pallets).
- The reconditioning of 129,000 kilos of wood recovered from pallets.
- The adaptation of systems and working protocols for the payment of the new tax on plastic packaging which was implemented in January 2023.
- Efforts continue to reduce the thickness of packaging and to incorporate recycled material into plastic containers and packaging. In 2023, 29% of the plastic used was recycled.
- During 2023, the project to collect and recycle the big bags used to deliver raw materials to the Sabiñánigo and Aranjuez factories was launched. By 2024, big-bag recycling is expected to be fully implemented in the factories that consume the most big-bag packaging.
- The maintenance of the network of tanks and warehouses for the reception and distribution of outsourced caustic soda, caustic potash and sodium carbonate, with the aim of providing a better service and bringing the product closer to the customer, thus reducing the distance between loading and delivery point and CO₂ emissions.
- The introduction of a sanctioning procedure for drivers in the event of non-compliance with factory internal regulations. In 2023, 15 drivers were sanctioned for this reason.
- In 2023, no accidents occurred during the transport of Ercros Group products, which means two consecutive years without any reportable transport accidents.
- In February, a visit was made to a customer to analyse an incident that had occurred during an unloading operation. The causes of the incident were installation and unloading deficiencies, and corrective actions were proposed.

In 2023, 34% of recycled pallets have been purchased

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 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. It also has an agreement with the Chemical Emergency Response Service Provision ("NRCC"), exclusively for China.

14.4 Clients

The sustainability management system applied by the Group includes the commitments it makes to its clients in terms of quality, service and product stewardship. To ensure responsible use of the products it markets and to comply with legal regulations, the Group concludes sectoral or product-specific agreements. It also made the CSC and a contact form available to clients through the corporate website.

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

In relation to its clients, the Group aims to:

- Meet their requirements and needs by delivering suitable and compliant products to specification, with maximum safety, delivered on time and according to contractually agreed conditions, with the objective 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, which certifies all the Group's facilities. In 2023, all factories successfully passed the certification audit performed by the certifying body.

Nine products of the pharmaceuticals division are registered with 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 by the Spanish Medicines Agency ("AEMPS"), having approved the audits performed by the AEMPS. This is one of the FDA's first approvals after reaching an agreement with the European Medicines Agency, whereby they mutually recognise the audits of manufacturing plants for human medicinal products to avoid duplicating audits and reduce the expenses of the agencies and the companies audited.

b) Customer service centre ("CSC")

The CSC is the department responsible for handling customer relations with regard to claims, technical assistance requests, queries, suggestions, etc. It also processes customer orders, except for active pharmaceutical ingredients, which are managed directly by 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.

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

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

As in previous years, the department has taken on trainees to enable students to complete their training in a practical way and to promote their entry into the labour market.

c) Customer satisfaction

To measure the degree of customer satisfaction and improve the service it provides, 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.

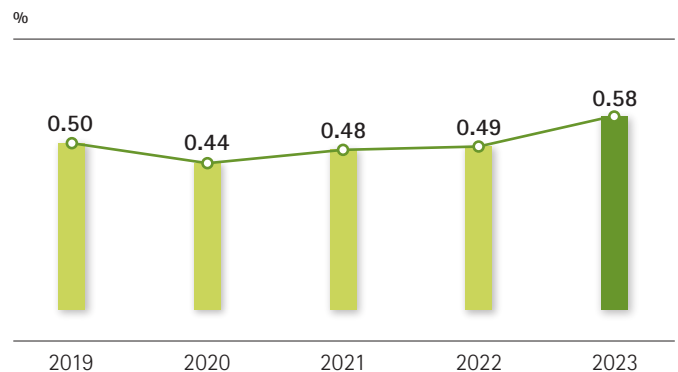
The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2023, 647 customer surveys were sent with a response rate of 29% (2022: 297 surveys).

In 2023 the complaints rate was 0.32% (2022: 0.24%). As a result, the percentage of satisfactory deliveries was 99.68%. All orders shipped by Ercros are delivered with an analytical report certifying their conformity with the quality specifications agreed with the customer.

However, it should be noted that the claims rate per delivery made in 2023 was 0.58% (0.49% in 2022). Thus, the percentage of satisfactory deliveries for every 100 deliveries made is 99.42%.

The main complaints concerned product quality and presentation, transport and logistics, with transport being the main cause of complaints in 2023. In 2023, 85% of the complaints received were resolved.

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



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

In 2023, the technical support requests of Ercros Group's customers were answered in an average of 27 days. More than 1,600 requests were received. Customer complaints responded to were resolved in an average of 26 days (23 and 33 days in 2022, 23 and 31 days in 2021, respectively).

The percentage of satisfactory supplies was 99.68%

d) Product stewardship

The Group provides its clients with knowledge and resources to engage in responsible and ethical management during the entire lifecycle of the products it sells. This extends from the design of industrial facilities and the sourcing of raw materials to the end of the useful life of products, either when they are consumed or when they become waste.

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

The Group provides its clients with the safety data sheets ("SDS") for the products it sells to them, which describe the exposure scenarios ("ES") for the uses of these products. In 2023, the SDS of the substances updated in the Reach registry were reviewed during the calendar year, due to changes in the exposure scenarios. In the case of raw materials, the Group verifies that the uses for which these raw materials are intended are included in the SDS provided by the suppliers.

The Group has SDS for all products manufactured and for the products and mixtures that it sells in the languages of the EU requested by the sales departments and the CSC. This is done in accordance with the European Reach regulations, which deal with the registration, evaluation and authorisation of chemicals, and CLP, which covers the classification and labelling of substances. In addition, the Group provides SDS to clients in non-EU languages with the regulations applicable in the country of destination of the product (China, India, South Korea, US, Indonesia, Turkey, United Kingdom and Russia). The SDS are reviewed and updated when new information emerges on the hazards of the substances or when the law concerning them is amended.

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 2023, three 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 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 or sodium chlorite. In this connection, it is contacting its EU clients to find out what biocide uses they have for these products and to prepare authorisation dossiers that will help these clients comply with the regulations on the evaluation of biocide substances, with the least possible economic impact.

In addition, Ercros Group has pre-registered 11 substances with KKDIK, the Turkish Reach, in order to meet the needs of its customers and to facilitate the supply of products in Turkey. This pre-registration will be maintained until the deadline established for the final registration of each of the substances, which in December 2023 was extended to 2026.

The Group also notified eight Reach substances and two biocidal substances to the UK health authorities in order to maintain the marketing of these products during the transitional period until the final registration and authorisation deadline, which is set for October 2026.

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

- It has joined, through the Feique, a collaboration agreement on explosive precursors, promoted by the Secretary of State for Security of the Ministry of the Interior, the purpose of which is to fight against the diversion of chemical products towards the illicit manufacture of explosive.
- It has 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”). In 2023, two OPCW inspectors from Colombia and Kenya received theoretical and practical training at the Sabiñánigo centre on the operation of a chemical plant.

e) Achievements

In 2023 the Ercros Group made several improvements to a number of its products to adapt them to customers' requirements, including:

- The adaptation of formulas to the specific demands of the TCCA tablets for swimming pool water treatment.
- The development of sustainable solutions in the manufacture of biopolymers, ErcrosBio.
- The expansion of the PVC compounds palette to manufacture rigid products by injection and rotational moulding.
- The manufacture of new grades of PVC-based materials using post-consumer recycled PVC.
- The development of rigid and flexible PVC-based materials suitable for additive manufacturing (3D printing) by powder bed fusion.
- The diversification of the offer of resins related to the ErcrosGreen+ and ErcrosTech brands.
- The development of new moulding compound formulations with improved mechanical properties to meet different market needs.
- The modification of pharmaceutical manufacturing processes to offer particle sizes adapted to the specific needs of clients.

In addition, the life cycle assessment (“LCA”) of PVC resins was carried out in 2023 and work was carried out on formaldehyde and polyols. The LCA of producing hydrogen, ammonia and products from Cerdanyola and Almussafes will start in 2024.



15

SOCIAL
MATTERS

15.1 Materiality of the chapter

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

In 2023, the Group worked with local social organisations, continued its commitment to training future generations of workers in the sector and ensured the health and safety of people working in its facilities. In this respect, its certification as a healthy organisation is especially noteworthy.

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



¹ Direct, indirect and induced jobs.

15.2 Stakeholders

Stakeholders are those organisations, groups or individuals that can affect or be affected by the company's activity. Ercros' main stakeholders are defined in the social responsibility and ethics plan, and are as follows:

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

Each factory identifies its own stakeholders, which are determined in a social map. This map considers the workplace's area of influence, its sector, or the community to which it belongs, among other aspects.

The social map is a dynamic document that is updated regularly and contains the list of local external stakeholders associated with each facility. It is an essential tool for managing relationship of the factories with their environment. In 2023, the Group's various workplaces included 424 stakeholders in their social maps (416 stakeholders in 2022).

