

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

### 15. Statement on non-financial information

#### 15.1. Business model

##### 15.1.1. Description of the business model

The Técnicas Reunidas (TR) Group engages in the performance of all performance of all manner of engineering and construction services for industrial plants, ranging from viability or basic and conceptual engineering studies to large and complex turnkey engineering and design projects, management of supply, equipment and material deliveries and construction of plants and related or associated services, such as technical assistance, construction supervision, project management, technical management, start-up and training.

Within its engineering services activity, TR has a solid positioning in the value chain of the oil, gas, energy, fertilisers, hydrometallurgy, water and infrastructure industries.

TR offers its customers optimum technical solutions to develop their sustainability policies, mainly with regard to environmental issues, which allows its customers to develop their emission control objectives through the construction and modernisation of highly efficient industrial plants in the field of energy, thus complying with the regulatory requirements and voluntary commitments in this area.

The Company has a series of values that have been fully integrated into its business model, such as knowledge, flexibility, innovation, credibility, customer focus and quality. These values show TR's commitment to the development of its business activities.

##### 15.1.2. Organisation and structure

Appendices I and II contain the corporate structure of the Company.

##### 15.1.3. Line of business

Técnicas Reunidas, as part of its engineering and construction services activities, operates in various lines of business, mainly in the refining, gas and energy sectors:

- **Oil and natural gas:** the Oil and Natural Gas area provides management, engineering, procurement, construction and commissioning services for facilities throughout the entire oil and natural gas value chain. In addition, the Company has experience with its own basic designs of certain units of these facilities and projects, facilitating the verification of their functionality and operability and contributes to obtaining greater efficiency, ensuring the adaptation of new technologies to its working methods. Furthermore, TR offers its customers the possibility of modernising existing industrial plants with the aim of improving their efficiency and making progress in the sustainability actions and commitments they have decided to implement.
- **Power and water:** the Power and Water area provides engineering and construction services, both at industrial power facilities, and in a variety of water management applications (including desalination plants). The Company's experience ranges from conducting feasibility or basic and conceptual engineering studies to the complete implementation of large-scale and complex turnkey projects.
- **Other industries:** this division carries out several activities, including ecology, ports and coasts, hydrometallurgy and fertiliser projects. It also conducts its own developments in industrial processes and technologies for different purposes, such as fertiliser production or recovery of metals.

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The diversification of the lines of business allows for a well-distributed project portfolio.

This commitment to segmentation and innovation has enabled the Company to implement projects of different scopes in multiple regions, including those related to conceptual studies, basic engineering, FEED, PMC, EPC or LSTK, among others.

### **15.1.4. Business environment and markets**

Técnicas Reunidas operates in a constantly changing environment, marked by rising energy demand in emerging countries, continuous adaptation to new environmental standards and the need for refineries to evolve towards more complex and profitable configurations.

In turn, this work context is increasingly demanding, due to even stricter environmental standards, the development of new technologies and growing competition from Asia. In this regard, Técnicas Reunidas takes on increasingly complex projects, highly demanding in terms of technical specifications, deadlines, scope of work and performance conditions.

Diversification by product and geographical area allows Técnicas Reunidas to take new opportunities that may arise in connection with its activities.

In 2019, market conditions continued to improve compared to previous years, allowing TR to achieve a significant number of awards in 2019, exceeding EUR 7,000 million, and in the 15 months prior to year-end, it had been awarded major EPC projects for ADNOC, Saudi Aramco, Exxon, General Electric/Sumitomo, Suncor and Sonatrach, as well as eight major FEED projects for Pertamina/Rosneft, ADNOC/Exxon, ADNOC/Cepsa, Socar/BP, YPF, Gunvor, BPC and INEOS.

These awards are in line with the forecasts of international organisations, such as the International Energy Agency and OPEC, and relevant operators including BP and Exxon Mobil, which conclude that global demand and energy consumption will continue to grow in the medium to long term, and that the Oil and Gas sector will continue to play a very significant role in this growth.

To supply a growing demand for energy, investments must be made in oil, gas and power generation, where Técnicas Reunidas is well-positioned and has the credentials demanded by investors and proven experience nearly sixty years worldwide and, in particular, in regions where most of the investments are likely to be made.

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## LIST OF MARKETS WHERE TÉCNICAS REUNIDAS OPERATES



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### 15.1.5. Factors and trends that may affect the Company's performance

Apart from market developments, the Company may be affected by factors related to other areas of its business. Therefore, Técnicas Reunidas detects and analyses emerging factors that could have an impact on its management model in order to take action in this regard and adapt its business strategy.



	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
<b>TRENDS</b>	<p>Contracting and execution models that delay collections from customers (invoicing by milestones rather than progress payments, reduction in prepayments, delays in resolving claims and high volume of guarantee guarantees).</p> <p>Increased tax burden from governments to offset deficits.</p> <p>Volatility of certain currencies.</p> <p>Increased perception of risk by financial institutions with regard to the engineering sector.</p> <p>Uncertainty regarding the performance of the economic cycle.</p>	<p>Uncertainty regarding the changes in crude oil prices, which impact investment decisions and project execution.</p> <p>Geopolitical uncertainty: Middle East, United States, China, United Kingdom, Latin America and North Africa.</p> <p>Regular use by customers of turnkey contracts, transferring greater risks to the contractor.</p> <p>Increased competition in turnkey projects.</p> <p>Increased customer litigation.</p> <p>New customer demands on the execution structure of projects (e.g. joint ventures or revamping).</p>	<p>Adaptation to occupational safety requirements established by the countries where construction projects are carried out.</p> <p>Increased demand from customers regarding the qualifications and requirements of onsite personnel with health and safety responsibilities.</p> <p>Need for more practical works-oriented training programs.</p> <p>Incorporation of new technologies for improved performance and monitoring of safety and health projects.</p>	<p>Growing concern from customers regarding the environmental and social requirements of projects.</p> <p>Stricter environmental and social requirements from entities such as customers, the World Bank, financial institutions or accredited certification bodies.</p> <p>Audits by financial institutions with increasingly stringent social and environmental requirements.</p>

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	<b>FINANCIAL ENVIRONMENT</b>	<b>OPERATING ENVIRONMENT</b>	<b>SAFETY REQUIREMENTS</b>	<b>ENVIRONMENTAL REQUIREMENTS</b>
		<p>Postponement of final phases of the project due to critical negotiations with customers and suppliers.</p> <p>Customers' need to seek financing for their projects.</p>		
<b>HOW IS IT PREPARED?</b>	<p>Increase in available lines of financing.</p> <p>Customer and supplier management (collection and payment periods, discounts, reverse factoring).</p> <p>Development of policies aimed at allocating profits to the countries where they are generated (BEPs).</p> <p>Currency hedging policy by using forwards.</p> <p>Development of a pool of highly diversified banks, with a large presence of local banks.</p>	<p>Launch of the TR-ansforma plan aimed at reducing overheads and improving efficiency.</p> <p>Geographic and product diversification. Experience in sustainable markets.</p> <p>Selective management of potential projects.</p> <p>Closer integration with customers from the initial phase onwards.</p> <p>Capacity for managing complex projects.</p> <p>Consolidated know-how and work procedures.</p> <p>Knowledge of suppliers and collaboration with relevant suppliers and subcontractors.</p>	<p>Implementation of a Regulatory Compliance System that covers, among others, environmental, health and occupational safety risks (HSE).</p> <p>Training project managers in international health and safety standards.</p> <p>Stronger collaboration between human resources and the departments involved in the construction phases.</p> <p>Acquisition of specific software and migration of periodic reports.</p> <p>Organisation of meetings with critical suppliers to discuss safety issues.</p>	<p>Strengthening the system for evaluating the social and environmental compliance of local suppliers.</p> <p>Conducting internal audits on environmental and social matters.</p> <p>Identification and monitoring of environmental risks and opportunities</p>

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	<b>FINANCIAL ENVIRONMENT</b>	<b>OPERATING ENVIRONMENT</b>	<b>SAFETY REQUIREMENTS</b>	<b>ENVIRONMENTAL REQUIREMENTS</b>
		<p>Alliances with competitors for specific projects.</p> <p>Leverage based on proprietary technologies.</p> <p>Strengthening of the legal team and involvement in the various phases of project implementation.</p> <p>Support to customers in finding sources of financing for the implementation of projects, including bank financing covered by export credit insurance provided by Export Credit Agencies (ECAs).</p>		

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	SUPPLY CHAIN AND SUBCONTRACTS	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND CSR	HUMAN RESOURCES
<b>TRENDS</b>	<p>Increased importance of sharing processes and management techniques in the supply chain with multicultural and sector companies.</p> <p>Decline in demand, which can reduce the capacity and quality of the supplier market and lead to a growing financial risk linked to increased non-conformities in quality and supply delays.</p> <p>Volatility of commodities and currencies.</p> <p>Selection of competitive construction and assembly companies.</p> <p>Protectionism of companies towards local staff.</p> <p>Increased supplier litigation.</p>	<p>Importance of digitisation and the use of new technologies to increase efficiency, ensure swifter customer responses and reduce costs, among other reasons.</p> <p>Focus on raw materials and especially on certain critical or strategic raw materials for relevant sectors such as telecommunications, defence and aeronautics, and energy.</p> <p>Sustainability, environmental legislation, circular economy etc. as a clear business opportunity for the development of technologies in relation to waste management.</p> <p>Reduction of emissions in regulations on nitric acid plants regarding greenhouse gases (NOx, N2O).</p> <p>Improved recovery of effluents with high nitrate content in ammonium nitrate plants in order to minimise the risk of soil contamination.</p>	<p>Increased disclosure demands for non-financial information.</p> <p>Stricter requirements from public administrations, customers and suppliers regarding regulatory compliance.</p> <p>Greater demand to publicly disclose the policies that promote diversity in corporate management bodies.</p> <p>Intensifying activity of corporate governance bodies and need to strengthen internal control and risk management systems.</p> <p>Need to ensure equitable treatment of shareholders and take the concerns of other stakeholders into consideration.</p> <p>Particular attention to CSR and sustainability-related matters.</p>	<p>Demand from customers for increasingly skilled human resources to master not only the technical aspects but also management, monitoring, safety and quality assurance skills.</p> <p>Consolidating the internationalisation of the business.</p>

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	<b>SUPPLY CHAIN AND SUBCONTRACTS</b>	<b>INNOVATION AND NEW TECHNOLOGIES</b>	<b>GOVERNANCE AND CSR</b>	<b>HUMAN RESOURCES</b>
		Establishing lines of collaboration with customers, partners, suppliers and subcontractors.		
<b>HOW IS IT PREPARED?</b>	<p>Development of technological tools for supply chain management, global and adaptable for use by other Group companies in different locations.</p> <p>Strengthened presence in the supplier's workshops.</p> <p>Strengthening synergies report with greater focus on the supplier's financial position.</p> <p>Implementation of historic material price indicators during the tender process, together with spot market correction factor.</p> <p>Maximising the use of insurance to minimise commodities volatility.</p> <p>Directing and controlling the activities of assembly and construction subcontractors, at micro-management levels where required.</p>	<p>In-house developments in all areas of activity.</p> <p>Strategy in the field of digitisation to strengthen competitiveness, adapt to customer demands and optimise processes.</p> <p>Specialists in R&amp;D and knowledge management in the areas of development.</p> <p>Offering optimal technical solutions for the development of efficient industrial plants that allow customers to execute their sustainability and emission control and reduction strategies.</p> <p>José Lladó Technology Centre, with specialised skills and resources.</p> <p>Contact with suppliers of catalysts to implement treatments for minimising greenhouse gases in nitric acid plants.</p>	<p>Expanding CSR and sustainability actions both globally and in the projects implemented.</p> <p>Study of policies and agreements to strengthen the commitment to diversity.</p> <p>Strengthening the role of Board committees, mainly in non-financial reporting.</p> <p>Continuous development and adaptation of internal documents aligned with best corporate governance practices.</p> <p>Supervision by the corporate governance bodies of tax and information security risks.</p> <p>Reinforcing communication channels with key stakeholders.</p>	<p>Management training, focusing on risks and opportunities and developing skills and abilities.</p> <p>Special attention to motivation, monitoring and innovation.</p> <p>Globalisation of Human Resources management hand-in-hand with the departments concerned.</p> <p>Multi-country management: adapting internal policies to local labour and tax regulations, and to the local culture through direct management of expatriate employees from their destination countries.</p> <p>Development of tools to continuously analyse the labour market and locate available highly-qualified professionals.</p>

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	SUPPLY CHAIN AND SUBCONTRACTS	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND CSR	HUMAN RESOURCES
	<p>Expanding and updating the Company's worldwide database of subcontractors.</p> <p>Conducting technical and physical analyses to ensure the ability of subcontractors to perform construction works.</p>	<p>In-depth analysis of projects to plan their management throughout the implementation period.</p> <p>Introduction of virtual reality in project design and implementation.</p>	<p>Reporting and verification of CSR and sustainability information in accordance with the highest standards.</p> <p>Development of a Criminal Compliance Management System and the prevention of criminal risks.</p> <p>Approval of new regulatory compliance policies.</p>	<p>Establishment of internal staff rotation policy when required.</p> <p>Allocation of key personnel during the implementation phase of the project design.</p> <p>Onsite presence of design staff at works to adapt the design to specific country and customer needs.</p>

### 15.1.6. Objectives and strategy

TR's strategy is structured around four essential pillars: methodology, diversification, quality and safety.

