

## ISSUER'S IDENTIFICATION DATA

---

Date of fiscal year end: 31/12/2019

Company tax No. (CIF): A-28092583

Corporate name:

**TÉCNICAS REUNIDAS, S.A.**

Registered office:

ARAPILES, 13, MADRID

**A. OWNERSHIP STRUCTURE**

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
30/05/2006	5,589,600.00	55,896,000	55,896,000

Indicate whether there are different share classes with different associated rights:

[ ] Yes  
[ ✓ ] No

A.2 Provide details of the direct or indirect holders of significant shares at the close of the fiscal year, excluding directors:

Name or corporate name of the shareholder	% of voting rights corresponding to shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ARIEL INVESTMENTS, LLC	0.00	3.01	0.00	0.00	3.01
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	0.00	3.00	0.00	0.00	3.00
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	5.10	0.00	0.00	0.00	5.10
ARALTEC CORPORACIÓN, S.L.U.	31.99	0.00	0.00	0.00	31.99
NORGES BANK	4.44	0.00	0.60	0.00	5.04

Breakdown of indirect shareholding:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% of voting rights corresponding to shares	% of voting rights through financial instruments	% of total voting rights
ARIEL INVESTMENTS, LLC	ARIEL INVESTMENTS, LLC	3.01	0.00	3.01
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	3.00	0.00	3.00

Indicate the most significant changes in the shareholding structure during the fiscal year:

Most significant changes
--------------------------

Norges Bank's holding in the Company's share capital exceeded 5% during fiscal year 2019.

**A.3** Complete the following tables on members of the company's board of directors with voting rights from company shares:

Name or corporate name of the director	% of voting rights corresponding to shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights transferable through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERNANDO DE ASÚA ÁLVAREZ	0.03	0.00	0.00	0.00	0.03	0.00	0.00
PEDRO LUIS URIARTE SANTAMARINA	0.01	0.01	0.00	0.00	0.02	0.00	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	0.11	37.09	0.00	0.00	37.20	0.00	0.00
Total % of voting rights held by the board of directors						37.25	

Breakdown of indirect shareholding:

Name or corporate name of the director	Name or corporate name of the direct shareholder	% of voting rights corresponding to shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights transferable through financial instruments
PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	0.01	0.00	0.01	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	5.10	0.00	5.10	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC CORPORACIÓN, S.L.U.	31.99	0.00	31.99	0.00

**A.4** Indicate, where applicable, any familial, commercial, contractual or corporate relationships between significant shareholders, to the extent that these are known to the company, unless they are of negligible relevance or derive from the ordinary course of business, with the exception of those detailed in section A.6:

Name or corporate name	Type of relationship	Brief description
No data		

**A.5** Indicate, where applicable, any commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless these are of negligible relevance or derive from the ordinary course of business:

Name or corporate name	Type of relationship	Brief description
No data		

**A.6** Describe any relationships, unless they are of negligible relevance to the two parties, between the significant shareholders or shareholders represented on the board and the directors, or their representatives, in the case of legal entities.

Explain, where appropriate, how significant shareholders are represented. Specify any directors who have been appointed on behalf of significant shareholders and any directors whose appointments were promoted by significant shareholders or were linked to significant shareholders and/or entities in their group, detailing the nature of these relationships. In particular, indicate the existence, identity and position of any members of the board or representatives of directors of the listed company who are also members of the board of directors, or their representatives, of companies with significant shareholdings in the listed company or in entities from the significant shareholder's group:

Name or corporate name of the related director or representative	Name or corporate name of the related significant shareholder	Corporate name of the company in the significant shareholder's group	Description of relationship/position
ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC CORPORACIÓN, S.L.U.	ARALTEC CORPORACIÓN, S.L.U.	Álvaro García-Agulló was appointed director of the Company at the proposal of the significant shareholder Araltec, S.L. (the direct holder of this significant shareholding is now Araltec Corporation, S.L.U.).
JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	José Lladó Arburúa was appointed director of the Company at the proposal of the significant shareholder Aragonesas Promoción de Obras y Construcciones, S.L.U.

**A.7** Indicate whether the company has been informed of any shareholders' agreements which might affect it, in accordance with the provisions of Articles 530 and 531 of the Companies Act. Where applicable, describe these briefly and list the shareholders bound by the agreement:

Yes  
 No

Indicate whether the company is aware of the existence of concerted action between its shareholders. Where applicable, describe these briefly:

Yes  
 No

If any modification or termination of these agreements or concerted actions has occurred during the fiscal year, provide details below:

**A.8** Indicate whether there is any natural or legal person who exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. Where applicable, identify them:

Yes  
 No

**A.9** Complete the following tables on the company's own shares:

At fiscal year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,167,553		3.92

(\*) Held through:

name or corporate name of the direct shareholder	Number of direct shares
No data	

Explain any significant changes during the fiscal year:

Explain the significant changes

There were no significant changes during the fiscal year.

The Company has issued quarterly reports on the transactions carried out under the liquidity agreement with Santander Investment Bolsa which entered into force on 11 July 2017, in accordance with the provisions of National Securities Market Commission Circular 1/2017 of 26 April on Liquidity Agreements, for the purposes of their classification as an accepted market practice.

**A.10** Provide details of the conditions and term of the current resolution by the general meeting of shareholders authorising the board of directors to issue, buy back or transfer own shares.

The Annual General Meeting of Shareholders on 26 June 2019 passed the following resolution:

'(i) To authorise the Board of Directors to repurchase the Company's own shares, whether directly or through subsidiary companies, subject to the following restrictions and requirements:

- Methods of acquisition - acquisition by means of purchase, by any other inter vivos transaction on a payment basis or any other transaction allowed by law.
- Maximum number of shares to be acquired - shares may be acquired at any time up to the maximum amount permitted by law.
- Minimum and maximum acquisition price - shares may not be acquired at a price which is 5% higher or lower than the average market price on the day of acquisition (or within the limits of the minimum and maximum amount permitted by the law in force).
- Maximum trading volume - the maximum daily trading volume for the acquisition of own shares will not exceed 15% of the average daily volume traded in orders in the regulated market or the Spanish multilateral trading facility in the previous thirty sessions.
- Duration of authorisation - five (5) years from the date of this resolution.

These transactions must also comply with the corresponding rules in the Regulations of the Company's Internal Code of Conduct in Securities Markets.

(ii) To revoke the unused part of the authorisation agreed on this matter at the Annual General Meeting held on 27 June 2018.

(iii) To authorise the Board of Directors to allocate all or part of its repurchased shares to remuneration schemes whose purpose or result is the award of shares or share options, in accordance with the provisions of Article 146.1(a) of the Companies Act.'

**A.11** Estimated free float:

	%
Estimated free float:	62.80

**A.12** Indicate whether there are any restrictions (of a statutory, legislative or other nature) on the transfer of securities and/or any restrictions on voting rights. Specifically, indicate the existence of any kind of restriction which might hinder the takeover of the company through the acquisition of its shares on the market, as well as any prior notice or authorisation systems which, with respect to the acquisition or transfer of the company's financial instruments, are applicable to the company under sectoral regulations.

- Yes  
 No

**A.13** Indicate whether the general meeting has resolved to adopt any neutralisation measures against potential takeover bids, in virtue of the provisions of Law 6/2007.

Yes  
 No

If applicable, explain the approved measures and the terms under which the restrictions will become ineffective:

**A.14** Indicate whether the company has issued any securities that are not traded on a regulated EU market.

Yes  
 No

Where applicable, indicate the different share classes and their corresponding rights and obligations:

## **B. ANNUAL GENERAL MEETING**

---

**B.1** Indicate and, where applicable, provide details of any differences between the required minimums set out in the Companies Act and the quorum for general meetings.

Yes  
 No

**B.2** Indicate and, where applicable, provide details of any differences from the system for passing company resolutions set out in the Companies Act:

Yes  
 No

	Enhanced majority different from that established in Article 201.2 of the Companies Act for the circumstances set out in Article 194.1 of the Act	Other circumstances for enhanced majority
% established by the entity for passing resolutions	0.00	50.01

The last paragraph of Article 20 of the Articles of Association stipulates that the Annual General Meeting may only issue instructions to the Board of Directors or submit for its authorisation the adoption of decisions on management matters by means of resolutions that comply with the information and majority requirements for amendments to the articles of association set out in Articles 194.1, 194.2 and 201.2 of the Companies Act.

**B.3** Indicate the rules applicable to amendments to the company's articles of association. Specifically, report the majorities required for amendment of the articles of association and, where applicable, the rules set out for the protection of shareholders' rights in the amendment of the articles of association.

Article 20(g) of the Articles of Association and Article 5(g) of the Regulations of the General Meeting stipulate that the General Meeting is competent to amend the Articles of Association. The rules applicable to amendments to the Company's Articles of Association are those laid down in the Companies Act. In this regard, the first call for the Annual General Meeting requires attendance by shareholders, whether in person or by proxy, who hold at least 50% of the subscribed capital with voting rights, in which case the resolution may be passed by an absolute majority. The second call requires attendance of 25% of the subscribed capital, in which case this will require a vote in favour by 2/3 of the capital present or represented at the Meeting when the shareholders in attendance represent at least 25% but less than 50% of the subscribed capital with voting rights.

Without prejudice to the above, the Board is competent to change the registered office within the national territory in accordance with the provisions of Article 285 of the Companies Act and Article 3 of the Articles of Association.

Shareholders' rights in relation to General Meetings are those set out in the Companies Act, reflected in Articles 14, 16 and 17 of the Articles of Association and detailed in the Regulations of the General Meeting in the following terms:

#### Right to information

Article 9 of the Regulations states that from the date of publication of the announcement of the General Meeting until five days before its scheduled date, shareholders may request any information or clarification that they consider necessary regarding items on the agenda or submit, in writing, any questions that they consider relevant. Within the same time limit and in the same way, shareholders may request any information and clarification from the directors that they consider necessary regarding publicly available information submitted to the National Securities Market Commission since the last General Meeting and regarding the audit report.

Requests for information may be submitted at the registered office or sent to the Company by post or by electronic means. Electronic requests for information will be accepted provided they incorporate the sender's legally recognised electronic signature or any other mechanism that adequately guarantees the identification and authentication of the shareholder.

The shareholder's request must include their name and surname(s), with proof of the number of shares that they own, in order that this information can be verified by the Company. It is the shareholder's responsibility to provide evidence that the request has been sent to the Company in due form and time. The Company website will provide detailed explanations regarding the exercise of shareholders' right to information.

These requests for information will be answered once shareholder status and identity have been verified, before the General Meeting.

Directors are obliged to provide the information in writing before the day of the meeting, except in cases where:

- (i) the requested information is not necessary for the protection of the shareholder's rights, or there are objective grounds for considering that it could be used for purposes unrelated to the Company, or its public knowledge would harm the Company or related companies;
- (ii) the request for information or clarification is not related to items on the agenda or to publicly available information which was submitted to the National Securities Market Commission since the last General Meeting;
- (iii) the information or clarification requested could be considered unfair or excessive;
- (iv) it has been determined as such by legal or regulatory provisions or court decision;
- (v) the relevant information is clearly, expressly and directly available to all shareholders on the Company website in a question and answer format.

The exception in point (i) above will not apply when the request is supported by shareholders representing at least 25% of the share capital. The Board may authorise any of its members, the Chairpersons of its Committees or its Secretary to respond to requests.

The means of sending the requested information will be the same as that used for the request, unless the shareholder indicates that one of the other designated means should be used. Valid requests for information, clarifications or questions submitted in writing and the answers provided in writing by the Board will be posted on the Company's website.

#### Right to representation

Article 12 states that any shareholder who is entitled to attend the General Meeting may be represented by a proxy, even if this proxy is not a shareholder. Additionally, shareholders with less than 50 shares may join together for the purposes of exercising their right to attend and vote at the General Meeting, appointing one of them to be their representative. A specific proxy must be appointed for each General Meeting, either in writing or by means of distance communication, as expressly set out in the notice of meeting, provided that the corresponding requirements are met and the identity of both the principal and the proxy can be duly verified.

#### Right to remote voting

Article 24 stipulates that shareholders with the right to attendance, whether by individual entitlement or jointly with other shareholders, have the right to cast a remote vote by post or other electronic means. It authorises the Board to implement these provisions and to establish the appropriate rules and procedures in line with the available technology for the casting of remote votes and the appointment of proxies by electronic means.



**B.4** Indicate the attendance details for the general meetings held during the fiscal year to which this report corresponds and for the two previous fiscal years:

Date of general meeting	Attendance details				
	% present in person	% represented by proxy	% casting remote votes		Total
			Electronic votes	Other	
29/06/2017	0.14	61.14	0.00	0.00	61.28
Including free float	0.05	23.88	0.00	0.00	23.93
27/06/2018	0.17	61.18	0.00	0.00	61.35
Including free float	0.06	23.93	0.00	0.00	23.99
26/06/2019	3.95	60.24	0.01	0.00	64.20
Including free float	0.06	21.32	0.01	0.00	21.39

**B.5** Indicate whether there were any items on the agenda at the general meetings held during the fiscal year which were not, for any reason, approved by the shareholders:

Yes  
 No

**B.6** Indicate whether there are any restrictions in the articles of association establishing a minimum number of shares required to attend the general meeting or to cast a remote vote:

Yes  
 No

Number of shares required to attend the general meeting	50
Number of shares required to cast a remote vote	50

**B.7** Indicate whether it has been established that certain decisions, other than those set out by law, which entail the acquisition, disposal or transfer to another company of essential assets or other similar corporate transaction must be submitted for approval at the annual general meeting:

Yes  
 No

**B.8** Indicate the company's web address and how to access the information on corporate governance and other information about general meetings that must be made available to shareholders through the company website:

The Company website is [www.tecnicasreunidas.es](http://www.tecnicasreunidas.es).

Information on corporate governance can be accessed by clicking on the 'Shareholders and Investors/Corporate Governance' tab and then the 'Corporate Governance documents' tab. Information on Annual General Meetings can be found in the same section.

## C. COMPANY ADMINISTRATION STRUCTURE

### C.1 Board of directors

C.1.1 Maximum and minimum number of directors provided for in the articles of association and the number fixed at the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors fixed at the meeting	15

C.1.2 Complete the following table detailing the members of the board:

Name or corporate name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
FERNANDO DE ASÚA ÁLVAREZ		Other external director	3rd DEPUTY CHAIRPERSON	10/05/2006	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
PETRA MATEOS-APARICIO MORALES		Independent director	DIRECTOR	29/02/2016	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
WILLIAM BLAINE RICHARDSON		Other external director	DIRECTOR	22/06/2011	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
PEDRO LUIS URIARTE SANTAMARINA		Independent director	DIRECTOR	22/06/2011	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA		Executive director	CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA		Other external director	2nd DEPUTY CHAIRPERSON	10/05/2006	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
ÁLVARO GARCÍA-AGULLÓ LLADÓ		Shareholder director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS

ALFREDO BONET BAIGET		Independent director	DIRECTOR	27/06/2018	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ NIETO DE LA CIERVA		Independent director	DIRECTOR	27/06/2018	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JUAN LLADÓ ARBURÚA		Executive director	1st DEPUTY CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ MANUEL LLADÓ ARBURÚA		Shareholder director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE		Other external director	DIRECTOR	10/05/2006	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
ADRIÁN RENÉ LAJOUS VARGAS		Independent director	DIRECTOR	29/06/2016	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
RODOLFO MARTÍN VILLA		Other external director	DIRECTOR	26/06/2019	26/06/2019	VOTE AT GENERAL MEETING OF SHAREHOLDERS

Total number of directors	14
---------------------------	----

Indicate any terminations, whether as a result of resignation or removal or for any other reason, within the board of directors during the reporting period:

Name or corporate name of the director	Category of director at the time of termination	Date of last appointment	Date of termination	Specific committees of which they were a member	Indicate whether the termination occurred before the end of their mandate
JAVIER ALARCÓ CANOSA	Independent director	29/06/2017	26/06/2019	Appointments and Remuneration Committee	YES

Cause of the termination and additional information

Javier Alarcó Canosa's termination from his position as Company director was effectuated on 26 June 2019, pursuant to Article 21.1 of the Regulations of the Board of Directors, which stipulates that the Company's independent directors will retire from their positions 'when they have held their position for an uninterrupted period of 12 years', given that he was first appointed as a Company director on 26/06/2007.

C.1.3 Complete the following tables on the members of the board and their categories:

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position within the company structure	Profile
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Chairperson	Doctorate in Chemical Sciences and Industrial Chemistry, honorary member of the American Chemical Society. Senior member of the General Council of the Association of Spanish Chemists. Spanish Ambassador to the United States (1978-1982). Minister of Commerce and Minister of Transport and Communications (1976-1978). Founder of the Foundation for the Support of Culture at the Colegio Libre de Eméritos Universitarios, of which he is Vice President, and Vice President of the Círculo de Empresarios.
JUAN LLADÓ ARBURÚA	1st Deputy Chairperson	Degree in Economics from Georgetown University, Washington DC. Master of Business Administration from the University of Texas at Austin. 1st Deputy Chairperson at Técnicas Reunidas S.A. since 1998. Treasurer at Argentaria Bank (1997-1998). President of the Spain-China Foundation.

Total number of executive directors	2
% of total of the board	14.29

EXTERNAL SHAREHOLDER DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing their appointment	Profile
ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC, S.L.	Doctorate in Civil Engineering (Roads, Canals and Ports). Construction Manager at Rota Airport (1955-56). Engineer and representative at HUARTE in Catalonia (1957-61). Director General at Técnicas Reunidas S.A. (1962-96). Director at Técnicas Reunidas S.A. (1997-present). Director at Técnicas Reunidas Internacional, S.A.

<p>JOSÉ MANUEL LLADÓ ARBURÚA</p>	<p>ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.</p>	<p>BSBA from Georgetown University and MBA from the University of Chicago. Manager of the International Corporate Finance Division at Citibank N.A. (1986-1990), General Manager at Chase Manhattan Bank with responsibility for Global Market Sales for Spain (1990-2001). Assistant Deputy General Manager at Banesto, with responsibilities for the International and Treasury divisions (2001-2004). Founding partner of Summa Financial Services (2004-present). Managing Director at Ideon Financial Services (2008-present). Member of the board of directors at Aragonesas Promoción de Obras y Construcciones, S.L. (director), Araltec, S.L. (deputy chairperson), Layar Castilla, S.A. (chairperson), Summa Investment Solutions, S.A. (chairperson), Choice Financial Solutions, S.L. (director), Fintonic Servicios Financieros, S.L. (director) and León Valores S.A., SICAV (director).</p>
----------------------------------	---	--

<p>Total number of shareholder directors</p>	<p>2</p>
<p>% of total of the board</p>	<p>14.29</p>

<p>INDEPENDENT EXTERNAL DIRECTORS</p>	
<p>Name or corporate name of the director</p>	<p>Profile</p>
<p>PETRA MATEOS-APARICIO MORALES</p>	<p>Doctorate (cum laude) in Economics and Business Studies from the Complutense University of Madrid and Professor of Financial Economics. Vice President of the Executive Committee of the Spain-US Chamber of Commerce since July 2011 and member of the Board of Directors of Unicaja Banco since February 2014. Executive Chairperson at Hispasat (2004-2012), Non-executive Chairperson at Hisdesat (2005-2011), Director at Hispamar Satélites (Brazil), Director at Xtar LLC (United States) (2005-2012) and Independent Member of the Board of Directors at Solvay (2009-2013). From 1983 to July 1985, she was a director at Iberia and Banco Exterior de España, where she was Assistant General Manager from 1985 to 1987. She was also a director at Banco CEISS (2004-2018) in the Unicaja Group, from 2014 until its merger with Unicaja in September 2018. Her extensive academic experience (1982-2015) includes positions as Professor in Financial Economics at the Department of Business Economics and Accounting in the Faculty of Economics and Business Studies at the National Distance Education University and Professor of Financial Economics at the Colegio Universitario de Estudios Financieros. She has been a member of the National Executive Committee of the Spanish Institute of Financial Analysts (IEAF) (2011-2017) and a member of the Board of ANECA (2009 to 2015). She has also been awarded various distinctions including among others Knight of the Legion of Honour of the French Republic, Business Leader of the Year (2010) from the Spain-US Chamber of Commerce and the Women Together Award (2009) from the United Nations Economic and Social Council (ECOSOC).</p>

