

Management Focus



II.1 THE INTEGRATED MANAGEMENT SYSTEM: QUALITY AND ENVIRONMENT

The Baux Group has implemented an Integrated Management System (hereinafter, IMS) which has allowed it to combine two systems that had previously been managed separately: Quality and Environment. The two systems are based on UNE-EN ISO 9001 and UNE EN- ISO 14001, respectively. The objective is to optimize resources and maximize results with an approach based on innovation, continuous improvement, and sustainable growth for the Group.

Thanks to the implementation of the IMS, the Group has been able to combine its quality and environment objectives, creating synergies and reducing costs, optimizing resources and improving efficiency and productivity. In short, simplifying these processes has led to improved company efficiency and performance and improved stakeholder satisfaction.

As part of the implementation of the IMS, the Group has identified the different activities that are carried out, establishing what can be referred to as a “process-based approach.” The Group distinguishes between three levels: strategic, key or operational, and support processes.

The process-based approach allows the Baux Group to identify its critical processes, manage the processes with the people responsible for them, and assess performance. The results obtained from these processes are reviewed by Management, which sets the appropriate goals and indicators to keep the focus on continuous improvement. The challenge lies in working from the requirements of customers and other stakeholders to ensure that they are as satisfied as possible while also protecting the environment with employee talent and cutting-edge techniques.



II.2 A COMMITMENT TO SUSTAINABILITY AND FUTURE GENERATIONS

In the 2018 financial year, the BAUX Group made the decision to set more ambitious sustainability goals, and within that framework, it created the Corporate Social Responsibility Committee. The Group's goal is to work with all stakeholders on defining the company's sustainability goals and create a plan of action to achieve them. The company is aware that understanding stakeholder expectations is a top priority. Only from this understanding can the Group provide consistent responses in line with its business goals and also have a better economic, social, and environmental impact.

The Group understands it needs to adapt its strategy to new trends, consumption habits, and regulatory contexts within the social, environmental, and transparency and corporate ethics spheres. It therefore wishes to continue committing to its circular business model and Recycling operation

It wants to advance and improve the sustainability of its business model and products. The younger generations, who are keenly socially and environmentally contentious, are the labor force of the future, the consumers of the future, the business partners of the future, and the corporate leaders of the future. The Baux Group believes in the need to make a commitment to them, a commitment it wishes to demonstrate by aligning its business with the goals set by the industry and the 2030 Agenda's Sustainable Development Goals.