**a. Methodology:**

The methodology is based on the development, systemisation and proper use of all the know-how that TR has acquired since 1960 executing projects around the world. This commitment to methodology allows the efficiency of work processes to be optimised and guaranteed. Both the excellent human capital of Técnicas Reunidas, with highly qualified professionals, and innovation, which is an integral part of TR's DNA, are essential in this pillar.

**b. Diversification:**

TR has a highly diversified portfolio of customers, products and geographical areas. In turn, the Company has customers of recognised prestige that contribute to consolidating its presence in the market and their business is highly recurring.

**c. Quality:**

TR's emphasis on the quality of all its processes (and those of its suppliers and subcontractors) guarantees the execution of every project in accordance with its customer's needs and requirements.

**d. Safety:**

TR fosters the creation of a specific corporate culture in occupational health and safety, introducing training processes for staff and encouraging their participation in prevention efforts and improving working conditions, promoting shared responsibility at various levels of the organisation.

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TR's annual objectives are established at department level. This allows objectives to be adapted to the Company's strategy while at the same time including the specific needs of each areas. As a result, the objectives are defined ad hoc, which facilitates both their adaptation to each specific case and their traceability and comparability. The objectives established by Técnicas Reunidas for each area are detailed below:

<b>General Secretariat Objectives</b>	<ul style="list-style-type: none"> <li>- Approval of a Long-Term Remuneration Plan for executive directors.</li> <li>- Planning and development of the activities of the Board's delegated committees through the Regulations of the Delegated Committees.</li> <li>- Development of specific regulations for the Audit and Control Committee and the Appointments and Remuneration Committee.</li> <li>- Development of corporate policies, such as the Director Selection and Diversity Policy, the Policy on Relationships with Shareholders, Investors and Other Stakeholders, the Sustainability Policy, or the Risk Management and Control Policy.</li> <li>- Updating of the Articles of Association and Board of Directors Regulations.</li> <li>- Updating of the Company's Internal Code of Conduct on the Stock Market.</li> <li>- Adaptation to the insider trading regime and the way it is communicated to the regulatory bodies.</li> <li>- Implementation of the actions proposed in the Board's Self-Assessment Report, such as continuing to make progress in the exchange of information between directors and the Company's executives.</li> </ul>
<b>HR Objectives</b>	<ul style="list-style-type: none"> <li>- Globalisation and development of new functionalities of Central Employee's tools.</li> </ul>
<b>Environmental Objectives</b>	<ul style="list-style-type: none"> <li>- Renewal of the Environmental Management System Certifications for TR S.A., TR Sagemis International and TREI-Tecnical in accordance with ISO14001-2015.</li> <li>- Reduction of 3.5% in electricity consumption, 3% in paper consumption and 80% in plastic bags at the Madrid offices.</li> <li>- Implementation of associating the environmental requirements of a project in the EP phase to the environmental SDGs applicable.</li> <li>- LEED certification of the Adequa offices.</li> <li>- Not exceeding the TEIF (0.025) or SSIF (0.007) targets for the works.</li> <li>- Issuance and communication of a HSE ALERT for each significant spill that occurred on site.</li> <li>- Carrying out training/awareness-raising campaigns for separating waste.</li> <li>- Reuse of materials/products on site to prevent them from becoming waste.</li> </ul>
<b>Innovation Objectives</b>	<ul style="list-style-type: none"> <li>- Start-up of the zinc production plant with ZINCEX™ technology for AMERICAN ZINC PRODUCTS (AZP) in the US. Technical assistance for the start-up until maximum production capacity is reached.</li> <li>- Start-up of the lead and silver production plant with ECOLEAD™ technology for AMERICAN ZINC PRODUCTS (AZP) in the US. Technical assistance for the start-up until maximum production capacity is reached.</li> <li>- Development of the basic engineering for a plant to produce zinc from municipal waste.</li> <li>- Development of the basic engineering of the pilot plant, and its operation, for the process of producing phosphoric acid from phosphate rock.</li> <li>- Continuing to market the new technologies: PHOS4LIFE™ (production of phosphoric acid from wastewater incinerator sewage sludge), WALEVA™ (production of levulinic acid from biomass waste), and HALOMET™ (production of zinc and other metals from municipal solid waste), with the development of each of the commercial plans and the actions laid out in these plans aimed at introducing these technologies on the market.</li> <li>- Improvements in the incorporation of N2O greenhouse gas abatement technologies with efficiency exceeding 90%.</li> </ul>

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<b>Financial Objectives</b>	<ul style="list-style-type: none"> <li>- Establishment of a tax model with the tax authorities through a Prior Assessment Agreement.</li> <li>- Development of a plan aimed at increasing liquidity and guarantee lines.</li> <li>- Restructuring of financing to seek terms exceeding three years.</li> <li>- Implementation of the TR-ansforma plan.</li> </ul>
<b>Procurement Objectives</b>	<ul style="list-style-type: none"> <li>- Improving the efficiency of internal processes in the supply chain.</li> <li>- Reinforce communication channels (Inter-departmental Intranet) in order to speed up problem solving.</li> <li>- Increase close collaboration with our customers, sharing technical knowledge in industry forums and publications.</li> <li>- Training process aimed at base level of departments to ensure the dissemination of knowledge at this level.</li> <li>- Implementation of improvements arising from the development of the Innova project to optimise the digitalisation processes.</li> <li>- Implementation of the TR-ansforma plan.</li> </ul>
<b>Construction Objectives</b>	<ul style="list-style-type: none"> <li>- Continue with the implementation of "eSAM" in all projects. (*)</li> <li>- Integration of the computer tool "eCost" with "eSAM", to optimise the control of construction costs.</li> <li>- Development of the "Site Workforce Control" software to control the construction staff.</li> <li>- Review of structures and optimisation of construction resources.</li> <li>- Marjan Project, KSA.</li> <li>- Duqm Project, Kuwait.</li> <li>- Hassi Messaoud Project, Algeria.</li> <li>- Termocandelaria Project, Colombia.</li> <li>- Celaya Project, Mexico.</li> <li>- EPC conversion of the SOCAR-HAOR project, Azerbaijan.</li> <li>- Implementation of the TR-ansforma plan.</li> </ul> <p>(*) Only for projects that are not carried out as a JV, as they are usually governed by procedures agreed in the JV that may not be adapted to this IT tool.</p>
<b>HSE Objectives</b>	<ul style="list-style-type: none"> <li>- Increase in the number of HSE inspections of suppliers and a reduction of unsatisfactory inspections.</li> <li>- Increase in the HSE training ratio on site compared to 2019.</li> <li>- Reduction in the 5 HSE indices (LTIR, TRIR, SR, TEIF and SSIF) compared to 2019</li> <li>- Issue H.O. communications to give greater visibility to the actions carried out in other projects or in H.O.</li> <li>- Obtain certification under ISO 45001.</li> <li>- Promotion of actions aimed at making TR a "Healthy Company".</li> <li>- Completion of implementing a mobile application to log onsite observations.</li> <li>- Implement the actions resulting from the Plan for a Safety Commissioner in all our projects.</li> <li>- Implementation of the TR-ansforma plan.</li> </ul>
<b>Regulatory Compliance Unit Objectives</b>	<ul style="list-style-type: none"> <li>- Review and updating of the Corporate Code of Conduct.</li> <li>- Continue the deployment of the criminal compliance management system in other geographical areas/subsidiaries.</li> <li>- Preparation and approval of the Anti-Fraud Policy, Trade-Control Policy, Sponsorship and Donations Policy.</li> <li>- Implementation of the Control Map and its documented monitoring.</li> <li>- Verification of the design and effectiveness of the Criminal Compliance Management System.</li> <li>- Classroom-based training sessions on specific contingencies to which it is particularly exposed (directors, senior executives, Purchasing, Subcontracting and Commercial areas).</li> </ul>

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<b>Social Objectives</b>	<ul style="list-style-type: none"><li>- Ensuring high percentage of local procurement and outsourcing.</li><li>- Collaboration with a high number of social action organisations.</li><li>- Carrying out social action initiatives during the execution of projects.</li></ul>
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### 15.2. Risk factors (non-financial) associated with the business

Técnicas Reunidas has tools and procedures that help it identify, prevent, minimise and manage the risks associated with its activity.

The Company's comprehensive methodological framework for managing key risks covers all areas and projects.

Using this comprehensive framework, a catalogue of the key risks identified is prepared in accordance with the COSO II methodology.

To manage these risks, Técnicas Reunidas has developed various procedures and management policies, including the following:

- Procedures related to the nature of the projects, such as their selection, geopolitical risk diversification policies and policies to preserve the technical capacity necessary to execute the projects, and to share the risks in their execution with third parties, contracting insurance, ways of contracting quality suppliers, etc.
- Procedures related to the financial management of projects: management of foreign currency risk, liquidity risk and tax risks.
- Procedures related to Health and Safety Management Systems.

The Company's main operating risks are listed below, including non-financial areas such as environment, health and safety, personnel and reputation. The management mechanisms available to TR for each of these risks are set out below.

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Risk	Description	Main risk management and mitigation mechanisms
<p>Changes in project costs</p>	<p>Several factors may give rise to a change in project cost estimates in turnkey projects (the complete price is closed at the start while execution costs may change), such as the volatility of raw material prices, changes in project scope, performance by construction and assembly subcontractors on time and with required quality, litigation by customers or suppliers, decisions of a geopolitical nature that have an immediate impact or weather conditions, among others.</p> <p>The assessment of all these factors implies a high level of judgement and estimates.</p> <p>Failure to comply with delivery times may result in compensation to the customer.</p>	<ul style="list-style-type: none"> <li>- Development of new contracting methods to mitigate risks.</li> <li>- Inclusion of indemnity clauses in contracts with suppliers and subcontractors.</li> <li>- Intense acquisition during the first few months of execution of key equipment with a high level of sensitivity to the price of raw materials.</li> <li>- Use of derivatives that allow the acquisition of certain essential raw materials and equipment in instalments.</li> <li>- Distribution of the execution of work among several subcontractors and including subcontractors as project partners.</li> <li>- Increased supervision of construction and assembly subcontractors.</li> <li>- Inclusion of contingencies for deviations in budgets.</li> <li>- Reliance on opinions of external consultants in the preparation of estimates and judgements.</li> <li>- Close monitoring of project execution deadlines to detect delays, which allows mechanisms to be implemented that accelerate the work and mitigate the risk of penalties.</li> </ul>
<p>Changes in the price of crude oil.</p>	<p>The price of crude oil, in addition to other factors, affects the investment, award and execution decisions of the Group's customers and suppliers, competitors and shareholders.</p> <p>Recent drops in the price of crude oil have caused customers to offer more unfavourable payment terms and be more demanding in negotiating changes in scope and claims.</p> <p>The Group's commercial activity is conditioned by the investment efforts of our customers.</p>	<ul style="list-style-type: none"> <li>- Predomination of NOCs (national oil companies) over IOCs (independent oil companies) in the portfolio (which include factors beyond purely financial considerations in their decision-making, such as geopolitical and social criteria).</li> <li>- Diversification of products and geographical areas.</li> <li>- Mitigation of negotiation risks with customers and suppliers by the early detection of those matters that may represent a change in the contractual price.</li> </ul>

