



TECNICAS REUNIDAS

**DIRECTOR REMUNERATION POLICY OF
TÉCNICAS REUNIDAS, S.A. FOR THE FISCAL
YEARS 2019 THROUGH 2021**

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DIRECTOR REMUNERATION POLICY OF TÉCNICAS REUNIDAS, S.A. FOR THE FISCAL YEARS 2019 THROUGH 2021

I. INTRODUCTION

- In accordance with Article 529.*novodecies*.1 of the consolidated text of Spain's Capital Companies Act, it is up to the General Shareholders' Meetings of listed mercantile companies to approve their director remuneration policy, at least once every three years, and as a separate item on the agenda.
- In compliance with this provision, the Board of Directors of Técnicas Reunidas, S.A. ("**Técnicas Reunidas**" or the "**Company**"), at its meeting on 14 May 2019 and in accordance with the proposal by the Appointments and Remuneration Committee on 13 May 2019, has agreed to propose to the Company's Ordinary General Shareholders' Meeting, which will take place on 26 June 2019, that it approve the Director Remuneration Policy of Técnicas Reunidas, S.A. for the fiscal years 2019 through 2021 (the "**Remuneration Policy**"). In accordance with the provisions of Article 529.*novodecies*.2 of the Capital Companies Act, the proposed Remuneration Policy is accompanied by an explanatory and justificatory report issued by the Appointments and Remuneration Committee.
- The Remuneration Policy has been devised in accordance with the provisions of Article 22 of the Company's Articles of Association, Article 25 of the Board of Directors Regulation, Articles 217, 249 and 529.*sexdecies* et seq of the Capital Companies Act and the recommendations of the Good Governance Code of Listed Companies taken on board by the Company.

II. BASIC PRINCIPLES OF THE REMUNERATION POLICY

- Técnicas Reunidas' Remunerations Policy is based on the principle of proportionality of director remuneration as provided in Article 25.3 of the Company's Board of Directors Regulation and in Article 217.4 of the Capital Companies Act and, as a result, it is:
 - (i) in reasonable proportion to the Company's importance, considering, among other factors, its size, revenue, number of employees and financial significance; and
 - (ii) aimed at fostering the Company's profitability and sustainability so as to avoid undertaking excessive risk and rewarding unfavourable results.
- Moreover, in accordance with the provisions of Article 25 of the Regulations of the Company's Board of Directors and with Recommendation 56 of the Good Governance Code of Listed Companies, the Company's Remuneration Policy is aimed at, (i) **attracting and retaining the Company's directors**; and (ii) **rewarding each director's dedication**,

competence and assumption of responsibilities, without compromising their independence of judgement under any circumstance.

- Furthermore, the purpose of the Remuneration Policy is to **align directors' remuneration with Técnicas Reunidas' strategies and the interests of the Company and its shareholders**, taking into account its current financial situation and the market standards at comparable companies.
- In particular concerning external directors, in line with the provisions of Article 25.4 of the Regulations of the Board of Directors, director remuneration:
 - (i) will aim to reward each director's effective dedication, competence and assumption of responsibilities;
 - (ii) will not include the possibility of taking part in benefit schemes funded by the Company in case of termination, death or other; and
 - (iii) the established remuneration must offer incentives to external directors for their dedication, although in no case may it compromise their independent judgement.
- Lastly, the Company's Board of Directors undertakes to enforce the **principle of transparency** in all items of remuneration of which the Remuneration Policy is comprised, providing transparent, sufficient and timely information.

In this regard, the Board of Directors will produce the **Annual Report on the Remuneration of Directors**, which it will make available to the Company's shareholders when the Ordinary General Meeting is called and which will be subject to an advisory vote as a separate item on the agenda.