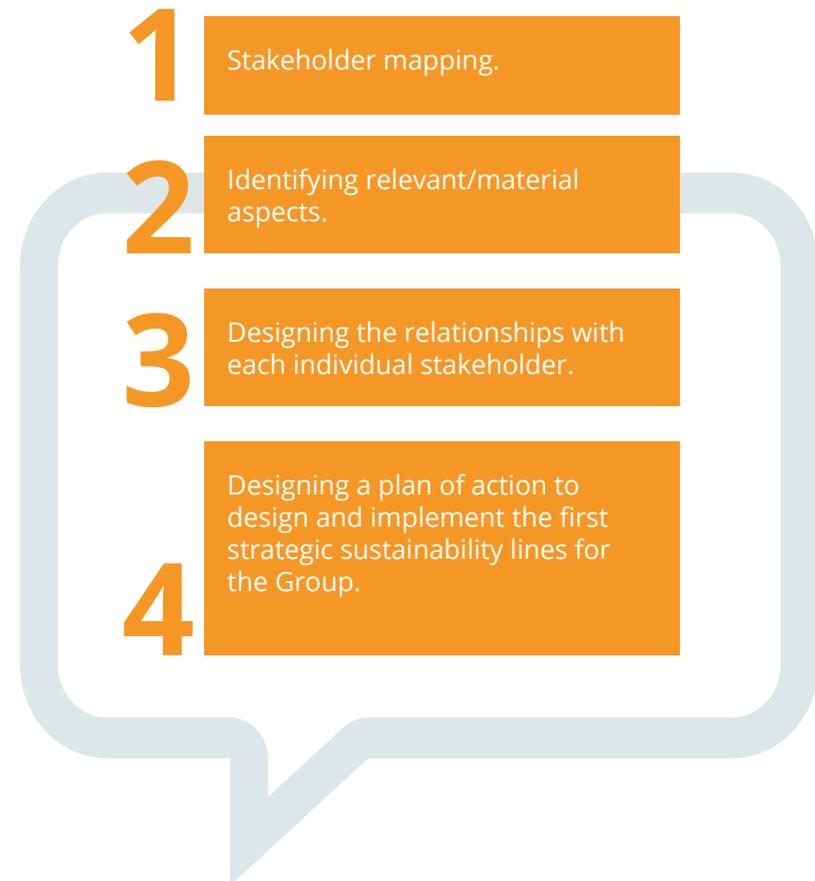


II.3 FORMALIZE AND IMPROVE DIALOG WITH STAKEHOLDERS

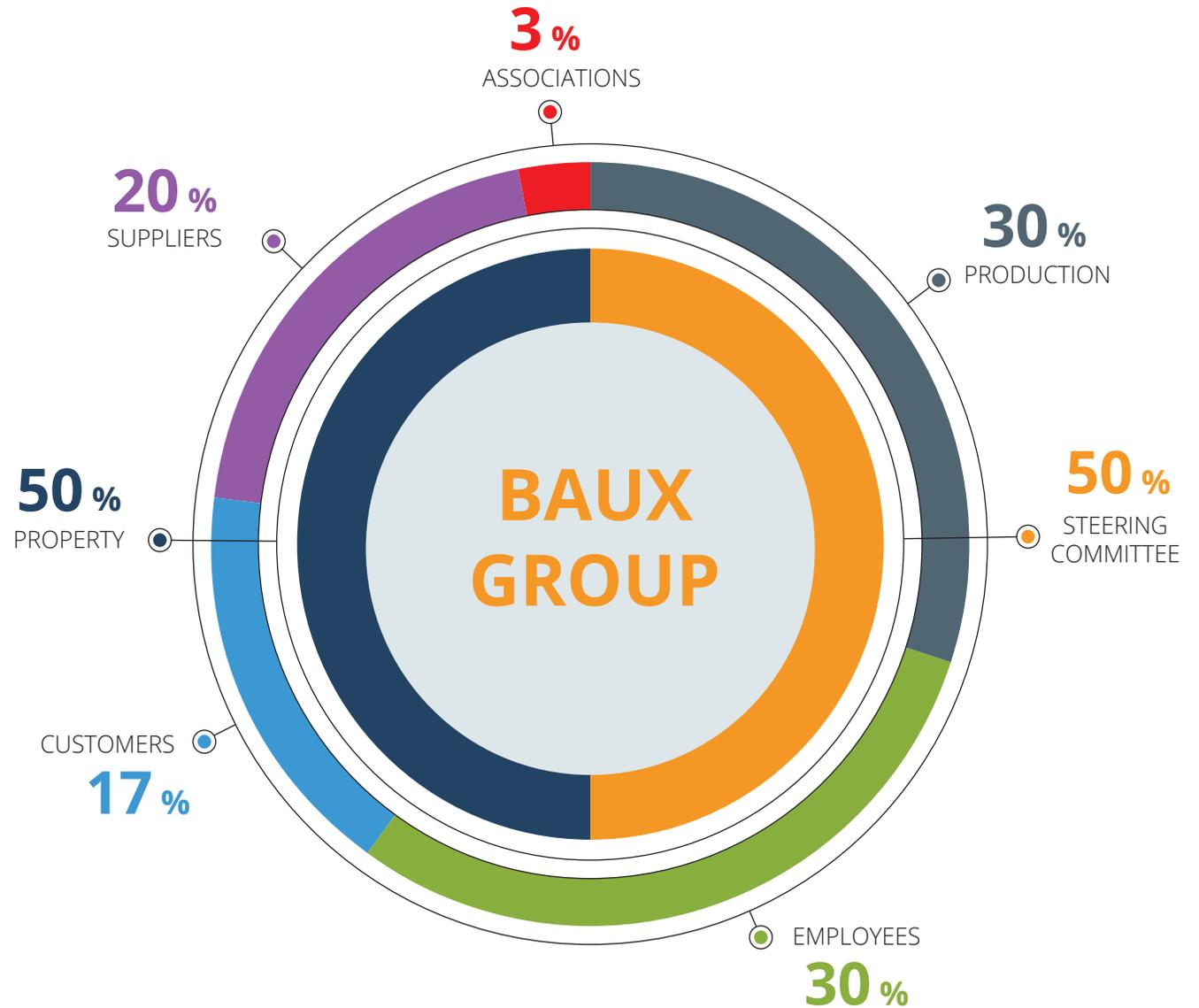
2019 entailed a shift in the Baux Group's focus as it decided to extend its commitment to sustainability beyond its original commitment to the environment. Within this framework, the Group has worked to reinforce the foundations of open, transparent, collaborative, long-lasting dialog based on mutual trust with different stakeholders. It has two goals: on the one hand, to systematize relationships with stakeholders and, on the other, to create a corporate culture that values dialog as a way to ensure more sustainable performance.

The Group understands stakeholders to be any individual, group of individuals, or organization that affects or may be affected by the activities, products, services, and actions of the company.