<p>PEDRO LUIS URIASTE SANTAMARINA</p>	<p>Degree in Economics and Law from the Universidad Comercial de Deusto in Bilbao. His extensive professional experience over his 52-year career encompasses 9 years in industry, 23 years in finance, during which he was Deputy Chairperson and CEO at BBV and BBVA, 14 years in consultancy, 2 years in R&amp;D&amp;I and 4 years in Public Administration, as Regional Minister for Economy and Finance in the first Basque Government, from 1980 to 1984. He was a professor at the Universidad Comercial de Deusto for seven years, lecturing in subjects related to business transformation and advanced management. Subsequently, he has collaborated with various business schools, including Deusto Business School, IESE and ESADE. Since 2002, he has been Executive Chairperson at Economía, Empresa, Estrategia, a strategic consulting company that he founded. He combines this position with his duties as director and advisor at various companies, and cooperates in different university-based and social activities.</p>
<p>ALFREDO BONET BAIGET</p>	<p>Degree in Economics and Business Studies from the Complutense University of Madrid and State Economics and Trade Expert. Economic and Trade Advisor for Spain in Miami (1987-1991) and Milan (1993-1997). Director General of Altair Asesores (1997-2001). General Manager of Promotion of the Spanish Institute for Foreign Trade (ICEX) (2001-2004). Secretary General for Foreign Trade and member of the Board of Directors of Instituto de Crédito Oficial (ICO) and Navantia (2004-2010). Secretary of State for Foreign Trade and President of ICEX and Invest in Spain (2010-2012). Chief Economic and Trade Adviser to the Spanish Delegation to the OECD (2012-2015). International Director at the Spanish Chamber of Commerce (2015-2018). Secretary General of the Círculo de Empresarios (2018-present).</p>
<p>JOSÉ NIETO DE LA CIERVA</p>	<p>Degree in Economics and Business Studies from the Complutense University of Madrid. His career has included holding the following positions: KPMG Spain - Consulting Department (1988-1989), JP Morgan (1989-2002) - Director at the Chase Manhattan Bank (1998-2002) and Managing Director of Corporate Banking at the Chase Manhattan Bank in Spain (1998-2002), Banesto (2002-2010) - Assistant General Manager of Business Banking (2002) and General Manager of Wholesale Banking (2006), Banca March Group (2010-2017) - President of Banco Inversis and CEO at Banca March, Director and member of the Audit Committee at Corporación Financiera Alba, director and member of the Executive Committee at Ebro, director at Consulnor and director at Aegon España. He is also Assistant General Manager at Banco Sabadell (2018-present).</p>
<p>ADRIÁN RENÉ LAJOUS VARGAS</p>	<p>Degree in Economics from the Autonomous University of Mexico and Master's Degree in Economics from King's College, University of Cambridge. Full-time lecturer and researcher at the College of Mexico (1971-76). He worked at the Energy Secretariat of Mexico between 1977 and 1982, where he was Director General for Energy. In 1983 he joined Pemex, holding a number of executive positions: Executive Coordinator of Foreign Trade, Corporate Director of Planning, COO and Manager of Refining. In 1994 he was appointed CEO of Pemex and chairperson of the boards of directors of Pemex's operating companies, positions from which he resigned in December 1999. Adrián Lajous is currently a visiting researcher at the Center on Global Energy Policy at Columbia University, chairperson at Petrométrica SC, and non-executive director at Ternium and Técnicas Reunidas, as well as the Oxford Institute of Energy Studies and the Mario Molina Centre. He is also a member of the board at the College of Mexico Foundation. He has chaired the Oxford Institute of Energy Studies and has been a member of the boards of directors at Schlumberger, Repsol, Trinity Industries, the Federal Electricity Commission and other state-owned industrial and financial companies. From 2001 to 2011 he was an advisor at McKinsey &amp; Company and also an advisor to the World Bank.</p>

<p>Total number of independent directors</p>	<p>5</p>
<p>% of total of the board</p>	<p>35.71</p>

Indicate whether any independent director receives any payment or benefit from the company or its group other than their remuneration as director, and whether they maintain or have maintained a business relationship with the company or any company within its group during the last fiscal year, either in their

own name or as a significant shareholder, director or senior manager of a company that maintains or has maintained such a relationship.

Where appropriate, include a reasoned statement from the board, setting out the reasons why it considers that this director may perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and provide reasons why they may not be considered shareholder directors or independent directors, indicating their links with the company, its managers or its shareholders:			
Name or corporate name of the director	Reasons	Company, manager or shareholder with whom they are linked	Profile
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	Juan Antoñanzas has served as an independent director for a continuous period exceeding 12 years.	TÉCNICAS REUNIDAS, S.A.	Doctorate in Industrial Engineering. He was General Manager of Manufacture and Assembly at Barreiros-Chrysler for 10 years. He also worked for five years at ITT as Operations Manager for Spain, and was CEO of Marconi Española and Vice-President of ITT España. He was Director of Planning and President of Instituto Nacional de Industria 1973-1976, CEO of Seat 1977-1984 and Chairperson of the Board of Directors of Uralita 1998-2002.
FERNANDO DE ASÚA ÁLVAREZ	Fernando de Asúa has served as an independent director for a continuous period exceeding 12 years.	TÉCNICAS REUNIDAS, S.A.	Qualified in Economics and Computer Science at the Complutense University of Madrid and graduated in Business Administration and Mathematics at the University of California (USA). His professional experience involves an extensive career at IBM and IBM España between 1959 and 1991, including positions as General Manager for the South America Area and later Europe, CEO of IBM España and director at IBM World Trade Corp. He was Deputy Chairperson of the Board of Grupo Banco Santander from 2004 to February 2015.
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	Francisco Gómez-Navarro has served as an independent director for a continuous period exceeding 12 years.	TÉCNICAS REUNIDAS, S.A.	Degree in Industrial Engineering, specialising in Chemistry, from the Madrid School of Industrial Engineers and studies in Economics. He has held various executive and managerial positions at Editorial Tania (1979-1983), the International Tourism Trade Fair (1980-1983), of which he is founder, and Viajes Marsans (1983-1985), where he is Chairperson and CEO. In the public sphere, he was appointed Secretary of State and President of the National Sports Council (1987-1993) and later Minister for Trade and Tourism and International Cooperation (1993-1996), as well as Governor, on behalf of Spain, of the Inter-American, Asian and African Development Banks from 1993 to 1996. He was subsequently appointed President of the Spanish High Council of Chambers of



			Commerce, Industry and Navigation (2005-2011) and Executive Chairperson at Aldeasa (2005-2012). He currently heads the consulting firm MBD, dedicated to business consulting, mergers and acquisitions, and has been a director of Promotora de Informaciones, S.A. since November 2017. He holds several important Spanish and international decorations, including the Grand Cross of the Order of Carlos III, the Order of Civil Merit and the Royal Order of Sporting Merit and the Gold Medal for Tourism, as well as the highest category of Order of Merit from France, the Gold Olympic Order and the Order of the Condor of the Andes from Bolivia.
WILLIAM BLAINE RICHARDSON	William Richardson has a contractual relationship with the Company.	TÉCNICAS REUNIDAS, S.A.	Degree in Political Science from Tufts University (Medford/Somerville), 1970. Master's Degree in Foreign Affairs from the Fletcher School of Law and Diplomacy at Tufts University, 1971. Member of the House of Representatives for the State of New Mexico (1983-1997). United States Ambassador to the United Nations (1997-1998). Secretary of State for Energy (1998-2001). Governor of the State of New Mexico in 2002 and re-elected in 2006. President of the International Advisory Council at APCO Worldwide. Member of numerous advisory boards at for-profit and non-profit entities.
RODOLFO MARTÍN VILLA	Rodolfo Martín Villa is a member of the board of directors of Initec Plantas Industriales, S.A.U., a wholly-owned subsidiary of Técnicas Reunidas S.A. and, in this regard, he has received various amounts for his membership.	TÉCNICAS REUNIDAS, S.A.	Industrial engineer. Member of the State Financial Inspectorate. Civil Governor of Barcelona (1974-1975). Minister for Trade Union Relations (1975-1976), Minister of the Interior (1976-1979) and Minister for Territorial Administration (1980-1981). Vice-President of the Government (1981-1982) Member of Parliament (1979-1983 and 1989-1997) Chairperson of the Budget Committee (1989-1996), the Justice and Home Affairs Committee (1996-1997) and the Toledo Pact for public pensions. President at Ibercobre (1979-1980), U.C.B. Spain (Union Chimique Belge) (1990-97) and the Madrid Savings Bank Control Commission (1993-1997). President at Endesa, S.A. (1997-2002), Endesa Italia (2001-2003) and Enersis (Chile) (1997-1999). Chairperson of Sogecable (2004-2010). Member of the Board of Trustees at the Pontifical University of Salamanca, the Colegio Libre de Eméritos Universitarios and the Ramón Menéndez Pidal Foundation.

Total number of other external directors	5
% of total of the board	35.71

Indicate any changes that have occurred during the period with regard to the category of each shareholder:

Name or corporate name of the director	Date of change	Previous category	Current category
No data			



C.1.4 Complete the following table on the number of female board members at the end of the last 4 fiscal years, as well as their corresponding categories:

	Number of female directors				% of total directors in each category			
	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016
Executive directors					0.00	0.00	0.00	0.00
Shareholder directors					0.00	0.00	0.00	0.00
Independent directors	1	1	1	1	20.00	16.67	12.50	12.50
Other external director					0.00	0.00	0.00	0.00
Total	1	1	1	1	7.14	7.14	7.69	7.69

C.1.5 Indicate whether the company has diversity policies in force in relation to the company's board of directors, with respect to aspects such as age, gender, disability, training and professional experience. Small and medium-sized entities, as defined in the Law on Auditing, must at least provide information on any policy they have implemented in relation to gender diversity.

- Yes  
 No  
 Partial policies

If yes, describe these diversity policies, including their targets and measures, how they have been implemented and their outcomes during the fiscal year. Also state the specific measures taken by the board of directors and the appointments and remuneration committee to achieve balance and diversity among the directors.

If the company does not have a diversity policy, explain why not.

Description of the policies, including targets and measures, how they have been implemented and their outcomes

The criteria on which the implementation of diversity policies must be based are set out in Article 6.3 of the Regulations of the Board of Directors, which stipulates that the Board of Directors must ensure that the selection procedures for its members encourage diversity of gender, experience and knowledge and are not affected by any underlying bias that would hinder the selection of female directors.

In addition, in accordance with Article 14.2 of the Regulations of the Board, the Appointments and Remuneration Committee is responsible for establishing a representation target for the under-represented gender on the Board of Directors and issuing guidelines on how to reach this target.

In addition, and in light of the adoption of Law 11/2018 of 28 December, amending the Commercial Code, the consolidated text of the Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on Auditing, with respect to non-financial information and diversity, the Company's Board of Directors and the Appointments and Remuneration Committee are assessing ways of supplementing the diversity criteria included in the corporate rules referred to above, in line with the new legal requirements in this area. In this regard, the Company is evaluating the possibility of approving a Policy for Director Selection and Diversity on the Board of Directors.

C.1.6 Explain any measures adopted by the appointments committee to ensure that selection procedures are not biased in such a way as to hinder the selection of female directors, and to ensure that the company deliberately seeks women with the required professional profile and includes them as potential candidates, enabling balance to be achieved between women and men:

Explanation of the measures

In line with the statements in Section C.1.5 above, when the Company has had the opportunity to begin a selection procedure as a result of a vacancy or other factor, this procedure has taken into account the diversity criteria included in the corporate documents, as described above, and, in particular, the avoidance of any kind of gender discrimination during the selection procedures, which has improved opportunities for female candidates in this regard.

Where, despite the measures adopted, there are few or no female directors, provide justification:

Explanation of the reasons

In line with the sections above and in light of the existence of a new vacancy on the Board, as was the case at the Annual General Meeting on 26 June 2019, the criteria used in the selection procedures for filling this vacancy included compliance with the principle of diversity. This was applied without prejudice to the other requirements for directors, such as competence, experience, availability and personal conditions of freedom of opinion and judgment, which must be met by members of the Company's Board, and taking into account not only the individual suitability of its members but the needs and composition of the Board of Directors as a whole and the desirability of endowing the structure of the Board of Directors with a certain degree of stability, which will ensure improved performance of its functions over the medium term.

Without prejudice to the above and in all cases, the Company prioritises candidates' suitability for appointment as directors. Consequently, after the appropriate comprehensive assessment by the Appointments and Remuneration Committee and the Board of Directors, the proposal for a new appointment, which was submitted to the Annual General Meeting on 26 June 2019, included the most suitable candidate to meet the Company's needs at that time, regardless of gender.

C.1.7 Explain the conclusions of the appointments committee on the verification of compliance with the selection policy for directors. Specifically, explain how this policy is promoting the goal that by 2020 female directors will comprise at least 30% of the total members of the board of directors.

The Company's Appointments and Remuneration Committee considers that the selection procedure for directors facilitated the selection of a female director when a vacancy on the Board of Directors arose during fiscal year 2016. For the 2019 General Meeting, it therefore maintained the same selection criteria, geared toward explicitly and deliberately seeking candidates with suitable profiles based on the characteristics of the vacancy to be filled and the composition of the Company's governing bodies.

C.1.8 Explain, where applicable, why shareholder directors have been appointed at the request of shareholders whose equity stake amounts to less than 3% of the share capital:

Name or corporate name of the shareholder	Reason
No data	

Indicate whether there has been any failure to address formal requests for representation on the board from shareholders whose equity stake is equal to or higher than that of other shareholders whose requests have resulted in the appointment of shareholder directors. Where applicable, explain why the request was not addressed:

Yes  
 No

C.1.9 Indicate any powers or capacities delegated by the board of directors to directors or board committees:

Name or corporate name of the director or committee	Brief description
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	In accordance with Article 28 of the Articles of Association, the Chairperson holds all the powers of the Board of Directors except those set out in Article 25 of the Articles of Association with respect to the election of the Chairperson and the Deputy Chairpersons and those which are non-transferrable in accordance with legal provisions or the Company's internal regulations. In accordance with Article 28 of the Articles of Association, the powers held by the Chairperson may be delegated to third parties. Likewise, the Chairperson is considered the Company's most senior executive and is conferred with the powers necessary to exercise this authority.

C.1.10 Identify, where applicable, any members of the board who hold directorships or represent directors or who hold management positions in other companies belonging to the same business group as the listed company:

Name or corporate name of the director	Corporate name of the entity	Position	Do they have executive functions?
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Técnicas Reunidas Internacional, S.A.	Chairperson	YES
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Técnicas Reunidas Proyectos Internacionales, S.A.U.	Director with authority to act jointly	YES
JUAN LLADÓ ARBURÚA	Empresarios Agrupados Internacional, S.A.	Chairperson	NO
JUAN LLADÓ ARBURÚA	Española de Investigación y Desarrollo, S.A.	Deputy Chairperson	NO
JUAN LLADÓ ARBURÚA	Técnicas Reunidas Internacional, S.A.	1st Deputy Chairperson	NO
JUAN LLADÓ ARBURÚA	Master S.A. Ingeniería y Arquitectura	Director	NO
JUAN LLADÓ ARBURÚA	Técnicas Reunidas Proyectos Internacionales, S.A.U.	Director with authority to act jointly	YES
JUAN LLADÓ ARBURÚA	Initec Infraestructuras, S.A.U.	Director	NO
JUAN LLADÓ ARBURÚA	Initec Plantas Industriales, S.A.U.	Director	NO
JUAN LLADÓ ARBURÚA	Empresarios Agrupados, A.I.E.	Physical person representing TR on Management Committee	NO
JUAN LLADÓ ARBURÚA	Eurocontrol, S.A.	Director	NO

C.1.11 Provide details, where applicable, of any company directors or representatives of directors that are legal entities who are also members of boards of directors or representatives of directors that are legal entities at other entities listed on official securities markets other than those of the company's group, of which the company has been notified:

Name or corporate name of the director	Corporate name of the listed entity	Position
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR

C.1.12 Indicate, and where applicable explain, whether the company has established rules on the maximum number of boards on which its own directors may serve and identify, where appropriate, where this is governed:

Yes

No

C.1.13 Indicate the amounts corresponding to the following items of overall remuneration for the board of directors:

Remuneration paid to the board of directors during the fiscal year (thousands of euros)	4,943
Amount of the accrued entitlements corresponding to pension rights accumulated by current directors (thousands of euros)	
Amount of the accrued entitlements corresponding to pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify any senior managers who are not also executive directors, and indicate the total remuneration paid to them during the fiscal year:

Name or corporate name	Position(s)	
FRANCISCO MARTÍNEZ-BORDIÚ DE CUBAS	Chief Human Resources Officer	
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer	
ANA SÁNCHEZ HERNÁNDEZ	Chief Procurement Officer	
MIGUEL PARADINAS MÁRQUEZ	Assistant General Manager	
LAURA BRAVO RAMASCO	Secretary of the Board of Directors	
ENRIQUE RUBÉN ALSINA MASSANA	Chief Corporate Development Officer	
FELIPE REVENGA LÓPEZ	Chief Operating Officer	
EMILIO GÓMEZ ACEVEDO	Chief Legal Officer	
JOSÉ MARÍA GONZÁLEZ VELAYOS	Internal Auditor	
ARTHUR W. CROSSLEY SANZ	General Manager of Upstream & Gas	
CÉSAR SUÁREZ LEOZ	Energy Division Manager	
Total senior management remuneration (thousands of euros)		4,761

The Company has granted loans and advances totalling 187 thousand euros to senior managers during fiscal year 2019.

C.1.15 Indicate whether any changes were made to the regulations of the board during the fiscal year:

- Yes  
 No

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures:

Article 23 of the Articles of Association stipulates that the Board of Directors will consist of at least 7 and at most 15 members, and the specific number will be determined at the Annual General Meeting.

With regard to the selection and appointment of directors, Article 17 of the Regulations of the Board stipulates that directors will be appointed by the General Meeting or the Board of Directors, in accordance with the provisions of the Companies Act. Proposals for the appointment and re-election of directors submitted by the Board of Directors for the consideration of the General Meeting and resolutions on appointments adopted by the Board by virtue of its legally assigned powers to appoint by co-option will in all cases be subject to the procedure and criteria for director selection set out in the Regulations of the Board. In this respect, any proposal must be preceded by:

- (a) the corresponding proposal by the Appointments and Remuneration Committee, in the case of independent directors; and
- (b) the corresponding proposal by the Board of Directors, in the case of other directors, which must also be preceded by a report from the Appointments and Remuneration Committee.

In addition, the proposal must in all cases be accompanied by a supporting document from the Board, evaluating the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or the meeting of the Board.

At the same time, with respect to the appointment of external directors, Article 18 of the Regulations of the Board stipulates that the Board of Directors must ensure that candidates for appointment are persons with verified solvency, competence and experience, and must exercise due rigour in relation to the appointment of independent directors, in accordance with Article 6 of the Regulations.

In the case of the re-election of directors, in addition to the above requirements, Article 19 of the Regulations of the Board stipulates that before proposing the re-election of directors to the General Meeting, the Board of Directors, excluding the persons concerned, will evaluate the proposed directors' quality of work and dedication to duties during the preceding term of office.

In accordance with Article 20 ('Term of Office'), directors will serve on the board for a term of four years, without prejudice to the possibility that they may be removed before this time by the General Meeting. At the end of their term of office, they may be re-elected one or more times for terms of equal duration.

Directors' appointments will expire when, at the end of their term of office, the next General Meeting has been held or the legal deadline has passed for holding the General Meeting at which the previous year's accounts must be approved.

Any vacancies that arise may be filled by the Board of Directors by co-option, in accordance with the law. If vacancies arise after the General Meeting has been convened and before the date on which it is held, the Board will reserve its powers of co-option until the following General Meeting.

Directors appointed by co-option must have their positions ratified on the date of the first General Meeting immediately following their appointment.

Directors completing their mandate or retiring from office for any other reason may not be a director or hold an executive position in any other entity with the same corporate purpose as the Company for a period of two years. The Board of Directors, if it considers it appropriate, may release outgoing directors from this obligation or shorten its duration.

With respect to the removal of directors, Article 21 of the Regulations of the Board of Directors stipulates the following:

'1. Directors will cease their duties when the term of office for which they were elected has expired or as determined by the General Meeting in the exercise of its legally or statutorily assigned powers. In the case of independent directors, this will occur when they have held their position for an uninterrupted period of 12 years, as of the time that the Company's shares were first traded in the Securities Market.

2. Directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:

- (a) when they no longer hold the executive position that was associated with their appointment as director;
- (b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;
- (c) when they have received a serious reprimand from the Board of Directors for breach of their obligations as directors;
- (d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

3. Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.'

**C.1.17 Explain to what extent the board's annual evaluation has led to significant changes in its internal organisation and the procedures applicable to its activities:**

Description of changes
------------------------

With respect to the evaluation of directors, Article 5.6 of the Regulations of the Board stipulates that the Board of Directors must carry out an annual evaluation of its operation (based on the Report by the Appointments and Remuneration Committee) and that of its committees and their chairpersons, on the basis of which it will propose a plan of action to rectify any identified deficiencies. (The outcome of the evaluation will be entered in the minutes of the meeting or incorporated into the minutes as an annex.)