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Risk	Description	Main risk management and mitigation mechanisms
<p>Execution of projects in multiple geographical areas.</p>	<p>TR's projects are carried out in numerous geographical areas, each of which has a different risk profile to be mitigated: political and social tensions, locations with limited access, limited legal certainty, demands in relation to local content, growing tax pressure in all geographical areas in which the Group carries out its activity or the complexity of the process of assigning margins in projects carried out simultaneously in multiple geographical areas, etc.</p> <p>Performance of projects for the first time in a certain geographical area increases the risk of deviations in margins.</p>	<ul style="list-style-type: none"> <li>- Selection of projects based on a detailed analysis of the customer and the country (establishing a local presence before submitting bids), and other matters such as the specific margins on the project and the risks involved.</li> <li>- Use of modular construction methods in locations with limited labour availability or where the site conditions allow for savings compared with other options.</li> <li>- Where possible, TR's contracts include the resolution of disputes at courts or in arbitration in countries where it has prior experience.</li> <li>- Where possible, TR's contracts include clauses that allow prices to be changed in the event of amendments to laws.</li> <li>- Flexibility to adapt to domestic content requirements.</li> <li>- Development of BEPS policies.</li> <li>- The Group's Internal Tax Risk Manual, which sets out the Group's tax strategy and internal procedures for managing tax risks, includes training actions and internal investigation plans.</li> <li>- In the offer phase, tax strategies are determined with local advisors that minimise risk, even in the Group's customary markets.</li> <li>- In the execution phase, the tax assessments submitted are monitored, with the support of local advisors, and events or deviations from the initial strategies are identified with the aim of correcting them with the support of the operations area.</li> </ul>

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Risk	Description	Main risk management and mitigation mechanisms
Concentration in a low number of customers.	At certain times the portfolio may feature a high concentration in a low number of customers and suppliers in certain countries.	<ul style="list-style-type: none"> <li>- Concentration only in markets in which the Group has sufficient prior experience.</li> <li>- Diversification policy that allows TR to access very different markets.</li> <li>- Deployment of relevant commercial action with new customers in markets in which TR does not yet have a presence.</li> <li>- Atomisation and diversification strategies for construction with local and international suppliers.</li> </ul>
Environmental and safety requirements.	TR carries out projects where incorrect performance entails high risks of impact on the environment or health and safety risks. The Group works to control and minimise those risks by collaborating with its customers, subcontractors and suppliers in this area.	<ul style="list-style-type: none"> <li>- TR has an Environmental Management and Safety System.</li> <li>- Assurance of environmental management from the engineering phase. Extension of this assurance to suppliers and subcontractors through audits and training.</li> <li>- Reinforcement of the safety of processes from the design phase.</li> <li>- Promotion of occupational safety at suppliers and subcontractors.</li> </ul>
Economic variables.	<p>Certain economic circumstances (changes in exchange rates, interest rates, availability of financing, taxes, etc.) may have an impact on TR's business activities and profits.</p> <p>Period of geopolitical tensions with high impact on economic variables.</p> <p>Greater weight in the decisions of our customers of the entities or organisms that finance their investments.</p>	<ul style="list-style-type: none"> <li>- Continuous monitoring of the risks associated with currencies and the arrangement of foreign currency hedges.</li> <li>- Management of a sound balance sheet and availability of adequate lines of financing.</li> <li>- Mitigation of customers' risk of illiquidity by actively participating in the process of obtaining financing for them, through banks that support the operations in which TR participates, and through the use of export insurance through banks that support the operations in which TR participates and direct contact with the financing institutions of our customers, as well as through the use of export insurance.</li> </ul>

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Risk	Description	Main risk management and mitigation mechanisms
Information technology.	As the Group's digital presence has increased, the risk of intrusions into its systems by cybercriminals has increased.	<ul style="list-style-type: none"> <li>- Information Security Management System certified in accordance with ISO 27001:2015.</li> <li>- Employee training on cybersecurity matters.</li> <li>- An Information Security Committee has been created to analyse the development of the strategic cybersecurity plan, the results of the audits and the main risks faced and measures taken.</li> </ul>
Retention of key personnel and adaptation of resources to the workload.	The loss of key personnel, as well as gaps in their training, may increase the risk of not executing projects adequately. Furthermore, the excessive concentration of projects or delays may give rise to inefficiencies in personnel management.	<ul style="list-style-type: none"> <li>- Procedures to identify essential employees that must be retained and the application of policies that contribute to their retention.</li> <li>- Implementation of a flexible human resource structure to adapt swiftly to market changes.</li> <li>- Global management of human resources to unify the criteria applied at the various subsidiaries.</li> </ul>
Integrity and reputation.	Improper or irresponsible behaviour by employees or other third parties with which the Group collaborates (suppliers and subcontractors) may negatively affect the reputation and results obtained by Técnicas Reunidas.	<ul style="list-style-type: none"> <li>- Internal regulations and training to guarantee the proper behaviour of professionals and the availability of a Code of Conduct and a Whistleblower Channel.</li> <li>- Demanding minimum requirements from suppliers and subcontractors regarding the environment, human rights, health and safety.</li> </ul>
Quality of execution.	Quality in the execution of the works ensures not only the successful completion of the project, but also obtaining projects of a similar nature or with the same customer.	<ul style="list-style-type: none"> <li>- Quality supervision mechanisms in all project phases.</li> <li>- Creation of databases recording the Group's know-how and best practices.</li> <li>- Quality Department responsible for drawing up procedures.</li> </ul>

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Risk	Description	Main risk management and mitigation mechanisms
Climate change.	Climate change requirements may have an impact on the needs of customers and the way in which TR implements its projects.	<ul style="list-style-type: none"> <li>- The Company has high technical capabilities in engineering that allow it to offer customers solutions that enable them to carry out their activities in the area of sustainability and their initiatives to reduce emissions through, for example, the modernisation of pre-existing industrial facilities.</li> <li>- The Company has advanced technical procedures that enable it to implement projects under extreme environmental conditions, as demonstrated in locations such as Saudi Arabia and Canada.</li> </ul>

In addition to the operational risks mentioned above, Técnicas Reunidas assesses other potential non-financial contingencies of minor impact to the Company with the aim of always ensuring maximum performance levels in terms of corporate social responsibility and sustainability. The details of the procedures applied by the Company to manage these risks may be found in each of the related chapters of this document.

Notably, the Company also uses all the tools at its disposal to assess, manage and mitigate any non-financial risks present in its immediate environment.

Despite this, TR has identified the following impacts:

- Margin variances as a result of the structure of the turnkey projects, which sets the sale price and leaves open the possible costs associated with the construction of the plant.
- Costs arising from the agreement reached with the Spanish Tax Agency for 2012-2014.

With regard to other non-financial issues, Técnicas Reunidas did not have to account for any additional significant impact in the year.

### 15.3. Information on environmental matters

#### **15.3.1. Corporate environmental policy and management systems applied for the identification and management of impacts on the Company in this area**

For Técnicas Reunidas, environmental management is a priority that is integrated into the Company's strategy, responding both to the Group's operations and to the activities of its value chain, and establishing environmental requirements in all its facilities and projects based on the corporate policy in this regard.

Since 1997 TR has adapted its Environmental Management System to regulatory requirements and stakeholder demands. This system is implemented and certified in accordance with ISO 14001:2015 for Técnicas Reunidas S.A., TR Sagemis and TR Engineering India and will be renewed in July 2020.

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Técnicas Reunidas develops products, systems and services with the aim of obtaining energy that is more affordable, reliable and responds to current environmental requirements. Our projects are subject to new and increasingly rigorous environmental requirements, which must comply, among others, with climate change initiatives focused on reducing CO2 emissions and improving the waste management system, committing to waste reduction from a circular economy perspective. To this end, we have implemented methodologies that ensure the monitoring and verification of environmental information in all projects. At the corporate level, internal environmental audits and external verification of environmental performance and carbon footprint indicators, among others, are carried out.

As a result of the set of tools and policies applied, over the last five years, Técnicas Reunidas has obtained zero non-conformities in the external certification carried out by AENOR based on ISO 14001:2015. These excellent results demonstrate the maturity of the management system and the Company's commitment to applying the best available environmental practices.

One of the Company's strengths is the systematic identification and monitoring of environmental risks and opportunities, identifying and implementing the actions related thereto, both in projects and in offices.

Currently, the main environmental risks are those related to climate change (see section 13.3.2) in the geographical areas where TR implements its projects, and those arising from changes to design limits or applicable law during project development.

There are also great opportunities in environmental matters, including the competitive advantage of a high degree of knowledge of applicable laws and standards, which gives the Company great flexibility when developing projects anywhere in the world and waste management within the framework of the circular economy.

Furthermore, the Company offers its customers its skills and experience to include performance criteria and environmental consulting in the design of the projects, optimising the environmental performance of the project in its operating phase, and achieving greater efficiency during this phase with less impact on the environment. In this regard, Técnicas Reunidas has adopted, among others, the following measures

- Optimisation of resources with an exhaustive analysis of the environmental impact at the offer phase, allowing the real needs of each project to be identified in the pre-execution phases of the project.
- Appointment of an environmental manager as part of the task force team.
- Increased role and responsibilities of the project's environmental manager in terms of internal environmental consulting.
- Realtime monitoring of environmental indicators for each project to avoid deviations.

The effect that Técnicas Reunidas' activities have on the environment derives mainly from greenhouse gas emissions, energy consumption, the generation of waste and the consumption of materials, which are detailed in each of the following sections. In the future, the important environmental aspects are expected to be the same. However, given Técnicas Reunidas' activities as an engineering company, each year it undertakes different projects in different phases of action, so a detailed forecast in quantitative terms does not reflect the reality of its performance for the years to come. Environmental KPIs are subject to the stage of completion of the projects in progress, peak staffing levels, implementation phase and new projects that may be won in each year. Given these circumstances, future estimates associated with environmental KPIs do not give an accurate picture of the Company's reality.

In this regard, Técnicas Reunidas focuses its efforts on keeping close watch on the environmental performance of its projects, in accordance with the definition of specific indicators in relation to their material aspects in this area.

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In addition, Técnicas Reunidas has made significant progress in recent years in expanding the scope of the activities monitored based on the data collected. To this end, the Company has established 2017 as the base year. It is important to highlight that, depending on the progress of each project, these ratios may vary significantly from year to year, as mentioned in the previous paragraph. Not surprisingly, the execution of EPC projects involves different phases with highly variable workloads, supply phases and staff levels.

The monitoring and analysis of all this information allows Técnicas Reunidas to design multiple actions to improve its environmental performance.

### 15.3.2. Climate change

The main sources of greenhouse gases associated with TR's activity correspond to the consumption of fossil fuels in the Company's road fleet and facilities (level 1), electricity consumption at these facilities (level 2) and the emissions corresponding to employee travel and to purchases of products and services from suppliers and contractors (level 3).

In 2019, the emissions in level 1 increased by 66.42% compared to 2018, due to an increase in fuel consumption in the projects, in level 2 there was a decrease of 29.28% compared to 2018, thanks to the increase in consumption of electricity from renewable sources, and in level 3 there was a decrease of 3.56% compared to 2018, due to a decrease in air travel.

Emissions generation	2018	2019*
Level 1 emissions (tCO2eq)	45,396.44	75,549.98
Level 2 emissions (tCO2eq)	1,079.72	763.63
Level 3 emissions (tCO2eq)	21,253.09	20,495.76
<b>TOTAL</b>	<b>67,729.25</b>	<b>96,809.37</b>

*\* The emissions associated with the last three months of the year were estimated. For level 1 and 3, the estimate consisted of a projection for the months of October to December based on the average emissions of the first 9 months. For level 2, however, since electricity consumption is mainly in offices and depends largely on the time of year, the last three months were estimated based on the emissions produced from October to December 2018.*

TR is committed to the corporate goal of reducing level 1 and 2 emissions by 12% in the 2017-2030 period. To this end, the Company works continuously on the identification and implementation of effective measures. In 2019, the most notable measures related to collaborating with the owner of the Adequa buildings in preparation for the process of obtaining "LEED Gold" Certification in 2020 and providing responsible mobility courses for access to the TR facilities in the north.

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In relation to this last point, TR is highly aware of the potential impact that climate change may have on its business, and it has developed a climate risk and opportunity matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in initiatives such as the Carbon Disclosure Project (CDP) in which Técnicas Reunidas has participated for several years. In the 2019 edition, the Company has remained among the leading companies in Spain with a score of "A-", demonstrating its commitment to the environment and fostering transparency in communication with its stakeholders.

The Company continuously monitors all climate-related issues to analyse them and adapt its objectives and business strategy accordingly. This monitoring draws from different sources of information that show the main market trends in climate issues.

Técnicas Reunidas has identified the main climate change risks to which the Company is exposed in the CDP questionnaire. TR is primarily exposed to transition risks, in particular those that depend on regulatory developments that could have an impact on its customers in the Oil & Gas sector. Furthermore, due to their geographical location, some of TR's customers are subject to extreme temperatures (e.g., Middle East, Russia or Canada), exposing them to physical risks that can lead to changes in working conditions during the execution of projects.