III. BODIES EMPOWERED TO PREPARE AND APPROVE THE REMUNERATION POLICY

- The Remuneration Policy must be approved at least once every three years at the General Shareholders' Meeting, and for its approval the following bodies are required to intervene:
 - (i) **The Appointments and Remuneration Committee**: In addition to submitting the proposed Remuneration Policy to the Board of Directors, the Appointments and Remuneration Committee must issue a specific report explaining and justifying the Remuneration Policy to be referred by the Board of Directors to the General Shareholders' Meeting for approval. This report, along with the proposed Remuneration Policy, must be made available to the General Shareholders' Meeting when said meeting is called and shareholders may ask for both documents to be delivered to them free of charge.
 - (ii) **Board of Directors**: The Board of Directors will make a reasoned presentation of the proposed Remuneration Policy at the General Shareholders' Meeting. The

Board of Directors' proposal must be made available to the General Shareholders' Meeting when it is called.

Moreover, the Board of Directors is the body empowered to determine and approve the terms and conditions of the contracts of the Company's Executive Directors, within the framework of the Remuneration Policy approved by the General Shareholders' Meeting (Articles 249 and 529.*octodecies* of the Capital Companies Act).

- (iii) **General Shareholders' Meeting**: The General Shareholders' Meeting will, in the event, approve the Company's Remuneration Policy, which will remain in force for a maximum period of three years, and it will also be the body empowered to determine for each year the maximum amount of remuneration which the directors will be entitled to receive. Any modification or replacement of the Policy during said period will require the prior approval of the General Shareholders' Meeting, notwithstanding the provisions of Article 529.*novodecies.5* of the Capital Companies Act.

IV. REMUNERATION SYSTEM APPLICABLE TO THE DIRECTORS IN THEIR CAPACITY AS SUCH

- In application of the provisions of Article 22 of the Articles of Association and 25.1 of the Regulations of the Board of Directors, remuneration to directors in their capacity as such comprises the following items:
 - (i) Fixed annual remuneration for membership of the Board of Directors.
 - (ii) An additional Fixed annual allocation for chairing committees.
 - (iii) Per diem allowance for effective attendance at meetings of the Board of Directors and, where applicable, the committees.
- The global **maximum amount of annual remuneration** for all the directors in their capacity as such has been set at 6,000,000 euros, and this will remain so unless a modification is approved at the Company's General Shareholders' Meeting. This amount must be approved at the General Shareholders' Meeting, in accordance with the provisions of the Company's Articles of Association.

- The **Company's Board of Directors will annually stipulate the global amount of remuneration to directors** in their capacity as such, within the limit established at the General Shareholders' Meeting, and will distribute said amount among the various directors based on their membership of committees, their positions, their dedication to serving the Company and any specific contributions that, by reason of their competence and professional experience, said directors may make.

V. REMUNERATION SYSTEM APPLICABLE TO DIRECTORS PERFORMING DELEGATE OR EXECUTIVE DUTIES

- In accordance with the provisions of Articles 249 and 529.octodecies of the Capital Companies Act, directors to whom delegate or senior management duties have been attributed will be entitled to receive remuneration for those duties, in addition to their remuneration as directors.

In this regard, and compliant with Articles 22 of the Articles of Association and 25.5 of the Regulations of the Board of Directors, the Company's directors performing delegate or senior management duties are entitled to receive remuneration comprising the following components:

- (i) Fixed annual remuneration for each director performing delegate or senior management duties, amounting to 850,000 euros in the case of the Chairperson and 800,000 euros in the case of the 1st Deputy Chairperson.

In accordance with the degree of responsibility undertaken by the director, and the market research and analysis conducted, and within the limits established in Article 217.4 of the Capital Companies Act, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, may agree to **update the amounts of fixed remuneration**, in which case such updates will be notified in the Annual Report on Director Remuneration which will be made available to shareholders when the General Shareholders' Meeting is called.

- (ii) Variable annual remuneration, in order to strengthen directors' commitment to the Company and encourage the best possible performance of their duties, linking part of their remuneration to the Company's results and to their own personal performance.

Variable annual remuneration will comprise an annual bonus of up to 550,000 euros for achieving targets, which may be adjusted upwards or downwards by an additional 10%, in accordance with the director's personal performance.

Variable remuneration is payable after the end of each year and based on the results obtained.