While the evaluation showed that the Board's composition, internal organisation, operation and frequency of meetings were satisfactory, the Company carried out various activities as a result of the annual evaluation of the Board. These included the acceptance during fiscal year 2019 of submissions related to various aspects of the Company (including submissions on the functioning of the Regulatory Compliance Unit and on the Group's insurance scheme).

Describe the evaluation processes and any areas assessed by the Board of Directors, where appropriate, assisted by an external consultant, with respect to the operation and composition of the board and its committees and any other areas or aspects that have been evaluated.

Description of the evaluation process and areas assessed
--

The 2019 evaluation of the various board committees was based on the reports that they submitted to the Board of Directors, while evaluation of the Board itself was based on the report by the Appointments and Remuneration Committee.

The process also included the administration of an assessment questionnaire for completion by all directors, which was analysed in order to obtain a unified result for the members of the Board of Directors.

During the evaluation process, the Board of Directors was assisted by the external consultants KPMG, who held interviews with Board members as part of the evaluation process.

The areas assessed during the Board's evaluation process included the following:

- the operational efficiency and composition of the Board of Directors;
- the operation and composition of its committees;
- the performance of the Chairperson of the Board of Directors and the performance and contribution of each director.

**C.1.18 Provide a breakdown, for the fiscal years in which the evaluation has been assisted by external consultants, of any business relationships between the consultants or any company in their group and the company or any company in its group.**

The external consultant KPMG Asesores, S.L. and other companies of the KPMG group have provided various services to the Company and other companies of his group during the year 2019 for a total amount of 523,435 euros. Among these additional services to assist in the evaluation of the performance of the directors and additional ones such as regulatory compliance advice, in application of the procedures of due diligence of the Company, as well as tax advice.

**C.1.19 Indicate the circumstances under which directors are obliged to resign.**

As indicated in Section C.1.16 above, in accordance with the provisions of Article 21.2 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:

- (a) when they no longer hold the executive position that was associated with their appointment as director;
- (b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;
- (c) when they have received a serious reprimand from the Board of Directors for breach of their obligations as directors;

(d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings.

As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.

Likewise, Article 21.1 of the Regulations of the Board of Directors of the Company stipulates that the Company's external independent directors will retire from their positions 'when they have held their position for an uninterrupted period of 12 years.'

C.1.20 Are enhanced majorities, other than those stipulated by law, required for any type of decision?

Yes  
 No

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, for appointment as chairperson of the board of directors.

Yes  
 No

Description of requirements
-----------------------------

Article 8.2 of the Regulations of the Board of Directors of the Company stipulates that the Chairperson of the Board of Directors must be an executive director and their appointment requires a vote in favour by two thirds of the members of the Board of Directors.

C.1.22 Indicate whether the articles of association or the regulations of the board establish any age limit for directors:

Yes  
 No

C.1.23 Indicate whether the articles of association or the regulations of the board establish a limited term of office or any other requirement that is more stringent than those established by law for independent directors, other than that set out in the regulations:

Yes  
 No

Additional requirements and/or maximum number of years of service
---

C.1.24 Indicate whether the articles of association or the regulations of the board of directors establish specific rules on the appointment of proxies within the board of directors to act on behalf of other directors, how this is undertaken and, specifically, the maximum number of proxies that a director may have, and whether there is any restriction on the categories from which a proxy may be appointed, other than the restrictions imposed by legislation. Where applicable, briefly detail these rules.

Article 26 of the Articles of Association stipulates that any director may authorise, in writing, another director to be their proxy. Non-executive directors may only appoint another non-executive director as their proxy.

Article 16 of the Regulations of the Board of Directors stipulates that directors must do everything in their power to ensure that they attend Board meetings. When unable to attend in person, they will appoint another member of the Board as their proxy, in writing and specifically for each session, including the appropriate instructions and notifying the Chairperson of the Board of Directors. Notwithstanding the above, non-executive directors may only appoint another non-executive director as their proxy.

C.1.25 Indicate the number of meetings that the board of directors held during the fiscal year. Also indicate, where applicable, the number of times that the board met without the chairperson's attendance. Proxies with specific instructions will be considered as attendances:

Number of board meetings	9
Number of board meetings without the chairperson's attendance	7

The meetings which the Company's Chairperson was unable to attend during fiscal year 2019 were all chaired by the 1st Deputy Chairperson, in accordance with the provisions of Article 9.1 of the Regulations of the Board of Directors.

Indicate the number of meetings held by the lead independent director with the other directors, without the attendance or representation of any executive director:

Number of meetings	0
--------------------	---

Indicate the number of meetings held by the board's various committees during the fiscal year:

Number of meetings of the Appointments and Remuneration Committee	7
Number of meetings of the Audit and Control Committee	9

C.1.26 Indicate the number of meetings that the board of directors held during the fiscal year and the attendance figures for its members.

Number of meetings attended in person by at least 80% of directors	9
% of in-person attendance out of total votes during the fiscal year	94.44
Number of meetings attended in person, or by proxies with specific instructions, by all directors	9
% of votes cast through in-person attendance and by proxies with specific instructions, out of total votes during the fiscal year	100.00

C.1.27 Indicate whether the annual stand-alone and consolidated financial statements submitted to the board are certified before being drawn up:

[  ] Yes  
[  ] No



Identify, where applicable, the person(s) who certified the company's stand-alone and consolidated financial statements before their submission to the board:

Name	Position
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer

C.1.28 Explain any mechanisms established by the board of directors to ensure that the stand-alone and consolidated financial statements which it has drawn up are not submitted to the general meeting with a qualified opinion in the audit report.

Article 39.3 of the Regulations of the Board of Directors stipulates that the Board must endeavour to draw up the financial statements so as to ensure that there are no grounds for the auditor to issue a qualified opinion. Nevertheless, when the Board considers that it must uphold an opinion, it will issue a public explanation of the content and scope of any discrepancies.

At the same time, the Audit and Control Committee will generally meet on a quarterly basis, for the purpose of reviewing the periodic financial reports that must be submitted to the authorities, together with the information that the Board of Directors must approve and include within its annual public reporting.

In this regard, Article 13.2 of the Regulations of the Board of Directors assigns the Audit Committee the following functions:

- Reviewing the Company's accounts and monitoring compliance with legal requirements and the correct application of accounting principles, with the direct collaboration of the internal and external auditors.
- Supervising the process of preparing and presenting the Company's mandatory financial reports and, where appropriate, submitting recommendations or proposals to the Board of Directors aimed at safeguarding integrity, verifying compliance with regulatory requirements and the correct application of accounting principles. Understanding, monitoring and verifying the adequacy and integrity of the Company's internal control systems, and reviewing the appointment or replacement of senior management.
- Supervising, on a regular basis, the efficiency of the Company's internal control system, the internal auditing and the risk management systems, as well as addressing, together with the auditor, any significant weaknesses in the internal control system detected during the audit, without undermining their independence. For this purpose, when appropriate, the Committee may submit recommendations or proposals to the Board of Directors and the corresponding timeframe for follow-up.
- Reviewing the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that interim accounts are drawn up using the same accounting principles as the annual financial statements.

C.1.29 Is the secretary of the board also a director?

- Yes  
 No

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
LAURA BRAVO RAMASCO	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of external auditors, as well as any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Article 39 of the Regulations of the Board stipulates that the Audit and Control Committee must not propose to the Board of Directors and, in turn, the Board must not submit to the General Meeting the appointment as auditor of the Company's accounts of any auditing firm that falls within the scope of incompatibilities set out in current accounting legislation, nor any firms where the fees expected to be paid by the Company, for all services, are higher than five per cent of total income for the previous fiscal year.

The Audit and Control Committee is, therefore, responsible for maintaining the appropriate relationships with the Company's external auditors, receiving information on any issues that might undermine their independence and any other issues related to the performance of the auditing, as well as any other communications provided for in the auditing legislation and technical auditing standards, in accordance with Article 29(e) of

the Articles of Association and Article 13.2 of the Regulations of the Board of Directors.

In addition, and for the purposes of safeguarding auditor independence, the Audit and Control Committee has agreed to limit the amount payable for services invoiced by the auditing firm for non-audit services.

At the same time, Article 38 of the Regulations of the Board governs the Company's relationships with the markets in general. In this regard, Técnicas Reunidas' relationships with financial analysts and investment banks, as well as other entities, is based on the principles of transparency and non-discrimination. The Company coordinates its dealings with these entities, managing both their requests for information and those from institutional and individual investors.

With regard to rating agencies, the Company is not subject to credit ratings.

C.1.31 Indicate whether the company changed its external auditor during the fiscal year. If so, identify the incoming and outgoing auditors:

Yes  
 No

If there were any disagreements with the outgoing auditors, explain their basis:

Yes  
 No

C.1.32 Indicate whether the auditing firm carries out any non-audit work for the company and/or its group and, where applicable, state the fees for this work and the percentage this represents of all fees invoiced to the company and/or its group:

Yes  
 No

	Company	Companies in the group	Total
Fees for non-audit work (thousands of euros)	794	155	949
Fees for non-audit services/auditing fees (%)	37.54	7.33	44.87

C.1.33 Indicate whether the audit report on the financial statements for the previous fiscal year includes any reservations or qualified opinions. If applicable, indicate the explanations given to shareholders at the General Meeting by the chairperson of the audit committee on the content and scope of these reservations or qualified opinions.

Yes  
 No

Explanation
-------------

The audit report on the financial statements for fiscal year 2018 includes no qualified opinions. Notwithstanding the above, the conclusion of the Independent Verification Report on the Statement of Non-financial Information, issued by PricewaterhouseCoopers, S.L. (PWC) dated 28 February 2019, does include a qualified opinion on the Group's omission of a country-by-country profit breakdown. The Company considers that this level of detail affects its commercial interests and decided instead to provide this information grouped into its main geographical areas of

operation (Americas, Asia, Spain, Europe, Mediterranean and Middle East).

C.1.34 Indicate the number of consecutive fiscal years during which the current auditing firm has been auditing the company's stand-alone and/or consolidated annual financial statements. Likewise, indicate the percentage represented by the number of fiscal years for which the current auditing firm has been the auditor with respect to the total number of fiscal years in which the financial statements have been audited:

	Stand-alone	Consolidated
Number of consecutive fiscal years	3	3

  

	Stand-alone	Consolidated
No. of fiscal years of auditing by the current auditing firm/No. of fiscal years in which the company or its group has been audited (%)	15.79	15.79

For fiscal years 2017, 2018 and 2019, the Company has implemented a joint audit system for its annual accounts involving the audit firms PricewaterhouseCoopers and Deloitte. PricewaterhouseCoopers has audited the stand-alone and consolidated annual financial statements for all fiscal years since the Company's flotation (fiscal year 2006), while Deloitte has audited the stand-alone and consolidated annual financial statements for fiscal years 2017, 2018 and 2019.

C.1.35 Indicate and, where applicable, detail whether there is any procedure for ensuring that directors can obtain the information needed in sufficient time to prepare for meetings of the management bodies:

Yes  
 No

#### Details of the procedure

In accordance with Article 26(a) of the Regulations of the Board, directors' duties include ensuring that they are informed and adequately prepared for the meetings of the Board and any delegated bodies to which they belong.

In this regard, the duties of the Secretary of the Board include providing the directors with the necessary advice and information, assisting the Chairperson in ensuring that the directors receive the relevant information for the performance of their duties sufficiently in advance and in the appropriate format, in accordance with the provisions of Article 10 of the Regulations of the Board.

Likewise, Article 23 ('Rights to information and powers of inspection') of the Regulations of the Board of Directors sets out the following procedure for directors to exercise their rights to information:

1. Directors may request information on any aspect of the Company and examine its books, records, documents and other documentation. The right to information extends to the associate companies, provided this is possible.
2. Requests for information must be addressed to the Secretary of the Board of Directors, who will forward them to the Chairperson of the Board of Directors and the appropriate person at the Company.
3. The Secretary will advise the director of the confidentiality of the information requested and received and of their duty of confidentiality in accordance with the provisions of these Regulations.
4. The Chairperson may deny access to the information if they consider that: (i) it is not strictly necessary for the proper performance of the director's duties or (ii) its cost is unreasonable in view of the scale of the problem and the Company's assets and income.'

At the same time, Article 24 of the Regulations of the Board, which governs directors' assistance by experts, provides that external directors may request the hiring of legal advisers, accountants and financial or other experts, at the Company's expense. The request must relate to specific problems of a certain importance and complexity that arise during the performance of duties.

The decision to contract an external adviser must be reported to the Company's Chairperson and may be vetoed by the Board of Directors if it is ascertained that:

- (a) it is not strictly necessary for the proper discharge of the duties assigned to the external directors;
- (b) its cost is unreasonable in view of the scale of the problem and the Company's assets and income; or
- (c) the technical assistance involved can be adequately provided by Company experts and specialists.

C.1.36 Indicate and, where applicable, detail whether the company has established rules obliging directors to report and, where appropriate, resign under circumstances that might harm the company's standing and reputation:

- Yes
- No

<b>Explain the rules</b>
--------------------------

Article 21.2(d) of the Regulations of the Board of Directors stipulates that directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

In addition, Article 21.3 of the Regulations of the Board stipulates that directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.

C.1.37 Indicate whether any member of the board of directors has informed the company that they have been charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act:

- Yes
- No

C.1.38 Provide details of any significant agreements that have been entered into by the company that will come into force or be modified or terminated in the event of a change in control of the company resulting from a takeover bid, and their effects.

The Company has not signed any agreements of this kind.

C.1.39 Identify, on an individual basis in the case of directors and on an aggregated basis in other cases, any agreements between the company and its directors, managers or employees that provide for compensation, guarantees or golden handshakes on their resignation or unfair dismissal, or if the contractual relationship is terminated because of a public takeover bid or other type of operation.

Number of beneficiaries	3
Type of beneficiary	Description of the agreement
Executive directors and senior management	(1) Executive directors: All executive directors' employment contracts provide for financial compensation in the event of their termination by the Company for reasons not related to breach of obligations. This payment is 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. (2) Senior managers: There is an agreement with directors which, in the event of unfair dismissal, provides that compensation would be determined through judicial proceedings. In the event of an objective dismissal, redundancy or other discharge deriving from a Company decision, the total amount for these 3 types of compensation would be 5,957 thousand euros.

Indicate whether the company or group bodies must be notified of and/or must approve these contracts, other than in the circumstances provided for by law. If yes, specify the procedures, circumstances provided for and the nature of the bodies responsible for their approval or notification:

	Board of directors	General meeting
Body authorising the clauses	√	

  

	Yes	No
Is the general meeting notified of the clauses?	√	

## C.2 Committees of the board of directors

C.2.1 Provide details of all the committees of the board of directors, their members and their proportions of executive, shareholder, independent and other external directors:

Appointments and Remuneration Committee		
Name	Position	Category
FERNANDO DE ASÚA ÁLVAREZ	MEMBER	Other external director
ALFREDO BONET BAIGET	CHAIRPERSON	Independent director
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Shareholder director
JOSÉ NIETO DE LA CIERVA	MEMBER	Independent director
RODOLFO MARTÍN VILLA	MEMBER	Other external director

% of executive directors	0.00
% of shareholder directors	20.00
% of independent directors	40.00
% of other external directors	40.00

Explain the functions assigned to this committee, including any which are additional to those required by law, and describe its organisational and operational rules and procedures. For each of these functions, indicate the most important actions taken during the fiscal year and how each of its assigned functions has been implemented in practice, whether these are derived from the law, the articles of association or other corporate agreements.

The Committee's main functions, procedures and rules of organisation and operation are set out in Article 30 of the Articles of Association and Article 14 of the Regulations of the Board.

The Chairperson of the Committee will be appointed by the Board of Directors from among its members for a four-year term and may be re-elected one or more times for terms of equal duration. The Chairperson must be an independent director.

In accordance with Article 14.2 of the Regulations of the Board of Directors and without prejudice to any other functions which might be assigned to it by the Board of Directors, the Committee's basic responsibilities include the following:

- Assessing the necessary competences, knowledge and experience of the Board of Directors. For this purpose, the Committee will define the required functions and skills for candidates for each vacant position and assess the time and dedication needed to perform their duties effectively.
- Establishing a representation target for the under-represented gender on the Board and issuing guidelines on how to reach this target.
- Submitting proposals to the Board of Directors nominating independent directors for appointment by co-option or submission to the decision of the Annual General Meeting, as well as proposals to the Annual General Meeting for the re-election or dismissal of these directors.
- Reporting on proposals designating natural persons to represent a director that is a legal entity.
- Reporting on proposals nominating other directors for their appointment by co-option or submission to the decision of the Annual General Meeting, as well as proposals to the Annual General Meeting for their re-election or dismissal.
- Proposing members for positions on each of the Committees, taking into account their knowledge, competences and experience and the tasks of each Committee.
- Reporting on proposals for the appointment and dismissal of the Company's senior managers and the basic terms and conditions of their contracts.
- Reporting to the Board of Directors on the appointment of its internal positions (Chairperson, Deputy Chairperson, Chief Executive Officer, where appropriate, and Secretary and Vice-Secretary).
- Examining and organising the succession of the Chairperson of the Board of Directors and the Chief Executive Officer of the Company and, where appropriate, making proposals to the Board of Directors to ensure the transition is orderly and well-planned.
- Proposing to the Board of Directors the remuneration policy for the directors and general managers or anyone in senior management who reports directly to the Board, the Executive Committee or the Chief Executive Officers, as well as individual remuneration and the remaining contractual conditions of the executive directors, ensuring that these are met.
- Formulating and reviewing the criteria governing the composition of the management team of the Company and its subsidiaries and for the selection of candidates, and informing the Board of Directors of the appointment or dismissal of managers reporting directly to the Board of Directors.
- Submitting proposals to the Board of Directors nominating senior managers reporting directly to the Board, with the aim of their appointment.
- Analysing, formulating and periodically reviewing proposals for policies on the recruitment, loyalty and dismissal of managers.
- Analysing, formulating and periodically reviewing proposals for policies on the remuneration of managers, considering their suitability and effectiveness.
- Reporting annually to the Board of Directors on the performance evaluation of the Company's senior management.
- Informing the Board of Directors about the systems for and the amount of annual remuneration for directors and senior management and preparing the information for inclusion in the annual public report on directors' remuneration.
- Ensuring transparency on remuneration.
- Informing the Board of Directors about transactions that involve potential conflicts of interest.
- Reporting on the appointments and removals of the Company's senior managers, as well as, where appropriate, proposing the basic conditions of the contracts that are entered into with them.

The Appointments and Remuneration Committee's most important activities during fiscal year 2019, and their corresponding implementation, were as follows:

(a) With respect to the appointment of directors and senior management:

The Committee proposed the appointment of Rodolfo Martín Villa as other external director of the Company and issued the corresponding mandatory report for submission to the Board of Directors. The report verified that the candidate has an outstanding academic background and extensive professional experience in both the public and private sectors.

At the same time, the Committee is fully aware of the need to ensure diversity among the members of the Board of Directors in terms of age, training and education, professional experience and gender, as well as the need to ensure that selection procedures encourage diversity and, in particular, that they facilitate the selection of a sufficient number of female directors to achieve a balanced participation of women and men. In this regard, the Committee is also aware of the need for reflection on the incorporation of more women on the Board, and this issue has been raised and evaluated at various meetings.

The Committee also received information from representatives of the Company's Human Resources Department, the International Human Resources Officer, the Compensation and Benefits Department and the Head of Personnel Administration about the Plan for Resource and Structure Optimisation, prepared by the Human Resources Department with the help of external consultants Ernst & Young and McKinsey, which is in turn part of the Optimisation Plan for personnel of pensionable age.

(Continued in Section H.)

Audit and Control Committee		
Name	Position	Category
PETRA MATEOS-APARICIO MORALES	CHAIRPERSON	Independent director
PEDRO LUIS URIARTE SANTAMARINA	MEMBER	Independent director
JOSÉ NIETO DE LA CIERVA	MEMBER	Independent director
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Shareholder director

% of executive directors	0.00
% of shareholder directors	25.00
% of independent directors	75.00
% of other external directors	0.00

Explain the functions assigned to this committee, including any which are additional to those required by law, and describe its organisational and operational rules and procedures. For each of these functions, indicate the most important actions taken during the fiscal year and how each of its assigned functions has been implemented in practice, whether these are derived from the law, the articles of association or other corporate agreements.

The Committee's main functions, procedures and rules of organisation and operation are set out in Article 13 of the Regulations of the Board and Article 29 of the Articles of Association, as follows:

The Chairperson of the Committee is elected by the Board from among the independent directors for a term that will not exceed 4 years, and must be replaced at the end of this term. They may be re-elected after a period of 1 year from their retirement from office.

