TECNICAS REUNIDAS

INTEGRATED REPORT 2019

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EXECUTIVE CHAIRMAN'S LETTER

[102-14]

Dear friend,

Técnicas Reunidas is proud to present the 2019 Integrated Report, which provides a comprehensive overview of the Group's activities over the last financial year, paying special attention to matters relating to sustainability and corporate social responsibility, which are of the utmost importance to the Group.

This Integrated Report, in keeping with previous editions, has been prepared in accordance with the standards of the International Integrated Reporting Framework and the Global Reporting Initiative **(GRI)**, which are the main international reporting standards in force at the current time.

Although this report refers to the company's performance during the 2019 financial year, I would like to briefly refer to the COVID-19 pandemic, an unpredictable situation that the Company is successfully overcoming, thanks to the efforts of its employees and the solid operating structure that resulted from the work carried out before the pandemic began.

2019 marked a turning point for the Company. We were tasked with delivering the **largest and most complex number of projects in our history**, in a very complicated environment, and we succeeded in achieving this objective.

In 2019, the Company completed the **contracts awarded for major EPC projects** for ADNOC, Saudi Aramco, Exxon, General Electric/Sumitomo, Suncor and Sonatrach, as well as eight major FEED projects for Pertamaina, Rosneft, ADNOC, Exxon, Cepsa, Socar, BP, YPF, Gunvor, BPC and INEOS. We thank them for the trust they have placed in us. As a result of these awards, with a total value exceeding €7 billion, TR has consolidated a growing, solid and diversified order book.

These awards are particularly important in the current context. Investment prospects in the oil & gas sector are solid. According to estimates in **World Energy Outlook 2019**, oil & gas consumption will reach 52.8% of the total energy mix in 2040 in the "*Stated Policies*" scenario, of which 25.1% will correspond specifically to gas. This forecast necessarily coexists with increasingly demanding sustainability and environmental requirements and objectives that will oblige our clients to operate modern, efficient and technically advanced industrial plants to develop their business and sustainability strategies.

Técnicas Reunidas is a natural partner in achieving these objectives. As a world leader in the engineering sector, we offer **innovative and efficient technical solutions** that allow them to implement sustainability strategies and meet their emission control and reduction objectives through new plants, or by updating existing installations to optimise their efficiency and environmental performance.

We are firmly convinced that **sustainability**, together with a system of corporate governance in which sustainability is embedded, is a fundamental strategic line for the Group, as well being a key element that differentiates the Group from its competitors, and a decisive factor in consolidating Técnicas Reunidas as a benchmark company for its stakeholders. To this end, Técnicas Reunidas has developed a sustainable development strategy that aims to create lasting value and provide the Company with high value-added services that enable its clients to operate efficient and viable industrial plants that contribute to the **transition to a low-carbon economy**. In doing so, the Company seeks to take advantage of the commercial opportunities arising from its high technology expertise.

As part of Técnicas Reunidas' commitment to sustainability, we are proud of our strong link to the **Sustainable Development Goals**, borne out by the fact that we have supported the United Nations Global Compact since 2011. In this context, we have analysed how we can contribute to these goals, and have concluded that our technical capacities allow us to focus particularly on goals 7, 9 and 13, which refer to the supply of affordable and non-polluting energy, building resilient infrastructure, promoting inclusive and sustainable industrialisation, encouraging innovation and combating climate change. The contribution to the achievement of these objectives is achieved through the development of technical solutions that enable clients to operate efficient and sustainable industrial plants, thereby promoting energy efficiency and universal access to energy services. To this end, the Company has continued with its strong commitment to efficiency, through the use and development of proprietary technologies in areas such as chemical processes, which differentiates us from our competitors, and makes us better positioned to undertake **high value-added projects** such as service projects, whether in support of project management and FEEDs (Front End Engineering Design) or in collaboration with clients in various areas and phases of the launch of their investments.

Delivering quality projects that meet the strictest requirements of our clients, and strengthening our leadership in the sector, requires constant effort on the part of the Company to optimise its performance and operations. To this end, during the 2019 financial year we launched the **Plan TR-ansforma**, which includes various areas, such as the implementation of operational strategies, the optimisation of engineering procedures, and strategic actions linked to supply, cash flow and planning stages. Measures have been proposed that will gradually bear fruit as the projects evolve, with a view to implementing all the necessary improvements on a recurring basis from 2021.

The provision of these high value-added services for our clients requires **highly qualified personnel** such as those available to the Company, which closed the 2019 financial year with more than 10,000 employees from 70 different countries, including engineers with multiple specialities, such as industrial, chemical, road, mining and other disciplines.

I do not wish to finish without expressing my deepest gratitude to each and every one of the professionals of the Técnicas Reunidas Group for their efforts, dedication and excellent work, contributing decisively to the day-to-day running of the Company.

Juan Lladó Arburúa

2 TÉCNICAS REUNIDAS AT A GLANCE

[102-7]

Técnicas Reunidas is an acknowledged international contractor engaged in the management, engineering, design, provisioning, construction and commissioning of complex industrial plants for a wide range of clients throughout the world.

Its main areas of business are:

Oil and Natural Gas

Energy and Water

Other Industries

TR PRESENCE AROUND THE WORLD AND MAIN AWARDS IN 2019

North America

Canada
United States
Mexico

South America

Argentina
Bolivia
Chile
Colombia
Peru
Dominican Rep.