15.3 Socio-economic contribution

The Group's largest social contribution is the employment and activity it generates. Half of its factories are located in towns with a population of less than 20,000, meaning that these towns are highly dependent on the Group. The Ercros Group's activity is estimated to have generated 4,131 indirect and induced jobs in 2023¹. The employment generated by the Group represents an average of 3% of the active population of the municipalities in which its production facilities are located (the active population of each location was calculated based on the activity rate of the respective province).

In 2023, the Ercros Group paid the public authorities EUR 27.45 million (EUR 42.74 million in 2022) in the way of duties, taxes, fees and social security contributions.

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

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

15.4 Main actions

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

In 2023, it carried out the following actions:

a) In field of environmental protection

The main environmental activities are described in detailed in chapter 11. Environmental matters.

In 2023, 4,131 direct, indirect and induced jobs were generated

¹ To calculate the number of indirect and induced jobs, the average workforce of the Ercros Group in 2023 was multiplied by 2.4, following the criteria set out by the Feique for the chemical industry.

b) In the social field

- Sponsorship and partnership actions with 32 organisations (2022: 31) to which it contributed EUR 102,312 (2022: EUR 95,360). Among the actions carried out, the following stand out: support for the basketball, chess and athletics clubs in Almussafes; the Aranjuez Sostenible organisation in Aranjuez; the Forat del Vent charity run and the Cerdanyola Talent Factory in Cerdanyola; the La Canonja football club, the Joaquín Costa cycling club and the Sant Pere i Sant Pau volleyball club in Tarragona; the music school and the Sebes natural space in Flix; the photographic group Apertura and the Templaria run, in Monzón; the Ibón ballet school, the Peña La Murga football club and the Edelweiss cycling club, in Sabiñánigo; and the Reto Experimenta en el Aula, Feria Expoebre and the Unió Esportiva Campedró, in Tortosa; and the archaeological walk, Salt footprints, in Cardona.
- Contributions to business groups amounting to EUR 72,513 (2022: EUR 76,222). This figure has decreased as a result of the disappearance of Flix from the group of companies following the production shutdown at this factory.

In 2023, the company groups at the Vila-seca I and Vila-seca II plants organised sports activities, cultural outings and nature excursions for their members.

- Purchases made from special employment centres and/or job placement companies, for a value of EUR 288,531 (2022: EUR 291,508 thousand).
- In 2023, for the eighth 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 Unión General de Trabajadores ("UGT") and Comisión Obreras ("CC.OO.").
- The renewal of the agreement between the Ercros Group and the Universitat de Barcelona ("UB") to continue the archaeological intervention on the Flix factory site, known as "la cloratita". The aim is to recover and preserve the industrial heritage of the area.
- The commemoration of International Women's Day, with the release of a video featuring women from the company talking about their experiences as workers in a predominantly male environment. At the Sabiñánigo factory, a group of women gathered at the main entrance to mark this event.

- The participation of the plant manager and an R&D technician from the Monzón factory in a radio programme to mark the celebration of the Day of Women and Girls in Science.

The Group uses food products such as sugar, powdered milk, sunflower oil and gluten as raw materials to manufacture antibiotics. To avoid waste and improve efficiency, procurement is tailored to what the production process needs.

Only two of the Group's factories operate canteen services, and in both cases they are managed by an external company. These companies source the ingredients based on the menus confirmed the previous day, thus reducing food waste to a minimum.

Ercros has sponsored 32 social, cultural and sports organizations

c) In the field of health and safety

- Ercros has signed the Luxembourg Declaration, which commits the company to integrate the basic principles of occupational health promotion into its business strategies and to go beyond the legal requirements in this area.
- In 2023, all Ercros production centres passed the certification audit on the healthy organisation management system ("Sigos") and were awarded Aenor accreditation. As well as incorporating aspects of prevention into people's health, this system has implications for promoting health and healthy lifestyles for both employees and the people around them.
- Information campaigns on accident prevention, health monitoring, adoption of healthy habits and risk control; and campaigns on hydration in summer, healthy eating, benefits of physical activity, cancer prevention, back strengthening, etc. [see chapter 13.8].
- Sponsorship and promotion of sporting activities among the company's employees, such as: collaborating with the cycling team, pétanque and nature trails at the CIT; football, sponsoring the DIR Diagonal race and hiking trips at the Cerdanyola corporation and factory; and organising trekking routes in Sabiñánigo.

- The celebration of the Health and Safety at Work Day at the Almussafes factory.
- The "Enjoy fruit" campaign at the corporate offices, which is held once a week to coincide with the distribution of seasonal fruit and promotes eating fruit as a healthy habit.
- Epidemiological studies on the most frequent pathologies occurring in the production facilities.
- The flu vaccination campaign.
- The psychosocial risk assessment of the Group's employees, with the aim of preventing situations that may affect people's emotional well-being. Based on the results of the study, an action plan for improvement was drawn up at each workplace.
- Breast cancer prevention days, which included workshops on self-examination for early detection of the disease.
- Training in occupational risk prevention, first aid training, workplace ergonomics and stress management [see chapter 13].
- The training day organised by CIT on prevention in chemical plant operations aimed at chemical plant operators.
- Translation of the electronic safety training platform for drivers involved in loading/unloading operations at the Group's plants into Portuguese, making the platform available in 11 languages.
- Information campaigns for staff on the testing of the new national emergency mobile phone system.

d) In the field of training

- Collaboration agreements with secondary schools, universities and other organisations to recruit interns [see chapter 13.7].
- Dual training contracts, in which Ercros has agreed to place and train students on internships at its facilities. In 2023, placements were offered to students from the Universitat Rovira i Virgili ("URV") and the Pere Martell secondary school at the CIT; from the Lluïsa Cura and Stucum secondary schools at the corporate offices; from the Piràmide and Corona de Aragón schools at the Sabiñánigo factory; from the Salesianos Loyola, Palomeras, Mateo Alemán and La Paloma schools at the Aranjuez factory; and from the Mor de Fuentes secondary school at the Monzón factory.
- Participation of the head of industrial relations at the Tortosa factory in a dual vocational training day organised by the Ebro secondary school in Tortosa.

Ercros welcomes students in university internships, vocational training and dual vocational training

- The "Experimenta en el Aula" challenge, promoted by the URV, aimed at awakening scientific vocations in secondary school pupils through experimentation, with the participation of technical staff from the Vila-seca II and Tortosa factories.
- Participation of Cerdanyola's industrial relations manager in the VI Technical Conference on Vocational Training, organised by the La Romànica secondary school in Barberà del Vallès.
- Participation in the Cerdanyola Talent Factory, promoted by the Cerdanyola town council to foster entrepreneurial talent among young students.
- Sponsorship of the Young Researcher Award, which recognises researchers under the age of 40 with high impact contributions to industrial process design, presented at the 16th International Conference on Properties and Phase Equilibrium for Product and Process Design, sponsored by the Ercros Group.
- Sponsorship of the 13th X(p)rimenta 2023 Audiovisual Science Communication Award, which gives awards for the best videos on scientific experiments submitted by students in Catalonia of primary, secondary, baccalaureate and vocational training cycles.
- Sponsorship of the Ercros-Fundación Hidrógeno Aragón 2023 Prize for the best thesis by a student at the Universidad de Zaragoza ("Unizar"); this prize recognises the best research project on the use of hydrogen as an energy source.
- Collaboration with the URV in the organisation of the 77th edition of Expoebre in Tortosa.
- Participation in the 2nd Almussafes Industrial Job Fair, bringing together jobseekers and industrial companies based in the area.
- Participation in the 1st Monzón Dual Vocational Training and Employment Fair, an event which aims to connect training centres, companies, students and job seekers.

- The participation of the Monzón factory in the Industry and Leisure Experience Program, an initiative of the Monzón Business Association that aims to give final-year university students of different nationalities the opportunity to get to know the industrial and tourism companies in the area.
- Training provided at Sabiñánigo factory on chemical plant operations to two future inspectors of the OPCW from Colombia and Kenya.
- Visits to the Group's factories for secondary school and university students [see chapter 16.3 b (ii)].

e) In the field of research

- Collaboration programmes with the Centre for Technological Development and Innovation ("CDTI") for (i) the development of sustainable solutions for the production of biopolymers; (ii) the development and scaling-up of a bioprocess for the production of biopolymers; (iii) research into environmentally sustainable alternatives to the use of intentionally added microplastics in detergents and cosmetics; (iv) the development of PVC profiles, including thermal insulation, made from recycled material; (v) new technology related to the evaporation stage in the antibiotic extraction plant, which was completed this year; (vi) the study of a new system for the polymerisation of moulding compounds; and (vii) research into a process for the synthesis of dipentaerythritol.
- The public-private partnership project with the State Research Agency for the development of anti-fouling, bio-based and biodegradable marine coatings.
- The Nuclis R+D collaboration programme with the Catalan Government to obtain more sustainable moulding compounds.
- The contract with Polymat, a technology centre of the Universidad del País Vasco ("UPV"), for the characterisation and development of biopolymers.
- Agreements with the Technological Center of Catalonia ("Eurecat") and the URV for a project to develop and characterise new types of resins, and in the search for eco sustainable alternatives for detergent and cosmetics packaging.
- Agreements with Leitac to conduct a study on new high added value applications for moulding compounds and to develop compounds to produce insulation foam from post-consumer recycled PVC.
- Agreements with the Institut Químic de Sarrià ("IQS") for studies on the development of industrial processes for active pharmaceutical ingredients and the characterisation of biopolymer suspensions.