Without prejudice to any other functions required by legal provisions or assigned at any time by the Board, the Committee's responsibilities will include:

- Reporting to the General Meeting on issues raised there concerning matters within its competence and, in particular, on the outcome of the audit, explaining how this has contributed to the integrity of financial reporting and the role the Committee has played in this process.
- Submitting proposals to the Board of Directors on the selection, appointment, renewal and replacement of the external auditor, as well as their contracting conditions, and regularly requesting information from the auditor about the audit plan and its implementation, in addition to safeguarding their independence in the performance of their duties.
- Reviewing the Company's accounts and monitoring compliance with legal requirements and the correct application of accounting principles, with the direct collaboration of the internal and external auditors.
- Supervising the process of preparing and presenting the Company's mandatory financial reports and, where appropriate, submitting recommendations or proposals to the Board of Directors aimed at safeguarding integrity, verifying compliance with regulatory requirements and the correct application of accounting principles. Understanding, monitoring and verifying the adequacy and integrity of the Company's internal control systems, and reviewing the appointment or replacement of senior management. Supervising, on a regular basis, the efficiency of the Company's internal control system, the internal auditing and the risk management systems, as well as addressing, together with the auditor, any significant weaknesses in the internal control system detected during the audit, without undermining their independence. For this purpose, when appropriate, the Committee may submit recommendations or proposals to the Board of Directors and the corresponding timeframe for follow-up.
- Establishing the appropriate relationships with the external auditors in order to gather information on any issues that might undermine their independence, for consideration by the Committee, and any other issues related to the performance of the audit and, when applicable, the authorisation of services other than those which are prohibited, as well as any other communications provided for in auditing legislation and auditing standards. In all cases, the Committee must receive from the external auditors an annual declaration of their independence from the Company and its directly or indirectly associated entities, as well as detailed and itemised information on any type of additional services provided to these entities and the corresponding fees received by the external auditor, or by persons or entities linked to them, in accordance with the provisions of regulatory legislation on auditing.
- Monitoring compliance with the audit engagement, ensuring that the opinion on the annual financial statements and the main contents of the audit report are drawn up clearly and accurately, as well as evaluating the results of each audit, receiving information on a regular basis from the external auditor about the audit plan and the outcome of its implementation, and verifying that recommendations are taken into account by senior management. The Committee will also ensure compliance with the current regulations on the provision of non-audit services, and restrictions on the auditor's business combinations, and in general, any other standards for ensuring auditor independence.
- Reviewing the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that interim accounts are drawn up using the same accounting principles as the annual financial statements.
- Issuing an annual report, prior to the issuance of the Audit Report, expressing an opinion on whether the independence of the auditor or



auditing firm has been jeopardised. This report will, in all cases, include a justified evaluation of the provision of every additional service, considered individually and in their entirety, separate from the statutory audit and related to the rules on independence and the regulations governing auditing.

- Verifying compliance with the Internal Code of Conduct, the Regulations of the Board and, in general, the Company's rules of governance, and making the necessary proposals for improvements.
- Understanding the fiscal policies implemented by the Company. In this regard, receiving information from the head of tax affairs on the fiscal policies implemented, prior to the drawing up of the annual financial statements and the submission of the Corporate Income Tax Return, and, where relevant, on the tax implications of corporate operations whose approval is subject to the Board of Directors.
- Monitoring and supervising compliance with the risk management policy, whether directly or through subcommittees created for this purpose.

(Continued in Section H.)

Identify any members of the audit committee who were appointed considering their knowledge and experience of accounting, auditing or both, and indicate the date of appointment of the current chairperson of this committee.

Name of the directors with experience	PETRA MATEOS-APARICIO MORALES PEDRO LUIS URIARTE SANTAMARINA JOSÉ NIETO DE LA CIERVA JOSÉ MANUEL LLADÓ ARBURÚA
Date of appointment of the current chairperson	31/07/2018

C.2.2 Complete the following table with information on the number of female directors on the committees of the board of directors at the end of the last four fiscal years:

	Number of female directors							
	FY 2019		FY 2018		FY 2017		FY 2016	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee	0	0.00	1	20.00	0	0.00	0	0.00
Audit and Control Committee	1	25.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, whether there are any regulations governing the board's committees, where these regulations may be consulted and any changes made during the fiscal year. Likewise indicate whether any annual reports on the committees' activities have been drawn up on a voluntary basis.

The rules governing the organisation and functioning of the Audit and Control Committee and the Appointments and Remuneration Committee are included in the Articles of Association and the Regulations of the Board of Directors, which are available to view on the Company website ([www.tecnicasreunidas.es](http://www.tecnicasreunidas.es)), accessed by clicking on the 'Shareholders and Investors/Corporate Governance' tab in the 'Corporate Governance' section. During fiscal year 2019, the Company made no changes to the Regulations of the Board of Directors or the Articles of Association. Nevertheless, the Audit and Control Committee and the Appointments and Remuneration Committee have started work on the approval of two specific regulations to incorporate the National Securities Market Commission Technical Guide 3/2017 on audit committees at public interest entities and Technical Guide 1/2019 on appointments and remuneration committees, which will have to be coordinated with the corresponding revision of the Regulations of the Board of Directors.

The Audit and Control Committee and the Appointments and Remuneration Committee draw up reports on their activities and operation during the fiscal year, which are made available to shareholders at the time of the Annual General Meeting.



**D. INTRAGROUP AND RELATED-PARTY TRANSACTIONS**

**D.1 Explain, where applicable, the procedure and the competent bodies responsible for approving intragroup and related-party transactions.**

Article 5 of the Regulations of the Board of Directors stipulates the following:

‘Except in matters which are exclusively the competence of the General Meeting, the Board of Directors is the Company’s highest-level decision-making body, and will assume the powers legally reserved for its direct attention, as well as any others necessary for its responsible exercise of general oversight, including, but not limited to, the functions assigned to it by the Companies Act and, in particular, the non-delegable functions set out below.

(...)

(xii) the approval, subject to a report from the Audit and Control Committee, of transactions that the Company, or companies in its group, carries out with directors or with shareholders with a significant stake, whether individually or jointly with others, including shareholders represented on the Board of Directors, in the Company or other companies in its group or with persons related to them (‘related-party transactions’).

The directors concerned, or who represent or are linked to the shareholders concerned, must not participate in any deliberations or voting on the resolution in question.

Authorisation from the Board of Directors is not necessary, however, for related-party transactions that simultaneously meet the following three conditions:

1. They are carried out under contracts whose terms are standardised and are applied en masse to a large number of clients.
2. That they involve market prices or rates which are established on a general basis for whoever may act as a supplier of the goods or services concerned.
3. Their amount does not exceed one per cent (1%) of the Company’s annual revenue.

Approval of related-party transactions requires prior approval from the Audit and Control Committee. In addition to neither exercising nor delegating their right to vote, the directors concerned must leave the meeting room while the Board of Directors deliberates and votes.’

At the same time, Article 13.2 of the Regulations of the Board stipulates that, without prejudice to any other duties that may be assigned to it at any time by the Board of Directors, the Audit and Control Committee is responsible for reporting to the Board in advance of its adoption of the corresponding decisions on related-party transactions.

In addition, Article 35 (‘Transactions with significant shareholders’) of the Regulations of the Board stipulates that any transaction made by the Company with directors and significant shareholders will be subject to a report by the Audit and Control Committee and to authorisation by the Board of Directors. Before authorising any transaction of this nature by the Company, the Board of Directors will evaluate the transaction from the standpoint of equal treatment of shareholders and market conditions.

In addition, the Company engaged the services of a leading third-party advisor (Gómez Acebo & Pombo) in relation to the Company’s related-party transactions during fiscal year 2019, who have drawn up the corresponding report.

**D.2 Provide details of any transactions that are significant by reason of their amount or material relevance which have been carried out between the company or entities in its group and the company’s significant shareholders:**

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity in the group	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
No data				N/A

**D.3 Provide details of any transactions that are significant by reason of their amount or material relevance which have been carried out between the company or entities in its group and the company’s directors or managers:**

Name or corporate name of the director or manager	Name or corporate name of the related party	Link	Type of transaction	Amount (in thousands of euros)
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Financing agreements: loans	10,000
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Guarantees	77,000
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Other	32,323
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Interest paid	22
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Interest charged	781

The Company's transactions with Banco de Sabadell, S.A. as of 31/12/2019 were as follows:

- Credit facility, not used: 5,000 thousand euros.
- Syndicated credit facility: 5,000 thousand euros (1,800 thousand euros of which used).
- Financial guarantees: 47,000 thousand euros (22,688.88 thousand euros of which used).
- Syndicated guarantees: 30,000 thousand euros (29,067.39 thousand euros used).
- Cash and other cash equivalent products: 32,323.20 thousand euros.
- Interest and commission paid: 780.50 thousand euros.
- Interest paid 21.59 thousand euros.

**D.4** Provide details of any relevant transactions carried out by the company with other entities belonging to the same group, provided these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's normal business in terms of their purpose and applicable conditions.

In all cases, report on any intragroup transaction carried out with entities based in countries or territories considered tax havens:

Corporate name of the entity in the group	Brief description of the transaction	Amount (in thousands of euros)
No data		N/A

**D.5** Provide details of any significant transactions carried out between the company or entities in its group and other related parties which have not been reported in the sections above:

Corporate name of the related party	Brief description of the transaction	Amount (in thousands of euros)
No data		N/A

**D.6** Provide details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

The Regulations of the Board of Directors and the Internal Code of Conduct govern the mechanisms established for detecting and regulating potential conflicts of interest.

In relation to directors, the mechanisms established to detect possible conflicts of interest are regulated in the Regulations of the Board of Directors. Article 29 of the Regulations of the Board of Directors stipulates that directors must report the existence of any conflicts of interest to the Board and refrain from attending or participating in any deliberations on matters in which they have a personal interest. It is also considered that directors have a personal interest when the matter affects any of the following persons:

- their spouse or the person with whom they have an equivalent personal relationship;
- the ascendants, descendants and siblings of the director or the director's spouse;
- the spouses of the ascendants, descendants and siblings of the director;
- the companies in which the director, whether on their own part or through an agent, falls within any of the situations set out in the first paragraph of Article 42 of the Commercial Code.

When the director is a legal entity, the following will be considered related parties:

- partners who fall, with respect to the legal entity, within any of the situations set out in the first paragraph of Article 42 of the Commercial Code;
- directors, whether de facto or de jure, liquidators and legal representatives with general power of attorney of the legal entity;
- companies that belong to the same group and their partners or shareholders;
- persons who, with respect to the representative of the legal entity, are considered related parties in accordance with the provisions of the paragraph above.

In addition, the Regulations of the Board set out other obligations relating to directors' duty to avoid conflicts of interest, including the following:

- Article 28 ('Non-compete obligation') stipulates that directors may neither hold administrative or management positions in companies pursuing activities that are identical, analogous or complementary to the Company's nor perform activities on their own or another entity's account which effectively entail actual or potential competition with the Company or which will in any other way place them in a permanent conflict of interest with the Company, unless expressly authorised by the Company, by resolution of the General Meeting, under the terms established in the law and with the exception of the positions that may be held in group companies. Notwithstanding the above, directors may provide professional services to entities with a corporate purpose wholly or partly analogous to the Company's, provided that they inform the Board of Directors in advance of their intention. The Board may refuse to authorise this activity, stating their reasons.
- Article 30 ('Use of Company assets') of the Regulations stipulates that directors may not make use of the Company's assets, including the Company's confidential information, nor use their position in the Company to gain financial advantage unless they have obtained the corresponding exemption or authorisation from the Company under the conditions established by law.
- Article 32 ('Business opportunities') stipulates that directors may not, whether for personal gain or for a related party under the terms set out in Article 29 of the Regulations, take advantage of a Company business opportunity, unless they have obtained the corresponding exemption or authorisation from the Company under the conditions established by law. For the purposes of the above, a business opportunity is understood as any opportunity to make an investment or commercial transaction that has arisen or come to light in connection with the director's discharge of their duties, or through the use of the Company's resources or information, or under circumstances whereby it would be reasonable to believe that an offer from a third party was in reality addressed to the Company.
- Article 33 ('Indirect transactions') of the Regulations of the Board stipulates that directors will infringe their duty of loyalty to the Company if, with advance knowledge, they allow or do not disclose the existence of transactions by the persons referred to above and indicated in Article 29.1 of the Regulations which have not been subject to the conditions and controls set out in the articles above.

In special cases, the Company may authorise a director to carry out a transaction with the Company, provided this authorisation is agreed at the General Meeting or by the Board, in accordance with the provisions of Article 230 of the Companies Act.

In addition, directors must inform the Company of any positions they hold on Boards of Directors of other listed companies and, in general, of any facts, circumstances or situations that might be relevant in relation to their activities as a director of the Company.

With regard to senior managers, the mechanisms established for detecting and regulating potential conflicts of interest are governed by the Internal Code of Conduct, which are also applicable to directors. Article 11 of the Internal Code of Conduct stipulates that persons subject to its provisions and insiders must at all times act with freedom of opinion, loyalty to the Company and its shareholders, and irrespective of their own or third party interests. They must not, therefore, prioritise their own interests at the expense of the Company's or the interests of some

investors at the expense of others'. They must abstain from intervening in or influencing decisions that may affect persons or entities with whom there is a conflict of interest, and from accessing confidential information that affects this conflict of interest.

(Continued in Section H.1.)

**D.7** Is more than one of the companies in the group listed on the Spanish securities markets?

[ ] Yes  
[✓] No

**E. RISK MANAGEMENT AND CONTROL SYSTEMS**

---

**E.1** Explain the scope of the company's risk management system, including fiscal risk:

At the request of the Audit and Control Committee, the Group has created a catalogue of key risks, described in Section E.3 and drawn up in accordance with COSO 2013 methodology.

Técnicas Reunidas ('TR') has implemented risk management policies, which include the following measures:

- Risks related to project cost variations

There are multiple factors which can lead to variations in cost estimates for turnkey projects (the total price is fixed at the start of the project, while implementation costs may undergo deviations). These include price fluctuations in raw materials, changes in the scope of projects, timeliness and performance quality with respect to construction and assembly subcontractors, litigation by clients and suppliers, geopolitical-nature decisions with immediate effect and weather conditions.

The evaluation of all these factors requires a high level of judgment and estimation.

Failure to meet deadlines may lead to compensation to the client.

Control and management mechanisms:

- Development of new contracting methods to mitigate risks.
- Inclusion of indemnity clauses in contracts with suppliers and subcontractors.
- Intensive acquisition, during the first months of implementation, of any equipment which is both critical and very sensitive to the price of raw materials.
- Use of derivatives that enable certain essential raw materials and equipment to be purchased by instalments.
- Distribution of the execution of the work between several subcontractors and incorporation of subcontractors as project partners.
- Increase in supervision of construction and assembly contractors.
- Inclusion in budgets of a contingency for deviations.
- Use of guidance from external advisers in the preparation of estimates and judgments.
- Close monitoring of project execution deadlines to detect delays, which allow the implementation of mechanisms to accelerate and mitigate the risk of penalties.

- Risks related to crude oil price fluctuations

The price of crude oil is one of the factors that affects decisions on investment, contract procedures and project implementation by the Group's clients, as well as suppliers, competitors and partners.

Recent declines in crude oil prices have pressured clients to offer worse payment terms and be more demanding in the negotiation of changes of scope and claims.

The group's commercial activity is dependent on investment by our clients.

Control and management systems:

- Predominance of NOCs (National Oil Companies) over IOCs (International Oil Companies) in the portfolio (since these companies include factors besides those which are purely economic, such as geopolitical and social criteria, in their decision-making processes).
- Diversification of products and geographical areas.
- Mitigation of risks with clients and suppliers through the early detection of issues that may involve modifications to the contract price.

- Risks related to the implementation of projects in multiple geographical areas

TR's projects are implemented in multiple geographical areas, each with a different risk profile to mitigate, including political and social tensions, locations with restricted access, limited legal certainty, local content requirements, fiscal pressure growth in all geographies in which the Group develops its activity or complexity of the process of assigning margins in projects developed simultaneously in multiple geographies.

The implementation of projects for the first time in a particular geographical area increases the risk of deviations in margins.

Control and management systems:

- Project selection based on a detailed analysis of the client, our previous experience in each geographical area and other aspects such as project-specific margins and risks.
- Use of modular construction schemes in geographical areas where labour shortage or site conditions allow savings compared to other options.
- Inclusion in contracts, whenever possible, of referral of disputes to courts or arbitrators in countries in which TR has experience.
- Inclusion in contracts, whenever possible, of clauses that allow price revisions in the event of amendments to the law.
- Flexibility to adapt to local content requirements.
- Development of BEPS policies.
- Internal Manual of Fiscal Risks of the Group that establishes the fiscal strategy and the internal procedures of management of fiscal risks of the Group, including training actions and internal investigation plans.
- In the bid phase, fiscal strategies that minimize risk are defined with the assistance of local advisors, even in regular Group markets.
- In the execution phase, the tax settlements submitted are supervised, with the support of local advisors and events or deviations are identified with respect to the initial strategies with the objective of correcting them with the support of the area of operations.

(Continued in Section H.1.)

**E.2 Identify the company bodies that are responsible for the development and implementation of the risk management system, including fiscal risk:**

Article 5 of the Regulations of the Board of Directors states that the Board is responsible for the approval of the risk management and control policy, including fiscal risk management, as well as the regular monitoring of the systems for internal control and reporting.

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the systems for internal control and financial risk management. It is also responsible for supervising the process of preparing and presenting the financial reports, safeguarding integrity, and reviewing and verifying the effectiveness of the Group's internal control system. The Audit and Control Committee may be assisted by internal and external auditors in the performance of its functions.

**E.3 Indicate the main risks, including tax risks and, to the extent that they are material, any corruption-related risks (as understood within the scope of Royal Decree Law 18/2017), with potential impact on the achievement of business objectives:**

The main risks are as follows:

- Project cost variations.
- Crude oil price fluctuations.
- Implementation of projects in multiple geographical areas.
- Concentration on a small number of clients.
- Environmental and safety requirements.
- Economic variables.
- Information technology.

**E.4 Identify whether the entity has levels of risk tolerance, including tax risk:**

Given that the group's main area of business is the construction of oil and gas plants in multiple geographies via EPC contracts, for each contract in the bidding or implementation phase, risk assessment measures are systematically applied within the framework of internal risk control and management procedures:

(a) Project analysis and bidding phase - (i) The procedure begins with a risk identification process, during which the budget department and the technical office identify and evaluate the technical risks involved in engineering, supply and construction activities. The contracts department reviews the draft client contracts and draws up a report on any problematic issues or omissions. The corporate development team then takes an initial decision regarding any appropriate modifications to the proposal. (ii) Next is the process for evaluating and, where appropriate, approving contingencies, during which the corporate development team reviews the technical proposal and the report on the contracts, adjusts the risks and contingencies from the perspective of commercial risks and draws up a draft proposal. The executive committee then reviews the draft proposal and, where appropriate, validates it and sets the final price. (iii) The next step is the process for negotiating the final contract, during which the client is sent the proposal and the comments on the draft contracts, new versions of the contracts are reviewed and discussed with the client and, finally, the final versions of the contracts are submitted to the executive committee. The executive committee then reviews and, where appropriate, accepts the final versions of the contracts and approves the proposal.

(b) Project implementation phase - (i) Throughout the implementation of a project, a risk monitoring process is in place, during which the team in charge of the project monitors the development of any risks identified in the contractual documents and identifies any new risks that may arise. The team and the project leader submit the relevant information to the Group's management, since it is the project leader's responsibility to report to management on the project's progress and risk monitoring. (ii) Next is the process for analysing deviations, during which the project team analyses the probability of risks occurring and their potential impact, applying attested criteria and situational analysis. The project team

ranks the risks according to their degree of probability and identifies those that require decision-making or the adoption of corrective measures. (iii) The final step is the process of adopting corrective measures, during which the project team identifies and analyses the causes underlying probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the specific measure to adopt.

**E.5** Indicate any risks, including fiscal risks, which have materialised during the fiscal year:

Risks associated with the fulfilment of contractual conditions.

The Company has incurred deviations in margins deriving from the structure of turnkey projects, which fixes the selling price but leaves open the potential costs associated with plant construction.

The Company has incurred costs arising from the agreement reached with the AEAT Tax Inspection office for fiscal years 2012-2014.

**E.6** Explain the plans for response to and monitoring of the entity's main risks, including fiscal risk, as well as the procedures followed by the company to ensure that the board of directors can respond to any new challenges which arise:

Técnicas Reunidas' structure is organised into various divisions, each with its own sphere of responsibility for risk management with regard to the Company's activities.

Within the Operations Department, the Department of Planning, Cost Control, and Risk and Opportunity Management is responsible for establishing the processes for implementing risk and opportunity (R&O) management during: (1) the proposal phase of a project until its award; (2) the OBE phase of a project until its conversion; (3) the implementation phase of a project, from the time the contract is signed until its completion (according to the terms of the contract). R&O management for projects includes the processes related to planning R&O management, and the identification, analysis and response to risks and opportunities and their monitoring, supervision and control during the project.

The Finance Department is responsible for the implementation of the ICFR, controlling the process of drawing up and correcting the stand-alone and consolidated financial statements contained in the published reports and ensuring that they are accurate, complete and clear.