RELEVANT FIGURES IN 2019

€4,699 million
of regular income
(-7 % vs. 2017)

€68.2 million of EBIT
(-32 % vs. 2017)

100 % attendance
by members
at Board meetings

10,068
professionals of 70 nationalities

€4.90 million
Allocated to R&D&I
(+25 % vs. 2017)

53 % decrease in the number of recordable accidents vs. 2017

78 % of purchases and subcontracts
(77 % in 2017)

€3,666 million
in purchases and subcontracts (*)
(-9 % vs. 2017)

Main awards in 2019

- FEED for a large INEOS olefin complex in Antwerp, Belgium.
- Combined-cycle power plant, for Termocandelaria in Cartagena, Colombia.
- Production facilities for ExxonMobil in Singapore and Sonatrach in Algerie.
- Saudi Aramco gas plant in Tanajib.
- Basic engineering design and FEED for the Tuban mega-project in Indonesia.

(*) Final figure based on invoicing dates.

(**) Co-operation with organisations in promoting education, health, business initiatives of a social nature, and also programmes in the field of culture and civil society.

(***) PQI (Project Quality Index) is an indicator of the quality of a project which is used by Técnicas Reunidas' main clients in the Middle East and its purpose is to measure the quality of the projects in three phases, i.e. engineering, provisioning and construction.

In its **60 years** of history, Técnicas Reunidas has designed and managed the construction of over **1,000 industrial plants** in more than **50 countries**. Its clients include many of the major state or multinational oil companies.

Positive wandwagon effect on exportations

€986,450
used for collaborating in social projects (**)

€10,026 million
of portfolio at the end of 2019 (***)
(+2 % vs. 2017)

€4,886 million in awards in 2019 (+6 % vs. 2017)

88 % of recurrence
in terms of projects awarded

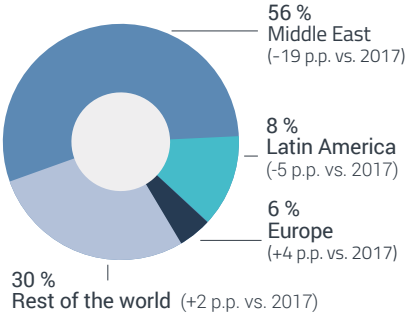
Highly technlogical content:

- **9.000 engineers.**
- **Licenses, patents and I+D+I.**
- **Managing technology of top licensors.**

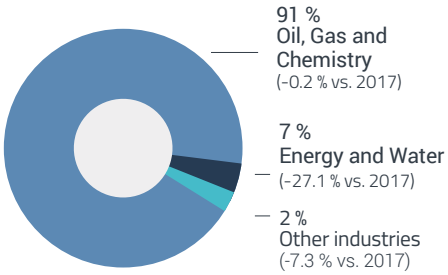
Implementation of OECD stantard in developing economies

Técnicas Reunidas portfolio in 2019

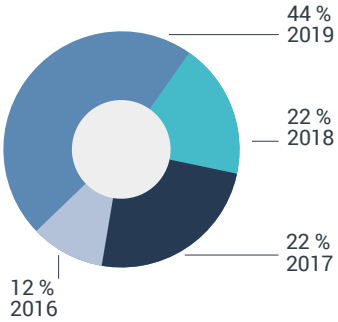
Project portfolio by region



Project portfolio by business



Project portfolio by year of award



The Company has a solid portfolio in the Middle East, the most powerful geographical area in the energy market, with major investments in mega-projects planned or under way.

Técnicas Reunidas has achieved a high degree of diversification in its Middle East portfolio, with projects awarded in different countries in the area (Saudi Arabia, United Arab Emirates, Oman, Kuwait and Bahrain, amongst others), and with a wide variety of clients.

At the same time, the portfolio is largely made up of projects awarded by recurring Técnicas Reunidas clients, which is an evident result of the high standard of quality achieved by the company in executing its projects. Furthermore, 91 % of clients are state oil companies, while 9 % corresponds to other clients (private energy companies, infrastructure, etc.).

3 OUR ACTIVITY

3.1 BUSINESS DIVISIONS

OIL, GAS AND CHEMISTRY [102-2]; [102-4]; [102-6]; [102-7]

In a context of a complex global marketplace and where fossil fuels are extracted from very different sources (deposits, tar sands, fracking), the price of oil has been varying and, as a result, investments associated to traditional deposits have been somewhat delayed, due to the necessity of the energy coming from hidrocarbons being cleaner and more efficient. However, during the course of the year Técnicas Reunidas has obtained some major awards with key clients, while also concluding significant projects in different regions.

Income for Oil, Gas and Chemistry went up by 15 % since 2018 reaching €4,273 million, which accounts for 91 % of the revenue obtained by Técnicas Reunidas in 2019.

The Oil & Gas division provides services for the running, management, engineering, supplies, construction and commissioning of plants throughout the Oil, Gas and Chemistry value chain. Management of the risks associated to investment has become a key activity in the current situation. Furthermore, the Company has experience in its own basic design for certain units of these plants and projects, which facilitates verification of their functioning and operating, and contributes to making them more efficient, at the same time guaranteed by the application of new technologies to their working methods.

TYPES OF PROJECT

Downstream

- Management, design, provisioning, construction and commissioning, modernisation and expansion of refineries.
- Petrochemical processing plants for the production of monomers, polymers and different plastics.
- Chemical plants.

Upstream

- Developments covering the entire natural gas value chain (processing, break-bulk, storage and transport).
- Primary processing of oil at the oil well.

Own developments

- Own and concept basic design for certain units not subject to licence.
- Design, supply and construction of heat transfer equipment.

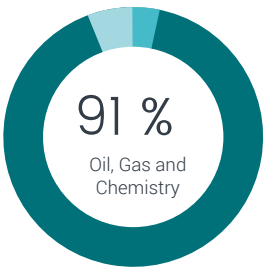
MAIN FIGURES

+800
projects and reports for refining, petrochemical and chemical units and 70 upstream and gas plants designed and built throughout the world.