On the other hand, TR is well positioned in the field of climate change opportunities to take advantage of stronger regulatory pressure in environmental matters given that the Company has appropriate technology for its customers to deal with increasingly stringent environmental requirements.

Finally, with regard to climate responsibility, the Secretary to the Board of Técnicas Reunidas coordinates the activities of the Board of Directors and the other areas of the Company, facilitating the implementation of resolutions on climate issues, this being the main mechanism of governance of Técnicas Reunidas in relation to climate change.

### **15.3.3. Circular economy and waste prevention and management**

Técnicas Reunidas is strongly committed to implementing an environmental strategy based on the principles of the circular economy to minimise the potential impacts of its activities. TR's project-related activities generate various types of waste, both hazardous and non-hazardous.

To manage this waste, TR has implemented actions such as promoting prevention, reuse and recycling rather than generation and dumping, along with waste mitigation and control through the integration of cutting-edge techniques in the environmental design of the processes at its plants and conducting awareness campaigns at its offices and worksites.

Within the circular economy strategy, the Company focuses on two main lines of work, which involve, on the one hand, a reduction in the waste generated, and on the other, a reduction in the consumption of raw materials. This has resulted in the following activities:

- a. Reuse of waste and wastewater treated on site:
  - Excavated soils and land for filling foundations and trenches, land levelling or similar. Along this line, notable projects include Hamriyah IPP (United Arab Emirates), Ras Tanura (Saudi Arabia), Jazan IGCC (Saudi Arabia) and Duqm (Oman), given that most of the work related to earth movements during the year was carried out in these projects.
  - Concrete rubble from demolitions. This material, with minimal crushing treatment on site, has been used to improve the roads used during construction. This action was carried out in the Hamriyah IPP project (United Arab Emirates).

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- Wastewater after treatment on site. This action can be carried out at all construction sites where there is the possibility of installing a wastewater treatment plant in the site's facilities. This was possible in the following projects: Duqm (Oman), Jazan IGCC (Saudi Arabia), Jazan Refinery (Saudi Arabia), Haradh (Saudi Arabia) and Fadhili (Saudi Arabia), where treated water is used for irrigation required in construction, dust control of roads and paths and irrigation of landscaped areas at work sites and construction offices.
- Reuse of wood, metal and other waste materials that are left over from the various construction activities to make information boards, handrails, pedestals and other support elements. This action, in addition to being an activity that directly supports the circular economy, is a key activity in promoting awareness among workers.

b. Reuse of waste off site:

- This action includes the sales made to companies that engage in the management of reusable waste materials, such as cable reels, scrap metal, pallets, cable scraps and drums that will go back into the supply chain. This action is being carried out on a regular basis in most projects and, in particular, has been quantified for the last year in the following projects: Duqm (Oman), Hamriyah IPP (United Arab Emirates), KNPC (Kuwait), Ras Tanura, Fadhili, Jazan IGCC (Saudi Arabia).

On the other hand, new separate collection bins have been installed at the office level, which contribute to the optimisation of waste management in the Madrid offices. The goal is for these to replace the personal waste bins at work desks in 2020.

In this regard, the waste generated by the Company in 2019 is included in the following table. Furthermore, the changes with regard to 2018 (around 20-30%) depend only on the stage of completion of the projects in each year:

Generation of waste*	Amount generated in 2018 (t)	Amount generated in 2019 (t)
Hazardous waste (including oils, electrical and electronic equipment and other minor fractions).	231.80	166.13
Non-hazardous waste (includes wood, municipal waste and other categories)	39,902.40	48,432.90

*\* The waste associated with the last three months of the year was estimated. The estimate consisted of a projection for the months of October to December based on the average waste generated during the first nine months.*

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### 15.3.4. Actions to combat food waste

Aside from the waste from its operations, in recent years TR has implemented various measures to prevent food waste at subcontracted canteens, actively promoting its environmental commitments with responsible actions at work sites.

Given that most of the works performed by the Company are located at sites far away from urban centres, the measures are aimed at preventing waste and promoting the responsible use of food, including aspects relating to transportation, storage, handling, processing and consumption. The following preventive measures have been implemented in the management of these services:

- Planning purchases and calculating portions adapted to staff histograms, while also ensuring a balanced diet that meets nutritional needs.
- Managing stock rotation to plan food preparation.
- Preference for quality ingredients from local markets to serve fresh, locally-sourced meals.
- Transport, handling and adequate storage of food, respecting the conditions that each requires depending on the type of food, to take advantage of food preservation and its full use.
- Facilities designed and adapted to best provide the service, also using kitchen equipment and utensils that ensure proper storage, handling and preparation processes, to ensure the safety, conservation and consumption of meals in adequate conditions.
- Optimal hygiene conditions to avoid contamination and the subsequent need to discard damaged products.

### 15.3.5. Sustainable use of resources

Energy is one of the main resources needed for all the Company's operations. In 2019, the Group consumed 1,043,342.79 GJ in its activities (mainly in the form of diesel, petrol and electricity), up 61.77% on the previous year. This increase is due to the a greater need for fuel in some of the Company's projects and an improvement in the calculation of electricity consumption in 2019, which has led to a more adjusted figure:

Energy consumption	Amount generated in 2018 (GJ)	Amount generated in 2019* (GJ)
Diesel	570,710.57	874,480.86
Petrol	43,888.63	133,687.67
Fuel oil	827.65	N/A***
Total electricity consumption	29,542.32	35,174.26
Total consumption of electricity from renewable sources**	20,648.07	30,655.75
<b>TOTAL</b>	<b>644,969.18</b>	<b>1,043,342.79</b>

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\* *The fuel consumption for the last three months was estimated. For fuel, the estimate consisted of a projection for the months of October to December based on the average fuel consumed during the first nine months. For electricity, however, since consumption is mainly in offices and depends largely on the time of year, the last three months were estimated based on the consumption recorded from October to December 2018.*

\*\* *The supply of renewable energy is implemented in all offices in Spain: Arapiles 13 and 14, Adequa 3, 5 and 6, Gorbea, Maria de Portugal, Technological Centre and office in Cartagena.*

\*\*\* *No fuel consumption in 2019.*

To ensure proper management of this energy consumption, TR implemented various actions in 2019, including the adoption of energy efficiency plans and conducting awareness campaigns.

In addition, the various measures launched in 2018 to promote the use of renewable energy in offices have continued. In 2019, all Técnicas Reunidas offices in Spain consumed energy exclusively from 100% renewable sources. This consumption of renewable energy represents 87.15% of the total electricity consumed, thanks to which Técnicas Reunidas has been able to prevent the emission of 2,597.22 tons of CO2 equivalent into the atmosphere.

TR has worked on optimising the use of material resources in all phases of the value chain and the recovery of materials through R&D activities. Steel, copper and paper were the main materials consumed by Company as shown in the following table: The changes from one year to another in these indicators strongly depend on the stage of completion of the projects and, therefore, the changes may be significant depending on the phase of the project and the purchases made, as was the case with the changes in copper and steel consumption between 2018 and 2019:

Cost of raw materials used*	Amount generated in 2018 (t)	Amount generated in 2019 (t)
Steel	25,084.43	36,146.76
Copper	888.49	429.61
Paper*	107.09	129.75

\* *To calculate the reported data, the consumption of materials during the last three months of the year was estimated. The estimate consisted of a projection for the months of October to December based on the average consumption of materials during the first nine months.*

Furthermore, although water consumption is outside the Company's material scope, TR endeavours to make responsible use of this resource at all times, both at work sites and in office buildings.

In relation to its offices, water consumption is outside the scope of Técnicas Reunidas, given that it is the responsibility of the building owners. Nevertheless, the Company conducts campaigns to reduce water consumption in all its offices based on a commitment to savings and efficient consumption.

In the case of its projects, Técnicas Reunidas is responsible, within the scope of the contract, for providing potable water for site and office activities, together with the construction works.

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### **15.3.6. Other forms of contamination**

Técnicas Reunidas not only focuses its efforts on minimising greenhouse gas emissions, consumption of materials and waste generation. The Company uses all resources at its disposal to identify the prevailing environmental circumstances in every case and to establish the most appropriate preventive and, if necessary, mitigating measures in accordance with the best available techniques. In addition to emissions, spills, etc., these limits include other forms of pollution, such as noise pollution. With regard to light pollution, office buildings have automatic night-time shutdown systems between 8:00 p.m. and 6:00 a.m. In the case of the construction sites, the lighting provided is in accordance with the corresponding safety and energy efficiency standards of each country. For the proper management of all environmental issues, the Company has a wide range of supporting documentation in the various phases of the project –including the Environmental Management Plan and the Construction Environmental Management Plan–, which identify the limits of mandatory compliance, along with the actions to be implemented at all times. It also has specific Environmental Management Manuals for each certified EMS.

### **15.3.7. Protection of biodiversity**

Técnicas Reunidas carries out all its projects on industrial land, which is why biodiversity is not among the Company's material aspects. In this regard, the activities of Técnicas Reunidas in 2019 have not had any impact on biodiversity.

TR implements its projects in accordance with the environmental impact studies carried out by its customers. In biodiversity matters, Técnicas Reunidas implements the measures required by the customer's contractual scope, offering, when necessary, specific consulting services for customer advice and support. When protection of biodiversity is assumed by Técnicas Reunidas within the scope of the contract, the Company develops various initiatives such as planting trees, aimed at compensating CO2 emissions from these projects, thus reducing its carbon footprint.

### **15.3.8. Provisions and guarantees for environmental risks**

The environmental expenses, assets, provisions and contingencies of the Group companies are not considered significant in relation to their equity, financial position and results. However, the Company identifies these items for each office/subsidiary, as well as for each project through the various accounting items applicable; this makes it easier to monitor these environmental indicators since, based on the concept of sustainable management, the verification documents are the invoices that support these items.

In addition to environmental expenses and provisions, all projects include a contingency account to cover any potential contingencies that may arise in the project for situations that may include environmental contingencies and that are capitalised if necessary.

The Company is also insured under an environmental liability policy that guarantees coverage of potential environmental damage arising from Técnicas Reunidas' activities, including environmental liability at its own facilities and offsite, liability for pollution or liability during transport to and from third-party facilities.

### **15.3.9. Resources allocated to the prevention of environmental risks**

The HSE department is responsible for the prevention and management of environmental risks in projects. The HSE team has interdisciplinary professionals that work in a cross-cutting manner throughout the Group's companies/divisions, implementing a common methodology in all projects.

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### 15.4. Information on social and personnel issues

#### 15.4.1. Employment

Técnicas Reunidas' professionals are the Company's main asset. We have a workforce of 8,181 employees, representing a major management challenge. Relying on various tools and strategies, TR efficiently manages the relationship with its professionals and promotes their development.

The tools available to TR include the various policies, procedures and bodies that govern the principles, guidelines and decisions related to human resources. This framework enables the appropriate management of human resources, providing employees with a safe and dependable environment that reinforces their commitment to the Company.

Técnicas Reunidas is aware of the main risks to which it is exposed in terms of HR, such as retaining key personnel and adapting resources to the workload. The loss of key personnel, as well as gaps in their training, may increase the risk of not being able to adequately implement the various projects. Furthermore, the excessive concentration of projects or delays may give rise to inefficiencies in personnel management. However, the Company is prepared to face all these possible contingencies through a flexible and global HR structure, policies that encourage key employees to remain at the Company and global management, as detailed in section 15. 2. As a result, no significant impact was recognised during the year.

The global management of human resources mentioned above responds to its diversification strategy, in terms of services and projects as well as geographical areas. This approach enables the Group to implement more comprehensive control of all sections related to human resources, increasing the reliability of the information available, optimising the management of these resources and offering a series of basic conditions to all employees.

In this area, TR has implemented a software tool (SAP Success Factors), which enables more efficient management of administrative matters, training, remuneration plans, performance evaluations and absenteeism, among others. In relation to this last point, Técnicas Reunidas has created an access control system based on the Company's Work Time Regulations, which reflects the working hours and the different reasons for the time employees arrive at work. This system enables the personnel management team to be able to follow up on any irregularities that may arise with regard to employee arrival times. In addition, each employee carries weekly workloads that are approved by the heads of each department. If the person records any absences, they must provide justification to the HR department. Depending on the irregularity, the Company could take any action from issuing a verbal or written warning to imposing a sanction that could lead to dismissal.