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the systems for internal control and risk management. It is also responsible for supervising the process of preparing and presenting the financial reports, safeguarding integrity, and reviewing and verifying the effectiveness of the Group's internal control system. The Audit and Control Committee may be assisted by internal and external auditors in the performance of its functions.

The risk management systems undergo constant review with regard to the Company's activities.

In addition, the Company has implemented a Lessons Learned policy which enables, at the conclusion of each project, the identification of any erroneous aspects of the project's implementation and the establishment of optimal procedures for application in similar situations in the future.

Finally, the Company is developing guidelines on Recommended Practices in Counterparty Risk Assessment, which contain various recommendations and procedures to be implemented based on the estimated risk associated with the Company's counterparties.

**F. SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

---

Describe the mechanisms comprising the entity's systems for risk management and internal control over financial reporting (ICFR).

**F.1 Entity's control environment**

Provide information on the following, indicating their main characteristics:

**F.1.1** The bodies and/or functions that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Article 5 of the Regulations of the Board of Directors stipulates that it is the Board's responsibility to approve the risk management and control policy and to periodically monitor the systems for internal control and reporting. The Board of Directors is therefore ultimately responsible for the existence of an adequate and effective system for Internal Control over Financial Reporting (ICFR).

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the Company's systems for internal control, internal auditing and risk management, as well as addressing, together with the



auditor, any significant weaknesses in the internal monitoring system detected during the audit, all without undermining their independence. The Audit and Control Committee may be assisted by internal and external auditors in the performance of its functions, as well as the regular cooperation of the Regulatory Compliance Unit.

In this respect and in relation to its responsibilities for supervising risk management and control, the Audit and Control Committee takes into account the criteria of the supervisory bodies in the prevention of corruption and other irregular practices, as well as in the identification, management and control of potential associated impacts, acting in this respect with the utmost rigour.

Senior management, through the Finance Department, is responsible for the implementation of the ICFR, controlling the process of drawing up and correcting the stand-alone and consolidated financial statements included in the published reports and ensuring that they are accurate, complete and clear.

F.1.2 Where applicable, with particular regard to the process for drawing up the financial reports, the following elements:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the areas of responsibility and authority, and the appropriate distribution of tasks and functions; and (iii) ensuring that there are procedures in place for their correct dissemination within the entity.

The Board of Directors is the body responsible for designing and reviewing the Group's organisational structure. This organisational structure includes mechanisms for defining the internal control structure, and the Group's Finance and Operations Departments are responsible for implementing internal controls over the key processes for both operations and financial reporting.

The Operations Department, through the Department of Standardisation and Procedures, issues the procedures for regulating the different processes associated with project management, including engineering, procurement, construction and project control. The Project Risk and Control Department is responsible for coordinating the management of information received from the different corporate areas. Audits are conducted periodically to ensure that these procedures are properly implemented.

The Finance Department is responsible for the various transition processes from the information reported by Operations Department to the drawing up of the financial and accounting information, ensuring the accuracy and integrity of the information. Audits are conducted periodically to ensure that these procedures are properly implemented.

- Code of conduct, approval body, level of dissemination and training, principles and values included in the code (indicate whether there are specific references to the audit log and financial reporting), body responsible for analysing non-compliance and proposing corrective actions and sanctions:

Técnicas Reunidas' Code of Conduct (the 'Code of Conduct') has been in force throughout 2019, and the Company has carried out specific training actions on its content. The body responsible for its approval is the Board of Directors, and the document is available on the Company website at [www.tecnicasreunidas.es](http://www.tecnicasreunidas.es). The Company has disseminated this document to all persons subject to its provisions by means of specific emails. It has also carried out online training actions on the Code of Conduct.

The principles and values which form the basis of the Code of Conduct and which establish the model values for Técnicas Reunidas' behaviour when dealing with stakeholders include integrity, professionalism, respect for the law, human rights and civic values, quality and innovation, client orientation, professional development, non-discrimination, equal opportunities and respect for the environment.

The Code of Conduct includes specific references to the audit log and financial reporting in Section 4.1.5, cited below as regards this matter.

'The TR Group considers information and knowledge an essential asset for the management of its business, which thus require special protection.

Likewise, the Group declares that veracity of information (particularly with regard to financial reporting, which will faithfully reflect the true economic and financial situation and equity of the Group) will be one of the guiding principles for all its actions.

The Group's employees will share and communicate, in a transparent and truthful manner, any information that they must transmit, whether internally or externally, and will, under no circumstances, knowingly provide or introduce into the computer systems incorrect or inaccurate information, or in any way mislead the recipient of the information.

Likewise, all TR Group economic transactions must be accurately and clearly reflected in the corresponding audit log, in accordance with the applicable international financial reporting standards.'

The Company has a compliance officer, who is responsible for analysing non-compliance and proposing corrective actions and sanctions.

#### Compliance policies

In order to enhance the dissemination of the values and principles of its Code of Conduct and engagement among its workforce and business partners, Técnicas Reunidas has implemented various policies, procedures and training and awareness-raising programmes to help them understand the behaviour that is expected of them in the undertaking of their activities.

#### Due diligence

Técnicas Reunidas has strengthened its due diligence procedures within its supply chain and subcontracting, including its third-party prequalification and approval processes prior to establishing business relationships, the corresponding integrity analyses that enable early identification and/or prevention of potential risks, and their subsequent and continuous monitoring.

- Whistleblowing mechanism for reporting concerns to the audit committee about possible improprieties in matters of financial reporting or accounting, as well as possible non-compliance with the code of conduct and irregular activities within the organisation, indicating whether this is confidential:

The Code of Conduct has implemented a whistleblowing mechanism for this purpose, enabling the reporting of issues in matters of financial reporting or accounting, as well as possible non-compliance with the code of conduct and irregular activities within the organisation. This whistleblowing mechanism is confidential.

- Training programmes and regular updating of skills for personnel involved in drawing up and reviewing the financial information and evaluating the ICFR, covering at least accounting standards, auditing, internal control and risk management:

Training courses are planned and carried out on an annual basis for personnel involved in drawing up and reviewing the financial reports, including programmes for updating of accounting standards, as well as other processes to improve understanding of the management of financial information. In fiscal year 2019, various training sessions were provided specifically for personnel who are intrinsically involved in financial reporting.

In addition, within the framework of the Group's global training implemented by the Human Resources Department, specific courses are provided for relevant personnel from the operational areas involved in processes that may impact on the Company's and the Group's financial reporting.

## **F.2 Risk assessment for financial reporting**

Provide information on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks related to error or fraud, indicating:

- Whether any process is in place and is documented:

At the request of the Company's Audit and Control Committee, the Group has compiled a catalogue of key risks, which includes those that may impact on the internal control of financial information. This catalogue was created using the COSO 2013 methodology. The similarity of the projects carried out over time and the relatively small number of contracts gives rise to a certain degree of stability in the catalogue of key risks in relation to the internal control of financial reporting.

During the process of adapting the ICFR to the recommendations of the National Securities Market Commission (CNMV), the traceability between the Group's catalogue of key risks with impacts on financial reporting and the key business processes with potential impact on the financial statements was monitored, and it was verified that most of the key risks impact on and/or are managed in the processes within the scope predicted.

- Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; rights and obligations), whether it is updated and how frequently:

The Group has defined the activities and processes covering transactions with potential impact on the financial statements, as well as their associated objectives and risks, the existing controls and the procedures associated with these controls.

The process encompasses all financial reporting objectives (existence and occurrence, integrity, evaluation, presentation, breakdown and comparability, and rights and obligations).



- Whether there is a process for identifying the scope of consolidation, taking into account aspects including the possible existence of complex business structures or special purpose vehicles:

The consolidated Group has no complex business structures or special purpose vehicles. Consequently, this is not considered to pose a risk to the financial reporting. Nevertheless, the Finance Department reviews the scope of consolidation on a quarterly basis and the external auditors review it every six months.

The accounting treatment corresponding to the Group's different entities as subsidiaries, associate companies or jointly controlled entities is in accordance with the Group's regulations and is reviewed by the Finance Department and the external auditors.

- Whether the process takes into account the impacts of other types of risk (operational, technological, financial, legal, fiscal, reputational, environmental, etc.), to the extent that they affect the financial statements:

The internal control of operations requires various types of risk assessment (legal, technical, environmental, etc.). The financial reporting process draws information from the information system for the control of operations, which incorporates the appropriate evaluation of these risks.

- The governing body that supervises the process:

The Company's Finance and Operations Departments are responsible for supervising the process.

Transactions which are not linked to regular operations are subject to detailed analysis by the Group's senior management, who may request assistance from third-party experts when necessary.

### **F.3 Control activities**

Indicate whether the following are in place and describe their main characteristics:

**F.3.1 Procedures for reviewing and authorising the financial reports and the description of the ICFR, for reporting to the stock markets, indicating those responsible, as well as documentation describing the flows of activities and controls (including those related to fraud risk) of the different types of transactions with potential material effects on the financial statements, including the procedure for closing the accounting period and specific review of the relevant judgments, estimates, evaluations and forecasts.**

The Company's senior management, mainly through the Finance Department, is responsible for reviewing the financial information. The stand-alone and consolidated annual financial statements and the half-yearly financial statements are reviewed by the Audit and Control Committee, with the assistance of the external auditors, who offer their recommendations. The executive directors review and approve the annual financial statements, whose subsequent drawing up is the responsibility of the Board of Directors. The financial information for the first and third quarters is also subject to review by the Audit and Control Committee. The Audit and Control Committee is responsible for supervising the ICFR, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place on the activities and processes covering the main transactions with potential impact on the financial statements, including:

Operations Department and Project Risk and Control Department

- Project estimates and implementation, including engineering design, procurement management, construction and cost control (results forecasts and determination of project progress).

Finance Department

- Exchange management.
- Treasury management.
- Management of invoicing and collection.
- Taxation.
- Reporting and consolidation.

Procedures that are considered essential include a detailed description of the activities and sub-activities, and the way in which they must be carried out. The different levels of responsibility associated with the performance of the various activities are also defined. The general work instructions (GWIs) or procedures drawn up by the Company for internal control purposes are available on the Group's corporate intranet.

The Finance Department uses the necessary accounting criteria included in the Accounting Policy Guidelines and the IFRS for the preparation

of its estimates for the Operations Department.

### **F.3.2 Internal control procedures and policies for information systems (including secure access, change tracking and implementation, business continuity and segregation of duties) that support the entity's significant processes in relation to the preparation and publication of financial information.**

Técnicas Reunidas uses the SAP system (Systems, Applications and Products in data processing) for compiling financial information. The SAP system falls within the scope of the Company's Information Security Management System, which is certified according to international standard ISO/IEC 27001:2005. System access is protected by individually assigned secure access codes which are changed on a quarterly basis.

Currently, there are development, testing and production environments in the SAP system. Any changes to the system's programs or parameters are made in the development environment and then moved to the test environment. Once validated, they are moved to the production environment. In this way, every change in the system is logged during the process of moving it to the production environment.

The documentation related to the SAP system, which is part of the Information Security Management System currently in place, is as follows:

- the Information Security Policy;
- the Information Security Management System Guidelines;
- the procedures for monitoring access, changes, operations, business continuity and segregation of duties in IT.

All of this documentation is available on Técnicas Reunidas' corporate intranet.

The Group also uses specific applications for the processes involved in the materials management and procurement cycle, the control of activities and the planning and consolidation of the financial statements. There are also security policies, access control and business continuity guarantees in place.

### **F.3.3 Internal control procedures and policies for supervising the management of outsourced activities, as well as aspects related to evaluation, calculation or assessment entrusted to independent experts, with potential material effects on the financial statements.**

At 2019 fiscal year end, there were no outsourced activities or processes with potential material effects on the drawing up of the financial statements. The services of independent experts have been engaged for the performance of evaluations, calculations or assessments with potential material effects on the financial statements, primarily those related to the evaluation of employment-related liabilities or disputes. In these cases, the services are provided by specialist firms of recognised standing. The Legal Department supervises the evaluations carried out by third parties.

## **F.4 Information and communication**

Indicate whether the following are in place and describe their main characteristics:

### **F.4.1 A specific service responsible for defining and updating accounting policies (accounting policy division or department) and resolving queries or conflicts arising from their interpretation, maintaining the flow of communication with those responsible for operations within the organisation, as well as up-to-date guidelines on accounting policies that are distributed to the entity's operating units.**

The Accounting and Consolidation Unit, which reports to the Finance Department, is responsible for identifying, defining and updating the Group's accounting policies and for answering queries and settling conflicts arising from their interpretation. During fiscal year 2019, the impact assessment on the implementation of the IFRS 9 and IFRS 15 accounting standards was analysed. The Group has up-to-date Accounting Policy Guidelines which are regularly reviewed by the external auditors. The subsidiaries are informed of the accounting policies and any changes that might apply to them through regular internal meetings. Likewise, the Finance Department is responsible for reporting any changes made to the Accounting Policy Guidelines to the Audit and Control Committee.

The Group's financial reporting control policy includes the performance of mandatory or voluntary external audits on almost all the subsidiaries which comprise the scope of consolidation, even when these are not significant subsidiaries. These audits are entrusted to international firms of recognised standing.

### **F.4.2 Mechanisms for collecting and preparing financial information in standardised formats that are applied and used by all units in the entity or group, and that support the main financial statements and notes to the financial statements, as well as detailed information on the ICFR.**

The process for consolidation and preparation of the financial information is centralised. The centralised information system for financial reporting, which is managed directly by the Group's Finance Department, covers 80% of the Group's turnover. The remaining financial reporting derives from financial statements reviewed by the external auditors, and the Finance Department is responsible for their standardisation. The Group also has control mechanisms in place to ensure that the financial reporting includes all the breakdowns required for their accurate interpretation by the markets.

## **F.5 Supervision of the operation of the system**

Provide information on the following, indicating their main characteristics:

**F.5.1** Supervisory activities on the ICFR carried out by the audit committee, as well as whether the entity has an internal audit service whose responsibilities include assisting the audit committee with the task of supervising the internal control system, including the ICFR. Also provide information on the scope of the ICFR evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports their findings, and whether the entity has an action plan which details any corrective measures, and whether their impact on the financial reporting has been considered.

The Audit and Control Committee is responsible for the annual approval of the work programme for the Internal Audit Department, which in turn submits the report on activities carried out, as well as any issues identified during the implementation of the work programme.

The annual work programme for the Internal Audit Department includes the review of the ICFR. The results of this assessment are reported to the Audit and Control Committee, as well as the recommendations for improvements to be implemented for subsequent monitoring.

**F.5.2** Whether there is a discussion procedure whereby the auditor (in accordance with the provisions of the technical auditing standards), the internal audit service and other experts are able to report to the senior management and the audit committee or directors any significant weaknesses in internal control identified during the review of the annual financial statements or any other procedures that have been entrusted to them. Also, indicate whether there is an action plan for correcting or mitigating the weaknesses identified.

In order to fulfil the responsibilities assigned to it by the Board of Directors, the Audit and Control Committee held a total of 9 meetings during fiscal year 2019, which were attended by the Chief Financial Officer and the Head of the Internal Audit Department, on the invitation of the Chairperson to address specific items on the agenda. These meetings include those held prior to the publication of the Company's regular financial reports in order to obtain and analyse the corresponding information. These meetings involve reviewing the stand-alone and consolidated annual financial statements, the quarterly and half-yearly reports and the briefing notes on results for submission to the National Securities Market Commission and any other information of interest. Meetings of the Audit and Control Committee which are held for the purpose of reviewing the annual financial statements require the attendance of the external auditors, on the invitation of the Chairperson to address specific items on the agenda, who submit a series of recommendations related to aspects including internal control, resulting from their general work as the Group's auditors.

The external auditors are currently entrusted with a specific task, performed jointly with the Internal Audit Department, for evaluating the ICFR.

## **F.6 Other relevant information**

All relevant information has been included in the sections above.

## **F.7 Report by the external auditor**

Report by:

**F.7.1** Indicate whether the information on the ICFR submitted to the markets is subject to review by the external auditor, in which case the entity must include the corresponding audit report as an annex. If this is not the case, provide an explanation.

During fiscal year 2019, the external auditor issued its report on the review of the ICFR corresponding to fiscal year 2018. This report was published on the Company website and the National Securities Market Commission website. The ICFR will also be reviewed by the external auditor in fiscal year 2020.

## **G. EXTENT OF ADHERENCE TO CORPORATE GOVERNANCE RECOMMENDATIONS**

---

Indicate the extent to which the company follows the recommendations in the Good Governance Code for listed companies.

Where a recommendation is not followed or followed only partially, provide a detailed explanation ensuring that shareholders, investors and the market in general have sufficient information to evaluate the Company's behaviour. General explanations will not be acceptable.

1. The articles of association of listed companies should not limit the maximum number of votes that may be cast by a single shareholder, nor impose other restrictions which hinder the takeover of the company through acquisition of its shares on the market.

Complies [  ] Explain [  ]

2. When the parent company and a subsidiary are both listed, they should provide detailed disclosure of:

(a) their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other companies in the group;

(b) the mechanisms in place to resolve potential conflicts of interest.

Complies [  ] Partially complies [  ] Explain [  ] Not applicable [  ]

3. During the annual general meeting, the chairperson of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information provided in the annual corporate governance report, and with particular regard to:

(a) changes that have occurred since the previous annual general meeting;

(b) the specific reasons for the company not following a recommendation from the Good Governance Code and any alternative procedure followed in that area.

Complies [  ] Partially complies [  ] Explain [  ]

At its General Meeting, the Company explained the changes made in the area of corporate governance since the previous Annual General Meeting, but did not provide the specific reasons why the Company does not adhere to some of the recommendations of the Good Governance Code, considering that it already provides its shareholders with sufficient information on this matter. At the time of its Annual General Meeting, it makes various documents available to its shareholders, including the Annual Corporate Governance Report, which includes detailed information on the specific reasons for partial compliance or lack of adherence to some of the recommendations of the Good Governance Code.

4. The company should draw up and implement a policy for communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, including details of how it has been put into practice and the identities of those responsible for its implementation.

Complies [  ] Partially complies [  ] Explain [  ]

The Company has made its Code of Conduct (the 'Code') available to all its shareholders and investors on the Company website (<https://www.tecnicasreunidas.es/wp-content/uploads/2017/04/codigo-de-conducta-2017.pdf>).

The Code implements the general principles underlying the Company's activities, establishing policies for various areas. Specifically, with regard to the processing of information and to disclosure, Section 4.1.5 of the Code sets out the following: 'With regard to the information which, as a listed company, TR must disclose to the market, the TR Group is committed to acting with total transparency, implementing specific procedures for ensuring the accuracy and veracity of corporate reporting and preventing corporate crime and market abuse. This reporting will include all information necessary to ensure that investors' decisions are based on knowledge and understanding of the Company's business strategies and operations. All information disclosed to the market must be characterised not only by compliance with the applicable regulations, but also by its accessible language and its objectiveness, accuracy, comprehensiveness and relevance, and respect for all investors' rights to information. The relevant information must be identified, prepared and disclosed in the appropriate form and within the appropriate timeframe.'

In addition, Section 4.3.8 of the Code ('Shareholder relations') sets out the following: 'In addition, the guaranteed establishment of channels for communication and consultation ensures that shareholders have access to accurate, relevant, useful and complete information on the Group's performance, creating the conditions necessary to ensure that shareholders' involvement in the decisions within their competence is widespread and informed in order to maximise value creation. The TR Group guarantees its shareholders the principle of equal treatment in access to information on the Group's performance.'

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of this delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as set out in commercial legislation.

Complies [ X ]      Partially complies [ ]      Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their dissemination is not obligatory:

- (a) report on auditor independence;
- (b) reports on the operation of the audit committee and the appointments and remuneration committee;
- (c) report by the audit committee on related-party transactions;
- (d) report on the corporate social responsibility policy.

Complies [ X ]      Partially complies [ ]      Explain [ ]

7. The company should broadcast its general meetings live on the corporate website.

Complies [ ]      Explain [ X ]

The Company considers that the holding of the General Meeting is one of the most important occasions in the running of the company and the establishment of its endeavours. It therefore ensures that shareholders have access to the appropriate means of remote participation as well as the information necessary to understand the Company's situation and to enable them to participate in the General Meeting in an informed manner. Nevertheless, since the Articles of Association do not provide for telematic attendance of the General Meeting and in light of the fact that the Company has never yet received a request from shareholders to broadcast the General Meeting live, the Company has decided not to broadcast the Meeting. This also saves the corresponding economic and organisational costs.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without reservations or qualified opinions in the auditor's report. In the exceptional case that qualified opinions exist, both the chairperson of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies [ X ]      Partially complies [ ]      Explain [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and make them permanently available on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and should be applied in a non-discriminatory manner.

