



TECNICAS REUNIDAS

REPORT ON THE OPERATION OF THE
AUDIT AND CONTROL COMMISSION

YEAR 2020

INDEX

1.INTRODUCTION	2
2.REGULATION OF THE COMMISSION AND PRACTICAL GUIDELINES THAT ARE BEING FOLLOWED	2
3.COMPOSITION	3
4.COMPETENCES OF THE COMMISSION AND ACTIVITIES CARRIED OUT DURING THE YEAR	7
5.MEETINGS	19
6.OPINION OF THE COMMISSION ON THE INDEPENDENCE OF THE ACCOUNTS AUDITOR.....	20
7.EVALUATION	21
8.CONCLUSIONS	21

REPORT ON THE OPERATION OF THE AUDIT AND CONTROL COMMISSION DURING FINANCIAL YEAR 2020

1. INTRODUCTION

The revised text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010, of July 2 (“LSC”) establishes in article 529 terdecies that listed public limited companies must constitute an audit commission, establishing Article 529 quaterdecies LSC its rules of composition, operation and powers of the same.

On the other hand, article 529 nonies LSC establishes that the Board of Directors must annually evaluate its operation and that of its Commissions, establishing Recommendation 36 of the Code of Good Governance of Listed Companies (the “Good Governance Code”) that, to carry out the evaluation of the Commissions, it will be based on the report that they submit to the Board of Directors.

Based on the above, the Audit and Control Commission of Técnicas Reunidas, S.A. (the “Company”) prepares this report on its operation during the 2020 financial year, which will be available to shareholders and other interested parties on the website of the Company as from the call of the Ordinary General Shareholders’ Meeting, in accordance with Recommendation 6 of the Code of Good Governance.

2. REGULATION OF THE COMMISSION AND PRACTICAL GUIDELINES THAT ARE BEING FOLLOWED

The Audit and Control Commission of the Company is regulated in article 29 of the Company Bylaws and 13 of the Regulation of the Board of Directors. These documents are permanently published for consultation on the Company’s corporate website (www.tecnicasreunidas.es).

In the exercise of its functions, the Audit and Control Commission starts from what is established in the Good Governance Code and has also taken into account the basic principles and recommendations of Technical Guide 3/2017, of the CNMV on Commissions Audit of Public Interest Entities, published in June 2017 (the “Technical Guide 3/2017”). In this sense, this report includes the information contained in section 79 of Technical Guide 3/2017.

3. COMPOSITION

In accordance with articles 29 of the Company Bylaws and 13 of the Board Regulations, the Audit and Control Commission must be comprised of a minimum of three and a maximum of five directors, appointed by the Board of Directors from among its non-executive directors, with the majority of them being independent directors.

Likewise, at least one of the independent directors that form part of the Commission will be appointed taking into account their knowledge and experience in accounting, auditing or both. In any case, as a whole, the members of the Commission will have the relevant technical knowledge in relation to the sector of activity to which the Company belongs.

In turn, the Chairperson of the Audit and Control Commission will be chosen from among the independent directors that form part of it, and must be replaced every four years, and may be re-elected after a period of one year has elapsed from the date of his/her cessation.

During the financial year 2020, the Audit and Control Commission has changed its composition. In this sense, between January 1 and June 25, 2020 the composition of the Commission was as follows:

Director	Position	Category
Ms. Petra Mateos Aparicio	Chairwoman	Independent
Mr. Pedro Luis Uriarte Santamarina	Member	Independent
Mr. José Manuel Lladó Arburúa	Member	Proprietary
Mr. José Nieto de la Cierva	Member	Independent
Mr. Álvaro García-Agulló	Member	Proprietary
Non-Director Secretary: Ms. Laura Bravo Ramasco.		

As of June 25, 2020, after Mr. Álvaro García-Agulló's resignation as a member of the Commission, the composition of the Commission until September 30, 2020 was as follows:

Director	Position	Category
Ms. Petra Mateos Aparicio	Chairwoman	Independent
Mr. Pedro Luis Uriarte Santamarina	Member	Independent
Mr. José Manuel Lladó Arburúa	Member	Proprietary
Mr. José Nieto de la Cierva	Member	Independent
Non-Director Secretary: Ms. Laura Bravo Ramasco.		