The Group's workforce at 31 December 2019 stood at 8,181 of its own employees and 1,772 subcontracted workers and independent professionals, who have a contract with the Company. In addition, Técnicas Reunidas' projects, on average, include more than 57,500 subcontracted construction workers (see section 15.7.3). However, the Company does not have a direct link with these workers as they are not direct employees of TR. For this reason, unlike the scope of the annual accounts, the scope of this report only covers Técnicas Reunidas' own employees. In this regard, it should be noted that the tables for 2018, which include the information on subcontracted workers and independent professionals, have been recalculated, including only the information on employees with the aim of guaranteeing comparability between years.

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The following tables show the breakdown of the indicators on TR's workforce:

- Distribution of employees by gender, age, country and professional category:

	2018		2019	
<b>Distribution of employees by gender</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
Men	6,312	75.95%	6,233	76.19%
Women	1,999	24.05%	1,948	23.81%
<b>TOTAL</b>	<b>8,311</b>	<b>100%</b>	<b>8,181</b>	<b>100%</b>

  

	2018		2019	
<b>Distribution of employees by professional category*</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
Executive directors	2	0.02%	2	0.02%
Senior executives	11	0.13%	11	0.13%
1st management level	62	0.75%	100	1.22%
2nd management level - Middle managers	321	3.86%	219	2.68%
Graduates, line personnel and clerical staff	7,778	93.59%	7,545	92.23%
Supervisors	57	0.69%	257	3.14%
Sales staff	80	0.96%	47	0.57%
<b>TOTAL</b>	<b>8,311</b>	<b>100%</b>	<b>8,181</b>	<b>100%</b>

\* A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.

	2018		2019	
<b>Distribution of employees by age*</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
<30 years	299	3.60%	661	8.08%
>=30 years, < 50 years	7,037	84.67%	5,951	72.74%
>=50 years	975	11.73%	1,569	19.18%
<b>TOTAL</b>	<b>8,311</b>	<b>100%</b>	<b>8,181</b>	<b>100%</b>

\* A quality adjustment was made for the reclassification of ages in 2019, which explains the difference in the figures between both years.

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Distribution of employees by country*	2018		2019	
	No.	%	No.	%
TR ESPAÑA	4,785	57.57%	4,770	58.31%
TR OMÁN	266	3.20%	412	5.04%
TR CHILE	131	1.58%	150	1.83%
TR INDIA	73	0.88%	74	0.90%
TR ARABIA	1,074	12.92%	1,360	16.62%
TR KUWAIT	900	10.83%	476	5.82%
TR PERÚ	290	3.49%	327	4.00%
TR MALASIA	142	1.71%	22	0.27%
TR ABU DHABI	133	1.60%	329	4.02%
TR TURQUÍA	104	1.25%	29	0.35%
TR ARGELIA	99	1.19%	44	0.54%
TR JORDANIA	57	0.69%	18	0.22%
TR UK	46	0.55%	8	0.10%
TR AZERBAIYÁN	45	0.54%	34	0.42%
TR MÉXICO	42	0.51%	35	0.43%
TR CANADÁ	26	0.31%	25	0.31%
TR SINGAPUR	0	0.00%	33	0.40%
TR AUSTRALIA	21	0.25%	0	0.00%
TR POLONIA	20	0.24%	10	0.12%
TR FINLANDIA	15	0.18%	4	0.05%
TR BOLIVIA	10	0.12%	2	0.02%
TR ITALIA	10	0.12%	9	0.11%
TR BÉLGICA	9	0.11%	0	0.00%
TR RUSIA	6	0.07%	7	0.09%
TR USA	5	0.06%	2	0.02%
TR REP. DOMINICANA	2	0.02%	1	0.01%
<b>TOTAL</b>	<b>8,311</b>	<b>100%</b>	<b>8,181</b>	<b>100%</b>

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*\* The significant changes in certain subsidiaries are due to fluctuations in the needs of the Company's various projects in the geographical areas in which it operates, having in some cases created new companies and/or extinguished others.*

- Total number and distribution of employment contract types:

Distribution of employment contract types*	2018		2019	
	No.	%	No.	%
Permanent	4,055	48.79%	4,199	51.33%
Temporary	4,256	51.21%	3,982	48.67%
<b>TOTAL</b>	<b>8,311</b>	<b>100%</b>	<b>8,181</b>	<b>100%</b>

Distribution of employment contract types*	2018		2019	
	No.	%	No.	%
Full time*	8,311	100.00%	8,181	100.00%
Reduced work day	556	6.69%	572	6.99%

*\* 100% of TR's contracts are "full time", so TR does not have "part time" contracts. This table includes those employees that have a full-time contract and that also have a reduced work day.*

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- Annual average of contracts by contract type, gender, age and professional category:

Average contracts by gender*	2018			2019		
	Men	Women	TOTAL	Men	Women	TOTAL
Permanent	2,525	1,438	<b>3,963</b>	2,632	1,495	<b>4,127</b>
Temporary	3,822	515	<b>4,337</b>	3,949	486	<b>4,435</b>
<b>TOTAL</b>	<b>6,347</b>	<b>1,953</b>	<b>8,300</b>	<b>6,581</b>	<b>1,981</b>	<b>8,562</b>
	<b>8,300</b>			<b>8,562</b>		

Average contracts by age*	2018			2019		
	<30	>=30, <50	>=50	<30	>=30, <50	>=50
Permanent	252	2,893	818	97	3,135	894
Temporary	47	4,135	155	647	3,071	717
<b>TOTAL</b>	<b>299</b>	<b>7,028</b>	<b>973</b>	<b>744</b>	<b>6,206</b>	<b>1,611</b>
	<b>8,300</b>			<b>8,562</b>		

\* A quality adjustment was made for the reclassification of ages in 2019, which explains the difference in the figures between both years.

Average contracts by professional category*		Executive directors	Senior executives	1st management level	2nd management level - Middle managers	Graduates, line personnel and clerical staff	Supervisors	Sales staff
2018	Permanent	2	11	63	165	3,662	25	35
	Temporary				146	4,116	31	44
	<b>TOTAL</b>	<b>2</b>	<b>11</b>	<b>63</b>	<b>311</b>	<b>7,778</b>	<b>56</b>	<b>79</b>
2019	Permanent	2	11	101	206	3,733	27	47
	Temporary				15	4,161	258	1
	<b>TOTAL</b>	<b>2</b>	<b>11</b>	<b>101</b>	<b>221</b>	<b>7,894</b>	<b>285</b>	<b>48</b>

\* A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.

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- Number of dismissals by gender, age and professional category:

No. of dismissals	2018		2019	
	No.	%	No.	%
<b>Distribution by gender</b>				
Men	34	65.38%	39	86.67%
Women	18	34.62%	6	13.33%
<b>TOTAL</b>	<b>52</b>	<b>100%</b>	<b>45</b>	<b>100%</b>
<b>Distribution by age</b>				
<30 years	3	5.77%	3	6.67%
>=30 years, < 50 years	34	65.38%	30	66.67%
>=50 years	15	28.85%	12	26.67%
<b>TOTAL</b>	<b>52</b>	<b>100%</b>	<b>45</b>	<b>100%</b>
<b>Distribution by professional category</b>				
Executive directors	0	0.00%	0	0.00%
Senior executives	0	0.00%	0	0.00%
1st management level	0	0.00%	1	2.22%
2nd management level - Middle managers	1	1.92%	0	0.00%
Graduates, line personnel and clerical staff	51	98.08%	40	88.89%
Supervisors	0	0.00%	4	8.89%
Sales staff	0	0.00%	0	0.00%
<b>TOTAL</b>	<b>52</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

- Total average remuneration (fixed and variable wages) of the workforce broken down by gender, age and professional category or equivalent value:

Average remuneration by gender (€)	2018	2019
Men	52,217.47	50,841.77
Women	41,818.41	42,395.53
<b>TOTAL</b>	<b>49,636.52</b>	<b>48,830.61</b>

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Average remuneration by professional category (€)*	2018		2019	
	Men	Women	Men	Women
Senior executives	394,465.19	192,195.48	479,897.41	244,320.48
1st management level	168,472.92	163,165.03	179,464.01	175,621.33
2nd management level - Middle managers	101,080.61	85,244.93	101,932.44	83,452.56
Graduates, line personnel and clerical staff	48,708.72	40,183.32	47,619.38	40,408.28
Supervisors	24,875.00	21,370.00	15,882.72	14,450.00
Sales staff	114,679.03	64,921.41	69,387.37	60,250.14

\* A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.

Average remuneration by age (€)	2018	2019
<30 years	29,788.61	27,091.00
>=30 years, < 50 years	45,835.24	44,691.00
>=50 years	71,317.76	73,690.00

- Wage gap:

Wage gap by professional category*	2018	2019
Senior executives	51.28%	49.09%
1st management level	3.15%	2.14%
2nd management level - Middle managers	15.67%	18.13%
Graduates, line personnel and clerical staff	17.50%	15.14%
Supervisors	14.09%	9.02%
Sales staff	43.39%	13.17%

The gap has been calculated through the following formula:

$$1 - \frac{\text{average salary of women by professional category}}{\text{average salary of men by professional category}}$$

\* A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.

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- Directors' remuneration:

Total average directors' remuneration by gender (€) - executive directors*	2018	2019
Men	1,485,716.90	1,469,508.30
Women	N/A	N/A
Total average directors' remuneration by gender (€) - non-executive directors*	2018	2019
Men	182,299.18	167,843.16
Women	164,670.00	157,862.00

\* Directors' remuneration is broken down in detail in the Company's Annual Directors Remuneration Report of listed companies.

### **15.4.2. Work organisation, measures to encourage work-life balance and implementation of disconnection policies**

Disconnection policies reflect the new demands of a society that is more aware of the need for a balance between work and personal life. In this regard, the Company has not yet created a formal written procedure on this matter. However, TR encourages the balance between work and personal life as one of its priorities in managing human resources. For over 16 years the Company fostered the introduction of flexible working hours at its offices. To this end, it has implemented a flexitime model for the workforce, based on trust and employee commitment. This model allows workers to manage their time and perform their professional activities while enjoying a better quality of life. In addition, depending on the area where the offices are located, working hours have been adjusted to make going to and from work easier, for traffic reasons, thus reducing employees' travel time. In addition, employees are entitled to request a reduction in working hours.

Aware of the relationship between work and digital disconnection, Técnicas Reunidas is also committed to the use of fixed work devices in its offices such as fixed telephones and desktop computers. In this regard, the majority of office employees do not have mobile phones or laptops that would prevent them from disconnecting from work outside their working hours, with this type of device being used only in those cases when required by the nature of the position (for example: on-site employees).

### **15.4.3. Disabled employees**

As part of its commitment to effective labour integration and development, Técnicas Reunidas has hired a total of 21 employees with disabilities, compared to 27 employees in 2018 (the 2018 figure has been adjusted to include the total number of disabled employees at year-end), offering them stable and quality employment on equal terms.

With regard to accessibility to its buildings, TR complies with the regulations in force in each country where it operates. In addition, with regard to the Company's website, one of the main objectives is accessibility without difficulty, regardless of any physical or technical disability. To this end, TR adheres to the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C). This organisation has developed the Web Content Accessibility Guidelines (WCAG) 1.0 aimed at making web content accessible to people with disabilities.

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### **15.4.4. Training**

A key aspect that directly impacts the Company's competitiveness is the safeguarding and enhancement of its intellectual capital. To this end, TR has an active knowledge management system instrumented mainly through the training resources and necessary knowledge that are made available to employees and that enable them to improve their performance at work.

To carry out its training management tasks, TR has three main policies, each with different objectives:

- 1) "Evaluation process and information records of employees" procedure: assures the quality of talent management processes.
- 2) "Skills, training and awareness" procedure: ensures that people are capable of performing the tasks assigned to them.
- 3) "Annual training plan and course management" procedure: describes the process of preparing the Company's training plan, along with how the specific training actions are requested under the plan.

Técnicas Reunidas is aware of the importance of attracting talent through disseminating knowledge. Accordingly, the Company offers its employees a complete range of courses and adjusted training plans to help them maximise their skills and growth potential throughout their professional careers. Thanks to this commitment, TR supports its professionals and facilitates the achievement of new goals that contribute to fulfilling the Company's objectives.

To this end, an analysis of skills in each area is performed, identifying specific gaps and implementing specific training plans (training roadmaps). In addition, after each training session the participants' supervisors receive a questionnaire to assess the effectiveness of the training and identify potential improvements and adjustments to the training for the future.