- Sponsorship of the Universidad Autónoma de Madrid-Ercros chair, the main objective of which is to promote research, teaching and study activities in the field of pharmaceutical chemistry.
- Agreement with the National Renewable Energy Centre ("Cener") for the development and escalation of a biopolymers production process.
- The endowment of the Ercros-Fundación Hidrógeno Aragón prize for the best final degree project, organised by the Foundation for the Development of New Hydrogen Technologies of Aragón, of which Ercros is a member of the board of trustees.
- Agreements with the Ainia technological centre to apply spray-drying techniques to powders and to study the inhibition of the growth of undesirable micro-organisms in biopolymer suspensions.

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

f) In the field of social volunteering and solidarity

- Collaboration with the UNICEF campaign in support of children affected by the earthquakes in Turkey and Syria.
- Sponsorship of the charity run organised by the town council and the Forat del Vent secondary school in Cerdanyola to raise funds for the Food Bank and the Red Cross.
- Donation by the Monzón factory of 150 kilos of food and cleaning materials to Càritas.
- 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 2023, 384 kilos of caps were collected (2022: 381 kilos).

Ercros collaborates with research centers from different fields

15.5 Awards and recognitions

Throughout 2023, the Ercros Group has been recognised for its good work in different areas, with following awards and recognition:

- Safety Award 2023 for the Aranjuez and Tortos factories granted by Feique. This award recognises production facilities in the chemical industry with more than 50 employees that did not record any accidents with or without sick leave among their own staff during the previous year.
- Award for corporate transparency among IBEX Medium and Small Cap listed companies, given annually by the Spanish Association of Accounting and Business Administration ("AECA").
- Award for the innovative product in sustainability, in the framework of the Piscina & Wellness 2023 trade fair, for the new TCCA tablet box for disinfecting swimming pool water. The new package is made from responsibly sourced cardboard, is 100% recyclable and the inner bag is made from recycled plastic.
- Recognition to the Cerdanyola factory for its compliance with the programme of voluntary agreements for the reduction of greenhouse gas emissions ("GHG") promoted by the Catalan Government.
- Tribute from the Salou and Monzón town councils to the Joaquín Costa social group of the Vila-seca II factory on the 20th anniversary of the Camino de la Alegría pilgrimage between the town of Salou and the Virgen de la Alegría hermitage in Monzón.
- Cerdanyola Talent Factory Prize for entrepreneurial talent awarded to two senior secondary school students mentored by the Cerdanyola factory.
- Ercros was a finalist in the 1st edition of the Business Lawyers Awards, presented by the specialised media El Confidencial Jurídico.
- As part of the Expoquimia trade fair: the general business manager and the manager of the chlorine derivatives division gave a talk entitled "Plan 3D: Achievements and challenges", in which they explained the successes achieved in terms of decarbonisation and the fight against climate change at Ercros; the manager of the pharmaceuticals division took part in the round table discussion "Chemistry and new professional skills in the face of the European Green Pact"; and the manager and the head of quality and environment at CIT shared their expertise in the debate "The dual degree in chemistry: an opportunity for the chemical industry of the future".
- The integrated logistics manager took part in a conference organised by the Ministry of Transport, Mobility and Urban Agenda on the coordination of business activities in road haulage and in a round table discussion as part of the National Congress of Tanker Operators.
- The head of transport and external trade took part in the "Rights of Goods" round table discussion organised by the Transprime European Shippers Council at the International Logistics Fair in Barcelona.
- The head of project optimisation of the sustainable development division gave a presentation entitled "Ercros and the carbon footprint: examples of actions" as part of the 3rd Meeting for the Climate, organised by Aigües de Barcelona.
- The pharmaceuticals division manager took part in the round tables: "Betting on Madrid's Industry", organised by the Association of Metal Companies of Madrid; and "Main Challenges for the API Sector", organised by Farmaforum, Spain's leading trade fair for the sector.
- The head of human resources at CIT took part in a round table on talent and competitiveness organised by Adecco in Tarragona.
- The head of operations at Vila-seca II and a training technician attended a meeting with students from the Comte de Rius secondary school.
- Employees at the Monzón plant, together with other companies in the area, organised the "Take action: join the commitment to zero pellet losses" conference to share their experience in sustainable pellet management.
- Members of the R&D department of the Monzón factory took part in a conference on the characteristics of bioplastics, aimed at students of the science and technology baccalaureate at the Santo Domingo Savio school in that town.

15.6 Knowledge sharing

In 2023, Ercros Group staff participated in conferences and round tables on various areas of knowledge:

- The Chairman and CEO of Ercros participated as a speaker at the celebration of the 40th anniversary of the Bank of Spain's Central Balance Sheet Data Office in Madrid.

- The manager of the Sabiñánigo factory took part in the conference "I am from Alto Aragón", organised by the Diputación de Huesca and the Diario del Alto Aragón, where he shared his experience on the area's industrial development.
 - The head of the chlorate, chlorite and anodes area at the Sabiñánigo factory gave a lecture at the Unizar, in the context of the Expertia programme.
 - Four workers from Sabiñánigo took part in the project "Ambassadors for the trades", promoted by the Government of Aragón, to help secondary school students with their career choices.
 - The director of the Tortosa factory took part in the round table "Terres de l'Ebre, technology and territory", held during the 3rd Economic Forum of Terres de l'Ebre, organised by the town council.
 - Sponsorship of the 39th Biennial Meeting of the Spanish Royal Society of Chemistry, held at the Unizar, a place for sharing ideas and meeting young multidisciplinary researchers.
 - Sponsorship of the Young Researcher Award at the 16th International Conference on Properties and Phase Equilibria for Product and Process Design (PPEPPD2023), held in Tarragona in May 2023, awarded by the head of R&D of the plastics business who attended the event.
- Consumers ("Impca"); Association of Energy-intensive Companies ("AEGE"); the Hydrogen Valley of Catalonia Platform and the Aragón Hydrogen Foundation.
- Local business organisations: Chambers of Commerce, Industry and Navigation of Barcelona, Madrid and Tarragona; National Employment Centre of Catalonia (Foment del Treball); AliaAragón; Cross-sector Business Federation of the Cinca Medio region ("CEOS-Cepyme Cinca Medio"); Cerdanyola Business Association; Association of Business Owners of the Baix Ebre Industrial Park of Tortosa ("Appibe"); Ebro Regional Business Association ("Aece"); Association of Industrial Parks of Almussafes ("Appi"); and Entity for the Management and Modernisation of Almussafes North Industrial Estate ("EGM").
 - Other business organisations: Association for Progress and Management ("APD"); Cercle d'Economia of Barcelona; and Fundación Empresa y Clima.
- In 2023 the Ercros Group joined the Tarragona Zero Pellet Loss Platform, an initiative headed by the Catalan government and created to prevent and monitor the presence of pellets in the natural environment of the Tarragona industrial park.
- The company also became a member of "Cumplen", the association of compliance professionals.

15.7 Partnership

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

- Organisations in the chemical industry: Cefic; Feique; Fedequim; Asociación de Empresas Químicas de la Comunitat Valenciana ("Quimacova"); AEQT; and Federación de Empresas Químicas y Plásticos de Aragón ("Feqpa").
- Product consumers or manufacturer organisations: European Association of Chlorine Manufacturers ("EuroChlor"); Spanish Association of Chlorine-alkali Manufacturers ("ANE"); Plastics Europe; European Council of Vinyl Manufacturers ("ECVM"); Cicloplast; Spanish Association of Compostable Biodegradable Plastics ("Asobiocom"); Plastics Platform ("EsPlásticos"); Spanish Association of Swimming Pool Professionals ("Asofap"); European Association of Formaldehyde Manufacturers ("Formacare"); European Phenolic Resins Association ("Epra"); Association of Fine Chemical Manufacturers ("Afaquim"); European Biocidal Products Forum ("Biocides for Europe"); International Association of Methanol Producers and



16

DIALOGUE AND
TRANSPARENCY



16.1 Materiality of the chapter

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

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

SDGS TO WHICH IT CONTRIBUTES



MAIN INDICATORS



16.2 Accountability

Each year, the Ercros Group publishes a social responsibility report ("CSRR") in accordance with the statement of non-financial information ("SNFI") regulated by Spanish Law 11/2018 on non-financial information and diversity. Furthermore, this report also includes the degree of compliance with the 183 indicators established in the CSR guide for the chemical and life sciences industry, promoted by the Feique, in collaboration with Forética.

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

The Group also reports on its responsible actions through the information it provides on its level of compliance with (i) the recommendations of the Code of Good Governance for Listed Companies ("GGC"), as part of the Corporate Governance Report ("CGR"); (ii) the CSR rating, which is assessed each year by EcoVadis; (iii) the Carbon Disclosure Project ("CDP") questionnaire, which rates companies' behaviour with respect to climate change; and (iv) the ESG Lighthouse rating, promoted by the Spanish Institute of Financial Analysts ("IEAF").