Finally, as of September 30, 2020, after the appointment of Mr. Ignacio Sánchez-Asiaín Sanz, the Composition of the Commission until December 31, 2020 has been as follows:

Director	Position	Category
Ms. Petra Mateos Aparicio	Chairwoman	Independent
Mr. Pedro Luis Uriarte Santamarina	Member	Independent
Mr. José Manuel Lladó Arburúa	Member	Proprietary
Mr. José Nieto de la Cierva	Member	Independent
Mr. Ignacio Sánchez-Asiaín Sanz	Member	Independent
Non-Director Secretary: Ms. Laura Bravo Ramasco.		

- Ms. Petra Mateos Aparicio (Chairperson) is an independent external director. She was appointed director by co-option by resolution of the Board on February 29, 2016, an appointment that was ratified at the General Meeting of June 29, 2016 and appointed as member and Chairperson of the Commission on July 31, 2018.

Mrs. Mateos Aparicio is a Doctor “cum laude” in Economics and Business Administration from the Complutense University of Madrid and is a Professor of Financial Economics. Vice-President of the Spain – U.S. Chamber of Commerce since July 2011 and a director of Unicaja Banco since February 2014. She was a director of Banco CEISS, from 2014 until its merger with Unicaja in September 2018. She has been Executive Chairperson of Hispasat (2004-2012), non-executive Chairperson of Hisdesat (2005-2011), Director of Hispamar Satélites (Brazil) and Director of Xtar Llc (United States) from 2005 to 2012. She has been independent director of Solvay (Brussels) from 2009 to 2013 and from 1983 to July 1985 she was a Director of Iberia and Banco Exterior de España, where she was Deputy General Director from 1985 to 1987. With extensive academic experience, she has been Professor of Financial Economics at the Department of Business Economics and Accounting of the Faculty of Economics and Business Studies of the UNED and Professor of Financial Economics at the University College of Financial Studies (CUNEF) (1982-2015). She has also been member of the National Board of Directors of the Spanish Institute of Financial Analysis (IEAF) 2011-2017 and a member of the Council of ANECA during the period 2009-2015.

Among the recognitions received are the Knight of the Order of the Legion of Honor of the French Republic (2011); Business Leader of the Year (2010) from the Spain-US Chamber of Commerce; Entrepreneur of the Year (2010) from the Brazil-Spain Chamber of Commerce; Award from the

Women Together Foundation (2009) from the Economic and Social Council of the United Nations (ECOSOC) and Executive Woman of the Year (2009) from the Spanish Federation of Executive Women.

- Mr. Pedro Luis Uriarte Santamarina (member) is an independent external director. He was appointed director at the General Meeting of June 22, 2011, subsequently re-elected by the General Meeting of Shareholders and appointed member of the Commission on February 28, 2012.
- Mr. Uriarte Santamarina has a degree in Economics and Law from the Commercial University of Deusto in Bilbao. He has extensive experience after 52 years of professional career in the industrial sector (9 years); finance (23 years), where he became Vice Chairman and CEO of the Board of Directors of BBV and BBVA, consulting (14 years), R + D + i (2 years) and 4 years in Public Administration, as Minister of Economy and Finance in the first Basque Government, from 1980 to 1984. In addition, for seven years he was a university professor at the Commercial University of Deusto, in matters related to the transformation of the company and advance management, and later he has collaborated with various business schools (Deusto Business School, IESE, ESADE, etc.). Since 2002, he has been Executive President of Economía, Empresa, Estrategia, a strategic consulting company created by himself. He combines this position with that of Director and Advisor of different companies and cooperates with different university and social projects.
- Mr. José Manuel Lladó Arburúa (member) is an external proprietary director. He was appointed director at the General Meeting of May 10, 2006, subsequently re-elected on several occasions by the General Meeting of Shareholders and appointed member of the Commission in July 2018.

Mr. Lladó Arburúa has a BSBA from Georgetown University and an MBA from the University of Chicago. Professionally, he has been manager of the International Corporate Finance Division of Citibank NA (1986-1990), Managing Director of Chase Manhattan Bank with responsibility for Global Market Sales for Spain (1990-2001) and Deputy General Director of Banesto, with responsibilities for the International and Treasury area (2001-2004). He is a founding partner of Summa Financial Services (2004-present) and Managing Director of Ideon Financial Services (2008-present). He belongs to the Councils of Aragonesas Promoción de Obras y Construcciones, S.L; Layar Castilla, S.A. (President); Summa Investment Solutions, S.A. (President); Choice Financial Solutions, S.L. (director); Fintonic Servicios Financieros, S.L. (director); León Valores

S.A., SICAV (director); Araltec, S.L. (Vice-President) and Aragonesas Promoción de Obras y Construcciones (director).