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Training by category (h)	2018	2019
Senior executives	46	34
1st management level	921	1,207
2nd management level - Middle managers	3,849	4,025
Graduates, line personnel and clerical staff	90,139	65,523
Supervisors	55	94
Sales staff	959	487
<b>TOTAL</b>	<b>95,969</b>	<b>71,370</b>
Training by type (h)	2018	2019
Skills	15,771	13,952
Languages	23,828	14,763
Technical	56,370	42,655
<b>TOTAL</b>	<b>95,969</b>	<b>71,370</b>

The overall decrease in the 2019 figures has been mainly due to the implementation of the TR100 Plan, which resulted in cutbacks on the number of hours for English classes and the monthly control over the budget with regard to costs and training hours. All this has resulted in the departments prioritising the technical training necessary for employees to carry out their work over other non-essential courses.

In the specific case of officers and first level management, the increase in training hours has been due to the increase in E-learning related to information campaigns and the inclusion of cross-cutting courses.

### 15.4.5. Equality

Técnicas Reunidas encourages a climate of respect for diversity and guaranteed equal opportunities, where people are judged and valued for their worth and professionalism.

The main policies are based on the principles expressly set out in the TR Code of Conduct (available on the website), which establishes that Técnicas Reunidas “does not accept discrimination in corporate or professional contexts on the grounds of age, race, colour, sex, religion, political opinion, nationality, social origin, sexual orientation, disability, or any other circumstance likely to lead to discrimination”.

As reflected in the Code, “The TR Group is committed to promoting the moral and physical integrity of its professionals, guaranteeing conditions of respect and dignity in the workplace. In particular, the Group will take appropriate measures to prevent and, if necessary, correct the following: any manifestation of violence; physical, sexual, psychological, moral or other type of harassment; abuse of authority at work; or any other conduct that intimidates or infringes on the rights of TR Group associated people. Also, in view of the importance of balancing work and personal life, any reconciliation measures and actions in this area will be encouraged.”

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The Company also has an Equality Plan and an Equality Committee, which meets on a quarterly basis to analyse the current situation and possible conflicts in these areas and, if necessary, to take the appropriate measures. In addition, TR has a Policy Against Workplace and Sexual Harassment.

Thanks to these procedures, TR identifies, manages and mitigates any risks that may arise in this regard during the Company's activities. The implementation of all these preventive measures has prevented the appearance of any significant impacts in this regard.

### **15.4.6. Occupational health and safety**

Achieving a safe and healthy environment for everyone involved in Técnicas Reunidas' business activities is a goal that requires constant effort by employees to improve on a daily basis, and that effort must be guided by management.

To achieve the full integration of occupational health and safety throughout the life cycle of Técnicas Reunidas' projects, the Company has had an Occupational Health and Safety Management System (OHSAS) certified in accordance with OHSAS 18001 for the last 12 years at Técnicas Reunidas, S.A. and INITEC, which considers all phases of the life cycle of the projects, from design to construction and start-up. The implementation of this OHSAS is part of the Corporate Quality, Safety and Environment Policy and is based on three pillars: accident prevention, integration of safety in corporate strategy and continuous improvement of methods and processes.

The Company is also currently in the process of migrating from OHSAS 18001 (which will cease to be valid at the end of March 2021) to ISO 45001.

In terms of HSE, TR's leadership is increasingly more visible among Company management as the standard of a company that looks after the well-being and health of its workers.

As a result of its commitment, Técnicas Reunidas has HSE due diligence procedures covering all the Group's activities, based on an exhaustive analysis of risks and opportunities, as well as an analysis of the needs and expectations of stakeholders. These assessments have most notably identified the following risks associated with TR's activity:

- Recruitment of personnel with little experience in health and safety matters due to the demands by customers to increase the number of local workers hired.
- Increase in high-risk activities as a result of the increase in scope in the commissioning and start-up phases of the projects.
- Adaptation to the characteristics and safety requirements of new countries, customers and subcontractors.
- High rate of potentially serious incidents that may lead to serious accidents if immediate action is not taken.

To mitigate the risks to which the Company is exposed, and to ensure proper implementation of the management system and its adaptation to the established objectives, both HSE evaluations for the pre-qualification of subcontractors and follow-up audits defined in the plans and internal corporate health and safety audits are carried out. The results of these audits are discussed with the customer or subcontractor at the site, increasing the effectiveness of the actions taken to correct any shortcomings.

At the same time, external audits are performed on projects in the construction phase, in order to maintain international health and safety management system certifications. In 2019, a total of 16 internal corporate audits were carried out for Técnicas Reunidas (compared to 15 carried out 2018) during the construction phase of the projects, resulting in the detection of 581 deviations (12% less than in 2018). The average degree of compliance detected in the audits was 90.51% (compared to 87.48% in 2018). In addition, 8 internal corporate audits were carried out this year for Initec, resulting in the detection of 76 deviations.

TR ensures that high standards of occupational safety are observed by its supply chain, establishing specific requirements and promoting good practices in this regard. Onsite health and safety managers oversee the application of specific health and safety plans by subcontractors, implementing any preventive actions considered necessary. To this end, the Company carries out information campaigns, preventive measures and regular medical check-ups.

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The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on intensive training efforts. In 2019, a total of 0.95 hours of training were given for every 100 hours worked (up 55.74% on 2018) in this regard, taking into account both the Company's personnel (in offices) and that of subcontractors. This significant increase is due to the fact that in 2019 the INITEC information was included in the ratio, and that as of 2019 the pre-task talks (Tool Box Talks) are now counted as training hours.

With regard to the effectiveness of its safety policies, Técnicas Reunidas assesses their performance through a system of indicators. At present, based on the Company's materiality principle, the information reported corresponds to projects, given that the greatest safety risks are identified with the type of activities carried out during the construction phase. The evolution of health and safety indicators for 2019 are shown in the following table:

	Value of the indicator in 2018*			Value of the indicator in 2019		
	Women	Men	Total	Women	Men	Total
Lost time incident rate** (LTIR)	0.000	0.011	<b>0.011</b>	0.000	0.015	<b>0.015</b>
Total recordable incident rate*** (TRIR)	0.000	0.059	<b>0.059</b>	0.000	0.052	<b>0.052</b>
Severity rate**** (SR)	0.000	0.005	<b>0.005</b>	0.000	0.006	<b>0.006</b>
Occupational disease rate	0	0	<b>0</b>	0	0	<b>0</b>

\* To ensure the comparability of the data, the information for 2018 has been restated and rounded to three decimal places, as have the indicators for 2019.

\*\* LTIR (Lost Time Incident Rate): (No. of accidents with leave/No. of hours worked) \* 200,000. This rate refers to the frequency of accidents.

\*\*\* TRIR (Total Recordable Incident Rate): (No. of recordable accidents (according to OHSAS) / No. of hours worked) \* 200,000. This rate refers to the frequency of accidents.

\*\*\*\* Severity rate (SR) = (No. of days lost through incidents/Total no. of hours worked) \* 1,000. This rate refers to the severity of accidents.

Construction work during the year has involved 181,307,688 working hours (compared to 196,437,363 hours in 2018), including hours worked by subcontractors, meaning that the Company has had to manage a volume of more than 62,200 workers at peak times (including Company and subcontractor workers), 3% more than in the previous year. The lost time incident rate (LTIR) and total recordable incident rate (TRIR) have increased by 36.36% and 11.86%, respectively, compared to the previous year, with figures well below the corporate limits set by the Company. The severity rate (SR) rose by 20%.

Unfortunately, however, an accident in 2019 was reported that resulted in the death of four workers, three of whom belonged to subcontractors (compared to one death in 2018). The accident took place during chemical cleaning work on a boiler during the commissioning phase of one of our projects.

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Following the accident, an investigation was immediately carried out to identify the causes and take appropriate actions to prevent a recurrence. The lessons learned from the investigation have been distributed throughout the Company.

In addition to the immediate actions taken, causes were identified that led to the need for a corporate action plan aimed at improving safety during commissioning activities in all project activities.

It should be noted that, despite having a lower number of recordable accidents during the year, this serious event has led to a significant increase in the LTIR and SR rates.

Finally, in addition to the data mentioned above, the Group monitors absenteeism rates throughout the Company. The hours of absenteeism for 2019 are shown below:

	Value of the indicator in 2018	Value of the indicator in 2019
Total number of absenteeism hours	273,722	216,965

### **15.4.7. Labour relations**

In relation to trade union organisations of TR employees, there are currently three committees: the equality committee, the training committee and the overseas assignments committee, with which TR meets regularly in order to promote dialogue and consensus with its workers.

Técnicas Reunidas is well aware of the role of unions as the legal representatives of workers' interests. Therefore, the Company guarantees at all times equal and non-discriminatory treatment of its workers, respecting their freedom of association in line with the collective bargaining agreements and legislative framework of the country concerned.

### **15.4.8. Employees covered by a collective agreement**

For all countries where a collective agreement is in place, 100% of employees are covered by the collective bargaining agreement associated with the operating licence granted to the Company (engineering, construction, etc.), as was the case in 2018. In addition, health and safety clauses are included in all collective bargaining agreements, which are adapted to the corresponding local law.

### **15.5. Information on respect for human rights**

From the outset and as one of its priorities, Técnicas Reunidas has always acted with integrity and respect for human rights in the exercise of its business, incorporating these principles as part of TR's corporate culture. To this end, the Company has a CSR and sustainability management framework based on a specific corporate policy that describes the Group's main commitments with regard to corporate governance, environmental and social matters, including respect for human rights.

Accordingly, the Company has developed various internal policies and procedures to ensure its consistent compliance everywhere it conducts business, including the Company's Code of Conduct. In the specific area of human rights, the Code establishes the commitment to act at all times in accordance with current law, guaranteeing respect for human rights and internationally accepted ethical practices.

Furthermore, the Code recognises the need for all the Company's activities to be conducted in a manner consistent with the values and principles contained in the United Nations Global Compact, of which TR is a signatory. Técnicas Reunidas also belongs to a Group whose activities are bound by the principles of the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises.

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

Likewise, the Code includes TR's complete rejection of child labour and forced or compulsory labour, as well as the corporate commitment to respect freedom of association and collective bargaining and to recognise the rights of ethnic minorities in the countries where it operates, rejecting any form of discrimination, exploitation and, in particular, child labour, thus ensuring compliance with the provisions of the International Labour Organisation (ILO).

These self-imposed requirements for Company also extend to the value chain. In this vein, TR requires its business partners (e.g., suppliers or subcontractors) to adhere to a series of guidelines in environmental, labour and human rights matters. In order to identify and redress possible abuses, the Company conducts assessments on respect for human rights. Técnicas Reunidas' requisites also feature an initial approval procedure that ensures that the supply chain operation will always be performed in accordance with the law and complying with all specific human rights requirements, in accordance with the type of business and level of risk.

Furthermore, the Company has incorporated human rights due diligence procedures as part of its global risk management system. Through this system, TR evaluates, prevents and mitigates any significant risks and impacts that could affect the Company globally. The methods applied can be classified into those deployed at the project tender phase and those used during project execution.

With regard to the Code of Conduct, the Company also has a Whistleblowing Channel (Code Mailbox) to facilitate the reporting and prevention of breaches and other matters related to the Code of Conduct, such as human rights. This channel is available to Técnicas Reunidas' employees, partners, suppliers or subcontractors alike.

Técnicas Reunidas has received a total of 5 complaints, through its complaints channel, which could fall under protection of human rights (no complaints received in 2018), of which 4 were substantiated and have been resolved by adopting the appropriate disciplinary and organisational measures. None of these complaints are related to respect for freedom of association and the right to collective bargaining, discrimination in employment and occupation, forced or compulsory labour or child labour and they do not in any way impact on the Company as they have all been duly managed.

However, if despite all the measures implemented by the Company, it detects any human rights breaches or other actions with a negative impact on those rights, Técnicas Reunidas will act immediately and implement the appropriate measures in each case, always adopting a zero-tolerance approach to such actions.

### **15.6. Information related to the fight against corruption and bribery**

#### **15.6.1. Management approach**

Técnicas Reunidas' Code of Conduct is the fundamental tool to prevent the corruption, bribery and money laundering activities. Furthermore, the Group has a Regulatory Compliance Unit, tasked with the dissemination of the Code of Conduct, the management of the Whistleblower Channel, and the review and adaptation of the crime prevention and reporting systems

In 2019, Técnicas Reunidas continued to implement the Crime Compliance Management System (based on the Company's Code of Conduct, internal regulatory framework and applicable law). This system enables the Company to minimise risks and enhance its capacity in the prevention, detection and response to critical issues in regulatory compliance and integrity. The Group is currently rolling out the international implementation of this system, to be completed in 2020, with the aim of keeping tighter control of regulatory compliance in all the Company's subsidiaries and projects across the world and reducing the associated risks.