Complies  Partially complies  Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- (a) immediately circulate the supplementary items and new proposals;
- (b) disclose the model for the attendance card or proxy appointment or remote voting form duly modified so that new items for the agenda and alternative proposals can be voted on in the same terms as those submitted by the board of directors;
- (c) put all these items or alternative proposals to the vote, applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the outcome of the vote;
- (d) disclose the breakdown of votes on these supplementary items or alternative proposals after the general meeting.

Complies  Partially complies  Explain  Not applicable

11. In the event that a company plans to pay attendance fees for attending the general meeting, it should first establish a general, long-term policy in this respect.

Complies  Partially complies  Explain  Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies  Partially complies  Explain

13. The board of directors should be of an optimal size to ensure its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies  Explain

14. The board of directors should approve a director selection policy that:

- (a) is specific and verifiable;
- (b) ensures that appointment or re-election proposals are based on prior analysis of the board's needs; and



(c) favours diversity of knowledge, experience and gender.

The results of the prior analysis of the board's needs should be included in the appointments committee's explanatory report, to be published when the general meeting of shareholders that will ratify the appointment and re-election of each director is convened.

The director selection policy should pursue the goal of having at least 30% of total positions on the board of directors occupied by female directors by the year 2020.

The appointments committee should perform an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies [  ]      Partially complies [  ]      Explain [  ]

The Company bodies responsible for the selection of directors, essentially the Board of Directors and the Appointments and Remuneration Committee, are guided at all times by merit-based criteria that aim to ensure that the composition of the Board is as competent, qualified and honourable as possible, in pursuit of the Company's best interests. In addition, as expressly stated in the Regulations of the Board of Directors, the Board must ensure that the selection procedures for its members encourage diversity of gender, experience and knowledge and are not affected by any underlying bias that would involve discrimination and, in particular, that they facilitate the selection of female directors, applying these criteria in the specific processes of selecting directors in order to evaluate different profiles, including those of women.

At the same time, taking into account not only the suitability of individual members but the composition of the Board of Directors as a whole, consideration is given to the importance of endowing it with a certain degree of stability, which will ensure improved performance of its functions over the medium term.

Without prejudice to the above, the Company is still evaluating the possibility of approving a formal policy ('Policy for Director Selection and Diversity on the Board of Directors') which expressly states that the Board of Directors of Técnicas Reunidas will encourage the achievement of the representation targets for directors provided for in the applicable regulations, and will also ensure cultural diversity and the presence of members with international knowledge and experience.

**15.** Shareholder directors and independent directors should constitute a broad majority on the board of directors, while the number of executive directors should be the minimum practical taking into account the complexity of the corporate group and the executive directors' stake in the company's share capital.

Complies [  ]      Partially complies [  ]      Explain [  ]

At fiscal year end there are seven shareholder directors and independent directors, of which two are shareholder directors and five are independent directors, out of a total of fourteen directors. This circumstance is due to the fact that the significant shareholders Araltec and Aragonesas have not used the maximum number of directors allowed by their shareholding (there are four executive and shareholder directors, with a shareholding of 37.20%) and to the fact that several directors (Juan Miguel Antoñanzas, Fernando de Asúa and Francisco Javier Gómez-Navarro) who previously served as independent directors for an uninterrupted period of 12 years have remained at the Company as other external directors.

**16.** The percentage of shareholder directors with respect to non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's share capital. This criterion can be relaxed:

(a) in large cap companies where few or no equity stakes reach the legal threshold for significant shareholdings;

(b) in companies with a number of shareholders represented on the board of directors who are not otherwise related.

Complies [  ]      Explain [  ]

**17.** The number of independent directors should be at least half of the total number of directors.

Nevertheless, when the company does not have a large market capitalisation, or when a large cap company has shareholders who, whether individually or jointly with others, control over 30% of the share capital,



independent directors should occupy at least a third of the positions on the board.

Complies [ X ] Explain [ ]

18. Companies should disclose and regularly update the following information on directors on their websites:

- (a) professional profile and background;
- (b) directorships held in other companies, listed or otherwise, and any other paid activities they engage in, regardless of their nature;
- (c) indication of the category to which the director belongs, and, in the case of shareholder directors, indicating the shareholder they represent or with whom they are linked;
- (d) dates of their first appointment as a director and any subsequent re-elections;
- (e) shares held in the company, and any options on these shares.

Complies [ X ] Partially complies [ ] Explain [ ]

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of shareholder directors at the request of shareholders whose stake amounts to less than 3% of the share capital. It should also explain any rejection of a formal request for representation on the board from shareholders whose equity stake is equal to or greater than that of other shareholders whose requests have resulted in the appointment of shareholder directors.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [ X ]

20. Shareholder directors should resign when the shareholders they represent dispose of their equity stake in its entirety. If these shareholders reduce their equity stakes to the level which requires a reduction in the number of shareholder directors, the corresponding number should also resign.

Complies [ X ] Partially complies [ ] Explain [ ] Not applicable [ ]

21. The board of directors should not propose the removal of independent directors before the expiry of the mandatory term of office for which they were appointed, except where there is just cause, which they must evaluate on the basis of a report from the appointments committee. Specifically, just cause will be presumed when directors take up new positions or responsibilities that prevent them allocating sufficient time to discharge their duties as directors, or they fail to fulfil the duties attached to their position or fall within the scope of one of the grounds for disqualification as an independent director, in accordance with the provisions of the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in the structure of the board of directors ensue from application of the proportionality criterion set out in recommendation 16.

Complies [ X ] Explain [ ]

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the company's standing or reputation and tender their resignation where appropriate, and, in particular, to inform the board of any criminal charges brought against them and the outcome of any subsequent legal proceedings.

As soon as a director is charged with or ordered to stand trial for any of the offences set out in company legislation, the board of directors should open an investigation and, in light of the specific circumstances, decide whether to demand the director's resignation. The board of directors should give a reasoned account

of all such determinations in the annual corporate governance report.

Complies [ X ]    Partially complies [ ]    Explain [ ]

23. Directors should express their clear opposition when they consider that a proposal submitted for the board's approval might damage the company's interests. In particular, independent directors and other directors not subject to potential conflicts of interest should also clearly oppose any decision that might harm the interests of shareholders who lack representation on the board of directors.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations, then the director should draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in a letter, as indicated in the following recommendation.

This recommendation also extends to the secretary of the board, whether or not they are a director.

Complies [ X ]    Partially complies [ ]    Explain [ ]    Not applicable [ ]

24. Directors who withdraw from their position before their term of office expires, whether through their resignation or otherwise, should state their reasons in a letter to be sent to all members of the board of directors. Whether or not this withdrawal is disclosed as relevant information, the grounds for this withdrawal should be set out in the annual corporate governance report.

Complies [ X ]    Partially complies [ ]    Explain [ ]    Not applicable [ ]

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their duties effectively.

The regulations of the board of directors should set out the maximum number of company boards on which directors can serve.

Complies [ ]    Partially complies [ X ]    Explain [ ]

The Company considers that its adherence to this recommendation is partial, since the Regulations of the Board do not include a maximum number of company boards on which directors can serve.

While this rule has not been incorporated into the Regulations of the Board, the Company considers that the purpose of the rule is covered by Article 14.2 of the Regulations, which explicitly assigns the Appointments and Remuneration Committee the duty to 'assess the time and dedication needed [for directors] to perform their duties effectively'. To the same end, Article 34.2 of the Regulations of the Board stipulates that directors must also inform the Company of any positions they hold on boards of directors of other listed companies and, in general, of any facts, circumstances or situations that might be relevant in relation to their activities as directors of the Company, in accordance with the provisions of the Regulations.

It is therefore considered that these provisions are sufficient for the purpose of evaluating the time obligations for directors and that a fixed rule concerning the maximum number of boards might be less efficient in achieving the desired objective. Taking into account each director's particular circumstances, their additional activities alongside their duties as Company directors and the type of dedication demanded by the companies concerned, a restriction could be either insufficient or excessive and could either discourage them from standing as a candidate or impact negatively on their consummate professionalism.

26. The board of directors should meet with the necessary frequency to properly perform its functions, at least eight times a year, in accordance with the schedule and agendas set at the start of the fiscal year, to which each director may propose the addition of items not initially included in the agenda.

Complies [ ]    Partially complies [ X ]    Explain [ ]

The Company considers that its adherence to Recommendation 26 of the Code is partial, since the Company's corporate documents include only the stipulation that the Lead Independent Director and the Chairperson or, in the event of the Chairperson's absence or incapacity, the Deputy Chairperson may propose the addition of items not initially included in the agenda, and this individual power does not extend to the rest of the directors.

The Company has established that it is the Lead Independent Director who, as part of their responsibilities to coordinate and gather together the non-executive directors, as provided for in Article 8.7 of the Regulations of the Board, is entitled to coordinate, summon meetings and articulate the concerns of the non-executive directors, who currently total 12 out of the 14 members of the Board. The Lead Independent Director is also entitled, when they consider it appropriate or at the request of the directors, to propose any new items for the agenda that they consider relevant after contacting the other non-executive directors.

Without prejudice to the above, the Company's Board of Directors is a deliberative body where constructive dialogue between its members and free expression of opinion is encouraged and where directors freely participate in the deliberations. Over the course of all the meetings held during fiscal year 2019, directors have been able to raise and debate all the issues and concerns that they have considered relevant or of interest.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should appoint a proxy with the appropriate instructions.

Complies [ X ]      Partially complies [ ]      Explain [ ]

28. When directors or the secretary express concerns about a proposal or when directors express concerns about the company's performance, and these concerns are not resolved by the board of directors, they should be recorded in the minutes at the request of the person concerned.

Complies [ X ]      Partially complies [ ]      Explain [ ]      Not applicable [ ]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending where necessary to include external assistance at the company's expense.

Complies [ X ]      Partially complies [ ]      Explain [ ]

30. Regardless of the expertise that directors must possess to carry out their duties, the company should also offer directors skills update programmes, when advisable.

Complies [ X ]      Explain [ ]      Not applicable [ ]

31. The agendas of board meetings should clearly indicate which items require a decision to be made or a resolution to be passed by the board, so that the directors can examine or request in advance the information relevant to the matter concerned.

For reasons of urgency, the chairperson may wish to submit decisions or resolutions for board approval that were not included on the agenda. In such exceptional circumstances, their inclusion will require the express prior consent of the majority of directors present, and this should be recorded in the minutes.

Complies [ X ]      Partially complies [ ]      Explain [ ]

32. Directors should be regularly informed of changes in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.

Complies [ X ]      Partially complies [ ]      Explain [ ]

33. As the person responsible for the effective functioning of the board of directors, the chairperson, in addition to the functions assigned by law and the company's articles of association, should: prepare and submit to the board of directors a schedule of meetings and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues; and approve and review skills update programmes for each director, when advisable.

Complies [ X ]      Partially complies [ ]      Explain [ ]

34. When a lead independent director has been appointed, the articles of association or the regulations of the board of directors should assign them the following powers beside those conferred by law: chairing the board of directors in the absence of the chairperson or deputy chairpersons; articulating the concerns of non-executive directors; maintaining contact with investors and shareholders in order to hear their views and form an opinion on their concerns, especially those related to the company's corporate governance; and coordinating the succession plan for the chairperson.

Complies [ ]      Partially complies [ ]      Explain [ X ]      Not applicable [ ]

The Company's Lead Independent Director currently holds the powers provided for in Article 529.septies of the Companies Act, without prejudice to the powers listed in the Recommendation, which are exercised de facto by the Lead Independent Director, given that the Company recognises the usefulness and importance of these functions.

In this regard, the Company believes that the most important consideration is that these functions are implemented in practice by the Lead Independent Director, ensuring that the spheres of protection and attention with respect to particular issues and stakeholders are effectively safeguarded.

Nevertheless, since compliance with the Recommendation expressly requires their incorporation in either the Articles of Association or the Regulations of the Board of Directors, the Board will specifically evaluate the full incorporation of the content of this Recommendation within the framework of the forthcoming in-depth review of its Regulations.

35. The secretary of the board of directors should endeavour to ensure that the board's activities and decisions are informed by any governance recommendations in the Good Governance Code that are applicable to the company.

Complies [ X ]      Explain [ ]

36. The full board of directors should conduct an annual evaluation, implementing, where necessary, an action plan to correct weakness detected in:

- (a) the quality and efficiency of the board's operation;
- (b) the operation and composition of its committees;
- (c) the diversity of board membership and competences;
- (d) the performance of the chairperson of the board of directors and the company's chief executive;
- (e) the performance and contribution of each director, with particular focus on the chairpersons of board committees.

Evaluation of the various board committees should be based on the reports that they submit to the board of directors, while evaluation of the board itself should be based on the report by the appointments committee.

Every three years, the board of directors should engage an external consultant to assist in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business relationships between the consultant or members of their corporate group and the company or members of its corporate group should be detailed in the annual corporate governance report.

The procedure followed and areas evaluated should be described in the annual corporate governance report.

Complies [ ]      Partially complies [ X ]      Explain [ ]

The Company considers that compliance with this recommendation is partial, since, while the evaluation process involves assistance from an external consultant, it does not include individual performance appraisals for each of the directors.

The evaluation process for the fiscal year has focused not only on the Board of Directors, the Committees, the Chairperson and the Executive Deputy Chairperson, but also on the Secretary of the Board, although the Secretary is not a director, since their functions with respect to information, advice for directors, preparation of meetings, assistance to the Chairperson in their duties and so on are essential for the smooth

functioning of the Board and its Committees.

It is also considered that since both the Board of Directors and its Committees are supervisory bodies, the evaluation of these bodies indirectly involves evaluating the performance of its members. The smooth functioning of these bodies depends on the satisfactory performance of duties by all directors, who are required to participate in their meetings' deliberations in an active, informed and free manner, encouraging constructive dialogue between the members and free expression of opinions.

Notwithstanding the above and without prejudice to the fact that no conclusions on the individual performance of each of the directors were included in the results of the evaluation carried out by the external expert, during the process, twelve of the fourteen members of the Board of Directors completed individual questionnaires and personal interviews were conducted with almost all members of the Board.

37. When there is an executive committee, its membership structure, with regard to the proportion of each category of director, should be the same as that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies [  ] Partially complies [  ] Explain [  ] Not applicable [  ]

38. The board should be kept fully informed of the matters addressed and decisions made by the executive committee. To this end, all board members should receive a copy of the minutes of the executive committee's meetings.

Complies [  ] Partially complies [  ] Explain [  ] Not applicable [  ]

39. All members of the audit committee, particularly its chairperson, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management. The majority of committee members should be independent directors.

Complies [  ] Partially complies [  ] Explain [  ]

40. Companies should have a unit responsible for internal auditing, under the supervision of the audit committee, to ensure the effective functioning of its systems for internal control and reporting. This unit should report to the board's non-executive chairperson or the chairperson of the audit committee.

Complies [  ] Partially complies [  ] Explain [  ]

The Company has an Internal Audit Unit which ensures the effective functioning of the systems for internal control and reporting. It reports to the Executive Chairperson of the Board of Directors and acts under the supervision of the Company's Audit and Control Committee.

41. The head of the unit responsible for internal auditing should submit its annual work programme to the audit committee, inform the committee directly of any incidents arising during its implementation and submit an activities report at the end of each fiscal year.

Complies [  ] Partially complies [  ] Explain [  ] Not applicable [  ]

42. Besides those assigned by law, the audit committee should have the functions set out below.

1. With respect to the systems for internal control and reporting:

- (a) monitoring the preparation and integrity of the financial reporting for the company and, where appropriate, the group, reviewing compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles;
- (b) ensuring the independence of the unit responsible for internal auditing, proposing the selection, appointment, re-election and removal of the head of the internal audit service, proposing the budget for this service, approving its work programmes and ensuring that it focuses primarily on the main risks to which the company is exposed, receiving regular reports on its activities, and verifying that

senior management are taking into account the findings and recommendations in its reports;

- (c) establishing and supervising a mechanism through which employees can report, on a confidential and, where appropriate and feasible, anonymous basis, any irregularities of potential significance, especially financial or accounting irregularities, that they detect within the company.
2. With respect to the external auditor:
- (a) investigating the circumstances giving rise to the resignation of the external auditor, if this should occur;
  - (b) ensuring that the external auditor's remuneration does not compromise their quality or independence;
  - (c) ensuring that the company notifies any change of external auditor to the National Securities Market Commission as relevant information, providing a statement about any disagreements with the outgoing auditor and, if applicable, the basis for these disagreements;
  - (d) ensuring that the external auditor has a yearly meeting with the full board of directors to inform it of the work undertaken and any developments in the company's risk and accounting positions;
  - (e) ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, restrictions on the auditor's business concentrations and any other standards concerning auditor independence.

Complies [ X ]    Partially complies [ ]    Explain [ ]

43. The audit committee should be empowered to call a meeting with any company employee or manager, and to compel them to attend with no other manager in attendance.

Complies [ X ]    Partially complies [ ]    Explain [ ]

44. The audit committee should be informed of any structural changes or corporate transactions that the company is planning, so that the committee can analyse the relevant operations and report in advance to the board of directors on their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.

Complies [ ]    Partially complies [ ]    Explain [ ]    Not applicable [ X ]

45. The risk management and control policy should identify at least:

- (a) the different types of financial and non-financial risk to which the company is exposed (including operational, technological, legal, social, environmental, political and reputational risks), including contingent liabilities and other off-balance-sheet risks within financial or economic risks;
- (b) the determination of the risk level the company considers acceptable;
- (c) the measures in place to mitigate the impact of the identified risks, should they materialise;
- (d) the systems for internal control and reporting to be used for monitoring and managing the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [ ]    Partially complies [ X ]    Explain [ ]

As indicated in Section G of the Annual Corporate Governance Report, the Company's risk management and control systems, described in detail in Section E of the Report ('Risk Management and Control Systems'), analyse and manage the financial and non-financial risks associated with the preparation phases of tender procedures (specifically, the operative, technological, legal, social, environmental and political risks) and, where appropriate, the Company's implementation of projects, as well as the internal control and information systems used to control and manage the risks identified above and the measures established to mitigate their impacts, should these materialise.

Notwithstanding the above, while the Company has implemented the necessary control systems and procedures, and established indicators



and parameters that the managers in the different areas must evaluate and take into account, compliance with this Recommendation is considered to be partial since the determination of the risk level that the Company considers acceptable is not expressly included in a formal document.

46. Companies should establish a risk management and control service in one of the company's internal department or units, under the direct supervision of the audit committee or, where appropriate, a specific board committee. This service should be expressly assigned the following functions:
- (a) ensuring that risk management and control systems are functioning effectively and, specifically, that all the major risks to which the company is exposed are correctly identified, managed and quantified;
  - (b) participating actively in the preparation of risk strategies and in key decisions about risk management;
  - (c) ensuring that risk management and control systems effectively mitigate risks within the framework of the policy drawn up by the board of directors.
- Complies [  ]      Partially complies [  ]      Explain [  ]

The Company's internal audit department is responsible for the functions set out in the Recommendation with regard to the risks associated with ICFR.

Non-financial risks, in accordance with the Company's risk management and control system, described in Section E of this Report ('Risk Management and Control Systems'), are assessed, where appropriate, by the operational areas or non-operational departments that carry out the corresponding functions in practice. There is no express assignment of these functions in the Company's corporate documents.

This assignment of risk management and control functions operates without prejudice to the other risk management and control systems described in Section E of the Report ('Risk Management and Control Systems').

47. Members of the appointments and remuneration committee – or of the appointments committee and the remuneration committee, if separately constituted – should be appointed ensuring that they have the appropriate knowledge, skills and experience to discharge their duties. The majority of the members should be independent directors.
- Complies [  ]      Partially complies [  ]      Explain [  ]

48. Large cap companies should have separately constituted appointments and remuneration committees.
- Complies [  ]      Explain [  ]      Not applicable [  ]

The Company has a single committee with powers over matters related to both appointments and remuneration. Given that the members of this committee have been chosen from among the Company's directors taking into account the knowledge, skills and experience appropriate to the committee's duties, with respect to the areas of both appointments and remuneration, the Company considers that if the committees were separate, their membership would essentially overlap and thereby unnecessarily increase costs for the Company.

The Committee currently holds full powers to perform both functions and there are no circumstances preventing their proper performance. The existence of a single committee, therefore, does not prejudice or limit the exercise of the duties that the law assigns to specialist supervisory committees in the areas of appointments and remuneration. In the event that this aspect is modified in the future or it becomes necessary for any reason, the Board of Directors would evaluate the desirability of having two separate committees.

49. The appointments committee should consult with the chairperson of the board of directors and the company's chief executive, especially on matters relating to the executive directors.
- When there are vacancies on the board, any director may request the appointments committee to consider candidates that it might consider suitable.
- Complies [  ]      Partially complies [  ]      Explain [  ]

50. The remuneration committee should operate independently and should have the following functions in



addition to those assigned by law:

- (a) proposing to the board the standard conditions for senior managers' contracts;
- (b) monitoring compliance with the remuneration policy implemented by the company;
- (c) periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration schemes and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company;
- (d) ensuring that potential conflicts of interest do not undermine the independence of any external advice provided to the committee;
- (e) verifying the information on remuneration for directors and senior managers included in the different corporate documents, including the annual report on directors' remuneration.