- Mr. José Nieto de la Cierva (member) is an independent external director. He was appointed director at the General Meeting of June 27, 2018, and appointed member of the Commission on July 31, 2018.

Mr. Nieto de la Cierva has a degree in Economic and Business Sciences from the Complutense University. He has developed his professional career in the private sector, forming part of the consulting department of the firm KPMG Spain (1988-1989), later of the JP Morgan group (1989 - 2002) – Director of The Chase Manhattan Bank (1998-2002) and Managing Director of Corporate Banking at The Chase Manhattan Bank in Spain (1998-2002). Later, he joined Banesto (2002-2010), having been Deputy General Director of Business Banking (2002) and General Director of Wholesale Banking (2006). He has also held positions in the Banca March Group (2010-2017), where he was President of Banco Inversis; Chief Executive Officer of Banca March and Director and member of the Audit Commission of Corporación Financiera Alba, director and member of the Executive Commission of Ebro, director of Consulnor; and director of Aegon Spain. He is currently also Deputy General Director of Banco Sabadell since 2018.

- Mr. Ignacio Sánchez-Asiain Sanz (member) is an independent external director. He was appointed director at the General Meeting of June 25, 2020 and appointed member of the Commission on September 30, 2020.

Mr. Sánchez-Asiain Sanz has a degree in Economics and Business Studies from the University of Deusto and an MBA with a specialty in Financial Intermediation from the Wharton School – University of Pennsylvania. He has developed his professional career in the private sector, having been part of Presscott Ball & Turben, Oliver Wyman & Co., BBVA Group, Bilbao Bizkaya Kutxa (BBK), Kutxabank and Banco Popular. Currently, Mr. Ignacio Sánchez-Asiain Sanz is Chairman and Director of Gobertia Global, Gobertia CEE, Gobertia Spain and Gobertia Peru.

Detailed information on the members of the Commission and their professional careers is available to shareholders, investors and other interested parties on the Company's website.

In accordance with the foregoing, the Commission has been made up entirely of non-executive directors, most of whom are independent directors, including its Chairperson, in accordance with the provisions of article 529 quaterdecies LSC,

having been appointed all its members by the Board of Directors, and in particular its President, taking into account the tasks of the Commission and ensuring that its composition responds to the different criteria of diversity, among others, those related to the knowledge, skills, professional experience competencies, personal capacities, gender and sectoral knowledge of its members.

4. COMPETENCES OF THE COMMISSION AND ACTIVITIES CARRIED OUT DURING THE YEAR

Article 13.2 of the Regulations of the Board of Directors includes the functions of the Audit and Control Commission, without prejudice to other functions that the Board of Directors may assign to it, the Commission has, among others, the following basic responsibilities:

In relation to the supervision of financial and non-financial information:

- a) Inform the General Meeting about the questions that arise within it in matters of its competence and, in particular, about the result of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Commission has performed in that process.
- b) Supervise and evaluate the process of preparation and presentation of the mandatory financial and non-financial information relating to the Company and, where appropriate, to the group, including the periodic financial and non-financial information that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that the intermediate accounts are prepared under the same accounting criteria as the annual accounts, counting for all this with the direct collaboration of the external and internal auditors, and presenting where appropriate, recommendations or proposals to the Board of Directors aimed at safeguarding their integrity.
- c) Ensure that the annual accounts that the Board of Directors present to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In those cases in which the account auditor has included any exception in his/her audit report, the Chairperson of the Audit and Control Commission will clearly explain at the General Meeting the opinion of the Commission on its content and scope, making himself/herself available to the shareholders at the time of publication of the notice of the Meeting, together with the

rest of the proposals and reports of the Board, a summary of said opinion.

In relation to the supervision of internal control and internal audit:

- d) Periodically supervise the effectiveness of the Company's internal control and internal audit, as well as discuss with the account auditor the significant weaknesses of the internal control system detected during the audit, all without compromising its independence. For such purposes, and where appropriate, they may submit recommendations or proposals to the Board of Directors and the corresponding deadline for their follow-up.
- e) In relation to the information and internal control systems: (i) to know and supervise the internal control systems of the Company, check their adequacy and integrity and review the appointment or replacement of those responsible; (ii) ensure in general that the policies and systems established in matters of internal control are applied effectively in practice; (iii) review compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria; and (iv) ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment and removal of the person in charge of the internal audit service, as well as proposing the budget for said service; approve the orientation and the annual work plan, ensuring that its activity is mainly focused on the relevant risks of the Company (including reputational risks); receive periodic information on its activities and verify that senior management takes into account the conclusions and recommendations of its reports.
- f) Supervise the unit that assumes the internal audit function that ensures the proper functioning of the information and internal control systems and that the functionally reports to the Chairperson of the Audit and Control Commission.