TR's risks in relation to corruption and bribery, both active and passive risks, can be found in the processes of establishing commercial relationships with third parties, especially in new markets and during the critical phases of these relationships, such as the initial contact phase, the commercial phase, the negotiation phase, and the execution phase of our projects, until their completion and delivery to the customers.

To strengthen the Criminal Compliance Management System, TR has several Integrity Policies, including the Criminal Compliance Policy and Catalogue of Criminal Risks and Expected Conduct, Gifts and Entertainment Policy, Policy on Relations with Public Officials and Equivalents, Anti-Corruption Policy, Policy on Conflicts of Interest and Antitrust Policy.

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The establishment and dissemination of these policies, through classroom training sessions and their internal publication on the TR Group intranet, leads to the conclusion that the objective of these policies has been met, insofar as the organisation and all its members have been made aware of the rules of conduct expected of the organisation's executives and employees with regard to the risks of corruption and bribery, based on the principle of "Zero tolerance for corruption and bribery".

Furthermore, TR has established a procedure for connecting with business partners (customers, JV partners, suppliers, subcontractors), processes known as Know Your Partner (KYP) and Know Your Client (KYC), which include an integrity analysis to assess and determine whether they, on the one hand, have a similar culture in the fight against corruption and bribery and, on the other, allow for the early detection of any adverse references from these counterparts with regard to corruption and bribery, as well as money laundering and the financing of terrorism, which make it inadvisable to establish a business relationship.

Similarly, in 2019, the Regulatory Compliance team provided classroom training sessions on the fight against corruption and bribery for a total of nearly 200 Company executives.

In addition, risks of a criminal nature were reassessed, a map of risks and associated controls was drawn up, and a training matrix was prepared, which will enable the risks related to corruption and bribery to be effectively monitored in 2020.

In terms of complaints, there were no reports of corruption or bribery with public officials during the year and, therefore, there was no impact in this regard.

With the aim of continuing to make progress on integrating best practices in the area of regulatory compliance, Técnicas Reunidas is also working to adapt the Criminal Compliance Management System to new reference standards that will improve management in the coming years, such as UNE 19601 on Criminal Compliance and ISO 37001 on Anti-Bribery Management Systems.

### **15.6.2. Contributions to foundations and non-profit entities**

In 2019, Técnicas Reunidas allocated EUR 986,450.17 to foundations and non-profit organisations (EUR 626,808 in 2018). For further information, see section 15.7.

In relation to changes, the Company significantly increased its contributions to foundations compared to 2018 as a result of beginning to collaborate with Fundación Diálogo, an entity with which the Company has undertaken numerous actions in 2019.

## **15.7. Information about the Company**

### **15.7.1. The Company's commitment to the sustainable development of local communities**

TR's operations have a social dimension that the Group manages by identifying the possible repercussions of its projects on the environment, promoting dialogue with stakeholders and defining actions to reinforce the positive impacts they generate. The management of relationships with these stakeholders is based on three pillars:

- Participation and dialogue: maintaining regular dialogue with stakeholders in order to gain an awareness of their expectations regarding the business and identifying issues that will help the Group to improve.
- Social action: promoting several initiatives to reinforce positive impacts beyond its business, establishing collaborative efforts with organisations through both financial and other contributions (disseminating knowledge in forums, participation in working groups, etc.).
- Social management of projects: execution of the projects generates several positive and negative social impacts on the environment. TR manages these impacts by identifying their potential consequences and defining actions to maximise the positive impacts and reduce or eliminate the negative impacts.

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During the execution of its projects, Técnicas Reunidas prioritises the identification and management of risks relating to the local community, the most relevant risk for the Company being potential damage to the local environment that could arise from any of the projects carried out by Técnicas Reunidas.

To prevent this or any other risk from arising, the Company has established a social management framework (see box below). This enables the planning of specific actions in response to these issues, where coordination with the local environment and different stakeholders (public administrations, partners, suppliers, subcontractors, etc.) is crucial. Issues frequently identified by TR include the recruitment and training of local workers, the development of infrastructure in the local area, potential environmental effects and cultural needs. Throughout 2019, TR continued to make progress in standardising social management tasks in the projects implemented by the Company, not only from a corporate or health and safety standpoint, but also in a broader and more dedicated sense, to address the individualities of each project, construction work or community affected. The Company also applies due diligence procedures to all third parties with which it works.

<b>SOCIAL MANAGEMENT FRAMEWORK</b>	
<b>Social impact assessment and management</b>	Specific analysis at the bidding phase of the social impact of each project. Obtaining the "social license" is the customer's responsibility.
<b>Implementation of projects supporting the local community</b>	Técnicas Reunidas reports on the needs and expectations of the local community to analyse the ways in which it can provide support depending on the characteristics of each project.
<b>Continuous monitoring of the local environment</b>	Técnicas Reunidas continuously monitors the local environment, as well as the performance of third parties involved in the implementation of projects, including suppliers and contractors.
<b>Social impact grievance and reparation mechanisms</b>	Company analyses local regulations in order to detect negative social impacts and provide the appropriate grievance and reparation mechanisms.
<b>Dialogue with local communities</b>	Ongoing dialogue with representatives of the local community during the implementation of all projects is the responsibility of the project manager.

TR pays special attention to adequately selecting the personnel involved in the execution of the projects, an aspect that affects the Company from the employee selection phase and continues to their displacement to the location where the project is executed. Much of this task's success lies in a management procedure that allows local hiring requirements to be met and balanced with the need for expatriate labour, within the deadlines established for the successful and timely implementation of projects.

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The projects in which Técnicas Reunidas participates generate various positive impacts on their environment:

- Employment in the local environment.
- Contracting local suppliers and subcontractors, which in turn reinforces the Company's positive economic contribution to the local environment of EUR 2,846.00 million in local procurement and contracting in 2019, representing 78% of the total (EUR 2,951.99 million in local procurement and contracting in 2018, representing 89% of the total).
- Training for local companies and workforces through courses and workshops organised by the Company.
- Strengthening of the local business network.
- Creation of key energy infrastructures through the Company's projects
- Developing initiatives with local communities that allow the development of particularly vulnerable groups.

In 2019, the Company did not identify any centres with significant negative impacts, real or potential, on local communities due to the development of Técnicas Reunidas' projects or operations.

### **15.7.2. Partnership or sponsorship actions**

Beyond the context of its projects, Técnicas Reunidas maintains four areas of work (education, social and business initiatives, culture, and science and research) that demonstrate its commitment to social action, implemented through numerous activities and projects.

When implementing them, the Company seeks out other organisations that share its objectives and assesses possible collaborations, both economic and through other mechanisms such as participation in working groups, forums, etc. Among others, the following actions stand out:

### **Main organisations with which Técnicas Reunidas collaborates**

#### **Promotion of business and entrepreneurial activity**



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### Commitment to social action by Técnicas Reunidas



### Culture



### Science, research and education



At the sector level, Técnicas Reunidas participates in various associations related to its business activities, collaborating on initiatives including those related to the promotion of business and entrepreneurial activity, and other organisations that promote transparency and CSR.

With regard to partnership and sponsorship, the main risks are those arising from the possibility that inappropriate actions on the part of a third party could give rise to reputational problems for the Company. To avoid any type of contingency in this regard, Técnicas Reunidas carries out due diligence procedures for these types of activities, assessing for each specific case whether the organisations with which Técnicas Reunidas collaborates could be detrimental to the Company.

#### **15.7.3. Subcontracting and suppliers**

TR's main aim in managing its supply chain is to achieve competitive procurement of materials, equipment and assembly services in line with the standards demanded by the sector. It is also crucial for the Group's supply chain to be aligned with its values and requirements in terms of health and safety, environment, workers' rights, respect for human rights, equality, ethics and integrity.

As part of this commitment, the Company requires companies in its supply chain to adhere to the Company's Code of Conduct by registering on the e-supplier web portal. In addition, Técnicas Reunidas has a series of specific requirements on environmental and labour matters and the protection of human rights, including specific requirements in line with ISO 14001, compliance with environmental legislation and sustainability reporting. Furthermore, the Company has a Business Partner Relationship Policy to perform, among others, due diligence procedures on suppliers and subcontractors.

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

With regard to risks, Técnicas Reunidas has analysed those non-financial risks that, due to their nature, are most relevant to the Group, such as collaboration with suppliers that are not committed to human rights (in accordance with the United Nations and International Labour Organisation framework for action), are included on international corruption lists, do not have an anti-money laundering and countering the financing of terrorism policy or do not have confidentiality policies.

In addition to the tools already mentioned, Técnicas Reunidas has a worldwide database of 24,906 suppliers of materials and construction subcontractors (in 2018 it had 24,258 suppliers), of which 2,186 suppliers and 572 subcontractors have already been approved by the Company (compared to 2,095 suppliers and 493 subcontractors approved in 2018). This global supplier market with updated information allows the Company to mitigate the risk in the selection of suppliers and subcontractors from the financial, performance and quality points of view, among other aspects.

Due to the nature of its business, each year the Company handles high volumes of purchases and subcontracts. In 2019, the total spending on purchases from suppliers of materials and engineering subcontracts stood at EUR 3,333.5 million. Furthermore, the number of employees of construction subcontractors exceeded 57,500 workers on average assigned to Técnicas Reunidas projects (and more than 62,200 at peak times).

To manage this complex supply chain, TR has a management framework governing the two main areas responsible for the supply chain: the Procurement Unit (responsible for purchases from suppliers of materials and equipment) and the Construction Area (responsible for construction subcontracting).

These two areas manage TR's supply chain in accordance with five pillars:

- Constant innovation in the management of the supply chain.
- Presence of rules and regulations in all processes (bidding, award and management).
- Development of annual internal strategic plans in line with TR's overall objectives and responding to the business context.
- Existence of an Integrated Management System that enables both individual and global evaluation and monitoring of suppliers' and subcontractors' performance.
- Centralised contract award system that ensures transparency throughout the award procedure for suppliers and subcontractors.

As described in section 15.5, TR considers social and environmental responsibility to be part of its relationships with suppliers and subcontractors. These aspects are not only considered in the approval process, but are kept in mind throughout the relationship with them, monitoring their compliance. After delivery of the supply or completion of the assembly services, the supplier's performance is evaluated in accordance with different aspects. The results of evaluations are disclosed and serve as a reference in identifying improvement actions. Safety and environmental performance are two of the aspects that Técnicas Reunidas includes in its evaluations. Since 2014, the Company has implemented the use of a specific checklist for safety, health and environmental conditions at the workshops, which is filled out by inspectors during their visits to the workshops.

Similarly, subcontractors undergo monitoring during the execution of the work to ensure compliance with all contractual requirements.

These audits involve the inspection of all work performed by the subcontractor, which is only accepted once Company inspectors have verified that it has been carried out in accordance with the project designs and specifications. The verification of corrective actions is a regular practice during these inspections, which is documented in detail in the quality dossiers submitted to the customer.

In the event that Técnicas Reunidas detects any deviation regarding health, safety, environmental or other social issues, this is then studied in detail. Depending on the type of deviation and its severity, the supplier is required to take corrective and preventive actions, and if the deviation is significant, the supplier is blacklisted for new tenders or contract awards.

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In 2019, a total of 519 HSE audits were conducted (190 performed in 2018), of which 473 were successfully passed (compared to 161 in 2018), and 46 were unsatisfactory (29 in 2018). All audits featuring incidents will be appropriately addressed by TR with the implementation of improvement plans. The increase in HSE audit indicators is due to the implementation of the "Inspection Management App" in almost all TR projects in 2019, which has streamlined and facilitated the process of HSE inspections at supplier workshops and will contribute to improving HSE conditions at the workshops with which TR usually works.

With regard to impacts, no significant actual or potential negative environmental or social impacts were identified in the supply chain during 2019, having analysed a total of 796 suppliers based on social criteria and 797 suppliers based on environmental criteria (724 suppliers were analysed based on social and environmental criteria in 2018).

### 15.7.4. Consumers

Técnicas Reunidas has no consumers, as this concept of this term is defined in Spanish regulations.

The Company evaluates 100% of its projects from the point of view of health and safety. Up to the time of delivery, TR ensures that its projects meet both its own health and safety standards, as well as those required by the customer and applicable law.

With regard to complaints mechanisms, given the Company's activity, TR does not deal directly with consumers. Customers can use the contractual claims mechanisms agreed in each case and, like any other business partner related to TR, they can use the Whistleblowing Channel of the Técnicas Reunidas Code of Conduct.