€4,886 million
in awards in 2019.

€4,273 million
in sales.

€9,424 million
in the order book.

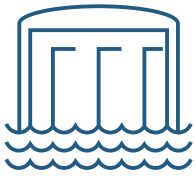


% representing the Company's regular income

Milestones 2019

- Contract awarded by ExxonMobil for the engineering, provisioning and construction of the processing units for the expansion project for its refinery in Singapore.
- Contract awarded by Sonatrach, the Algerian state oil company, for the execution of an EPC project for the entire construction of a new oil refinery in Haoud el-Hamra, Hassi Messaoud, Algeria.
- Técnicas Reunidas began performing FEED / OBE services for the new fuel specifications of 10 ppm's for three complexes.
- Award of four important design engineering projects. These awards acknowledge TR's leadership in providing high quality engineering services.
- Contract awarded by Saudi Aramco for two packages of facilities for its new gas plant in Tanajib, which includes receiving, storing and compressing the gas, and also the recovery and break-bulk of the NGL produced.
- 2019 was an intensive year for delivering projects. The main items of work delivered were for Petronas in Malaysia, Jazan for Aramco and the Star Refinery for Socar in Turkey.
- Significant progress in projects such as the processing units in the Al Zour refinery for KIPIC in Kuwait, the modernisation project for the Talara refinery for Petroperú in Peru and the clean fuels project for the Ras Tanura refinery for Saudi Aramco in Saudi Arabia.

ENERGY AND WATER [102-2]; [102-4]; [102-6]; [102-7]



In 2019, the Energy and Water division has seen lower sales of €331 million (43 % less than in 2018) as four of the five projects in this division have entered their final construction phase. This fact has had an effect on the operating margin of the division, as a result of the decision to advance the costs for successfully concluding the delivery phase.

The Energy and Water division provides engineering and construction services for both industrial power plants and for different types of water management, having taken part in projects representing more than 45 GW to date in 25 different countries. The Company's experience ranges from carrying out feasibility studies or basic and conceptual engineering to the complete execution of large-scale, complex turnkey projects.

With regard to water cycle infrastructure, Técnicas Reunidas has broad experience of large sea water desalination plants using reverse osmosis and it continues with the operation and the maintenance of the Perth desalination plant, which produces over 100 million m^3 per year.

TYPES OF PROJECT

Fossil fuel plants

- Electricity generating plants using fossil fuels with different technology, amongst which combined cycles and cogeneration.

Desalination plants

- Sea water desalination plants using reverse osmosis and covering all aspects of the project: design, construction, commissioning and operation and maintenance in all sizes.

Other power plants

- Biomass and waste treatment and/or recovery (electricity or heat generation).
- Contractor for the engineering, dismantling and installation of nuclear waste management plants.
- Design and supply of heat transfer equipment.

Otras plantas de agua

- Waste water treatment.
- Industrial water treatment as demineralization or drinking water treatment plants.

MAIN FIGURES

24,000 Mw

from installed power in combined cycles and over 50 cogeneration projects.

Current installed capacity of close to 1,000,000 m3/d over different facilities and different parts of the world (Spain, Australia, Saudi Arabia, Peru, Algeria).

+40

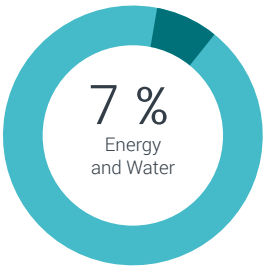
years experience in power plants.

€ 331 million

in sales (43 % less than in 2018).

€ 602 million

in the order book*.



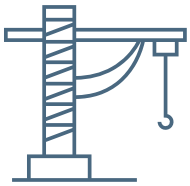
% representing the Company's regular income

Milestones 2019

- Contract awarded, in partnership with General Electric, for a combined cycle project that will supply electricity to the Emirate of Sharjah, in the United Arab Emirates.
- Contract awarded, by Suncor, for the execution of a large cogeneration plant for the "Coke Boiler Replacement Project", in partnership with Ledcor Group.
- Contract awarded, by Termocandelaria S.C.A. E.S.P, for a project for converting its gas turbine plant to combined cycle in Cartagena, Colombia.
- Significant progress in projects such as the biomass plant for MGT Teesside in England, the Tierra Mojada combined-cycle plant for Fisterra Energy in Mexico and the Turow coal plant for Polska Grupa Eneretyczna in Poland.
- Sale of the holding in Empresarios Agrupados and Empresarios Agrupados Internacional, through which it had engaged in activity associated with the Nuclear Power business.

*This figure includes the portfolio of the Energy Division.

OTHER INDUSTRIES [102-2]; [102-4]; [102-6]; [102-7]



The Other Industries division shows earnings of €95 million. The Company currently identifies Australia and the Middle East as the main markets for growth for this division.

Técnicas Reunidas carries out projects in fields such as:

TYPES OF PROJECT

Other industries

- Ecology
- Ports and coastlines.
- Hydrometallurgy.
- Fertilisers.

Own developments

- Research and development of industrial processes and technologies for manufacturing fertilisers and nitric acid through the subsidiary Espindesa.
- Development of its own technologies in hydrometallurgy and electrochemical processes (recovery of metals and other electrochemical processes)

MAIN FIGURES

Espindesa has built:

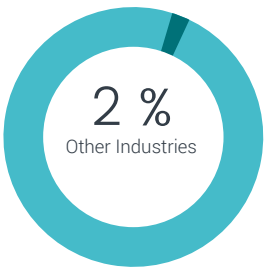
50 industrial plants in **15 different countries**.

It has successfully completed more than 100 projects in over **30 different countries**.