The head of the unit that assumes the internal audit function will present to the Audit and Control Commission, for its approval, its annual work plan, will inform it directly of its execution, including possible incidents and limitations to the scope that may arise in its development, as well as the results and the follow-up of its recommendations, and will submit an activities report at the end of each year.

- g) Establish and supervise a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially significant irregularities, including financial and accounting, or of any other nature, related with the company that they notice within the Company or its Group. Said mechanism must guarantee confidentiality and, in any case, foresee cases in which communications can be made anonymously, respecting the rights of the complainant and the accused.

In relation to the account auditor:

- h) Submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the account auditor, taking responsibility for the selection process in accordance with the provisions of the applicable regulations, as well as the conditions of their hiring and for this purpose, they must:
 - 1°. define the auditor selection procedure; and
 - 2°. issue a reasoned proposal that will contain at least two alternatives for the selection of the auditor, except in the case of the re-election of the same.
- i) Regularly collect information from the auditor on the audit plan and its execution, in addition to preserving its independence in the exercise of his/her duties.
- j) Establish the appropriate relationships with the external auditor to receive information on those matters that may pose a threat to its independence, in particular the discrepancies that may arise between the account auditor and the Company's management, for examination by the Commission, and any others related to the process of carrying out the auditing of accounts and, where appropriate, the authorization of services other than those prohibited in the terms provided in the applicable regulations, as well as those other communications provided for in the legislation of auditing of accounts and in auditing standards.
- k) In any case, they must receive annually from the external auditors the declaration of their independence in relation to the Company or entities linked to it directly or indirectly, as well as detailed and individualized information on the additional services of any kind provided and the corresponding fees received of these entities by the

external auditor or by the persons or entities linked to it in accordance with the provisions of the regulations governing the activity of the auditing of accounts and other auditing standards.

- l) Issue annually, prior to the issuance of the account audit report, a report expressing an opinion on whether the independence of the account auditors or audit firms is compromised. This report must contain, in any case, the reasoned assessment of the provision of each and every one of the additional services referred to in the previous point, individually and as a whole, other than the legal audit and in relation to the regime of independence or with the regulations governing the activity of auditing accounts. This report must be published on the Company's website sufficiently in advance of the holding of the Ordinary General Meeting.
- m) In relation to the external auditor: (i) in the event of resignation of the external auditor, examine the circumstances that led to it; (ii) ensure that the remuneration of the external auditor for his/her work does not compromise its quality or independence; (iii) supervise that the Company communicates the change of auditor as other relevant information to the National Securities Market Commission and accompanies it with a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content; and (iv) ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the evolution of the accounting and risk situation of the Company.
- n) Supervise compliance with the audit contract, ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and precisely, as well as evaluating the results of each audit and, likewise, ensuring that the Company and the external auditor respects the current regulations on the provision of services other than auditing, the limits to the concentration of the auditor's business and, in general, the other regulations established to ensure the independence of the auditors.
- o) Make a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial information.

In relation to the supervision of risk management and control:

- p) Monitor and evaluate the effectiveness of risk management and control systems financial and non-financial related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational issues or those related to corruption.
- q) Directly supervise the internal risk control and management function.
- r) Reassess, at least annually, the list of the most significant financial and non-financial risks and assess their tolerance level, proposing their adjustment to the Board of Directors, if applicable.
- s) Hold, at least annually, a meeting with the heads of the business units in which they explain business trends and associated risks.
- t) Be aware of the tax policies applied by the Company. In this sense, receive information from the person responsible for tax matters on the tax policies applied, at least prior to the formulation of the annual accounts and the presentation of the Corporate Income Tax return and, when relevant, on the consequences of corporate operations whose approval is submitted to the Board of Directors.
- u) Control and supervise compliance with the risk control and management policy, directly or through one or several subCommissions created for this purpose.

The Audit and Control Commission will carry out the functions provided for in this section in coordination, as necessary, with the Management and Risks Commission.