### 15.7.5. Tax information

The Group operates in countries where it carries out a single project or a set of projects for the same customer and, therefore, information broken down by country may be contrary to commercial interests and the interests of project execution. The figures are disclosed in aggregate, by geographical area, using the same criteria as for the various financial indicators presented in the consolidated annual accounts.

- Profit earned by geographical area

Geographical area	Profit in thousands of euros	
	2018	2019
America	1,365	152,334
Asia	15,941	2,465
Spain	(255,745)*	(115,826)**
Rest of Europe	1,693	(31,231)
Mediterranean	(116,996)	(123,054)
Middle East	183,755	183,133
	<b>(169,987)</b>	<b>67,821</b>

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

\* The data on profit before tax generated in Spain do not include the profit or loss of the Spanish companies included in the Group that are accounted for using the equity method. The figures not included amount to a loss of EUR 989 thousand.

\*\* The data on profit before tax generated in Spain do not include the profit or loss of the Spanish companies included in the Group that are accounted for using the equity method. The amounts not taken into consideration totalled EUR 8,719 thousand.

### Countries with profit for the year by geographical area:

**America:** Argentina, Bolivia, Canada, Chile, Colombia, Mexico, Panama, Peru, Dominican Republic, USA.

**Asia:** Australia, Bangladesh, India, Malaysia, Singapore

**Europe:** Belgium, Finland, Greece, Holland, Hungary, Italy, Norway, Poland, Portugal, United Kingdom, Russia

**Spain:** Spain.

**Mediterranean:** Algeria, Egypt, Morocco, Turkey

**Middle East:** Azerbaijan, Bahrain, U.A.E., Jordan, Kuwait, Oman, Saudi Arabia

- Corporation tax paid

Geographical area	Corporation tax paid in thousands of euros	
	2018	2019
America	19,464	9,532
Asia	2,002	2,436
Spain	(9,917)*	0**
Rest of Europe	1,182	1,435
Mediterranean	3,040	318
Middle East	835	13,525
	<b>16,606</b>	<b>27,246</b>

\* The corporation tax paid in Spain in 2018 was negative due to the high volume of returns related to surplus prepayments made in 2017 for an amount of EUR 27,593 thousand.

\*\* The corporation tax paid in Spain in 2019 was EUR 0 thousand as a result of offsetting prior years' losses.

Government grants received: EUR 716 thousand (compared to EUR 597 thousand in 2018).

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

### 15.8. About the statement non-financial information

By means of this statement of non-financial information, TR meets the requirements of Spanish Law 11/2018, of 28 December. This report has been prepared on the basis of a selection of indicators from the GRI Standards identified in the table of compliance with Spanish Law 11/2018, of 28 December, and using the recommendations of the IIRC integrated reporting framework as a reference.

In relation to the scope of this report, it includes all companies in the financial scope of consolidation of Técnicas Reunidas, included in Appendices I and II of the annual accounts. In those cases where there are significant changes thereto, an explanatory note will be included.

To design the contents of this report and select the most relevant aspects, TR has conducted a materiality analysis that has allowed it to identify the most relevant aspects to be reported to its stakeholders (see the section on stakeholders on pages 98-99 of the Técnicas Reunidas 2017 Integrated Report), and to meet the requirements for reporting non-financial information based on current regulations.

In addition, in all aspects that are not material for Técnicas Reunidas, this report addresses the management approach but does not give detailed information on KPIs or other quantitative indicators, given that these are not considered as representative of the Group's activities. The non-material aspects for the Company required by law are as follows: light and noise pollution, water consumption, food waste and biodiversity. For further information on the methodology used to conduct the materiality analysis, please see the "Basis of presentation for this Report" chapter, of TR's 2017 Integrated Report, available on the corporate website. In this regard, it should be mentioned that the Company has not considered it necessary to update its materiality analysis in 2019 as it has not identified any new demands from its stakeholders and its activity has remained stable.

In addition, Técnicas Reunidas has prepared a traceability analysis that relates the aspects of the law with the associated GRI content published by the Company. See the table of contents in the table attached below:

Table of compliance with Spanish Law 11/2018, of 28 December

Content	Section	Associated GRI indicator
<b>Business model</b>		
- Business environment, organisation and structure, and business model	15.1.1-	102-2
- Markets in which the Company operates	15.1.4	
- Objectives and strategies	102-6	
- Factors and trends affecting performance	15.1.4	102-14
	15.1.6	102-15
	15.1.5	
Policies	15.2 / Section associated with each aspect of the Law	103 - Management approach for each material issue
<b>Risks</b>	15.2 / Section associated with each aspect of the Law	102-15

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Environmental issues		
<b>Global</b>		103 - Management approach for each material issue related to the environment
- Effects of the Company's activities on the environment and health and safety	15.3	
- Precautionary principle, provisions and guarantees for environmental risks	15.3.8	102-11
- Resources allocated to the prevention of environmental risks	15.3.9	103 - Management approach for each material issue related to the environment

Content	Section	Associated GRI indicator
<b>Pollution</b>		103 - Emissions
- Measures associated with carbon emissions	15.3.1	
- Measurements associated with air, light, noise and other types of pollution	15.3.2/15.3.6	Non-material/103 - Biodiversity/Atmospheric emissions, light pollution and noise are not considered relevant, nor do they have a significant impact given TR's activities.
<b>Circular economy and waste prevention and management</b>		
- Initiatives for promoting the circular economy	15.3.3	103 - Waste
- Measures associated with waste management	15.3.3	306-2
- Actions to combat food waste	15.3.4	Non-material/103 – Waste
-		
<b>Sustainable use of resources</b>		
- Water: consumption and supply	15.3.5	Non-material/103 - Water
- Raw materials: consumption and measures	15.3.5	301-1/103 - Materials
- Energy: consumption, measures and use of renewable sources	15.3.5	302-1
<b>Climate change</b>		
- Greenhouse gas emissions	15.3.2	305-1/ 305-2/ 305-3
- Climate change adaptation measures	15.3.2	103 - Emissions
- Emissions reduction targets	15.3.2	103 – Emissions

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<b>Biodiversity</b> - Preservation measures - Impacts on protected areas	15.3.7 15.3.7	Non-material/103 - Biodiversity Non-material/304-2
<b>Social and personnel issues</b>		
<b>Employment</b> - Total number of employees and distribution by gender, age, country and professional classification - Total number and distribution of employment contract types - Annual average number of permanent, temporary and part-time contracts by gender, age and professional classification. - Number of dismissals by gender, age and professional classification - Average remuneration and changes therein broken down by gender, age and professional classification or equal value - Wage gap, remuneration for the Company's equal or average job positions - Average remuneration of directors and executives - Disconnection policies - Disabled employees	15.4.1 15.4.1 15.4.1 15.4.1 15.4.1 15.4.1 15.4.1 15.4.1 15.4.2 15.4.3	102-8/405-1 102-8 102-8/405-1 401-1 405-2 405-2 102-35 103 - Employment 405-1
<b>Organisation of work hours</b> - Work organisation - Number of hours of absenteeism - Work-life balance measures	15.4.2 15.4.6 15.4.2	103 - Employment 403-2 103 – Employment
<b>Health and safety</b> - Occupational health and safety conditions - Work-related accidents, in particular their rate and severity - Work-related illness, broken down by gender	15.4.6 15.4.6 15.4.6	103 - Occupational health and safety 403-2 403-2

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

Content	Section	Associated GRI indicator
<b>Labour relations</b>		
- Organisation of social dialogue	15.4.7	103 - Worker-company relations
- Percentage of employees covered by collective agreements by country	15.4.8	102-41
- Balance of collective agreements on occupational health and safety	15.4.8	403-4
<b>Training</b>		
- Policies implemented in the field of training	15.4.4	103 - Training and education
- Total number of training hours by professional category	15.4.4	404-1
<b>Universal accessibility and integration of disabled people</b>		
	15.4.3	103 - Diversity and equal opportunity/ 103 - Non-discrimination
<b>Equality</b>		
- Measures taken to promote equality, equality plans and non-discrimination and diversity management policy	15.4.5	103 - Diversity and equal opportunity/ 103 - Non-discrimination
<b>Human rights</b>		
- Due diligence procedures for human rights matters and, if applicable, mitigation, management and redress	15.5	102-16/102-17/103 - Human Rights Assessment/ 103 - Freedom of association and collective bargaining 103 - Child labour/
- Complaints about cases of human rights violations	15.5	103 - Forced or compulsory labour
- Promotion of and compliance with ILO conventions related to freedom of association and collective bargaining	15.5	406-1
- Elimination of discrimination in employment, forced or compulsory labour and child labour	15.5	407-1 406-1/408-1/409-1
<b>Corruption and bribery</b>		
- Measures taken to prevent corruption and bribery	15.6.1	103 - Anti-corruption
- Anti-money laundering measures	15.6.1	103 - Anti-corruption
- Contributions to foundations and non-profit entities	15.6.2	413-1

## CONSOLIDATED DIRECTORS' REPORT FOR 2019

Content	Section	Associated GRI indicator
<b>Company</b>		
<p><b>The Company's commitment to sustainable development</b></p> <ul style="list-style-type: none"> <li>- Impact of the Company's activities on employment, local development, local populations and the territory</li> <li>- Dialogue with local communities</li> <li>- Partnership or sponsorship actions</li> </ul>	<p>15.7.1</p> <p>15.7.1</p> <p>15.7.2</p>	<p>103 - Local communities/ 103 - Indirect economic impacts</p> <p>413-1</p> <p>102-12/102-13</p>
<p><b>Subcontracting and suppliers</b></p> <ul style="list-style-type: none"> <li>- Inclusion of social, gender equality and environmental issues in procurement policy</li> <li>- Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility</li> <li>- Monitoring and audit systems and results</li> </ul>	<p>15.7.3</p> <p>15.7.3</p> <p>15.7.3</p>	<p>102-9 / 103 - Management approach to procurement practices</p> <p>308-2/414-2</p> <p>103 - Management approach to procurement practices</p>
<p><b>Consumers</b></p> <ul style="list-style-type: none"> <li>- Measures for the health and safety of consumers</li> <li>- Claims systems, complaints received and complaint resolution</li> </ul>	<p>15.7.4</p> <p>15.7.4</p>	<p>416-1/103 - Customer health and safety</p> <p>103 - Customer health and safety</p>
<p><b>Tax information</b></p> <ul style="list-style-type: none"> <li>- Operating profit earned by geographical area</li> <li>- Corporation tax paid</li> <li>- Government grants received</li> </ul>	<p>15.7.5</p> <p>15.7.5</p> <p>15.7.5</p>	<p>103 - Economic performance</p> <p>103 - Economic performance</p> <p>201-4</p>



**TÉCNICAS REUNIDAS, S.A.  
and subsidiaries**

Independent Verification Report  
31 December 2019



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Independent Verification Report

To the shareholders of Técnicas Reunidas, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Statement on non-financial information report (hereinafter "SNFI") for the year ended 31 December 2019 of Técnicas Reunidas, S.A. (the Parent company) and subsidiaries (hereinafter "Técnicas Reunidas" or "the Group") which forms part of the Group's Consolidated Director's Report (hereinafter "CDR").

### Responsibility of the Board of Directors

The preparation of the SNFI included in Técnicas Reunidas's CDR and the content thereof are the responsibility of the Board of Directors of Técnicas Reunidas. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") selected, described in line with the details provided for each matter in the table included in the section "15.8. About the statement non-financial information - Table of compliance with Spanish Law 11/2018, of 28 December" of the mentioned SNFI.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free of any immaterial misstatement due to fraud or error.

The directors of Técnicas Reunidas are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.



### Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors (“Instituto de Censores Jurados de Cuentas de España”).

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Técnicas Reunidas units that were involved in the preparation of the SNFI, in the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the Group’s personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the SNFI for 2019, based on the materiality analysis carried by Técnicas Reunidas considering the content required under current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in SNFI for 2019.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the SNFI for 2019.
- Verification, through sample testing, of the information relating to the content of the SNFI for 2019 and its adequate compilation using data supplied by the Group’s sources of information.
- Obtainment of a management representation letter from the directors and the Parent company’s management.



### Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that Técnicas Reunidas's SNFI, for the year ended 31 December 2019 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and following the criteria of the Standards of the Global Reporting Initiative ("GRI Standards") selected, described in line with the details provided for each matter in the table included in section "15.8. About the statement non-financial information - Table of compliance with Spanish Law 11/2018, of 28 December" of the mentioned SNFI.

### Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Pablo Bascones

27 February 2020