The Company has a technology centre in the hydrometallurgy and electrochemical field, through which it develops technologies by participating in national and European R&D&I projects.

+350,000 tons of zinc are produced each year throughout the world under licence to Técnicas Reunidas Zincex™.

€ 95 million in sales (6.4 % less than in 2018).



% representing the Company's regular income

Milestones 2019

- Participation in the national 3R2020 project, as part of the CIEN programme run by the CDTI for the development of hydrometallurgical processes for metal recovery from industrial and urban water with a high metal content.
- Participation in the LIGNOPRIZED project as part of the CIEN programme run by the CDTI for the development of processes for recovering lignin from different sources (Kraft and Klason) for obtaining products and applications with high added value.
- Participation in the national MONACITE project, as part of the PID programme run by the CDTI for the development of hydrometallurgical processes for obtaining rare earth metals from monazite minerals.
- Participation in the national PUREPHOS project as part of the PID programme under the CDTI for the development of new technologies for the purification of phosphoric acid from non-conventional mineral raw materials.
- Participation in the national VIMAC project as part of the PID programme run by the CDTI for the development of technologies for the Integrated Recovery of Complexed Minerals and to recover the maximum amount of metal present in them.
- WALEVA TECH project as part of the PID programme run by the CDTI for the development of a new biorefinery process for obtaining levulinic acid (LEVA) and its by-product gamma-valerolactone (GVL) from the fractionation of C6 sugars from lignocellulosic biomass.
- Participation in the BIORECOVER project under the European Commission H2020 programme, in which TR develops an innovative and sustainable strategy for selective bio-recovery of critical raw materials from primary and secondary sources.

3.2 OPERATING ENVIRONMENT

Técnicas Reunidas carries out its activities in a complex environment with market conditions in continuous evolution to which the Company has to adapt; special emphasis is made on its ability to direct highly complex projects, monitor risks, maintain high quality and environment management standards, and also the application and development of new technologies.

The Company regularly analyses these trends and defines action for adapting to them and making the most of the emerging opportunities while at the same time managing any risks identified.

MARKET ENVIRONMENT

2019 has been a year marked by the high degree of uncertainty generated by the trade conflict between the USA and China, the Brexit negotiations and the geopolitical unrest in the Middle East.

In addition, during the course of the year, the International Monetary Fund (IMF), in its World Economic Outlook report (WEO), repeatedly made downward reassessments of the prospects for global economic growth for 2019 and 2020. With this panorama, the central banks of the developed countries changed the bias of their monetary policies and in coordination lowered interest rates to promote business investment and economic growth, making financing costs less expensive.

With regard to oil prices, 2019 saw a change in trend compared to previous years. The barrel price went up by 23% bringing the steady decline sustained over the past years to an end.

In this context, the investment by Técnicas Reunidas' clients continues responding to a constantly changing environment, marked by the increased demand for energy from the emerging countries, the continuous adaptation to the new **environmental standards** and the need for refineries to evolve toward a more complex and more profitable structure.

A STRATEGY ADAPTED TO THE ENVIRONMENT

This strategy of diversification, of both products, environment, technology, strategies and geographical areas, has enabled Técnicas Reunidas to maintain high levels of activity during recent years, despite the crisis scenario in oil prices. As a result of its diversified range of activities, the Company has been able to be present in work related to refining, upstream oil, treatment of natural gas and power production.

The prospects for contracting are positive in the medium term, backed up by a very high portfolio of opportunities for submitting bids. In this context, Técnicas Reunidas is more selective regarding technologies, geographical areas or types of contract. The Company is submitting more bids in highly added-value services agreement schemes, which helps to diversify risks and to enhance the execution of projects.

2019 was marked by a record figure for awards, which translates as a steady increase in our order book. Once again the proportion of recurrence in our client base has remained high (Saudi Aramco, ADNOC, Cepsa, Sonatrach, BP, Socar or Exxon). Furthermore, new, acknowledged companies of reference have been added (INEOS and Termocandelaria).

Técnicas Reunidas continues to be committed to providing services to its clients in all phases of project development, from the conceptual analysis to final completion, covering basic engineering services for unitary processes such as FEED (Front End Engineering Design) or PMC (Project Management Consultant).

Services of this type help to strengthen relationships with clients, enabling them to find the technological solution best suited to their business model (see highlighted table). The company is underpinning its strategy of developing more projects of this kind.

Técnicas Reunidas also maintains a firm commitment to Research, Development and innovation (R&D&I), which is applied continuously when executing the projects in its business divisions.

> Through its know-how, its flexibility, its wager for innovation and its extensive experience, Técnicas Reunidas provides added value which is a key element in ensuring the trust and credibility of the market, paying special attention to its clients requirements.

The Group's researching activities are in line with the road map towards a Europe that is efficient in the use of resources. To be specific, Técnicas Reunidas is fully involved in research and development associated with:

- Bio-refineries as an alternative to conventional refineries, which reduce the environment 'footprint' and promote a sustainable business model.
- Environment focussed on circular economy.
- Critical raw materials with the focus on an efficient use of resources and sustainability.

Special mention is made of the fact that Técnicas Reunidas is currently one of the world leaders in the execution of complex units with processes such as those corresponding to hydrocrackers, coking, "flexicoker", high-pressure hydrodesulphurisation, etc.

Lastly, and to adapt to the operating context, it should be highlighted that the Company has also focussed on reductions in costs and efficiency plans which cover all the divisions, regions and the central organisation. At the beginning of 2019, with the back-up of external consultants, Técnicas Reunidas launched the TR-ansforma project to redefine the group's cost structure and streamline operations.

TÉCNICAS REUNIDAS' INVOLVEMENT IN FEED PROJECTS

In its commitment to generating solutions with high added value, the Company carries out numerous conceptual studies, feasibility studies and FEED design engineering (Front End Engineering and Design) that enable it to accompany Clients right from the initial stages of project execution.