Complies  Partially complies  Explain

- 51.** The remuneration committee should consult with the company's chairperson and chief executive, especially on matters relating to the executive directors and senior management.

Complies  Partially complies  Explain

- 52.** The rules governing the composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those applicable to legally required board committees, in accordance with the above recommendations. These should include:

- (a) committees should be composed exclusively of non-executive directors, with a majority of independent directors;
- (b) they should be chaired by independent directors;
- (c) the board of directors should appoint the members of these committees with regard to the knowledge, skills and experience of the directors and each committee's responsibilities, and discuss their proposals and reports, while the committees should account for their activities and be answerable for their work at the first full meeting of the board of directors following each committee meeting;
- (d) the committees may engage external advisors, when considered necessary for the discharge of their duties;
- (e) meeting proceedings should be recorded in the minutes, which should be made available to all directors.

Complies  Partially complies  Explain  Not applicable

The rules governing the composition and operation of the Audit and Control Committee and the Appointments and Remuneration Committee are expressly set out in the Regulations of the Board of Directors with respect to all the points above, except for the final part of point (c) 'the committees should account for their activities and be answerable for their work at the first full meeting of the board of directors following each committee meeting', although both Committees do implement this task in practice. In addition, the Appointments and Remuneration Committee comprises two independent directors, two other external directors and one shareholder director. Consequently, while it is composed exclusively of non-executive directors, it does not have a majority of independent directors. This situation is largely due to the change in category of directors Juan Miguel Antoñanzas, Fernando de Asúa and Francisco Javier Gómez-Navarro, who were re-elected as directors within the category of 'Other external directors' at the Company's Annual General Meeting on 27 June 2018, after previous service as independent directors of the Company for 12 consecutive years.

- 53.** The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one or split between several board committees, including the audit committee, the appointments committee, the corporate social responsibility committee, where one is in place, or a specific committee established on an ad hoc basis by the board within its powers of self-organisation, which is assigned at least the following specific functions:

- (a) monitoring compliance with the company's internal codes of conduct and corporate governance rules;
- (b) supervising the communication and relationship strategy for shareholders and investors, including small and medium-sized shareholders;
- (c) periodically evaluating the effectiveness of the company's corporate governance system, to ensure that it is fulfilling its mission to promote the company's interests and, as appropriate, taking into account the legitimate interests of other stakeholders;
- (d) reviewing the company's corporate social responsibility policy, ensuring that it is geared toward value creation;
- (e) monitoring corporate social responsibility strategies and practices and assessing their degree of compliance;
- (f) monitoring and evaluating the company's procedures for interacting with various stakeholders;
- (g) evaluating all aspects of the non-financial risks to which the company is exposed, including operational, technological, legal, social, environmental, political and reputational risks;
- (h) coordinating the non-financial and diversity reporting processes, in accordance with the applicable legislation and international benchmarks.

Complies [ ]

Partially complies [ X ]

Explain [ ]

Notwithstanding that the Regulations of the Board of Directors do not literally attribute to the Audit and Control Committee all the functions established in Recommendation 53 CBG, the Audit and Control Committee of the Company exercises in practice the remaining functions of the Recommendation when it is necessary. In this regard, the Company considers that the fundamental thing is that these functions be exercised in practice by the Committee, so the areas of protection and attention regarding these matters are effectively provided.

Likewise, and although the Recommendation does not expressly require for its fulfilment its incorporation in the Bylaws or in the Regulations of the Board of Directors, the Board of Directors will review and, where appropriate, amend its Regulations to incorporate the same powers already exercised *de facto* by the Audit and Control Committee of the Company, although, as indicated above, the Company will seek to carry out the reform of the Regulations of the Board of Directors at the most appropriate time, seeking to take advantage of the reform of same in this matter to modify, if necessary, other issues that might be convenient.

**54.** The corporate social responsibility policy should include the principles or commitments to which the company will voluntarily adhere in its relationships with various stakeholders, specifying at least:

- (a) the goals of its corporate social responsibility policy and the support instruments to be implemented;
- (b) the corporate strategy with regard to sustainability, the environment and social issues;
- (c) the specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct;
- (d) the methods or systems for monitoring the outcomes of the above specific practices, and their associated risks and their management;
- (e) the mechanisms for supervising non-financial risk, ethics and corporate conduct;
- (f) the channels for stakeholder communication, participation and dialogue;
- (g) the responsible communication practices that prevent the manipulation of information and protect the company's reputation and integrity.

Complies [ ]

Partially complies [ X ]

Explain [ ]

Técnicas Reunidas' Corporate Responsibility Policy was approved by the Company prior to the CNMV's approval of the current Good Governance Code, which was the first to incorporate Recommendation 54 on the contents of this policy. The Company's policy describes its commitments to action on environmental, social and ethical issues and is binding on its employees, suppliers and contractors. Técnicas Reunidas has also implemented the policies, processes and controls necessary to promote behaviour aimed at meeting these commitments and which serve to prevent, detect and eradicate actions which are not in accordance with the established principles of conduct.

The Company's Corporate Responsibility Policy includes its objectives and the implementation of supporting instruments. It sets out corporate strategy related to sustainability, the environment and social issues, practices in matters related to shareholders, employees, clients, suppliers,

social issues, the environment and the prevention of illegal behaviour, as well as responsible communication practices that prevent the manipulation of information and protect reputation and integrity. It does not, however, include the other points listed in this Recommendation and it is therefore considered that adherence to this Recommendation is partial.

55. The company should report on matters related to corporate social responsibility, whether in its management report or in a separate document, using an internationally accepted methodology.

Complies [ X ]      Partially complies [ ]      Explain [ ]

56. Director remuneration should be sufficient to attract and retain directors with the desired profile and to compensate the commitment, skills and responsibility that the position demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [ X ]      Explain [ ]

57. Variable remuneration schemes linked to the company's or director's performance, as well as remuneration involving the award of shares, share options or any other right to acquire shares or instruments linked to share prices, and long-term savings schemes such as pension plans, retirement schemes and other social welfare systems should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain these shares until the end of their term of office. The above will not, however, apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies [ X ]      Partially complies [ ]      Explain [ ]

58. In the case of variable remuneration, remuneration policies should include the necessary limits and technical safeguards to ensure that this corresponds to beneficiaries' professional performance and is not based solely on the general evolution of the markets or the performance of the company's sector, or similar circumstances.

Specifically, the variable components of remuneration should:

- (a) be linked to predetermined and measurable performance criteria that consider the risks taken in order to achieve a given outcome;
- (b) promote the sustainability of the company and include non-financial criteria that are relevant to the company's long-term value creation, such as compliance with its internal rules and procedures and with its risk management and control policies;
- (c) be focused on achieving a balance between the achievement of short, medium and long-term objectives, enabling performance-related pay to reward ongoing achievement over sufficient time to appreciate its contribution to long-term value creation and ensuring that the mechanisms for measuring performance are not based solely on isolated, occasional or extraordinary events.

Complies [ ]      Partially complies [ X ]      Explain [ ]      Not applicable [ ]

In 2019, there are two variable remuneration plans with similar content, which apply to José Lladó Fernández-Urrutia, in his capacity as Chairperson of the Company, and to Juan Lladó Arburúa, in his capacity as 1st Deputy Chairperson.

The plans include an annual premium or bonus for each executive director, with a maximum amount of 550,000 euros for fiscal year 2019, which will be paid, subject to review by the Appointments and Remuneration Committee, after fiscal year end.

This system, which was implemented in fiscal years 2016, 2017 and 2018, is linked to the achievement of the Company's annual objectives. These objectives are evaluated by the Appointments and Remuneration Committee, with main reference to the Company's results in the previous fiscal year, and in particular the aspects included in point 5 of the Directors' Remuneration Policy for 2019, 2020 and 2021, approved at the Annual General Meeting of Shareholders on 26 June 2019 with 99.951% of votes corresponding to share capital in favour. The basic principles of this Policy include orientation toward promoting the Company's long-term profitability and sustainability. Variable remuneration is limited to the executive directors and is supplementary to their fixed remuneration. The amount is determined at fiscal year end, taking into

account basic parameters including the director's professional performance, the evaluation of the Company's performance, taking into consideration both quantitative objectives, such as the order book and project portfolio, the margin (EBITDA) and consolidated revenue, and non-financial objectives, which include criteria related to safety and the environment.

In specific terms, the annual variable remuneration for fiscal year 2019 is linked to the following targets and weighting:

- Financial targets: consolidated income (20%), order book (30%) and margin (EBITDA) (30%).
- Non-financial targets: safety (10%) and environment (10%).

The above targets are linked to an achievement scale that includes a minimum threshold below which variable remuneration will not be paid. The Company will assess minimum weighted compliance of between 50% and 70% of the total targets.

The setting of the targets and their weighting for future years in which this Remuneration Policy is in force, as well as the 10% adjustment for performance evaluation and the amount to be received in each of the years, will be the responsibility of the Board of Directors, at the proposal of the Company's Appointments and Remuneration Committee.

In addition, the Directors' Remuneration Policy provides for the possibility of approving long-term variable remuneration for executive directors, with the aim of promoting reciprocal value creation for the Company, its shareholders and beneficiaries, strengthening the commitment of the latter and rewarding the creation of sustainable value for shareholders over the long term. Consequently, while this Remuneration Policy is in force, executive directors will be entitled to participate in all the long-term variable remuneration schemes, whether cash-based, share-based or linked to share prices, which are approved at the Annual General Meeting, at the proposal of the Board of Directors and drawn up subject to a report from the Appointments and Remuneration Committee.

Finally, the Company intends to submit a Long-term Incentive Plan for its executive directors for consideration and approval at the 2020 Annual General Meeting.

The Board of Directors is currently drawing up a proposal for long-term variable remuneration for executive directors, which will be submitted, as appropriate, for approval at the Company's 2020 Annual General Meeting of Shareholders.

59. A significant part of the variable components of remuneration should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies  Partially complies  Explain  Not applicable

60. Remuneration linked to company results should take into account any qualified opinions in the external auditor's report that may reduce their amount.

Complies  Partially complies  Explain  Not applicable

61. A significant percentage of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies  Partially complies  Explain  Not applicable

The executive directors' variable remuneration does not involve the award of shares or financial instruments whose value is linked to the share price, since the Company does not consider it necessary. Both executive directors have long relationships with and shareholding links to the Company and, consequently, the Company considers that their long-term interests are already sufficiently aligned.

62. Following the award of shares, share options or rights on shares corresponding to remuneration schemes, directors should not be allowed to transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor to exercise share options or other rights on shares for at least three years after their award.

The above will not, however, apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies  Partially complies  Explain  Not applicable

63. Contractual arrangements should include provisions that allow the company to reclaim variable components of remuneration when payment is not appropriately aligned with the director's performance or when they have been awarded on the basis of information which is subsequently found to be misstated.

Complies [ ] Partially complies [ ] Explain [ X ] Not applicable [ ]

While contractual arrangements do not include provisions to this effect, the Company would be prepared to take the appropriate measures to reclaim variable components of remuneration when payment is not appropriately aligned with the director's performance or when they have been awarded on the basis of information which is subsequently found to be misstated, where necessary.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company can confirm that the director has satisfied the predetermined performance criteria.

Complies [ X ] Partially complies [ ] Explain [ ] Not applicable [ ]

## H. OTHER RELEVANT INFORMATION

---

1. If there are any aspects relevant to the corporate governance of the company or the entities in the group which have not been included in the previous sections of this report but whose inclusion is necessary in order to provide complete and reasoned information on the governance practices and structure of the company or its group, provide a brief outline below.

This section may also include any other information, clarification or aspect related to the previous sections of the report, to the extent that they are relevant and not reiterative.

2. Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if applicable, indicate any information that the company is obliged to submit which is different from that required in this report.
3. The company may also indicate whether it voluntarily adheres to other codes of ethics or good practices, whether international, sectoral or of another scope. If applicable, identify the code and the date of adherence. Specifically, indicate whether the Company has adhered to the Code of Good Fiscal Practice of 20 July 2010:

Note on Section A.2

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED is an investment management company that manages clients' assets and funds. It is an indirect subsidiary of FRANKLIN RESOURCES INC, which does not interfere either directly, indirectly or otherwise in the exercise of the voting rights corresponding to FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED.

ARIEL INVESTMENTS, LLC is an investment advisory company which is the beneficial owner of shares on behalf of its clients. ARIEL INVESTMENTS, LLC has delegated the voting rights of the majority, but not all, of these shares. ARIEL INVESTMENTS, LLC is a subsidiary of ARIEL CAPITAL MANAGEMENT HOLDINGS, INC., which does not issue either direct or indirect instructions on how to exercise these voting rights.

Note on Section C.1.3

At the time of the appointment of the directors, the corporate name of the shareholder Araltec Corporación, S.L. was Araltec, S.L. In addition, the request for the appointment of the shareholder directors was made jointly by the entities Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.

Note on Section C.1.3

Adrián René Lajous' appointment as an external independent director of the Company was approved at the Company's Annual General Meeting on 29 June 2016, at the proposal of the Appointments and Remuneration Committee and on the basis of a supporting statement from the Board of Directors.

This supporting statement affirms that Adrián René Lajous does not fall under any of the circumstances described in Article 529.duodécies.4 of the Companies Act (which details the circumstances which would disqualify a director's categorisation as independent). In this respect, he has not received any payment or benefit from the Company or its Group other than his remuneration as a director, nor has he maintained a business relationship of any kind with the Company or its Group, either in his own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Likewise, as an external independent director, Adrián René Lajous has been eligible for the same items of remuneration as the other directors for their service in their capacity as directors, in accordance with Article 22 of the Articles of Association. This corresponds to fixed annual remuneration and expenses for attending meetings of the Board and Committees, where applicable, but no additional items of remuneration or items different from those applicable to the other directors for their service in their capacity as directors.

In this regard, within the maximum total annual gross amount established at the Company's Annual General Meeting for remuneration for the directors of Técnicas Reunidas for fiscal year 2019 for their service in their capacity as directors, the Board of Directors was responsible for the distribution of individual remuneration among its members. This was carried out in accordance with Article 22 of the Articles of Association, i.e., 'taking into account the duties and responsibilities of each director, membership of Board Committees and other objective circumstances considered relevant by the Board of Directors'. These criteria are also implemented and supplemented in the Company's Directors' Remuneration Policy for fiscal years 2019, 2020 and 2021, in which Section IV refers to 'membership of committees, the positions they hold, their work in the service of the Company, as well as the specific contributions that directors can make by virtue of their qualifications and professional experience'.

The Appointments and Remuneration Committee also considers that, while directors' performance of their duties entails the legal assignment of the same functions for all directors, linked to the loyal and diligent pursuit of the corporate purpose in line with the Company's interests and the common interests of all shareholders, in accordance with the criteria set out in the Articles of Association and the Remuneration Policy, it is the objective circumstances linked to the specific contributions that, by virtue of his qualifications and professional experience, Adrián René Lajous can make in the undertaking of the inherent functions of the Board of Directors which justify the fixed annual allocation established specifically for him by the Board of Directors. As can be seen from his curriculum vitae, which is available on the Company's website in the 'Corporate Governance' section, the special circumstance of his residence in Mexico and his unique qualifications and personal experience in the energy sector's international sphere, particularly in Latin America, provide extraordinary added value to his inclusion in the Company's Board of Directors. In this regard, his vision as a director is considered highly valuable, not only with respect to the functions of the Board in general, but particularly in relation to the Company's strategic direction, given his international experience.

In addition to the above, it is expressly stated that Adrián René Lajous has no additional functions, either corresponding to management or of any other kind, other than those assigned to the members of the Board of Directors, which all directors have regardless of their category, nor does he perform other duties within the Company.

On the basis of the above, the Appointments and Remuneration Committee considers that Adrián René Lajous' categorisation corresponds to that of external independent director, in accordance with the provisions of Article 529.duodecies of the Companies Act.

Note on Section C.1.3

Rodolfo Martín Villa waived the amounts he would have been entitled to receive as director of Initec Plantas Industriales, S.A.U. from the date of his appointment as director of Técnicas Reunidas, S.A.

Note on Sections C.1.3 and D.3

The Company considers that the transactions between Banco de Sabadell and the Company do not affect José Nieto de la Cierva's performance as external independent director of the Company.

José Nieto's appointment as an external independent director on the Company's Board of Directors was approved at the Company's Annual General Meeting on 27 June 2018, at the proposal of the Appointments and Remuneration Committee and on the basis of a supporting statement from the Board of Directors.

This supporting statement affirms that José Nieto has been appointed on the basis of his personal and professional merits, that he is able to perform his duties without influence from any relationship with the Company, its Group, its significant shareholders or its management, and that he does not fall under any of the circumstances described in Article 529.duodecies.4 of the Companies Act which would disqualify his categorisation as an independent director.

As a Company director, José Nieto is subject to obligations including the duty of loyalty, and must perform his duties as a loyal representative, acting in good faith and in the Company's best interests. These principles have governed his actions as a Company director at all times, without influence from his position as Managing Director of Banco de Sabadell, S.A. at any time.

Furthermore, as indicated in Section D.1 of the Report, the Company has a specific approval procedure in place for related party transactions. In this regard, Article 5 of the Regulations of the Board of Directors of the Company stipulates that the Board is responsible for the approval, subject to a report from the Audit and Control Committee, of transactions that the Company, or companies in its Group, carries out with directors or with shareholders with a significant stake, whether individually or jointly with others, including shareholders represented on the Board of Directors, in the Company or other companies in its group or with persons related to them.

The directors concerned, or who represent or are linked to the shareholders concerned, must not participate in any deliberations or voting on the resolution in question. In addition to neither exercising nor delegating their right to vote, the directors concerned must leave the meeting room while the Board of Directors deliberates and votes on this related-party transaction.

As an exception to this rule, authorisation from the Board of Directors is not necessary for related-party transactions that simultaneously meet the following three conditions: (i) they are carried out under contracts whose terms are standardised and are applied en masse to a large number of clients; (ii) they involve market prices or rates which are established on a general basis for whoever may act as a supplier of the goods or services concerned; and (iii) their amount does not exceed one per cent of the Company's annual revenue.

In this regard, the Company has enjoyed a long relationship with Banco de Sabadell, and the existence of this commercial relationship with Banco de Sabadell in no way undermines José Nieto's independence.

The Company's related-party transactions with Banco de Sabadell, S.A. will remain subject to authorisation by the Board of Directors and this authorisation must be in accordance with the provisions of the applicable regulations. In addition, although the Company carries out transactions



that, by virtue of their nature, are considered to be linked to a director, these are always within the limits and requirements established by law and the Company's corporate documents, and never dictate the categorisation of a director as one or another category, nor entail that they cannot be categorised as an independent director.

Note on Section C.1.31

The Company's General Meeting on 29/06/2017 approved the appointment of Deloitte, S.L. as auditor for the Company and its consolidated group for fiscal years 2017, 2018 and 2019, and the re-election of PricewaterhouseCoopers Auditores, S.L. ('PwC') as auditor for the Company and its consolidated group for fiscal year 2017 (the re-election of PwC was also approved at both the General Meeting on 27/06/2018 for fiscal year 2018 and that of 26/06/2019 for fiscal year 2019), within the framework of a joint audit system.

Note on Section C.1.34

The Company's General Meeting on 29/06/2017 approved the appointment of Deloitte, S.L. as auditor for the Company and its consolidated group for fiscal years 2017, 2018 and 2019, and the re-election of PricewaterhouseCoopers Auditores, S.L. ('PwC') as auditor for the Company and its consolidated group for fiscal year 2017, within the framework of the joint audit system that is currently in force, since PwC was re-elected as auditor for the Company and its consolidated group for fiscal year 2019. (The re-election of PwC was also approved for fiscal year 2018 at the General Meeting on 27/06/2018 and for fiscal year 2019 at that of 27/06/2018.) The number of consecutive fiscal years during which PwC has been performing the audit for the Company and its consolidated group is 31 and 18, respectively. 2017 was the first fiscal year audited by Deloitte, S.L. (2019 was the third fiscal year audited by Deloitte, S.L.). The percentage of years is calculated from the year of the Company's flotation (2006) and not from the date of its incorporation (06/07/1960).

Note on Section C.2.1

Continuation of the functions of the Company's Appointments and Remuneration Committee

(b) With respect to the appointment of members of the Committees

The Committee has also proposed to the Board of Directors the directors who should serve on this Committee, taking into account both their knowledge, skills and experience and the Committee's responsibilities. In this regard, a proposal was made to the Board to appoint José Nieto de la Cierva as a member of the Appointments and Remuneration Committee, considering that José Nieto de la Cierva's position as Lead Independent Director and his training and experience make him especially valuable to the Committee. Another proposal was made to appoint Rodolfo Martín Villa as a member of the Committee in virtue of his outstanding academic background and extensive professional experience in both public and private sectors.