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

16.3 Main actions

In 2023, having overcome the restrictions imposed by the covid pandemic, the Ercros Group has resumed most of the usual actions it carries out with its stakeholders.

Below is a list of the main actions carried out by the Group, classified according to the target audience.

In 2023, a new corporate website accessible to people with disabilities has been launched

a) With society in general

- The annual economic and financial report, which contains the most relevant economic and financial figures for the year.
 - The annual corporate governance report, which provides information on the governance of the Company and the degree of fulfilment of the GGC recommendations.
 - The annual directors' remuneration report, which reports on the application of the directors' remuneration policy in the year.
 - The publication of this annual CSRR-SNFI, which reports on the Group's sustainability, stakeholder responsibility and other nonfinancial information.
 - Launch a new corporate website in October 2023 that is accessible to people with disabilities, has a design that is adaptable to all types of devices (computer, tablet, and mobile), and is protected by enhanced security. Like the previous one, the new website is available in Spanish, Catalan and English.
- In addition, from the home page and from a dedicated page (whistle-blowing channel) of the new website, it is now possible to access an external platform that manages the reporting of alleged infringements of the criminal code within the Ercros Group, completely anonymously.
- The digital newsletter that contains the most relevant information published by the Group. In 2023, ten newsletters were sent to an average of 175 recipients (2022: the same number of newsletters to an average of 171 recipients). Last year, the newsletter's design and delivery system were modernised.
 - The LinkedIn update, which has 14,047 followers (12,302 last year) and 28,359 views.

- In 2023, a video with safety instructions was produced for visitors to the factories and another for external personnel who come to work on the Group's sites; the safety video for drivers working for the Group was translated into Portuguese; two videos were produced on products such as formaldehyde and plastics, and others linked to news and events such as the creation of the company Gazechim on the Flix site, the shareholders' meeting, the presentation of the results, the Expoquimia trade fair and Women's Day.
- Digitisation of the audiovisual archive of the corporate offices and of the Cardona, Cerdanyola and Flix factories.

b) With stakeholders

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

- The 24 group visits to the Ercros Group's production centres (17 visits in 2022), in which 892 people participated, more than double the 440 people who attended the previous year.

Throughout the year, there were frequent and varied educational visits to the Group's factories. Highlights of these visits included: chemical engineering students from the IQS at the Vila-seca I plant; chemical, biological and environmental engineering students from the UAB at the Cerdanyola plant; chemical engineering masters students from the Universidad de Valladolid ("UVA") at the Vila-seca I plant; chemical engineering students from the Universidad de Valladolid ("UVA") at the Vila-seca I plant; soil management and remediation students from the Universitat de Barcelona ("UB") and the Universitat de Lleida at the Flix plant; chemical engineering students from the Universidad Rey Juan Carlos ("URJC") at the Aranjuez plant; and students from the Biello Aragón secondary school at the Sabiñánigo plant.

- The 179 meetings with stakeholder organised by the factories, compared to 181 in 2022.
- The participation of technicians from the CIT, together with other companies from the chemical sector, in a meeting between training companies and students of the advanced course in industrial chemistry organised by the Comte de Rius secondary school in Tarragona.
- The visit to the Cerdanyola factory by a group of international researchers with expertise in environmental management and sustainable water management, coordinated by UAB and Aeris in the context of the Next-Labs project.

892 people have visited the Ercros Group factories

- Organisation of a guided tour of the Los Escoriales residential complex, located in the old Cardona factory, to coincide with the celebration of the Salt Festival, which commemorates the city's historical origins linked to salt production.
- The visit of a group of archaeological experts to the site of the Cardona factory to study one of the oldest salt mines in the world, as part of the "Middle neolithic in Catalonia" congress.
- The visit of the general business manager, the manager of the chlorine derivatives division, the industrial manager of that division and the manager of the CIT to the headquarters of the AEQT, where they were received by its managing director, and that director's follow-up visit to the CIT.
- A visit to the Sabiñánigo factory by participants in the Alto Gállego Logistics Forum, organised by the Huesca Businesswomen's Association and the Pyrenees Alto Aragon Businessmen's Association.
- Attendance at the annual meeting of the European Federation of Paperboard ("EFP"), held in Santiago de Compostela by the manager of the intermediate chemistry division and the resins technology and technical support manager.
- The presence of the above division's manager and the head of sustainable development management at the Responsible Care seminar organised by Methanex to promote the safe use and responsible management of methanol.
- The visit of the same manager and the division's commercial manager to one of the main methanol supplier's plants in Egypt to promote sustainability and compliance.
- The participation of the CIT director in the 25th anniversary celebrations of Dixquimics, the association that manages the pipeline infrastructure for the safe distribution of chemical products between the Port of Tarragona and the companies in the petrochemical estate.
- The public service hotline that handles reports, complaints and suggestions for improvement from stakeholders to the Ercros Group, which received two communications in 2023.

(ii) Workforce

- In 2023, Ercros sent out 165 staff information notes (92 in 2022). This increase can be explained by a return to normal activity in factories, entities and administrations.
- Pre-notification to staff of emergency drills organised by the public authorities in the framework of the deployment of the new ES-Alert system for telephone alerts.
- Three video shorts were produced on the topics of the whistleblowing channel, sexual harassment and money laundering and terrorist financing, as well as two videos on employee activities.

In 2023, 165 information notes have been sent to the workforce

- The dialogue improvement plan, a tool to promote internal communication through cascade meetings involving all staff. In 2023, 776 meetings were held with 4,177 participants (2022: 828 meetings, attended by 4,313 people).

In 2023, the findings of the 2022 audit of the operation of the dialogue improvement plan were obtained. At present, the conclusions of each factory are being evaluated (in 2023 it was the turn of CIT and the Sabiñánigo factory) in order to identify the improvement actions that will allow the original spirit of the dialogue improvement plan to be reinstated. The dialogue improvement plan procedure in the corporate offices was also updated.

- The quarterly internal newsletter of the dialogue improvement plan, which contains information about the Group and serves as a script for cascade meetings. In 2023, the newsletter includes a link to the training video shorts. There is also a new section with information on the progress made in transforming production processes in the field of digitalisation.
- Updating the virtual notice board that contains information of interest for the staff. The virtual board is freely accessible and acts as a corporate intranet.

- The suggestions competition, which channels and rewards suggestions for improvement proposed by staff. In 2023, 34 suggestions were submitted (35 in 2022), seven of which were part of a special competition for water-saving ideas. 21 of the suggestions submitted are in the process of being implemented.
- The open house for family and friends of the workers at the Cerdanyola and Almussafes factories, which brought together more than 60 and 15 visitors, respectively.
- The visit of the human resources staff to the CIT with the aim of getting to know its facilities and production processes, and of staff from the CSC to the Sabiñánigo, Vila-seca I and Vila-seca II factories.
- Team building days for CIT technical staff, which were attended by over 90% of the group.
- In 2023, a number of campaigns were carried out for employees:
 - Two accident prevention campaigns, the first with a letter from the Director General and a poster with the slogan "Stay alert on the move. Safety must also continue outside the workplace" and a poster with the slogan "Don't get splashed! Chemical splashes can be very serious, protect yourself".
 - Ercros' healthy lifestyle programme included the creation of a specific logo for the programme; a fruit promotion campaign, "Enjoy fruit", which included weekly messages on the benefits of fruit consumption and the distribution of seasonal fruit; a "Healthy Christmas" campaign; and several physical activity campaigns, such as the "10,000 steps a day" campaign. Walking is health" in the corporate offices and the Almussafes, Cerdanyola and Tortosa factories, or "Invest in health" in Aranjuez. Running competitions and excursions were also organised.
 - The "Harassment is not funny" campaign to prevent sexual harassment and provide information on the platform for filing complaints.
 - The "Let's save water" campaign in Aranjuez, to reduce water consumption in factory operations.

(iii) Shareholders

- The Group has a shareholders' office with a dedicated manager, which is the established channel for dialogue and relations with shareholders, analysts, investors, securities market brokers and regulatory and supervisory bodies. Dialogue takes place through the sharing of relevant information and the handling and resolution of questions and concerns about the company.

Ercros has a procedure that regulates the operation of this office and a policy on reporting financial, non-financial and corporate information, and communication and contact with shareholders and securities market brokers.

- Throughout the year the shareholder office responded to 364 requests for information (2022: 408 requests). It also sent 35 personalised information notes by post or email (48 in 2022) to the 298 shareholders (same number as in 2022) who requested them through the corresponding form.
- The corporate website has a specific "Shareholders and investors" menu, which complies with the requirements of Circular 3/2015 of the CNMV, which is regularly updated with information of interest to shareholders. With the launch of the new corporate website, the content of this menu has been expanded to include digital tools of interest to the public.
- On 16 June 2023, Ercros held its AGM in person and online, with a live broadcast via streaming.