The dialog model is structured into four stages that were designed with a focus on continuous improvement at all levels:

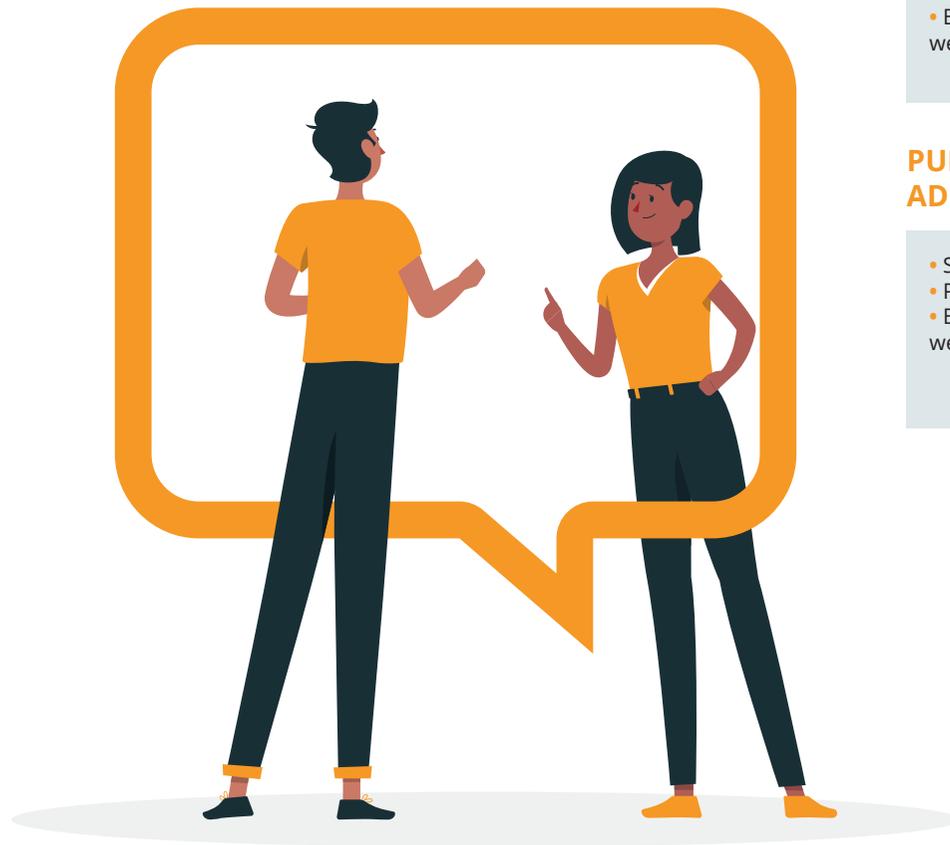


In 2019, stakeholders were initially identified and selected with a number of internal processes involving executive teams and members of the Corporate Social Responsibility Committee. The value chain configured by the Group's businesses led to a number of different selections, so the Baux Group decided to start working with the stakeholders shared between the two business areas (recycling and coating) and those specific to the Segorbe plant. The Group plans to expand this dialog model to stakeholders specific to the Elche de la Sierra plant in 2020.



As it identified these stakeholders, the Group designed a relationship model for each stakeholder. The goal is to continue feeding these channels and improve stakeholder participation in them.

These are the main dialog channels with the Baux Group's most important stakeholders:



PROPERTY

- Sustainability report
- CRS Surveys
- Individual Meetings
- Steering Committee Meetings

OUR PEOPLE

- Sustainability report
- CRS Surveys
- Focus Group
- Works council meetings
- Canal de denuncias

CUSTOMERS

- Sustainability report
- CRS Surveys
- Satisfaction survey
- Customer Service
- Annual Meetings
- Baux Group corporate website

SUPPLIERS

- Sustainability report
- CRS Surveys
- Annual Meetings
- Baux Group corporate website

BUSINESS ASSOCIATIONS

- Sustainability report
- CRS Surveys
- Public information
- Baux Group corporate website

CIVIL AND SOCIAL ASSOCIATIONS

- Sustainability report
- CRS Surveys
- Public information
- Baux Group corporate website

PUBLIC ADMINISTRATIONS

- Sustainability report
- Public information
- Baux Group corporate website

EDUCATIONAL AND RESEARCH CENTERS

- Sustainability report
- Annual Meetings
- Public information
- Baux Group corporate website

COMMUNITY / OTHERS

- Sustainability report
- CRS Surveys
- Public information
- Baux Group corporate website

II.4 MATERIALITY

The Baux Group is committed to transparently reporting on its sustainability performance.

In 2019, in collaboration with its stakeholders, the Group conducted its first materiality assessment. This assessment allows the company to identify current environmental, social, and governance risks and opportunities. Identifying the material aspects will allow the Group to prioritize its actions and allocate resources to set goals for each of them and define a plan of action to achieve them.