In relation to the supervision of corporate governance, internal codes of conduct and sustainability:

- v) Supervise compliance with the policies and rules of the Company in matters of corporate governance, as well as the internal codes of conduct of the Company. In particular, the Audit and Control Commission: (i) will supervise compliance with the Internal Code of Conduct in the Securities Markets, this Regulations, the Regulation of the Audit and Control Commission, if applicable, other internal codes of conduct and, in general, of the Company's governance rules, making the necessary proposals for their improvement, and also ensuring that the corporate culture is aligned with its purpose and

values; (ii) will supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisers and other interest groups; It will also monitor the way in which the Company communicates and related to small and medium shareholders; and (iii) will periodically evaluate and review the Company's corporate governance system, in order for it to fulfill its mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of the remaining interest groups.

- w) Supervise compliance with the policies and rules of the Company regarding environmental and social sustainability. In particular, the Audit and Control Commission: (i) will periodically evaluate and review the Company's corporate social responsibility and sustainability policy in environmental and social matters, in order for it to fulfill its mission of promoting social interest and take into account, as appropriate, the legitimate interests of the remaining stakeholders; (ii) will supervise that the Company's practices in environmental and social matters conform to the strategy and policy established; and (iii) supervise and evaluate the relationship processes with the different stakeholders.

Other functions:

- x) Supervise the organization and operation of system and the Regulatory Compliance area of the Company.
- y) Inform the Board of Directors, prior to its adoption of the corresponding decisions, on all matters provided for in the Law, the Bylaws and the Board Regulations and, in particular, on:
- a. The financial information that the Company must periodically make public.
 - b. The creation or acquisition of interests in entities of purpose special or domiciled in countries or territories that are considered tax havens.
 - c. Transactions that involve or may involve conflicts of interest and, in particular, Related-Party Transactions, in the terms provided by Law, the Company Bylaws or these Regulations.

The report issued by the Audit and Control Commission on related-party transactions, if applicable, will be published on the

Company's website sufficiently in advance of the holding of the Ordinary General Meeting; and

- d. The economic conditions and the accounting impact and, where appropriate, the proposed exchange ratio, of the structural and corporate modification operations that the Company plans to carry out.
- e. Any other report and proposal function that is entrusted by the Board of Directors with a general or particular nature, or that is established by the regulations in force at all times.

Likewise, Article 13.5 of the Board Regulations provides that the Commission will prepare an annual report on its operation highlighting the main incidents that have arisen, if any, in relation to its functions. In addition, when the Commission deems it appropriate, it will include in said report proposals to improve the Company's governance rules.

In particular, during the 2020 financial year, the Audit and Control Commission has carried out the following activities:

In relation to the supervision of financial and non-financial information

- The individual and consolidated annual accounts were reported favorably by the Commission for its consideration and, where appropriate, approval by the Board of Directors. The previous debate focused on certain issues that were considered especially relevant, highlighting for these purposes as a novelty the preparation of non-financial information as part of the management report, as a result of the approval of Law 11/2018, of December 28, which was subject to verification in accordance with the provisions of current regulations.

Likewise, the external auditors, Deloitte and PricewaterhouseCoopers (PwC), stated that during the co-audit work, no significant risks were revealed in addition to those identified in the planning process and presented at a previous meeting in 2019 and confirmed that there had been no disagreement or scope limitation occurred during the co-audit process.

- The Commission, unanimously agreed to submit to the Board of Directors the proposal for the application of the result for the year ended December 31, 2019.
- The statement to be submitted to the CNMV was analyzed in which it was stated that the Commission would favorably report to the Board of Director son the Annual Financial Report corresponding to the financial year 2019, for its approval and submission to the CNMV.

The Commission has periodically supervised the progress of the audit work, with external auditors appearing, where appropriate, to report on issues such as: (i) revenue recognition; (ii) evolution of tax records; (iii) deferred tax assets; (iv) estimate of project cash flows; (v) evolution of deferred tax assets; (vi) review of the evolution of project closure, focusing on the projects that have represented the most complexity, both in their execution and in their closure; (vii) regulatory developments that will affect the Group's accounts; (viii) ongoing judicial and arbitration proceedings, both administrative and operational.

Likewise, at the last 2020 Commission meeting, it was informed by the external auditors, PwC and Deloitte, of the conclusions of the preliminary review of the 2020 audit, also reviewing relevant issues for the closing. All this with the intervention of the directors requesting additional information on certain issues or making clarifications in relation to others. It was expressly pointed out that there had been no disagreements regarding the relationship between the two firms.

At its meetings, the Commission has supervised various issues related to financial and non-financial information and, among others: (i) the advancement of data at the end of the year; (ii) the Group's treasury situation, in which regard various interventions were made by the directors to make certain clarifications or questions; (iii) the periodic public information, both quarterly and semi-annually, for 2020; and (iv) financial presentations to analysts.