Amongst the main FEED projects and conceptual studies awarded in 2019 were:

- A FEED project for ADNOC and Cepsa for a world-scale linear alkylbenzene plant (LAB) in the Ruwais Derivatives Park. LAB is a raw material used in making household and industrial biodegradable detergents, and in the manufacture of household cleaning products, amongst others.
- A FEED project that includes the designing of a new petrochemical complex in Turkey for BP/Socar (Mercury).
- A FEED project for the joint venture between PT Pertamina and PJSC Rosneft for the Tuban megaproject in East Java, Indonesia.
- A FEED project for INEOS of a UPI package of auxiliary services, energy and other infrastructure for a major olefin complex in Antwerp, Belgium, known as Project ONE. This project entails the largest investment in the European chemical industry in the last 20 years and will be a benchmark in terms of energy efficiency.
- A FEED project for ADNOC OFFSHORE for the expansion of the Upper Zakum offshore oilfield, in the United Arab Emirates. This is one of largest oilfields in the world. With this new contract, Técnicas Reunidas has simultaneous presence in the two most strategic fields of ADNOC, Bu Hasa and Upper Zakum.
- Other important FEED projects for ADNOC, Exxon, YPF, Gunvor and BPC.

A CHALLENGING MARKET IN CONTINUOUS EVOLUTION

MARKET ENVIRONMENT IN 2019

In the field of energy, the evolution of the price of oil has been defined by numerous events and a high degree of volatility. After the fall recorded in the last quarter of 2018, the crude oil benchmark started the year at its lowest levels since 2017, around $50/barrel, and went up by almost 40 % by April ($75/barrel).

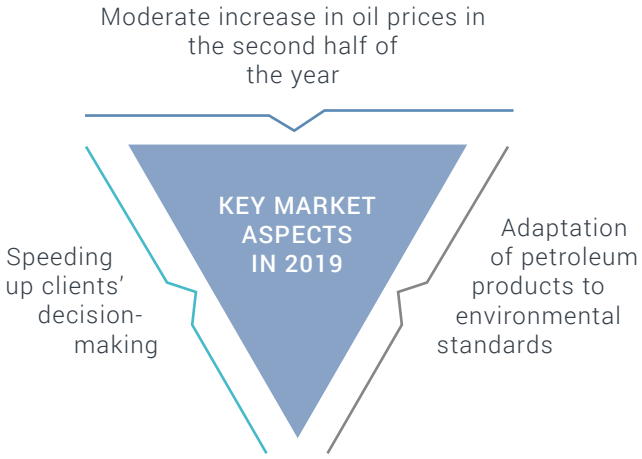
However, from May, in view of the worsening world economic outlook, there began to be uncertainties regarding demand and the main official energy agencies such as the International Energy Agency (IEA) made continuously downward reassessments of the prospects for growth in global demand in 2019 and 2020.

The barrel price closed the year at $66/barrel, which is a 12 % drop from the highest level reached in April, and a 23 % increase on 2019 as a whole.

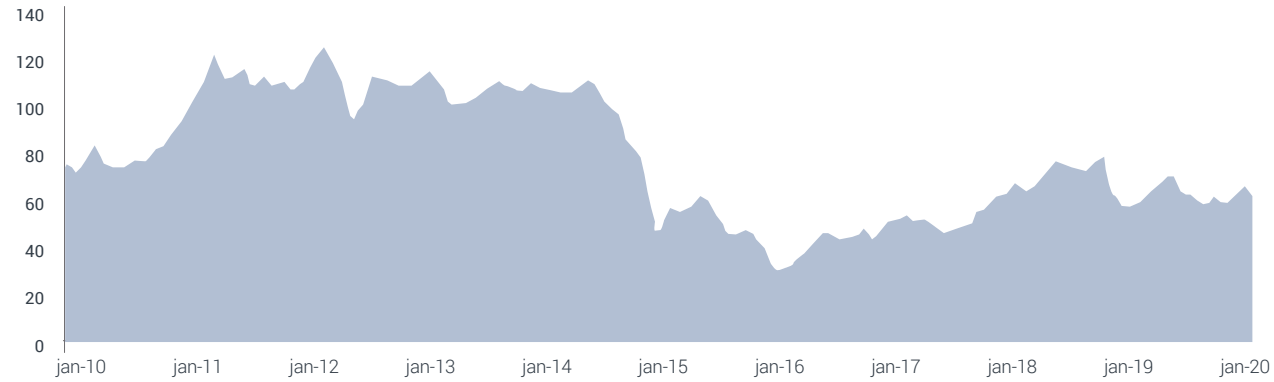
At sector level, there was a recovery in the sector for the engineering and construction of oil and gas plants. Clients made rapid investment decisions, tender awards were decided more quickly, and the basic aspects for those investments continued to be sound.

The increased demand from the emerging economies, the investments for obtaining a higher profit margin in the existing refineries, the adaptation of petroleum products to the most demanding environmental standards and the growing role played by natural gas in the energy matrix at world level continue making investments in refining and gas essential.

At the same time, the factors which, amongst other things, boosted investments in petrochemicals are human development and the consequent building of houses, the motorisation of the emerging economies, and the integration of petrochemical plants with refining processes for streamlining operations.