BAUX GROUP MATERIALITY MATRIX

EXTERNAL ASSESSMENT



INTERNAL ASSESSMENT

The most significant aspects identified by the assessment with the stakeholders are:

- Good Governance And Ethical Conduct
- Environmental Management
- Occupational Health And Safety
- Circular Economy
- Economic And Financial Performance
- Innovation And New Business Opportunities
- Adaptation To And Fight Against Climate Change

The aspects of medium importance are:

- Sustainable And Efficient Supply Chain (transparent/traceable)
- Operational Efficiency
- Equality And Diversity
- Image And Reputation
- Work Environment
- Protection Of Human Rights

Aware that proactive risk management is going to help the Group foresee risks and transform them into opportunities to ensure strategic objectives are achieved, the Group is taking on risk management to preserve and maintain the value it creates and share that value with different stakeholders. Stakeholders have the potential to create significant risks for the Group if their needs and expectations are not met. To prevent this to the extent possible, a risk management system was implemented at all levels of the business.

Within the risk management system, the integrated management system (hereinafter, IMS) acts as an incredibly valuable tool for the Baux Group to have an accurate vision of the operational, environmental, and occupational risks that may affect it. Based on the UNE-EN ISO 9001, UNE-EN ISO 14001, and ISO 45001 management standards, the Group focuses on continuous improvement guaranteed by review and oversight from external third parties.

Through a collaborative process, the Group identifies, assesses, and mitigates risk periodically. Within the framework of its procedure, the Group analyzes potential risks and opportunities in each stage of each process and considers a wide variety of aspects. Both risks and opportunities are assessed based on their severity and probability of occurrence.

For significant risks, an action is implemented to eliminate the risk or reduce it to an acceptable level. In the case of opportunities identified as significant, the purpose of the defined action is to create the appropriate context to make the most of said opportunity.

A monitoring system was designed to track all changes to the risk and/or opportunity.

To round out this tool, in 2019, the Group worked internally with its stakeholders on the materiality assessment considering social, environmental, and governance risks.



II.5 BUSINESS MODEL BASED ON THE CIRCULAR ECONOMY AND INNOVATION

A Circular and Sustainable Model

The Baux Group's commitment to sustainability is at the core of its business and day-to-day activity: the production of 100% of its products from recycled aluminium. In its different production plants, the company gives new life and new uses to everyday products like soda cans, windows, radiators, etc. By doing so, it contributes to managing existing natural resources in a more sustainable way.

In 2018, the Group received the UNE-EN 14021 certificate, guaranteeing that the minimum recycled content in its products was 99.5%, affording the company a competitive advantage in its products' end markets.



2019, the Group decided to extend its commitment to sustainability to the rest of the company's areas and processes. It did this while:



Remaining committed to employees' personal and professional development, designing work-life balance measures and measures to promote equal opportunities.



Minimizing the environmental impact of the company's operations by using electricity from 100% renewable resources, focusing on continuous improvement, fulfilling ISO 14001 requirements, and following the standards set out in the Kyoto Protocol.



Promoting and supporting the communities around the Group with collaborations with governmental agencies.

An Innovative Production System

It is thanks to an innovative production system and an efficient distribution chain that the Baux Group has been able to strengthen and consolidate the quality of its service (fast and adapted to the individual customer's needs) and market position.

The production system at the Recycling Plant and Rolling Mill is designed to work 24/7. 24/7 manufacturing allows production capacity to be increased and energy efficiency to be maximized as a result of reducing oven and product cooling and heating times. By virtue of this continuous production system, the company is able to produce 70,000 tons of aluminium from recycled aluminium scrap and up to 38,000 tons of coated aluminium strips annually.

The Group is also equipped with technology that differentiates it from its competitors. It functions based on the Hazelett brand's continuous twin-belt casting process. This technology, which is totally unique on the market, consumes 47% less energy per ton of aluminium produced compared to the usual direct chill casting process. This system specifically allows the thermal energy of the aluminium to be leveraged after the material solidifies and for it to be introduced directly into a three-stand rolling mill that is able to reduce the thickness to 1.4 mm, much thinner than the normal thicknesses reached with a traditional hot rolling mill.

The reduced thickness of the hot-rolled product, in turn, leads to a significant reduction in energy consumption for processes subsequent to cold-rolling as fewer passes are required to achieve the final thickness requested by the customer.

In addition to this proprietary production system, the company has solidified its planning and distribution system. In order to achieve global service excellence, the Group has an agile, strategically-designed system that affords the Group the capacity to flexibly serve any client anywhere in the world with very short turnarounds.