To encourage and facilitate shareholder participation in the AGM, platforms for remote participation, electronic voting and proxy voting, as well as an electronic shareholder forum are available on the website in the "General meeting" section of the "Shareholders and investors/Corporate governance" menu between the time the AGM is called and the time it is held.

(iv) Securities market

- Significant events are disseminated through the CNMV and Ercros websites, which are the means of communication with the securities market. In compliance with its obligations as a listed company, throughout 2023, the Group issued 35 communications on other material information (53 in 2022).
- Regular meetings with analysts and investors who follow Ercros' market price. In 2023 the Group held 11 meetings with these groups (2022: 12 meetings).
- Participation in the 19th Medium Sized Companies Forum ("MedCap"), organised by the Spanish Stock Exchanges and Markets ("BME") at the Madrid Stock exchange, where the company contacted eight fund managers, three of them foreign. The purpose of these meetings is to introduce the Ercros Group to investors and explain the business opportunities offered by the Company.

- In 2023, the Ercros Group received the award for Corporate Transparency among IBEX Medium and Small Cap listed companies, given by the Spanish Association of Accounting and Business Administration ("AECA"). The AECA Award highlights the importance of using digital channels and corporate websites to disseminate corporate and financial information, as well as social and environmental responsibility.
- Last year, Ercros improved its score in the Reporta report to 55 points (54 points in 2022), five points above the average of the companies under review. This report deals with the quality of the information that the companies in the Madrid Stock Exchange's General Index make available to shareholders on the day of their general meeting. This score is achieved by analysing 36 indicators, grouped into four principles: transparency, engagement, relevance and accessibility.

In 2023, 364 requests for information from shareholders have been responded to

(v) Media

- Press releases are the main tool for contact with the media. In 2023, the Ercros Group prepared 170 press releases, of which 119 were sent to the media (92 in 2022) and 116 were uploaded on the corporate website. As mentioned in section (ii) above, the increase in the number of press releases is a consequence of the increase in initiatives and activities of the Ercros Group and other entities and administrations with links to the company.
- The press conference to announce the annual results for 2022, given by the chairman and CEO of Ercros, Antonio Zabalza.
- Conducting interviews, responding to requests for information and writing articles were other activities carried out in the interest of information transparency.

(vi) Neighbours

- Announcements of general or local interest, that are distributed by the factories to their external stakeholders. In 2023, a total of 80 notifications were submitted by all plants (68 in 2022).
- As part of the collaboration with the Aranjuez Sostenible association, the safety, health and environment committee of the Aranjuez plant took part in a tour organised as part of the EcoAranTajo programme. Representatives from the environmental association explained the problems affecting the river and its surroundings.

(vii) Administration

- The visit of the Director General of Industry of the Catalan Government to the Vila-seca I and Vila-seca II plants, to see the facilities at both centres and the projects that the Group is planning as part of the 3D Plan.
- The visit of technicians from the Cerdanyola and Ripollet town councils to the Cerdanyola factory to see how the centre operates and to offer the services that these councils provide to businesses in the area.
- The visit of the mayor, the councillor for economic development and the chairman of Cerdanyola Empresarial to the factory in this town, as part of the open day organised by this centre.
- The visit of the director of economic policy of the Government of Aragon and the director of the Aragonese Development Institute to the Monzón factory to tour its facilities.

(viii) Clients

In 2023, the Ercros Group participated in three of the most important international trade fairs in its sector held in Barcelona. Under the umbrella of Feique, the company took part in Expoquimia, a trade fair for the chemical industry. It had its own stand at the CPHI international pharmaceutical fair, showcasing its portfolio of active ingredients, in particular the new antibiotics gentamycin and vancomycin. It also had its own stand at the Piscina & Wellness trade fair, where it presented a new, more sustainable packaging for TCCA tablets [see chapter 15, sections 5 and 6].

Ercros participates in the most important fairs in its sector

Furthermore, company personnel attended the most important trade fairs, conferences and meetings.

The chlorine derivatives division took part in the following trade fairs and business days: Spatex UK, in Coventry (UK); Aquanale, in Cologne (Germany); Pool & Spa, in Las Vegas (USA); Construmat, in Barcelona (Spain); Smagua, in Zaragoza (Spain); Annual Bioplastics Forum, in Brussels (Belgium); Sustainability Forum and Vinylplus General Assembly, in Florence (Italy); Single-Serve Capsules Meeting, in Barcelona (Spain); Spanish Association of Swimming Pool Professionals ("Asofap") meeting, in Madrid (Spain); European Petrochemical Association ("EPCA") meeting, in Vienna (Austria); and the conference "Africa: Business Opportunities for Chemical Companies" in Barcelona, organised by the Catalan Government.

The intermediate chemicals division participated in the following sectoral events: ISH trade fair for heating and air conditioning in Frankfurt (Germany); Nuremberg Coating Show in Düsseldorf (Germany); Sicam trade fair for components and technology for the furniture industry in Pordenone (Italy); Paints and Coating show in Barcelona (Spain); International Society of Explosives Engineers ("ISEE") meeting in San Antonio (USA); European Phenolic Resins Association ("EPRA") conferences in Amsterdam (Netherlands) and in Palma de Mallorca; European Petrochemical Association ("EPCA") conference in Berlin; and Formacare meetings in Deidesheim (Germany) and Bologna (Italy).

The pharmaceuticals division took part in the following trade fairs: Drug, Chemical and Associated Technologies ("DCAT") in New York (USA); CPHI in Shanghai (China); CPHI in New Delhi (India); EuroPLX 83 in Vienna (Austria); and Farmaforum in Madrid.

16.4 Audits

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

The external auditor 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 corporate governance report and in the directors' remuneration report and reviews that the Group presents the statement of non-financial information as part of the directors' report, within the context of the audit of the financial statements for the year.

The SNFI is verified by Bureau Veritas, in accordance with Spanish Law 11/2018 of 28 December 2018 and EU Regulation 2020/852. This company also verifies the CSRR and assesses the degree of compliance with the Guidelines for the application of corporate social responsibility in the chemical and life sciences sector. On each occasion, it has awarded an "excellent" rating.

Aenor is Ercros' usual certifying body. It accredits the company's sustainability and governance management systems. Aenor is the Spanish representative of the international certification network IQNet.

Annually, this company audits the proper performance of the sustainability management system (ISO 9001, ISO 14001, ISO 45001 and ISO 50001¹) in the production facilities, as well as in the sales departments and the integrated logistics and sustainable development divisions. The same organisation also verifies the greenhouse gas inventory every year, in accordance with the ISO 14064 standard.

It also reviews Ercros' compliance with the Good Corporate Governance Index ("GCGI") and, for the second year in a row, has awarded it the maximum G++ rating.

And last year, for the first time, Aenor accredited the healthy organisation management system ("Sigos") of all Ercros production sites [see chapter 12.5].

Also last year, and for the first time, Aenor awarded Ercros the certificate for the management of the system of compliance with criminal law, in accordance with the UNE 19601 standard.

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, which are particularly exhaustive and numerous in the pharmaceuticals division.

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

¹ Rina Services is the ISO 50001 auditing company for the Cerdanyola facilities.



17

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

Verification certificate



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 26 de Febrero de 2024



Silvia Edo Enrich
Verificador Jefe RSC
Bureau Veritas Certification

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

Bureau Veritas Iberia S.L.
C/ Valportillo Primera 22-24, 28108 Alcobendas - Madrid, España



1/1

17.1 Ethics and values

A. Basic level

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

Yes.

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

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

In addition, in 2023, the Ercros Group certified its criminal compliance under the UNE 19601 standard [see chapter 10.2].

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

Yes.

4th. Effective member of a business association

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

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

Yes, approved in 2018 and updated in 2023 [see chapter 9.2(b)].

B. Advanced level

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

Yes. The Company has a corporate social responsibility ("CSR") policy approved by the board of directors, which was last updated on 28 December 2020.

7th. Effective commitment to Responsible Care

Yes, since 1994.

8th. Effective commitment to aspirational principles of social responsibility

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

C. Level of excellence

9th. Public dissemination of the code of ethics

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

10th. Existence of specific training on ethical values

The Group provides specific training on ethical values to its staff and, in particular, to new employees. In 2023, 121 new hires signed the ethical code of conduct.

In addition, the Group has disseminated training videos to its employees on criminal compliance and how to prevent criminal risks.

11th. 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 compliance committee and the internal auditor, is responsible for the supervision of and compliance with the ethical code of conduct.

12th. Existence of an anti-corruption policy

Yes. The purpose of the anti-corruption and crime prevention policy is to establish the principles that govern the Ercros Group's activity in relation to the eradication of any corrupt practice of which it is aware.

17.1 Ethics and values

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

None.

14th. Effective commitment to social responsibility initiatives

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

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

Yes.

16th. Publication and presentation of a social responsibility report

Yes. The Group publishes an annual corporate social responsibility report ("CSRR").

17.2 Human resources

A. Basic level

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

None.

2nd. Existence of an equality plan

The Ercros Group has an equality plan, approved in 2022, which sets out the company's commitment to equal opportunities and its scope of application.