The Commission has been periodically informed about the internal control system of financial information (SCIIF) of the Company. In particular:

- Various reports have been presented by the internal auditor on the ICFR. In this sense, it reported on the conclusions of the ICFR review (concluding that the Group has internal procedures that include the control activities related to financial information flows, establish responsibilities and define the transactions and supporting documents of said controls) as well as the recommendations to be implemented (among others, regarding the multi-year economic planning of EBIT and the economic planning of the patrimony), with the directors participating actively in the evaluation of the information presented.

Additionally, the Commission has periodically monitored and supervised other matters:

- Verification of the financial information contained in the corporate website, receiving information on the regulations in force in this regard, verifying that it coincided with the information that appeared about the Company on the CNMV

website and confirming the validity of the information published in the corporate website.

- Recognition of assets for change orders and claims, in some cases with the collaboration of the internal auditor in their meetings.

In relation to the supervision of internal control and internal audit

The Commission unanimously approved the Report on Related-Party Transactions corresponding to the year ended December 31, 2019, which would be submitted to the Board of Directors.

In relation to the account auditor

The Commission has approved at its meeting held on February 25, 2020, the non-financial information statement, as an integral part of the management report, in which it summarizes the activity of the Company and its consolidated group in matters of corporate social responsibility and its application during the exercise.

In relation to the supervision of risk management and control

The Commission has been periodically informed of various matters within its sphere of competence and, among others, the following:

- The objectives of the area for the 2020 financial year and, in particular: design of the Compliance Management System, which includes the design aspects (review and update of the Code of Conduct and review and approval of the quantitative limits of the Gift Policy and Hospitalities, the development of the Donations and Sponsorship Policy and the approval of the Anti-Fraud and Trade Control Policy), implementation and monitoring (implementation of the control map and its documented monitoring, obtaining declarations in accordance with the management system compliance and its policies for positions with greater exposure to risks of a criminal nature, verification of the design and effectiveness of the System -internal audit and external review-implementation, dissemination and monitoring of the Linking Policy with Business partners and the deployment of the Compliance function in the Asia and Central and South America regions) and training (preparation and launch on an online course for the entire staff on the System, specific training for the members of the Board of Directors and specific training for personnel especially exposed to the risks identified in the risk matrix evaluated).

In this regard, the Commission was periodically informed about the status of implementation of the Regulatory Compliance objectives, as well as the open

files and their status, by communications received through the Code of Conduct Mailbox.

- In January 2020, the person in charge of the Compliance area presented the Annual Activities Report for the 2019 financial year, dealing with aspects related to the design and implementation of the Criminal Compliance Management System (re-evaluation of criminal risks, preparation of a matrix of compliance risks and a training matrix, establishment of contractual clauses for business partners, implementation of the Code of Ethics for suppliers and subcontractors and introduction of improvements in the due diligence process with third parties, incorporating the analysis of the final beneficiaries), the resources available by the Compliance area, the training activities and managers and employees (6 sessions for managers and middle managers, 3 face-to-face sessions for the procurement and subcontract teams, face-to-face sessions in Rome and Bahrain for the Bapco project team, 35 face-to-face sessions for 643 people in Saudi Arabia and online and awareness courses for 1.500 people), due diligence processes, the deployment of the Compliance function in other jurisdictions and updated information from the complaints channel.
- The Head of Regulatory Compliance updated the Audit and Control Commission in the session held on September 15, 2020 on the operation of the Compliance area. In particular, it dealt with activities by country (in Arabia, the conclusion of the training activity for all TR Saudia employees in Business Ethics Policy and Regulatory Compliance System; in Oman, the deployment of the Compliance System in this jurisdiction was completed; in Bahrain, the Bapco Project Compliance Plan has been updated; in Kuwait, the risk analysis procedure has been launched and the deployment of the Compliance System has begun; in the United Arab Emirates, the objective has been set to complete the deployment of the Compliance System and prepare the risk analysis before the end of the year).

Likewise, the Commission has been informed at different meetings by the Finance Department of different fiscal issues, such as the Manual of Fiscal Risks in relation to the 2019 taxes, continuation of the one implemented in 2018, within the framework of which it was created then the figure of a fiscal controller and a fiscal mailbox to receive communications in this matter; of the fiscal situation of the Company; and possible negotiations with the State Tax Administration Agency (AEAT) to sign a Prior Agreement with the Administration.