Evolution of the Brent oil price January 2010 - January 2020 ($/barrel)



Source: *Energy Information Administration. (2020). Europe Brent Spot Price FOB (Dollars per Barrel).*

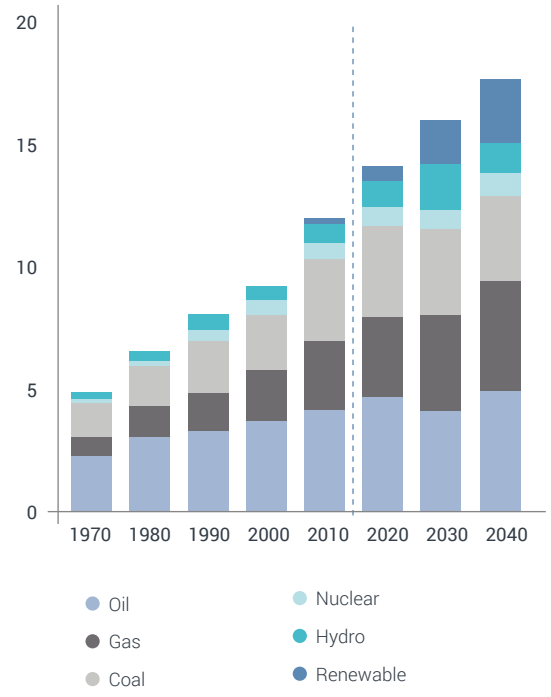
WORLD ENERGY CONSUMPTION

The energy forecasts drawn up in 2019 indicated a possible 33 % increase in worldwide energy consumption by 2040 (at an average rate of 1.2 % per year). A large part of this increase would be concentrated in India and China.

In any case, in spite of the increased demand worldwide, around two thirds of the world population in 2040 will continue living in countries where the average energy consumption per person is low, which highlights the need to increase energy production.

The Oil & Gas sector will continue to play a significant role in world energy consumption, satisfying at least half of the energy demand during the next decades.

Evolution of world energy consumption 1970-2040 (billion tons of oil equivalent)



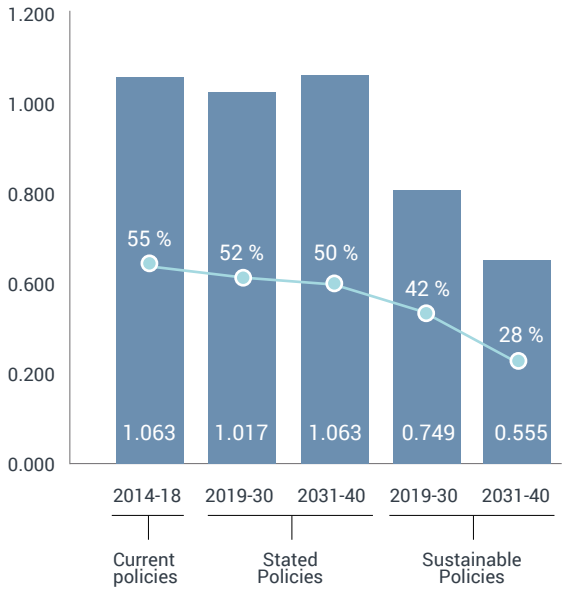
Source: *BP Energy Outlook 2019.*

ENERGY INFRASTRUCTURE

The International Energy Agency in its annual report *World Energy Outlook 2019* (WEO), estimates a total investment of 58.8 trillion dollars in energy infrastructure by 2040, or in other words, an average annual investment of 2.7 trillion dollars.

For the oil and gas sector, the International Energy Agency estimates a total investment of over 19.7 trillion dollars for the period 2019 to 2040, representing 34 % of the estimated investment for worldwide energy.

Investment in energy infrastructure 2019-2040 (trillion dollars) under the 3 scenarios considered in the *World Energy Outlook*



Source: *World Energy Outlook 2019.* International Energy Agency. 2019.

OTHER FIELDS RELATED TO THE OPERATING ENVIRONMENT

Over and above the evolution of the market, the Company's activity could be affected by factors related to other fields of the business.

ADAPTATION OF TÉCNICAS REUNIDAS TO THE TRENDS IN DIFFERENT FIELDS RELATED TO THE BUSINESS

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	ENVIRONMENTAL REQUIREMENTS	SAFETY REQUIREMENTS
TRENDS	• Contracting and execution models that postpone collection from clients (billing by milestones rather than by percentage of completion, reduction of advance payments, delays in the resolution of complaints and high volume of guarantees). • Increased tax pressure from governments to offset deficits. • Volatility of certain currencies. • Increased perception by financial institutions of risk related to the engineering sector. • Uncertainty regarding the evolution of the economic cycle.	• Uncertainty regarding the evolution of the crude oil price, which affects investment decisions and the execution of projects. • Geopolitical uncertainty: Middle East, United States, China, United Kingdom, Latin America and North Africa. • Regular use by the clients of turnkey contract models, which transfer more risk to the contractor. • Increasing competition for turnkey projects. • Increased client litigation. • New demands from clients in project execution structure (for example: joint ventures or revamping). • Postponing critical negotiations with clients and suppliers to the final stages of the project. • Need for clients to seek funding for their projects.	• Growing concern of clients about the environmental and social requirements of projects. • Greater environmental and social requirements by entities such as the World Bank, financial institutions or Export Credit Agencies. • Increasingly more stringent audits by financial institutions to social and environmental specifications.	• Adaptation to the workplace safety requirements established by the countries in which the company develops construction projects. • Greater demand from clients as regards qualifications and requirements for personnel assigned to the site with health and safety responsibilities. • Need for more practical training programmes on site. • Incorporation of new technologies for improved performance and monitoring of health and safety conditions in projects.
HOW IS THE COMPANY PREPARED?	• Increased funding facilities. • Management of clients and suppliers (payment and collection periods, discounts, confirming). • Implementation of policies resulting in profits being assigned to the countries where they are generated (BEPs). • Currency hedging policy via forward contracts. • Creation of a very diversified pool of banks, with prominent presence of local banking institutions.	• Launching of the TR-ansforma plan aimed at reducing structure costs and improving efficiency. • Diversification of geographical areas and of product. Experience in sustainable markets. • Selective management of potential projects. • More client integration from the initial stage. • Ability to manage complex projects. • Know-how and well-established work procedures. • Knowing providers and cooperating with relevant suppliers and subcontractors. • Partnerships with competitors for certain projects. • Leverage in own technologies. • Strengthening the legal team and involvement in the different project execution phases. • Back-up for clients in the search for sources of financing for the execution of projects, including bank funding guaranteed via export credit insurance given by the Export Credit Agencies (ECAs).	• Strengthening the method for evaluating the capacity of local suppliers on social and environmental issues. • Performing internal audits on social and environmental issues. • Identifying and monitoring environmental risks and opportunities. • Reinforcement of investment in new technologies for the production of cleaner and more efficient hidrocarbons.	• Implementation of a Regulatory Compliance System that, amongst other things, includes environmental risks and occupational health and safety (HSE). • Training for project managers on international health and safety standards. • Strengthening the collaboration between Human Resources and the divisions involved in the construction phases. • Purchase of specific software and migration of regular reports. • Organisation of meetings regarding safety with critical suppliers.