3rd. Existence of a human rights plan

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

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

None.

5th. Accident frequency rate among own staff

In 2023, the accident frequency rate for own staff improved and stood at 2.7, compared with 3.1 in 2022.

6th. Fatal accidents among employees

No.

B. Advanced level

7th. Accident frequency rate among contractors

In 2023 the accident frequency rate among external staff stood at 4.9 compared to 2.7 in the previous year.

8th. Existence of a prevention policy

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

9th. Fatal accidents among contractors

None.

10th. Occupational disease rate among employees

0.

11th. Application of the collective agreement

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

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

Absenteeism due to common illness was 5.3% in 2022, compared with 4.8% in 2023.

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

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

Likewise, the Ercros Group's factories validated their health organisation management system ("Sigos"), which not only covers aspects of health prevention, but also focuses on promoting a healthy lifestyle.

14th. Percent of jobs with job descriptions

All jobs have job descriptions.

15th. Satisfaction surveys every three years

Yes. In 2023, the Ercros Group carried out a psychosocial risk survey of its entire workforce. The aim was to improve situations that could affect the emotional wellbeing of the Group's employees by assessing the potential psychosocial factors affecting them.

16th. Percent of indefinite-term contracts

At the end of 2023, 95.4 % of the workforce had indefinite-term contracts (2022: 92.4 %).

17.2 Human resources

17th. Employees with performance evaluations

None.

18th. Existence of training plans

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

19th. Existence of a welcome manual for new employees

Yes. The Group provides all new hires with training that is relevant to their job position and a welcome manual that includes corporate information of general interest and specific information on the production facility where they will be working. Last year 121 new hires received the welcome manual.

20th. Training hours per employee

An average of 26.7 hours of training per employee (2022: 24.7 hours).

21st. Employee training investments and expenses

The expense incurred for training in 2023 amounted to EUR 412 thousand (2022: EUR 391 thousand), of which EUR 206 thousand came from the subsidy granted by Fundae.

22nd. Percent of employees who have received training

In 2023, 96% of the workforce (2022: 93%) received training.

23rd. Percentage of employees who are women

Between 2022 and 2023, the proportion of women in the Group's average headcount increased from 17.7% to 18.3%, reaching 18.9% by the end of December 2023.

24th. Percentage of executives who are women

Following the retirement of one female manager in 2023, the number of female managers has been reduced from six to five. Thus, women in managerial positions represent 18.3% of all executive staff (20.7% in 2022).

25th. Participation of employee representatives in training matters

Through the training committee that prepares the annual training plan. This joint committee is composed of representatives of the Ercros Group management and the employees. The training committees of the Group's workplaces held 28 meetings in 2023 (2022: 26 meetings).

26th. 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.

27th. 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

28th. Existence of talent management programmes

Given that the level of staff turnover is very low, the Group does not feel it is necessary to implement talent management programmes. However, when considered necessary, it applies active policies to retain its employees.

29th. Existence of career plans

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

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

Measures to support maternity/paternity: childbirth bonus, reduced working hours and vouchers for childcare. In 2023, 14 women and no men in the workforce had taken advantage of a reduction in working hours to care for dependants (ten women and no men in 2022).

17.2 Human resources

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

31st. Programmes to promote telecommuting

The Group has an agreement with employee representatives concerning teleworking. It regulates the conditions under workers may avail themselves of this form of work.

In 2023, 6% of the Group's workforce continued to telecommute, the same percentage as in the previous year.

32nd. Work-life balance policy

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

33rd. Existence of contractor training programmes

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

34th. Hours of contractor training

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2023 the staff of these companies received 1,363 hours of training (2022: 1,277 hours).

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

The whistle-blowing channel procedure implements the mechanism by which complaints can be filed regarding alleged breaches of the ethical code of conduct. In 2023, the new digital platform was launched, allowing complaints to be submitted via the company's website.

In 2023, five complaints was submitted to the whistle-blowing channel, one of which was accepted for processing (in 2022 one complaint was submitted through this channel).

36th. Existence of a diversity management policy

Yes, the Equality Policy and the board's diversity policy.

37th. Existence of measures to support studying

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

38th. Existence of repayable advances

Yes, there is the possibility accessing repayable advances.

39th. Existence of pension plans

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

40th. Existence of life and accident insurance

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

41st. Existence of health insurance

Yes. In 2023, a total of 1,018 people (455 employees and 563 family beneficiaries) were members of the Group's health group.

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

Yes. See table "2023 prevention campaigns" in chapter 12.8.

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

Yes. See chapter 13.7.

44th. Existence of transport bonuses or supplements

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

45th. Existence of maternity/paternity support measures

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

46th. Existence of employee stock options

No.

17.2 Human resources

47th. Employee volunteering activities and programmes

Yes, the Group and its employees collaborate with the UNICEF, Fundación Seur, Red Cross, Caritas and Food Bank.

48th. Existence of a contingency plan

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

17.3 Shareholders and investors

A. Basic level

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

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

2nd. Identification of responsible parties

The Group has a shareholder's office with a dedicated manager, which is the channel established by Ercros to channel dialogue and relationships with shareholders, analysts, investors and the market in general.

3rd. Degree of compliance with the CGG

In 2023 the degree of compliance with the recommendations contained in the corporate governance code for listed companies applicable to the Group stood at 96.2% (the same as in 2022).

4th. Publication of the annual corporate governance report

Yes. The annual corporate governance report, which provides information on the governance of the Company and the degree of fulfilment of the Code of Good Governance recommendations.

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

In compliance with its obligations as a listed company, throughout 2023, the Group issued 35 communications on other material information (53 in 2022).

6th. Number of general shareholders meetings

On 16 June 2023, Ercros held its AGM in person. The meeting was also streamed online to facilitate shareholder participation.

7th. Attendance at the annual general meeting

The meeting was attended by 5,435 shareholders owning 72,299,735 shares, representing 74.845% of the subscribed share capital.

8th. Presentations of results achieved

Each year, two reports are presented corresponding to the Ercros Group's results in the first and second half of the year and two interim notes, with the results for the first and third quarters. The dates for the publication of results in 2023 were: 22 February, 3 May, 26 July and 8 November.

B. Advanced level

9th. Existence of a shareholder area on the website

The corporate website has a specific "Shareholders and investors" menu, which complies with the requirements of Circular 3/2015 of the Spanish National Securities Market Commission ("CNMV"), which is regularly updated with information of interest to shareholders. With the launch of the new corporate website, the content of this menu has been expanded to include digital tools of interest to the public.

10th. Existence of specific shareholder relations systems

The Group has a shareholder's office with a dedicated manager, which is the channel established to channel dialogue and relationships with shareholders, analysts, investors and the market in general through relevant announcements and handling queries and resolving doubts about the company.

C. Level of excellence

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

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

12th. Existence of periodic newsletters for shareholders

No.

The Company personally sends information of interest about the Ercros Group to those shareholders who request it through a form available on the website. Throughout the year the shareholder office responded to 364 requests for information (2022: 408 requests). It also sent 35 personalised information notes by post or email (48 in 2022) to the 298 shareholders (same number as in 2022) who requested them through the corresponding form.

17.3 Shareholders and investors

13th. Existence of regular meetings.

Yes. In 2023 the Group held 11 meetings with analysts and investors, largely fund managers (2022: 12 meetings).

14th. Existence of mechanisms to encourage participation

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

15th. Inclusion of the Ercros Group in sustainability ratings

Since 2013, the Ercros Group has been participating in the EcoVadis CSR rating (with a rating of 85 out of 100 in 2023) and since 2021, in the Lighthouse ESG rating of the IEAF, with a rating of 80 out of 100.

17.4 Environment

A. Basic level

1st. Existence of an environmental/sustainability policy

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

2nd. Commitment to pollution prevention

Yes. Certification under the UNE-EN ISO 14001:2015 (ISO 14001) standard, certifying the implementation of an environmental management system that promotes the protection of the environment and the prevention of pollution. Since April 2009, all the Group's industrial facilities have been certified in accordance with this standard.

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

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

4th. Convictions and serious sanctions

No, See chapter 11.6: Litigation and sanctions.

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

0 euros.

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

In 2023 there were no incidents or accidents at the Group's factories with environmental consequences.

B. Advanced level

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

Yes, 100%.

8th. Environmental protection investments and expenses

Total investments in safety and environment in 2023 amounted to EUR 10,822 thousand (2022: EUR 9,792 thousand).

The expenses incurred by the Group for the protection and improvement of the environment in 2023 amounted to EUR 19,121 thousand (2022: EUR 21,362 thousand). The majority of these expenses corresponded to activities carried out in compliance with environmental regulations on reducing emissions and soil remediation.

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

In 2023 each employee received an average of 10.7 hours of training on safety and the environment (2022: 9.8 hours).

10th. Water consumed per tonne produced

Water consumption was 8.62 m³ per tonne produced in 2023 (9.33 m³/t in 2022).