In relation to the supervision of corporate governance, internal codes of conduct and sustainability

The internal auditor presented to the Commission in the session held on January 28, 2020, the Annual Internal Audit Report for 2019, which included the following lines of action: audit of subsidiaries, technical analysis of economic solvency of suppliers, ICFR and contractual modifications recognized as income on account. Then, and in the same session, he presented the 2020 Annual Plan, which included the following lines of action: cost optimization project, audit of subsidiaries, SCIIF, review of interim income derived from contractual modifications and technical analysis of economic solvency of suppliers.

The Commission has periodically monitored the Internal Audit Plan (which was approved in 2018 on a multiannual basis for the years 2018 to 2020). In this sense, in one of its meetings it agreed to propose that an analysis be made by the Financial Department of the assets that could generate liquidity, reviewing the measures and the different impacts on cash. In another of its meetings, the Commission was informed by the internal auditor, among other matters, of the work carried out in Human Resources and General Services, the audit of the subsidiaries, the SCIIF, the interim payments associated with contractual modifications and the analysis of solvency of suppliers and subcontractors.

Other functions

The Company's internal auditor delivered to the Commission the declarations of independence of the co-auditors, PricewaterhouseCoopers and Deloitte, a copy of which was attached to the minutes of the meeting.

In accordance with the provisions of article 529 quaterdecies.4.f) LSC, the Commission unanimously approved the Report on the Independence of the External Auditor in relation to the 2019 financial year.

After reminding the Chairperson of the Commission of the operation of the Company's joint audit system, implemented since the 2017 by the audit firms PwC and Deloitte, a proposal for the re-election of PwC and Deloitte as joint auditors of the Company and its consolidated Group during financial year 2020, and after a brief deliberation, unanimously approved to propose to the Board of Directors that it submit to the Ordinary General Meeting of Shareholders of the Company the proposal for the re-election of PwC and Deloitte as auditors of the Company and its consolidated Group for the 2020 financial year.

The Commission has also periodically supervised the factors that, where appropriate, could have affected the independence of the external auditors. In this sense, it unanimously reported the increase in the fees of the external auditors for the audit work, in view of the data presented. Likewise, the Report of the Internal Audit Department was presented to the Commission on the supervision of compliance with the regulations on the provision of non-auditing services and the budget for services other than auditing.

In relation to the follow-up of the Commission's own action plans

The Commission reviewed, at each session, compliance with the 2020 annual plan of the Audit and Control Commission.

At its last meeting, the Commission unanimously reviewed and approved the calendar of sessions for 2021 once the appropriate modifications had been made according to their availability, as well as the annual activity plan of the Audit and Control Commission for the financial year 2021, which establishes the matters to be dealt with by the Commission in each of the sessions.

Approval of the Policy for communication and involvement with shareholders and investors

In the session of December 21, 2020, the Commission approved the Policy on information, communication, contacts and involvement with shareholders, institutional investors, proxy advisors and other stakeholders, which develops the provisions of the Sustainability Policy approved by the Board of Directors of the Company in the month of October 2020.

Other activities

The Commission, after a brief debate, unanimously agreed to report favorably to the Board of Directors about the issuance of simple unsecured and unsubordinated bonds by the Company, as well as their main terms.

After the timely debate among its members and the information received from the Chief Financial Officer, the Commission unanimously approved to report favorably to the Board of Directors on a potential treasury stock transaction so that the Board could adopt among its resolutions, where appropriate, both the terms of the operation such as the delegation of powers, all in the terms it deems most convenient.

On the other hand, the Commission unanimously approved its operating report for the 2019 financial year, agreeing to submit it to the Board.

Finally, it stated that during the financial year 2020 there have been no deviations with respect to the procedures adopted by the Company, nor has any irregularity in the matters within the competence of the Commission been transferred to the Board of Directors, as it is not aware that they had occurred.

5. MEETINGS

In accordance with the provisions of article 13 of the Board Regulations, the Commission will meet, ordinarily, quarterly, in order to review the periodic financial information that must be sent to the stock market authorities, as well as the information that the Board of Directors it must be approved and included in its annual public documentation. Likewise, it will meet whenever called by its President, who must do so whenever the Council or its President requests the issuance of a report or the adoption of proposals by the Commission and, in any case, whenever requested by any of the members of the Audit and Control Commission or it is convenient for the proper performance of their duties.

Likewise, the members of the management team or staff of the Company and its Group shall be obliged to attend the sessions of the Audit and Control Commission and to provide their collaboration and access to the information available to them when the Commission so requests. The Commission may also require the attendance of the auditors at its meetings.