Variable remuneration will take as **fundamental parameters**, in addition to the director's professional performance, the evaluation of the performance of the Company, taking into account both quantitative targets, such as order

backlog/adjudications, margin (EBITDA) and consolidated revenue, as well as non-financial goals, including aspects such as health and safety and the environment.

In particular, for 2019, variable annual remuneration is linked to the following targets and weightings:

- Financial targets: consolidated revenue (20%), order backlog (30%) and margin (EBITDA) (30%).
- Non-financial targets: health and safety (10%) and the environment (10%).

The aforementioned targets are linked to an achievements scale that includes a minimum threshold below which no variable remuneration will be paid. Specifically, the Company will evaluate the minimum weighted accomplishment of between 50% and 70% of all the targets.

The specific targets and their weightings for the next few years of validity of this Remuneration Policy, the 10% adjustment based on the performance evaluation and the amount to be received in each of the years will be determined by the Board of Directors, at the proposal of the Appointments and Remuneration Committee.

The Company's Annual Report on Director Remuneration will provide details of execution of the specific targets for each year and their degree of attainment.

In any event, to determine variable remuneration, **any qualifications** included in the external auditor's report and undermining the Company's results will be taken into account.

Payment of variable remuneration is deferred and is only effected after the end of the year, so that the Company can conduct the assessment and verify compliance with the parameters established to determine said remuneration. Among other aspects, the assessment will take into account the annual results of the Company and its consolidated group, which will be examined by the Audit and Control Committee. Following said analysis, the Appointments and Remuneration Committee will submit the remuneration proposal to the Board of Directors, which, in the event, will approve the relevant amount of variable remuneration.

- (iii) Long-term variable remuneration, with a view to promoting the reciprocal generation of value for the Company, shareholders and beneficiaries, fostering the latter's commitment and rewarding the creation of sustainable value for shareholders in the long term.

Accordingly, executive directors will be entitled to take part, throughout the duration of this Remuneration Policy, in all long-term variable remuneration schemes in cash, shares or indexed to the share price that are approved at the

General Shareholders' Meeting, at the proposal of the Board of Directors, on the basis of a prior report by the Appointments and Remuneration Committee.

- (iv) A long-term savings scheme linked to retirement, total, absolute and severe permanent disability, and death, in order to supplement their public Social Security benefits.

In particular, executive directors will be entitled to benefit from the general social benefits system, which the Company implements in the form of a contracted pension plan. Where appropriate, a supplementary contribution is paid specifically for the Chairperson or 1st Deputy Chairperson in addition to that paid by the executive director, whose amount depends on various factors, such as the employee's seniority in the Company.

Notwithstanding the foregoing, executive directors will be entitled to take part, throughout the duration of this Remuneration Policy, in all long-term variable remuneration schemes that are approved at the General Shareholders' Meeting, at the proposal of the Board of Directors, on the basis of a prior report by the Appointments and Remuneration Committee.

- (v) Severance benefits and post-contractual non-compete clause:
 - a. **Severance benefits** in the event of being removed from the post of director or otherwise having the legal relationship with the Company which serves as the basis of remuneration for delegate or senior management duties terminated, not due to non-compliance attributable to the director, up to a maximum amount of the last two years of (a) the fixed remuneration, (b) the variable remuneration, and (c) the amounts received pursuant to any special Social Security agreements that may have been subscribed.
 - b. **Post-contractual non-compete clause:** for a period of two years as from termination of the contract signed with the Company, executive directors may not provide their professional services, or perform executive or management duties at companies or entities whose corporate purpose is identical or similar to that of the Company, unless expressly so authorised by the Board of Directors, at the executive director's request. Financial compensation for this post-contractual non-compete agreement will be understood to be included in the compensation for termination of the contract described in paragraph (a) above.
- (vi) A healthcare benefit consisting of a life and accident insurance policy, in the context of the terms and conditions in force in the collective policy arranged by the Company for its employees:
 - a. **Life insurance policy:** the insured capital in case of death or absolute permanent disability will amount to two annuities of the fixed annual remuneration which directors performing delegate or senior management duties are entitled to receive.