11th. Energy consumed per tonne produced

The consumption of electricity and other fuels in 2023 was 4.92 GJ per tonne produced (2022: 5.07 GJ/t).

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

In the absence of external verification, in 2023 the Ercros Group emitted 0.262 tonnes of CO₂eq per tonne produced (2022: 0.285 tonnes of CO₂eq/t) (including scope 1 and 2 emissions).

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

In 2023 the Ercros Group emitted 0.00013 tonnes of NOx per tonne produced, just like in 2022.

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

In 2023, the Ercros Group emitted 0.00002 tonnes of SO₂ per tonne produced. In 2022, the Ercros Group emitted 0.00003 tonnes of sulphur dioxide per tonne produced.

17.4 Environment

15th. Tonnes of suspended solids emitted per tonne produced

In 2023 the Ercros Group emitted 0.00009 tonnes of suspended solids per tonne produced. In 2022 the Ercros Group emitted 0.000016 tonnes of suspended solids per tonne produced.

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

In 2023 the Ercros Group emitted 0.00077 tonnes of VOC per tonne produced (2022: 0.00062 t/t).

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

In 2023 the COD of the Ercros Group's discharges was 0.00036 tonnes per tonne produced (2022: 0.00041 t/t).

18th. Tonnes of heavy metals discharged per tonne produced

In 2023 the Ercros Group emitted 0.0000008 tonnes of heavy metals per tonne produced. In 2022 the Ercros Group emitted 0.0000016 tonnes of heavy metals per tonne produced.

19th. Tonnes of phosphorus discharged per tonne produced

In 2023 the Ercros Group emitted 0.000004 tonnes of phosphorus per tonne produced. In 2022 the Ercros Group emitted 0.000006 tonnes of phosphorus per tonne produced.

20th. Tonnes of nitrogen discharged per tonne produced

In 2023 the Ercros Group emitted 0.000046 tonnes of nitrogen per tonne produced, the same as in 2022.

21st. Total tonnes of waste generated per tonne produced

In 2023 the Ercros Group generated 0.024 tonnes of total waste per tonne produced (2022: 0.044 t/t).

22nd. Tonnes of hazardous waste generated per tonne produced

In 2023 the Ercros Group generated 0.0077 tonnes of hazardous waste per tonne produced (2022: 0.0074 t/t).

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

In 2023 the Ercros Group's recovered waste accounted for 12.8% of the total waste generated (2022: 6.6%).

24th. Description of recovery projects

See chapter 11.7 a).

C. Level of excellence

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

The Ercros Group collaborates on programmes to protect habitats and biodiversity in areas adjacent to its production facilities or directly linked to its industrial activity: Patronato del Espai Natural de Sebes (Flix); agreement with the Fundació CRAM; agreement for the recovery of the Vall Salina of Cardona; adherence to the Operation Clean Sweep programme ("OCS") [see chapter 11.7 b)].

17.5 Supply chain/suppliers and contractors

A. Basic level

1st. Existence of control mechanisms for raw material records

The Ercros Group checks that the uses of the products it manufactures are included in the exposure scenarios ("ES") of the safety data sheets ("SDS") supplied by the raw materials suppliers.

B. Advanced level

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

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

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

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

4th. Existence of supplier/contractor assessment procedures

Yes. 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.

C. Level of excellence

5th. Description of success stories

Success stories are described in chapter 14.3 e).

6th. Supplier/contractor audits

The integrated logistics division conducted follow-up audits on external transport and storage companies and suppliers of raw materials, containers and packaging.

83% of the Group's purchases from suppliers were analysed by the Refinitiv World-Check software tool, which makes it possible to screen customers and suppliers in advance for issues related to corruption, bribery or financial crime.

7th. Hours of training for suppliers/contractors

The staff of the contractors who frequently work at the workplaces also receive training from the Ercros Group. Throughout 2023 the staff of these companies received 1,363 hours of training (2022: 1,277 hours).

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

Six of the ten plants of the Ercros Group participate through the Tarragona Chemical Business Association ("AEQT"), the Associació d'Empreses de Serveis de Tarragona ("AEST") and Fedequim in a platform that includes many of the companies in Tarragona and Barcelona that serve the chemical industry.

9th. Existence of intranet for suppliers/contractors

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

The Ercros Group provides its suppliers with a whistle-blower channel where they can report any unlawful act or breach of the ethical code of conduct, or any situation of fraud or irregularities in the procurement process.

10th. Working group meetings

Each factory has an inter-company committee formed by representatives from the facility and the companies that provide services, which coordinates actions between the Group and the suppliers with regard to prevention, the accident rate, management procedures or training plans. In 2023 the inter-company committees held 28 meetings (2022: 24 meetings).

17.6 Customers and consumers

A. Basic level

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

None.

2nd. Existence of confidentiality or 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.

3rd. R&D expenses

In 2023 investments and expenses related to innovation and technology amounted to EUR 6,552 thousand (2022: EUR 6,658 thousand).

4th. 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.

5th. Accidents per tonne transported

No accident occurred in 2023.

B. Advanced level

6th. Existence of a customer care service

Yes, the customer service centre ("CSC").

7th. Claim rate

In 2023 the complaints rate was 0.32% (2022: 0.24%). As a result, the percentage of satisfactory deliveries was 99.68%.

8th. Customer satisfaction surveys

Yes. The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2023, 647 customer surveys were sent with a response rate of 29% (2022: 297 surveys).

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

100% [see chapter 14.4 c)].

10th. Safety data sheets on products sold

Yes. The Group has SDS for all products manufactured and for the products and mixtures that it sells in the languages of the EU requested by the sales departments and the CSC, in accordance with the European Reach regulations, on the registration, evaluation and authorisation of chemical substances, and CLP, on classification and labelling of substances, which oblige companies to register the production and sale of certain chemical substances.

C. Level of excellence

11th. Life cycle analysis of the main products

Yes. The life cycle assessment ("LCA") of PVC resins was performed in 2023 and work was carried out on formaldehyde and polyols. The LCA of producing hydrogen, ammonia and products from Cerdanyola and Almussafes will start in 2024.

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

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

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

The Ercros Group is a member, through Feique, of a collaboration agreement on explosive precursors, promoted by the Secretary of State for Security of the Ministry of the Interior; it signed the code of conduct of the main EU manufacturers of sodium chlorate and hydrogen peroxide; and collaborates with the Organisation for the Prohibition of Chemical Weapons ("OPCW").

17.6 Customers and consumers

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

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

15th. Portal or area for consumers and customers

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

16th. Existence of an accessibility policy and actions

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

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

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

Yes. Adaptation of formulas to the specific demands of the TCCA tablets for the swimming pool water treatment. Development of sustainable solutions in the manufacture of biopolymers, ErcrosBio. Expansion of the PVC compounds palette to manufacture rigid products by injection and rotational moulding. Manufacture of new grades of PVC-based materials using post-consumer recycled PVC. Development of rigid and flexible PVC-based materials suitable for additive manufacturing (3D printing) by powder bed fusion. Diversification of the offer of resins related to the ErcrosGreen+ and ErcrosTech brands. Development of new moulding compound formulations with improved mechanical properties to meet different market needs. Modification of pharmaceutical manufacturing processes to offer particle sizes adapted to the specific needs of clients.

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

Yes. The purchase of 34% recycle pallets. Reconditioning of 129,000 kilos of wood recovered from pallets. Reduction of packaging thickness and the incorporation of recycled material into plastic packaging [see chapter 14.3 e)].

19th. Description of success stories about distribution efficiency

Yes. The Ercros Group follows product distribution procedures that meet the maximum safety guarantees and minimise environmental impact [see chapter 14.3].

17.7 Contribution to and cooperation with society

A. Basic level

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

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

B. Advanced level

2nd. Direct jobs generated

In 2023 the Ercros Group's average headcount was 1,334 people.

3rd. Indirect and induced jobs generated

The Ercros Group's activity is estimated to have generated 4,131 indirect and induced jobs in 2023 [see chapter 15.3].

4th. Total employment generated/employed in the municipality

The employment generated by the Ercros Group represents an average of 3% of the active population of the municipalities in which its production facilities are located.

5th. Billings/sales

In 2023, the Group's revenue from product sales amounted to EUR 707,214 thousand, which was down 29.2% on the previous year's figure of EUR 998,532 thousand.

6th. Value of total investments made

In 2023 the investments made amounted to EUR 27,659 thousand (2022: EUR 49,493 thousand).

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

In 2023 the Group paid the public authorities EUR 27,450 thousand in relation to taxes, fees and social security contributions.

8th. Displaced or resettled populations

None.

9th. Integration initiatives implemented

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

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

See chapters 11.2 and 11.7.

C. Level of excellence

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

In 2023 the value of sponsorships per employee was EUR 76.7 (2022: EUR 70.7).

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

Not applicable.¹

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

None.

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

Accreditation of the Group's workplaces as a healthy organisation ("Sigos"). Epidemiological studies on the most frequent pathologies occurring. Sponsorship and promotion of sporting activities among company personnel [see chapter 15.4 c)].

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

Purchases made from special employment centres and/or job placement companies, for a value of EUR 288,531 (2022: EUR 291,508 thousand).

