



TECNICAS REUNIDAS

**REPORT JUSTIFYING THE REMUNERATION
POLICY OF THE DIRECTORS OF TÉCNICAS
REUNIDAS, S.A. FOR THE FINANCIAL YEARS
2020 TO 2022**

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I. INTRODUCTION

In accordance with Article 529 *novodecies* of Legislative Royal Decree 1/2010, dated 2 July, approving the consolidated text of Spain's Companies Act (*Ley de Sociedades de Capital*), the proposed director remuneration policy of Técnicas Reunidas, S.A. ("Técnicas Reunidas", or "the Company") must be accompanied by a specific report issued by the Appointments and Remuneration Committee (the "Committee", the "Appointments and Remuneration Committee" or the "ARC"). Both documents must be published on the corporate website as soon as the General Shareholders' Meeting is called.

This document is the report justifying the proposed Director Remuneration Policy (the "Report"), which will be subject to the approval of the Board of Directors before being referred to the General Shareholders' Meeting. This report outlines the criteria and underlying principles used by the Appointments and Remuneration Committee to devise the proposed Director Remuneration Policy of Técnicas Reunidas, S.A. (the "Remuneration Policy") applicable from 1 January 2020 through 31 December 2022.

II. BASIS OF THE NEW DIRECTOR REMUNERATION POLICY

The proposed Director Remuneration Policy, to be submitted for the Board of Directors' approval and subsequently to be referred to the Ordinary General Shareholders' Meeting, follows the general principles established in the previous policy, introducing certain new elements as a result of including new items of remuneration to be received by directors and modifying the variable annual remuneration system.

Técnicas Reunidas' Remunerations Policy is based on the principle of proportionality of director remuneration as provided in Article 25.3 of the Company's Board of Directors Regulation and Article 217.4 of the Companies Act and, as a result, it is:

- reasonably in proportion to the scale of the Company, considering, among other factors, its size, revenue, number of employees and economic significance
- aimed at fostering the Company's profitability and sustainability to avoid undertaking excessive risk and rewarding unfavourable results.

Accordingly, this Committee considers that it is appropriate to propose a new Director Remuneration Policy, for the following reasons:

- In accordance with Article 529.*novodecies*.1 of the Companies Act, it is up to the General Shareholders' Meeting of listed mercantile companies to approve their director remuneration policy, at least once every three years, and as a separate item on the agenda. In this regard, the previous director remuneration policy was approved by the General Shareholders' Meeting on 26 June 2019.
- Although this proposed Policy follows the general principles established in its predecessor, specific changes have been introduced to ensure its alignment with current corporate good governance practices and market practice at comparable companies. In particular:
 - Without prejudice to the immediate transposition of the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 on the promotion of long-term shareholder engagement, certain principles incorporated in the Directive, may be considered directly enforceable under European case law as the transposition period has elapsed and the matters in question are clearly defined and specified in the Directive. In this regard, the Directive makes it appropriate to review certain aspects of the current Remuneration Policy for the Directors of Técnicas Reunidas.
 - On the other hand, and in line with what the Company advanced in the Annual Report on Directors' Remuneration for 2019 and communicated to the National Securities Market Commission ("*Comisión Nacional del Mercado de Valores*," "CNMV") on 28 February 2020, the Company has agreed to submit a long-term variable remuneration plan ("LTIP") for executive directors. This will imply an amendment to the current Remuneration Policy for the Board Members of Técnicas Reunidas to include the aforementioned LTIP.
 - Lastly, it is proposed to amend the Directors' Remuneration Policy concerning the remuneration of Directors with executive and delegated functions within the framework of the flexible scheme introduced concerning the Chair of the Board of Directors.

III. CONCLUSIONS AND TERM OF EFFECT OF THE DIRECTOR REMUNERATION POLICY

In the Committee's opinion, the proposed Director Remuneration Policy of Técnicas Reunidas is consistent with the long-term interests of the Company and its shareholders, for the following reasons:

- The Committee considers that the Company's director remuneration is adequate, to the extent that they are each rewarded adequately for their performance, in accordance with the size, goals, internal organisation and nature, scope and complexity of the business of Técnicas Reunidas.
- The Committee believes that introducing a long-term variable remuneration system for executive directors better aligns their interests with the long-term interests of Técnicas Reunidas, following good corporate governance practices and bringing executive directors' remuneration packages into line with market practices at companies comparable to Técnicas Reunidas.