In this sense, Technical Guide 3/2017 recommends that the presence of managers or other directors, executive or not, in the Audit Commission meetings be carried out upon the invitation of the Chairperson of the Commission and is strictly limited to those points of the Agenda to those who are summoned, and their presence should be avoided from becoming a habitual practice instead of something, in principle, occasional and when necessary. Likewise, the Technical Guide 1/2019, of the CNMV, on appointment and remuneration commissions, published in February 2019, provides that the minutes of the meetings the entries and exits of the different guests are recorded and that, except in specific cases whose adequate justification must be recorded in the minutes themselves, the guests do not attend the deliberation and voting phases of the Commission.

In addition, in accordance with the provisions of article 13.6 of the Board Regulations, and in line with the recommendations of Technical Guide 2/2017, the Audit and Control Commission may seek the advice of external experts when it deems it necessary for the proper fulfillment of its functions.

In the period between January 1, 2020 and December 31, 2020, the Audit and Control Commission has met 9 times, previously convened by the Secretary, by

order of the President of the Commission, by individual communication to each of its members.

All the members of the Commission attended in person, in person or online, all the meetings held.

In addition to its members, the meetings of the Audit and Control Commission have been attended by the following people, upon invitation of the President of the Commission, to discuss certain items on the Agenda:

- CFO.
- Responsible for Regulatory Compliance.
- Internal auditor.
- The external auditors, Deloitte and PwC.

In particular, the internal auditor has attended 9 meetings, and the external auditors, 5 meetings in the case of Deloitte and 4 meetings in the case of PwC.

Likewise, when it has been deemed appropriate, external advisers have participated in the meetings of the Audit and Control Commission to deal with specific matters within their competence, as indicated in section 4 above of this report.

All those invited to the Commission have been invited by the President, they have been present to discuss items on the Agenda for which they have been requested and none of them have attended the deliberation and voting phases of the meetings of the Commission, the entries and exits of the various guests having been recorded in the minutes of the meetings.

6. OPINION OF THE COMMISSION ON THE INDEPENDENCE OF THE AUDITOR OF ACCOUNTS

In relation to the independence of the external auditors, the Commission has received from Deloitte and PwC written confirmation of its independence from the Audit and Control Commission, as well as the information regarding the non-audit services that the external auditors have provided to the Company and its Group during the 2020 financial year. This statement expressly indicates that the auditors have not encountered during the 2020 financial year any of the causes of incompatibility established for that purpose in the Accounts Audit Law; and in view of the information available, the Commission has not identified factors that endanger the independence of the auditors Deloitte and PwC.

7. EVALUATION

During fiscal year 2020, the evaluation process corresponding to fiscal year 2019 of the Board of Directors and its Commissions was carried out, developed with the help of the external advisor KPMG, for which the Commission prepared and presented its corresponding operating report to the Board, as of 2019.

The directors positively assessed the functioning of the Commission during the year, considering that it has carried out its functions adequately. Regarding the actions included in the action plan provided for in article 529 nonies of the LSC, the main recommendation of the directors regarding the Commission referred to continue strengthening the planning of the matters to be discussed throughout the year.

8. CONCLUSIONS

Based on the foregoing, the Audit and Control Commission has evaluated its composition and operation during the 2020 financial year, considering that:

- The composition of the Commission has been adjusted to the provisions of the LSC and its internal regulations, with members with the knowledge and experience appropriate to the powers of the Commission and the sector of activity to which the Company belongs, the majority being its independent board members.
- The Commission has met more frequently than the established in article 13 of the Board Regulations and in Technical Guide 3/2017, and whenever it has been convenient in view of the issues to be discussed therein.
- Most of the meetings of the Commission have been attended in person by all its members.
- Finally, the Commission has deliberated and adopted agreements on the matters within its competence, in an informed manner and after discussions in which there has been a constructive dialogue and a critical attitude, favoring a diversity of opinions, as provided for in Technical Guide 3/2017. Likewise, when necessary, the Commission has had the advice of external experts.

In accordance with the foregoing, the Audit and Control Commission has generally complied with the rules set forth in the Law and in its internal rules regarding composition, frequency of meetings, attendance and informed participation of its members, and the Commission having also dealt with



matters within its competence, evaluating its activity very positively during the 2020 financial year.

This Report on the operation of the Audit and Control Commission during the 2020 financial year was formulated by the Commission on May 11, 2021, having been presented to the Board of Directors of the Company, in its session dated May 26, 2021.