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

See chapter 15.4 b).

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

17.7 Contribution to and cooperation with society

17th. Existence of training programmes for the local community

The production facilities have agreements with local academic centres to hire interns [see chapter 12.7].

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

The Ercros Group has signed 30 agreements with educational centres to conduct employment training at its workplaces, including dual education courses. In 2023, a total of 69 students took advantage of this possibility (64 students in 2022).

The Ercros Group maintains collaborative ties with the educational community and research centres, and supports other organisations [see chapter 15.4 d)].

19th. Activities carried out with the media

Yes. In 2023, the Ercros Group prepared 170 press releases, of which 119 were sent to the media (92 in 2022) and 116 were uploaded on the corporate website.

20th. Activities carried out with public authorities

Yes. See chapter 16.3 b) (vii).

21st. Activities carried out with legislative chambers

Yes. See chapter 16.3 b) (vii).

22nd. Activities carried out with business organisations

Yes. See chapter 15.7.

23rd. Activities carried out with trade unions

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

Contributions to company groups amounting to EUR 72,513 thousand.

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

24th. Activities carried out with consumer and user organisations

Yes. Through the AEQT.

25th. Activities carried out with environmental groups

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

26th. Activities carried out with professional organisations

Through the business organisations in which it participates [see chapter 15.7].

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

Yes. See chapter 15.4 e) and 15.6.

28th. Activities carried out with neighbouring companies

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

29th. Activities carried out with neighbourhood associations

By sending information and documentation of interest from the Ercros Group [see chapter 16.3 b) (vi)].

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

Sponsorship and cooperation actions with: the basketball, chess and athletics clubs in Almussafes; the Aranjuez Sostenible organisation in Aranjuez; the Forat del Vent charity run and the Cerdanyola Talent Factory in Cerdanyola; the La Canonja football club, the Joaquín Costa cycling club and the Sant Pere i Sant Pau volleyball club in Tarragona; the music school and the Sebes natural space in Flix; the photographic group Apertura and the Templaria run, in Monzón; the Ibón ballet school, the Peña La Murga football club and the Edelweiss cycling club, in Sabiñánigo; and the Reto Experimenta en el Aula, Feria Expoebre and the Unió Esportiva Campedró, in Tortosa; and the archaeological walk, Salt footsteps, in Cardona.

17.8 Communication and dialogue

A. Basic level

1st. Existence of a person with assigned communication functions

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

2nd. Existence of a corporate publication

The quarterly internal newsletter of the dialogue improvement plan, which contains information about the Group and serves as a script for cascade meetings. In 2023, the newsletter includes a link to the training video shorts. There is also a new section with information on the progress made in transforming production processes in the field of digitalisation.

3rd. Existence of a website

Yes, www.ercros.es. Renewed in 2023.

4th. Existence of an internal communication procedure

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

B. Advanced level

5th. Existence of a website in Spanish

The corporate website is in Spanish, English and Catalan.

6th. Publication of the annual report

Every year, the Ercros Group presents the economic and financial report, the corporate governance report, the report on director remuneration, the corporate social responsibility report and the statement of non-financial information [see chapter 16.2].

7th. Issuance of public announcements

Announcements of general or local interest, that are distributed by the factories to their external stakeholders. In 2023 an average of 15 briefing notes per factory were issued (2022: 8.5 briefing notes).

8th. 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 hotline procedure ("LAP"). In 2023, two communications were received through this channel.

Internally, the suggestions competition, which channels and rewards suggestions for improvement proposed by staff. In 2023, 34 suggestions were submitted (35 in 2022), seven of which were part of a special competition for water-saving ideas.

9th. Existence of recorded internal meetings

The dialogue improvement plan, a tool to promote internal communication through cascade meetings involving all staff. In 2023, 776 meetings were held with a participation of 4,177 people.

C. Level of excellence

10th. Regular publication of a sustainability report or CSRR

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

11th. Existence of a regular external newsletter

Since 2014, the Ercros Group has had a digital newsletter, which can be requested through the corporate website and allows recipients to periodically receive the most relevant news published by the Ercros Group [see chapter 16.3 a)].

12th. Organisation of external open house days

A total of 24 group visits to the Ercros Group's production centres were held (17 visits in 2022), with the participation of 892 people.

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

The public service hotline procedure [see chapter 16.3 b) (i)].

14th. Existence of a public advisory panel

Through the Feique and the AEQT.

17.8 Communication and dialogue

15th. Description of CSR campaigns

The Ercros Group carries out several social responsibility campaigns each year [see chapter 15.4].

16th. Regular opinion surveys

The sales department of each business area periodically conducts surveys to determine the degree of customer satisfaction. In 2023, 647 customer surveys were sent with a response rate of 29% (2022: 297 surveys).

17th. Use of 2.0 tools

The use of 2.0 tools, such as Vimeo, SharePoint, Success Factors and LinkedIn.

18th. Existence of an intranet or staff area

The Ercros Group uses Success Factors, a human resources management tool available to all staff. This tool allows access to information related to human resources management, both of the employees themselves and of the Group in general.

The employees have access to a virtual notice board hosted on the Group's server, which performs the functions of an intranet and is freely accessible to staff.

19th. Existence of a regular internal newsletter

The newsletter associated with the dialogue improvement plan. Four newsletters were published in 2023 (the same number as in 2022).

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

The open house for family and friends of the workers at the Cerdanyola and Almussafes factories, which brought together more than 60 and 15 visitors, respectively.

18 / RESPONSIBILITY FOR THE STATEMENT OF NON-FINANCIAL INFORMATION



18. Responsibility for the statement of non-financial information

The purpose of this certificate is to place on record that the board of directors of Ercros, S.A., at its meeting held on 23 February 2024, approved the Ercros Group's statement of non-financial information for the year ended 31 December 2023.

This statement of non-financial information forms part of the management report of Ercros, S.A. and of the consolidated Group, prepared in electronic format eXtensible HyperText Markup Language (XHTML), all in accordance with the Single European Electronic Format (SEEF) established by Directive 2004/109/EC and Delegated Regulation (EU) 2019/815.

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

The directors of the company, whose names appear above their signatures, declare that the formulation of this statement of non-financial information provides a detailed explanation of the corporate social responsibility practices of the Ercros Group.

All the appointments of the Directors are in force at the date of this certificate.

Barcelona, 23 February 2024

Antonio Zabalza Martí
Chairman and CEO

Carme Moragues Josa
Member

Lourdes Vega Fernández
Member

Laureano Roldán Aguilar
Member

Eduardo Sánchez Morrondo
Member

Joan Casas Galofré¹³
Member

Daniel Ripley Soria
Non-director Secretary

¹³ In accordance with Article 253.2 of the Spanish Companies Act, on the following page the director Joan Casas states the reason for the absence of his signature.

El consejero Joan Casas Galofré está en desacuerdo con la aplicación del resultado del ejercicio por los siguientes motivos:

- El resultado del ejercicio 2023 justifica un payout del 50% del beneficio, según la política de remuneración al accionista, aprobada por la junta general de 11.06.21 para los ejercicios 2021-2024, y de forma coherente con lo que ha venido siendo la práctica de la Sociedad en los ejercicios en que ha habido un resultado que ha cumplido las condiciones para la retribución.


- En relación con lo anterior, debe recordarse que aunque parcial, la aplicación de la Sentencia del Tribunal Constitucional 11/2024 incrementa el resultado, pero supone en realidad incorporar al beneficio del ejercicio 2023 unos resultados procedentes de otros ejercicios que debieron haber sido disfrutados por los accionistas de no haber sido por la promulgación de la norma declarada inconstitucional, de modo que resulta justo y coherente que el accionista perciba ahora el resultado agregado que habría percibido de no haber existido la norma inconstitucional.

- La recompra de las acciones (que es uno de los instrumentos de reparto del payout, de acuerdo con la política de remuneración al accionista) debería iniciarse de inmediato, de modo que las acciones propias adquiridas sean amortizadas en la junta general ordinaria de 2024, de previsible celebración en junio de 2024, tal y como ha venido sucediendo en el pasado y en coherencia con la política de remuneración al accionista. En este sentido, la propuesta de recompra que se hace (a partir del mes de julio 2024, con previsión de amortización en la junta general ordinaria de 2025) no supone en realidad el reparto del payout resultante del ejercicio 2023, toda vez que la amortización de las acciones adquiridas se pospone a 2025, cuando la política de la remuneración al accionista exigiría su amortización en la junta de 2024, que es cuando se materializa el reparto del payout relativo al resultado de 2023. En realidad, por tanto, el payout relativo a 2023 se limita al dividendo, de modo que el porcentaje propuesto es de solo el 23%. Las recompras de acciones propuestas para el segundo semestre 2024 corresponderán a la retribución por ese ejercicio, no para el resultado de 2023.

El consejo de administración de Ercros no permite a este consejero firmar las cuentas con esta salvedad.

Barcelona, 27 de febrero de 2024.

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por CASAS GALOFRE
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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

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

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

Polígon 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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