	INNOVATION AND NEW TECHNOLOGIES	SUPPLY CHAIN AND SUBCONTRACTORS	GOVERNANCE AND CSR	HUMAN RESOURCES
TRENDS	• Importance of digitalisation and the use of new technologies to improve efficiency, provide clients with a more rapid response, and reduce costs, amongst other reasons. • Focus on raw materials and particularly on certain critical or strategic raw materials for relevant sectors such as telecommunications, defence, aeronautical or energy. • Sustainability, environmental legislation, circular economy, etc. as a clear business opportunity for developing technologies associated to waste management. • Reduction of emissions in the regulations governing nitric acid plants in respect of greenhouse gases (NO_x, N_2O). • Improvement in the recovery of effluents with a high nitrate content in ammonium nitrate plants aimed at minimising the risk of soil contamination. • Establishing lines of collaboration with clients, partners, suppliers and subcontractors.	• Greater importance of sharing management processes and techniques in the supply chain with multicultural companies and those within the sector. • Less demand, which could reduce the capacity and quality of the supply market and a growing financial risk, together with an increase of non-conformity in quality and delays in supplies. • Volatility of raw materials and currencies. • Selection of competitive assembly and construction firms. • Protectionism of businesses toward local workers. • Number of lawsuits brought by suppliers.	• Increase in requirements on the disclosure of non-financial reporting. • Greater requirements from public administrations, clients and suppliers regarding regulatory compliance. • More demand for publicising the policies that promote diversity in corporate management bodies. • Intensification of the activity of the corporate governance bodies and the need to strengthen the internal control and risk management systems. • Need to ensure fair treatment of shareholders and to take the concerns of other stakeholders into consideration. • Special attention to CSR issues and sustainability.	• Demands from clients for increasingly more qualified members of staff who can not only handle the technical aspects but also have management, control, safety and quality guarantee skills. • Consolidation of the internationalisation of the Company's activity.
HOW IS THE COMPANY PREPARED?	• Own developments in all work divisions. • Strategy in the field of digitalisation to boost our competitiveness, adapt ourselves to clients' demands and streamline processes. • Specialists in managing R&D&I and knowledge in the areas of development. • Providing optimum technical solutions for the development of efficient industrial plants that will enable clients to implement their strategies for sustainability and for control and reduction of gas emissions. • José Lladó Technology Centre, with specialist skills and resources. • Contact with suppliers of catalysts used in treatments to minimise greenhouse gas emissions in nitric acid plants. • In-depth analysis of projects in order to plan their management throughout the course of the execution period. • Introduction of virtual reality into the design and execution of projects.	• Development of technological management tools for the supply chain, which are generic and can be adapted for use by other Group Companies in different locations. • Strengthening presence in suppliers' workshops. • Enhancing the synergy report with greater focus on the suppliers' financial situation. • During the award process, introduction of historic price indicators for materials together with the spot market correction factor. • Maximisation of the use of insurance for minimising the volatility of raw materials. • Direction and control of the activities of assembly and construction subcontractors to the point of micro-management where required. • Expansion and updating the Company's subcontractor database on a world-wide basis. • Performing technical and material analyses to ensure subcontractors' capacity for executing the construction work.	• Deeper commitment to CSR actions and sustainability at both global level and in the projects carried out. • Analysis of policies and commitments that strengthen the commitment to diversity. • Strengthening the role of the Board-appointed committees, mainly regarding non-financial information. • Ongoing development and adaptation of in-house documentation in line with corporate governance best practices. • Supervision of the tax risks and information security by corporate governance bodies. • Enhancing the channels of communication with the main stakeholders. • Reporting and verification of information on CSR and sustainability in accordance with the most stringent standards. • Development of the Criminal Compliance Management System and the prevention of risks of a criminal nature. • Approval of new regulatory compliance policies.	• Management training, with emphasis on risks and opportunities and developing skills and abilities. • Special attention to motivation, control and innovation. • Globalisation in the management of the Human Resources in close collaboration with the associated departments. • Multi-country management: adaptation of internal policies to local tax and labour legislation, and also to the local culture using direct management by expatriate employees from the target countries. • Development of tools for continuous analysis of the job market and for locating available top quality professionals. • Establishing internal rotation policies where this is necessary. • Assignment of key personnel in the project design phase. • Design personnel remaining on site to obtain designs adapted to the needs of specific countries and clients.