- The Committee has focused especially on ensuring that the Policy is fully compliant with remuneration regulations and with the guidelines in the Code of Good Governance, and considers that the Policy is (i) compatible with adequate and efficient risk management, (ii) does not offer incentives to take risks that exceed the level tolerated by the Company, and (iii) is compatible with the Company's business strategy, goals, values and long-term interests.

In accordance with the provisions of Article 529.*novodecies* of the Companies Act, the Company will apply this Director Remuneration Policy from 1 January 2020 until 31 December 2022. Any modification or replacement of the Policy during the that period shall require prior approval of the General Shareholders' Meeting under current legislation, notwithstanding the provisions of Article 529.*novodecies*.5 of the Companies Act.

Accordingly, this Committee presents this Report, along with the accompanying Policy, to the Board of Directors, to be submitted for approval at the General Shareholders' Meeting.

5 May 2020

The Appointments and Remuneration Committee

**REASONED PROPOSAL FROM THE BOARD OF DIRECTORS REGARDING THE
REMUNERATION POLICY FOR DIRECTORS OF TÉCNICAS REUNIDAS, S.A. FOR THE
FINANCIAL YEARS 2020 TO 2022**

Article 529 *novodecies* of the revised text of the *Ley de Sociedades de Capital*, approved by Royal Legislative Decree 1/2010 of 2 July (the “**Companies Act**”) establishes the obligation for listed companies to prepare the Directors’ Remuneration Policy and submit it to the General Shareholders’ Meeting for approval. This policy must be in line with the directors’ remuneration scheme established in the Articles of Association and must be approved by the General Meeting at least every three years, as a separate point on the agenda. A reasoned proposal of the policy by the Board of Directors must be made available to shareholders from the time the General Meeting is called. The reasoned proposal must be accompanied by a specific report from the Appointments and Remuneration Committee.

In accordance with the preceding, the Board of Directors of Técnicas Reunidas, S.A. (the “**Company**”), following a report from the Appointments and Remuneration Committee, has drawn up this reasoned proposal regarding the Directors’ Remuneration Policy of Técnicas Reunidas, S.A. for the financial years 2020 to 2022 (the “**Remuneration Policy**”) which will be submitted for approval by the Ordinary General Shareholders’ Meeting.

With regard to the members of the Board of Directors acting in their capacity as such, the Remuneration Policy must determine their remuneration within the framework of the system laid out in the Articles of Association, necessarily including the maximum amount of annual remuneration payable to all of them in their capacity as directors.

Also, concerning directors who discharge executive functions, the Remuneration Policy must contemplate the amount of fixed annual remuneration and how it may change over the period to which the Policy relates, as well as the different parameters for establishing the variable components and the main terms and conditions of their contracts, particularly duration, indemnity payments for early termination or termination of the contractual relationship and any exclusivity, post-contractual non-compete and minimum contract commitment or loyalty arrangements. Any remuneration received by the directors for holding or terminating their posts and for performing executive functions must be in accordance with the prevailing Remuneration Policy, except in the case of remuneration expressly approved at the General Meeting.

The Ordinary General Shareholders’ Meeting held on 26 June 2019 approved the “Remuneration Policy for Directors of Técnicas Reunidas, S.A. for fiscal years 2019, 2020 and 2021.” However, the Board of Directors has found it appropriate to make several amendments to the Policy then in force. These amendments focus primarily on introducing certain principles of *Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 on the promotion of long-term shareholder involvement* applicable to directors’ remuneration, on expressly introducing a long-term variable remuneration plan (LTIP) for executive directors, and amending the Directors’ Remuneration Policy concerning the remuneration of Directors with executive and delegated functions within the framework of the flexible scheme introduced concerning the Chair of the Board of Directors. In this regard, and without prejudice to the fact that it is understood that the principles and characteristics of the

Policy remain in force and that the end of its validity period is near, for the purposes mentioned above, it is considered necessary to approve a new Remuneration Policy for the period 2020 to 2022, both inclusive.

In view of the foregoing and the prior report by the Appointments and Remuneration Committee on the proposed Policy, the content and reasoning of which the Board endorses, the Board of Directors considers that the Remuneration Policy complies with the applicable regulations and is in line with the best practices of good corporate governance, and agrees to submit it for approval to the Company's next Ordinary General Shareholders' Meeting for the financial years 2020 to 2022.