- b. **Accident insurance policy:** the insured capital in case of death or absolute permanent disability due to accident will amount to four annuities of the fixed annual remuneration which directors performing delegate or senior management duties are entitled to receive.
- (vii) A company vehicle provided by Técnicas Reunidas and a parking space near its offices, for length of service at the Company, and in accordance with the corporate policy. The Company will pay all expenses inherent to the use of the vehicle and the parking space.

VI. BASIC TERMS AND CONDITIONS OF THE CONTRACTS OF DIRECTORS PERFORMING DELEGATE OR SENIOR MANAGEMENT DUTIES

- In accordance with the provisions of Article 249.4 of the Capital Companies Act, all items of remuneration making up the remuneration to a director for performing delegate or senior management duties, as well as the basic terms and conditions of the performance of those functions, **must be stipulated in a contract which must be signed by the Company and a director, and must previously be approved by the Board of Directors** by a two-thirds majority with the affected director's abstention. The director may not receive any remuneration for the performance of executive duties the amounts or items of which are not enshrined in that contract.
- **The basic terms and conditions** of the contracts between the Company and the directors performance delegate or senior management duties include, among others, the following:
 - (i) **Remuneration:** the contracts of executive directors include the remuneration package they are entitled to receive for the performance of their delegate or senior management duties.
 - (ii) **Indefinite duration:** contracts of executive directors performing delegate or senior management duties will be of indefinite duration.
 - (iii) **Severance benefits:** for a maximum amount equivalent to the last two annuities of (a) fixed remuneration, (b) variable remuneration, and (c) the amounts received pursuant to any special Social Security agreements signed.
 - (iv) **Post-contractual non-compete clause:** executive directors shall refrain, for a period of two years from termination of the contract signed with Técnicas Reunidas, from competing in the terms outlined above. Financial compensation for this post-contractual non-compete agreement will be understood to be included in the compensation for termination of the contract described in paragraph (iii) above.
 - (v) **Non-compete clause:** the relationship of executive directors to the Company is exclusive and, accordingly, they are prohibited from providing services to other entities throughout the duration of their contracts, unless expressly so authorised by the Board of Directors, at the proposal of the executive director,

with the exception of any posts he or she may occupy at companies belonging to the Técnicas Reunidas Group.

- (vi) **Confidentiality clause:** Directors performing senior-management duties must ensure that any information, data, reports or background knowledge that they acquire in the performance of their duties is kept confidential, and this confidentiality must be maintained even when they no longer serve on the Board.

VII. REMUNERATION POLICY APPLICABLE TO NEW DIRECTORS

- If new non-executive members join the Board of Directors during the term of this Policy, the remuneration system described in section IV above will apply to them.
- At the same time, the aforementioned remuneration system will apply to any director whom, while this Policy is in force, may be assigned to perform delegate or senior management duties.
- In this connection, the Appointments and Remuneration Committee's proposal to the Board of Directors will take into account, in particular, the duties attributed, the responsibilities undertaken, the director's professional experience, market remuneration for similar posts and any other factors considered relevant to determine the items and amounts of the applicable remuneration system, in the event, to new executive directors, which will be properly reflected in the contract to be signed between the Company and new executive directors.
- Exceptionally, so as to facilitate the contracting of an external candidate, the Appointments and Remuneration Committee may propose for the Board of Directors' decision that a special incentive be established to offset the loss of incentives not accrued by the candidate in his or her previous post as a result of said candidate's termination and ensuing acceptance of the Company's offer.

VIII. PERIOD OF VALIDITY OF THE REMUNERATION POLICY

- In accordance with the provisions of Article 529.*novodecies* of the Capital Companies Act, the Company will apply this Director Remuneration Policy from 1 January 2019 until 31 December 2021.
- Any modification or replacement of the Remuneration Policy during said period will require the prior approval of the General Shareholders' Meeting, notwithstanding the provisions of Article 529.*novodecies.5* of the Capital Companies Act.