(c) With respect to the succession plans for directors and senior management

The Committee was informed of the need to draw up a wider reaching succession plan, to include groups such as managers and department heads. This will involve finding potential successors and drawing up a development programme for each of the successors.

The Committee has monitored the situation of the Chairperson of the Board of Directors, supervising the normal functioning of the Company and its corporate bodies through the assumption of duties, where necessary, by the 1st Deputy Chairperson.

(d) With respect to remuneration for directors and senior management

At various sessions, the Committee has been informed about the current regulatory requirements on matters within its competence, and in particular about obligations with respect to directors' remuneration.

In addition, in view of the preparation of the new directors' remuneration policy to be approved at the Annual General Meeting in 2019, the Chairperson of the Committee has reiterated the findings from the market research on directors' remuneration (sectoral benchmarking for remuneration at IBEX 35 and other comparable companies at both national and international level) drawn up by the external consultant E&Y, which was presented at an earlier session during 2018. In this regard, the external consultant E&Y drew up a report on the remuneration model for the Company's executive directors, which was submitted to the Committee.

Over the course of several sessions, the Committee analysed progress on the new text of the directors' remuneration policy, which was submitted for approval at the Annual General Meeting on 26 June 2019. This involved assistance from the external consultant E&Y, who evaluated aspects including the need to distinguish clearly between the two existing systems: that applicable to directors for their membership of the Board of Directors and its Committees, and that applicable to the executive directors.

At the meeting on 13 May 2019, E&Y reported to the Committee about the final text of the proposed directors' remuneration policy and the executive directors' contracts. The Committee agreed unanimously to approve the proposed remuneration policy for submission to the Board, and to approve the corresponding supporting statement on the policy.

The Committee also established a plan to update the executive directors' contracts and a plan to evaluate a long-term variable remuneration scheme adjusted to the needs of the Company. At a later session, it agreed to report favourably to the Board of Directors on updating the executive directors' contracts in accordance with the new directors' remuneration policy for fiscal years 2019 to 2021, approved at the Annual General Meeting on 26 June 2019. At the same time, following the corresponding assessment and weighting of the criteria for the executive directors' variable remuneration and their different parameters (including the fundamental issue of the Company's performance during the corresponding fiscal year), the Committee, following the precautionary principle, agreed to the accrual and settlement of variable remuneration for each of the executive directors for fiscal year 2018.

The external consultant E&Y also reported to the Committee about the Long-term Incentive Plans (LTIPs) (instruments allowing participants the opportunity to receive variable remuneration after a certain period of time exceeding one year, provided that certain conditions are met). The Committee evaluated the information received and agreed to entrust the external consultant with a proposal for the design of an LTIP for the two executive directors, based on the Company's business characteristics and the best market practices, taking into account simplicity, amount on



the market and the precautionary principle.

In line with the above, the Committee unanimously agreed to report favourably to the Board of Directors on the implementation of the proposed LTIP submitted by the external consultant E&Y. In accordance with the current directors' remuneration policy, any LTIPs implemented by the Company for its executive directors must be approved at the Annual General Meeting.

At several sessions and with various managers from the Human Resources Department in attendance when appropriate, the Committee has been informed about various issues relating to appointments, the balanced scorecard, salary review and remuneration for senior managers, including the target-based variable remuneration system.

The Committee also reported to the Board on the proposed distribution of the total remuneration for the Board, approved at the General Meeting, so that the Board could determine the specific amount corresponding to each of its members, taking into account the duties and responsibilities of each director, membership of Board Committees and other objective circumstances considered relevant by the Board of Directors, in accordance with the provisions of Article 22 of the Articles of Association.

Mention should also be made of the effective coordination between the Appointments and Remuneration Committee and the Human Resources Department, which has contributed to the smooth operation of this Committee.

(e) Other matters:

The Committee was informed by the Company's Chief Financial Officer about Plan 100, whose main objective is the optimisation of the Company's resources, identifying various opportunities for improvement.

As part of the evaluation of the Board and its Committees, explained in Section 6 below, the Committee unanimously approved the report on its operations for fiscal year 2018, agreeing on its submission to the Board. Also, at its last meeting, the Committee reviewed and unanimously approved the meetings schedule for 2020, after making the appropriate modifications for availability.

Finally, it should be noted that during fiscal year 2019 there have been no deviations from the procedures adopted by the Company, nor have any irregularities in the matters within the competence of the Committee been conveyed to the Board of Directors, since there is no knowledge of any having occurred.

Continuation of the functions of the Company's Audit and Control Committee

- Reporting to the Board of Directors, in advance of its taking the corresponding decisions, on all matters set out in the legislation, the Articles of Association and the Regulations of the Board of Directors and, in particular, on:

- (a) the periodic financial information which must be disclosed by the Company;
- (b) the creation or acquisition of shares in special purpose entities or entities based in countries or territories considered as tax havens; and
- (c) related-party transactions.

Likewise, Article 13.4 of the Regulations of the Board stipulates that the Committee will draw up an annual report on its operation, highlighting any major issues which have arisen in connection with its functions. In addition, when the Committee considers it appropriate, the report will include proposals for improvements to the Company's rules of governance.

Specifically, during fiscal year 2019, the Committee carried out the following activities:

- (a) With respect to financial and non-financial reporting and the associated internal control mechanisms

In relation to the annual financial statements for fiscal year 2018:

- The annual, individual and consolidated financial statements were approved by the Committee for consideration and, as appropriate, approval by the Board of Directors. The previous debate discussed certain issues that were considered particularly significant, with special focus on the drawing up of non-financial information as part of the management report, following the approval of Law 11/2018 of 28 December, which was subject to verification in accordance with the regulations in force. In addition, the external auditors, Deloitte and PricewaterhouseCoopers (PwC), stated that during their work on the joint auditing, no significant additional risks were identified other than those identified during the planning process, information on which was submitted at an earlier meeting in 2018. They also confirmed that there had been no disagreement or limitation of scope during the joint auditing process.

- The Committee unanimously agreed to submit to the Board of Directors the proposal for the allocation of profits for the fiscal year ended 31 December 2018.

- The statement indicating that the Committee would report favourably to the Board of Directors on the Annual Financial Report for fiscal year 2018 was analysed prior to its approval and submission to the CNMV. The Committee has carried out regular monitoring of the progress of the auditing process, with the external auditors asked to report, where appropriate, on issues such as: (i) revenue recognition; (ii) status of tax inspections; (iii) deferred tax assets; (iv) project cash flow estimation; (v) changes in deferred tax assets; (vi) review of developments in project closures, focusing on the most complex projects, both in their implementation and in their closure; (vii) regulatory changes that will affect the Group's accounts; (viii) ongoing administrative and operational judicial proceedings and arbitration; and (ix) the periodic public reporting corresponding to the first half of 2019 (the Committee having received the external auditors' opinion on the limited review of this information for the first half of the year).

In addition, at the last Committee meeting in 2019, the Committee was informed by the external auditors, PwC and Deloitte, of the conclusions from the preliminary review of the 2019 audit, and the issues relevant to the fiscal year end were reviewed. This was carried out with the participation of the directors, who requested additional information on certain issues and made points in relation to others. It was expressly stated that there had been no disagreement with respect to the relationship between the two firms.

During its meetings, the Committee has monitored various issues relating to financial and non-financial information, including: (i) the advance

information on the figures for fiscal year end; (ii) the Group's cash position, with respect to which, directors raised several specific points and questions; (iii) the quarterly and six-monthly periodic public reporting for 2019; and (iv) financial presentations to analysts.

The Committee has been regularly informed about the system for internal control over financial reporting (ICFR). Specifically:

- Several reports on ICFR have been submitted by the internal auditor. In this regard, they reported on the findings of the ICFR review (concluding that the Group has internal procedures which include control processes related to financial information flows, establish responsibilities and define the transactions and supporting documents for these controls), as well as the recommendations to be implemented (including those with respect to the multiannual economic planning for the EBIT and the economic planning for equity), with the directors actively participating in the assessment of the information submitted.

Likewise, during the first half of 2019, a review was carried out of the entire process corresponding to December 2018 for major projects, and the associated report was submitted in April 2019 and audited by the external auditor Deloitte, with a favourable report issued in May 2019. In addition, recommendations for improvements were submitted, which were followed up with scheduled commitments for the different Company divisions involved, and on whose progress the Internal Auditing department have been reporting to the Committee.

The Committee has also regularly monitored and supervised other matters:

- Verification and confirmation of the validity of the financial information included on the corporate website, receiving information on the legislation in force in this respect and ensuring that this information coincides with the information about the Company on the CNMV website.
- Recognition of assets through change orders and claims, in some cases involving the internal auditor's participation in the meetings.

(b) With respect to related-party transactions

The Committee unanimously approved the Report on Related-party Transactions for the fiscal year ended 31 December 2018 for submission to the Board of Directors.

(c) With respect to the corporate social responsibility policy and its implementation during the fiscal year

At its meeting on 27 February 2019, the Committee approved the statement of non-financial information as an integral part of the management report. This summarises the activities of the Company and its consolidated group with respect to corporate social responsibility and its implementation during the year.

(d) With respect to risk management and control

The Committee has been regularly informed of various issues within its scope of competence, including the following:

- The objectives in this area for fiscal year 2019, and specifically: reassessment of criminal risk, development of a risk and control matrix, identification of persons in particularly exposed positions, training matrix and plan for periodic declaration of conformity, and training plan requirements. In this regard, the Committee has been regularly informed about the status of implementation of regulatory compliance objectives, as well as open cases and their status, through communications received through the Code of Conduct Mailbox.
- The first plan for international implementation of the compliance system, including the prioritisation of developed countries. In this regard, the incorporation of a compliance officer for the Middle East, functioning as a Deputy Compliance Officer, was evaluated and approved by the Committee following assessment of the candidate's CV.
- At the request of Committee members, the Compliance Officer drew up and submitted to the Committee a country risk map from the perspective of compliance, including ongoing projects in each country and the volume of the project or projects, in the event there was more than one, agreeing to assess the winding-up of a branch office, as well as a table with the most important information on the complaints received through the Code Mailbox.
- Plans for 2019 included updating the Code of Conduct to make it more accessible and implementing the Code of Conduct for approval by suppliers and subcontractors.
- Compliance clauses to be incorporated into the purchasing and/or subcontracting terms and conditions.
- Monitoring of the status of policy dissemination within the Group, including the conflict of interest policy and the draft anti-fraud policy.
- The Compliance Officer presented the budget for this area, specifically taking into account the support received from a number of external consultants whose involvement is essential.
- Within the framework of continuing training on compliance and training for directors, the Committee authorised the Compliance Officer to schedule a compliance training session before the end of fiscal year 2019.

The D&O policy for directors and managers was presented to the Committee by the external advisor AON. In order to evaluate the coverage of the policy, a comparative study of Ibex 35 companies was carried out, from which the Committee concluded that the coverage was satisfactory.

Over the course of several meetings, the Finance Department has reported to the Committee on various fiscal issues. These included: the Fiscal Risk Guidelines with respect to taxation in 2018, within the framework of which, the position of fiscal controller and a fiscal mailbox were created for communications related to these matters; the Company's fiscal status; and possible negotiations with the State Tax Administration Agency (AEAT) and how these would affect any other dispute proceedings. The Committee was also informed about a meeting with the AEAT regarding the Company's tax status.

(e) With respect to the internal auditing

The internal auditor submitted the Annual Internal Audit Report for 2018 to the Committee, which set out the following areas of action: auditing of subsidiaries, specific tasks within the scope of the cost optimisation plan, ICFR and contractual modifications. At the same session, they presented the 2019 Annual Plan, which includes the following areas of action: the cost optimisation project, auditing of subsidiaries, ICFR and

technical assessment of suppliers' financial solvency.

The Committee has regularly monitored the Internal Audit Plan (which was approved in 2018 on a multi-year basis for fiscal years 2018 to 2020). In this regard, it agreed at one of its meetings to propose that the Finance Department carry out an analysis of assets that could generate liquidity, reviewing the measures and the different cash impacts. At another meeting, the internal auditor informed the Committee about the work carried out by Human Resources and General Services, auditing of subsidiaries, ICFR, the prepayments associated with contractual modifications and the solvency assessments for suppliers and subcontractors.

(f) With respect to the external auditors

The Company's internal auditor submitted to the Committee the statements of independence of the joint auditors, PricewaterhouseCoopers and Deloitte, copies of which were annexed to the minutes of the meeting.

In accordance with Article 529 quaterdecies.4(f) of the Companies Act, the Committee unanimously approved the Report on the Independence of the External Auditor for fiscal year 2018.

After a reminder by the Committee's Chairperson about the functioning of the Company's joint audit system, in operation since fiscal year 2017 through the audit firms PwC and Deloitte, a proposal for the re-election of PwC as joint auditors of the Company and its Consolidated Group for fiscal year 2019 was submitted to the Committee for consideration. After a brief deliberation, it was unanimously approved to propose to the Board of Directors that they submit to the Annual General Meeting of Shareholders the proposal to re-elect PwC as auditor of the Company and its Consolidated Group for fiscal year 2019.

The Committee has also regularly monitored any factors which might have affected the independence of the external auditors. In this regard, it unanimously approved the increase in external auditors' fees for auditing services, in view of the information submitted. The Internal Auditing Department's report on the monitoring of compliance with regulations on the provision of non-audit services and the budget for non-audit services was also submitted to the Committee.

(g) With respect to the monitoring of the Committee's action plans

The Committee reviewed compliance with the 2019 Annual Plan for the Audit and Control Committee at each session.

At its last meeting, the Committee reviewed and unanimously approved the meetings schedule for 2020, after making the appropriate modifications for availability, as well as the Audit and Control Committee's annual plan of activities for fiscal year 2020, which sets out the matters to be addressed by the Committee at each session.

(h) The nature and extent of any communication with regulators

During one of the meetings, the Secretary of the Committee read out in full a letter from the CNMV on the use of inside information, which included an express request that it be read out at the next meeting of the Audit and Control Committee.

(i) Other activities

After a brief debate, the Committee unanimously agreed to report favourably to the Board of Directors on the Company's issuance of unsecured, unsubordinated straight bonds and their main terms.

After receiving information from the Chief Financial Officer and debate between its members, the Committee unanimously approved to report favourably to the Board of Directors on a potential transaction involving the Company's own shares, enabling the Board to adopt among its agreements, where appropriate, both the terms of the transaction and the delegation of powers, under the most appropriate terms.

The Committee also unanimously approved the report on its operations for fiscal year 2018 and agreed on its submission to the Board.

Finally, it should be noted that during fiscal year 2019 there have been no deviations from the procedures adopted by the Company, nor have any irregularities in the matters within the competence of the Committee been conveyed to the Board of Directors, since there is no knowledge of any having occurred.

Note on Section D.6

Continuation of the response

Persons subject to these provisions and insiders must notify the Chairperson of potential conflicts of interest in which they are involved because of their activities outside the Company, their family relationships, their personal assets, or for any other reason, with: (i) the Company or any of the Técnicas Reunidas Group companies; (ii) suppliers or important clients of the Company or of Técnicas Reunidas Group companies; or (iii) entities that engage in the same type of business or are competitors of the Company or any of the Técnicas Reunidas Group companies. Any doubts about potential conflicts of interest must be discussed with the Chairperson.

As indicated in Section D.1 above, Article 35 ('Transactions with significant shareholders') of the Regulations of the Board stipulates that any transaction made by the Company with directors and significant shareholders will be subject to a report by the Audit and Control Committee and to authorisation by the Board of Directors. Before authorising any transaction of this nature by the Company, the Board of Directors will evaluate the transaction from the standpoint of equal treatment of shareholders and market conditions.

The Company's Code of Conduct also includes principles and standards for all persons to whom it is applicable: members of the Board of Directors, the Audit and Control Committee, the Appointments and Remuneration Committee and the other supervisory bodies of Técnicas Reunidas and any other company which belongs to the Técnicas Reunidas business group at national or international level, as well as the managers, employees and partners linked to the Group, regardless of their positions or where they carry out their work.

In this regard, Article 4.1.1 of the Code of Conduct approved by the Company stipulates that persons subject to the Técnicas Reunidas Group's Code will act in the performance of their duties with loyalty and endeavouring to defend the interests of the Group. Likewise, they will try to avoid

any situations which would involve an actual or apparent conflict of interest. These conflicts of interest must be reported to the Compliance Officer.

Note on Section E.1

- Risks related to concentration on a small number of clients

The portfolio may at certain times reflect a high concentration on a small number of clients or specific countries or suppliers.

Control and management systems:

- Concentration only on markets where the Group has sufficient prior experience.
- Diversification policy which allows TR access to very different markets.
- Development of commercial activity with new clients and in markets in which TR is not yet active.
- Strategies for dispersal and diversification of construction among various local and international suppliers.

- Risks related to environmental and safety requirements

TR carries out projects where incorrect implementation could lead to risks with significant environmental impact or appreciable risks with respect to health and safety. The Group works on risk control and minimisation by cooperating with its clients, subcontractors and suppliers in this area.

Control and management systems:

- Implementation of an Environmental and Safety Management System at RT.
- Assurance of environmental management from the engineering stage. Extension of this assurance to suppliers and subcontractors through audits and training.
- Strengthening of safety in processes from the design stage.
- Promotion of occupational safety among suppliers and subcontractors.

- Risks arising from economic variables.

Certain economic circumstances (changes in exchange rates and interest rates, predisposition to financing, taxation, etc.) may impact TR's activities and results.

Periods of volatility in economic variables derived from geopolitical tensions.

High weight in the decisions of our clients of the entities or organizations that finance their investments.

Management and monitoring systems:

- Continuous monitoring of currency-related risks and contracting of exchange rate insurance.
- Management of a sound balance sheet and availability of adequate lines of financing.
- Mitigation of the risk of clients' lack of liquidity by means of active participation in the processes of obtaining financing, through banks that support operations involving TR and direct contact with financing entities of our clients, as well as through the use of export credit insurance.

- Risks arising from information technology

With the Group's increased digitalisation, the risk of cybercriminal intrusion into its systems has increased.

Management and monitoring systems:

- Information security management system certified according to ISO 27001:2015.
- Training in cybersecurity for employees.
- Supervision by the Information Security Committee of the implementation of the strategic cybersecurity plan, the results of the audits and the main risks and measures used.

- Risks arising from the retention of key personnel and adaptation of resources to workload

The loss of key personnel or deficiencies in their training may increase the risk of unsatisfactory implementation of projects. In addition, excessive concentration of projects and project delay can lead to inefficiencies in personnel management.

Management and monitoring systems:

- Procedures for identifying key employees who should be retained and implementation of policies that encourage them to remain at the Company.
- Implementation of a flexible Human Resources structure which can adapt quickly to market changes.
- Globalised management of human resources to unify the criteria used in the various subsidiaries.

- Risks arising from integrity and reputation

Any unethical or irresponsible behaviour by employees or by third-parties working in partnership with the Company (suppliers and subcontractors) could adversely affect Técnicas Reunidas' reputation and results.

Management and monitoring systems:

- Internal regulations and training to ensure that workers behave with integrity, and availability of a Code of Conduct and a whistleblowing mechanism.
- Need for suppliers and subcontractors to fulfil requirements on environmental issues, human rights and health and safety.

- Risks arising from quality in implementation

Quality in implementation not only ensures a satisfactory end to a project but also increases the likelihood of securing similar projects or working with the same client in the future.

Management and monitoring systems:

- Quality monitoring mechanisms at all project stages.
- Creation of databases that collate the group's know-how and best practices.
- Quality department responsible for drawing up procedures.

Without prejudice to the above and with particular respect to crime prevention, the Company's Board of Directors has an ongoing commitment to ensuring that this risk management and control system prevents or minimises the likelihood of irregular practices and ensures that any irregular practices detected will be stopped, demanding accountability and pursuing a policy of the utmost rigour in this respect. In this regard, the Audit and Control Committee takes the above into account as part of its responsibility for supervising the effectiveness of internal control and internal auditing, in accordance with the criteria of the supervisory bodies, without prejudice, in any case, to the mandatory reporting to the markets through the Statement of Non-financial Information and through this Annual Corporate Governance Report.

Note on Section G.40

The Company has an internal audit system which, under the supervision of the Audit and Control Committee, ensures the proper functioning of the systems for internal control and reporting. Since 2008, the Company has had an internal auditor, who is included in the list of senior managers and who continues to discharge their duty within the Company.

Note on Section G.55

The Company has been a signatory to the United Nations Global Compact since November 2011 and has confirmed its commitment by renewing its membership every year since then.

---

This annual corporate governance report was approved by the company's board of directors at its meeting on:

26/02/2020

Indicate whether any directors have either voted against or abstained from voting on the approval of this report.

Yes  
 No