4 BUSINESS MODEL AND STRATEGIC PILLARS

4.1 BUSINESS MODEL AND VALUE CHAIN

Técnicas Reunidas is a company specialising in the management, engineering, design, provisioning, construction and commissioning of complex industrial installations, with 60 years' experience worldwide.

The Company has a solid position in the value chain of the oil, gas, petrochemical, energy, nitrogen fertiliser, hydrometallurgy, water and infrastructure sectors, which reinforces its competitiveness and the stability of its activities, and has proven knowledge of how to direct, manage and resolve adverse situations.

Its business model is based on the use of differential values such as quality, technology, health and safety, and environmental protection.

TR is committed to sustainability. Current environmental requirements oblige us to seek cleaner and more efficient energy sources. The Company contributes with its technology to be part of this environment, contributing its knowledge to carry out projects that meet the most rigorous emission standards of the energy industry, thus allowing our customers to reduce their carbon footprint.

Técnicas Reunidas has a wide range of resources...

PEOPLE

- Multicultural team and adaptability to different markets.
- Flexibility, client orientation and safety prioritisation.
- Continuous staff training during all project phases.
- Establishment of communication processes and feedback.

For more information see sections: 6.2, 6.3 and 6.5

KNOWLEDGE AND TECHNOLOGY

- Experience in managing complex projects.
- Optimal design knowledge reflected in standards, procedures and methodologies.
- Knowledge of the global market of suppliers and subcontractors.
- Golden Rules* for complex units where we have extensive experience.

For more information see sections 6.3 and 6.6.

FINANCE CAPITAL

- Healthy balance sheet.
- Liquidity capturing policies.

For more information see sections 5.2 and 6.1.5.2 y 6.1

MATERIALS AND ENERGY

- Integration of sustainability and environmental management throughout the project life cycle.

For more information see section 6.4.

RELATIONSHIPS

- Long-standing relationship with suppliers and contractors and strict approval and monitoring processes.
- Fluid and regular dialogue with all stakeholders.

For more information see sections 6.6 and 6.7.

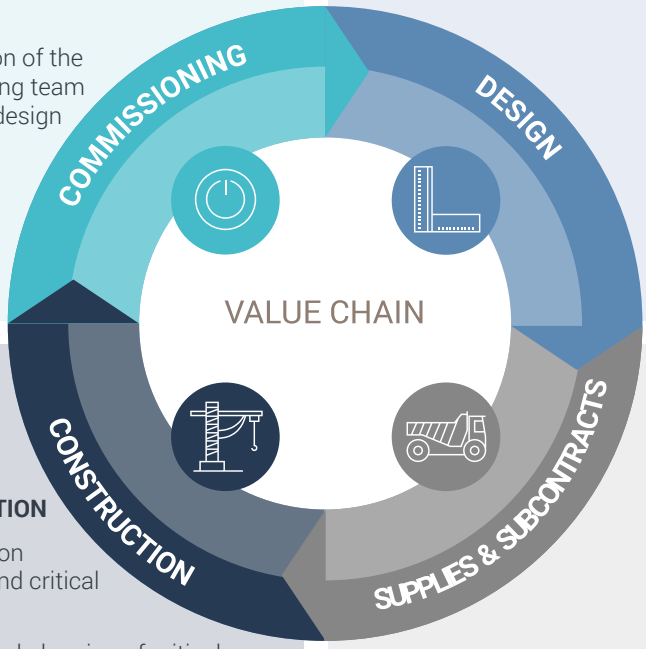
… which it employs and adapts throughout the activities of its value chain…

COMMISSIONING

- Delivery of turnkey projects.
- Development of pre-commissioning, commissioning and start-up plans.
- Client training to operate plants.
- Start-up study from the engineering phases.
- Integration of the engineering team with the design team.

DESIGN

- Conceptual Engineering.
- Basic Engineering.
- Front End Engineering Design (FEED).
- Detail Engineering.



CONSTRUCTION

- Construction planning and critical path.
- Strategy and planning of critical construction activities.
- Management of construction materials and activities.
- Client relations and economic assessment.
- Management of subcontractors (micro-management).

SUPPLIES AND SUBCONTRACTS

- Management of supplies and subcontracts throughout the project cycle.
- Improvement processes with critical suppliers and subcontractors for construction.

Técnicas Reunidas' differential values

KNOWLEDGE

Extensive knowledge in all project phases, reflected in a set of rules, procedures, calculation methods, lessons learned and Golden Rules*.

FLEXIBILITY

Experience and operational structure facilitates rapid decision making, adaptation to different technologies and response to unexpected project developments.

* Técnicas Reunidas' Golden Rules are a collection of internal rules and procedures that reflect the way in which the company operates. Based on the knowledge accumulated over almost 60 years of history, they ensure that project management benefits from best practices and lessons learned. They also guarantee that the company develops its activities along the same guidelines in all its geographical areas and operations.

… with a view to generating value for its main stakeholders

ENVIRONMENT

- Obvservance of the highest environmental standards.

For more information, see chapter 6.4 Excellence in environmental performance.

SHAREHOLDERS

- Activity oriented to value creation.

For more information see sections 5.1 and 6.1.

CLIENTS

- Adjusting to their needs and fulfilling commitments.
- Guaranteed satisfaction and recurring business

For more information see sections 6.1 and 6.3.

LOCAL COMMUNITY

- Generation of local wealth (employment, capacity development, opportunities, etc.).

For more information see sections 6.1, 6.6 and 6.7

SUPPLIERS AND SUBCONTRACTORS

- Generation of business and promotion of their innovation.
- Support for their internationalisation.

For more information see section 6.6.

REFERENCED SECTIONS OF THE INTEGRATED REPORT:

5.1 Governance model
5.2 Risk management
6.1 Control and management of finance capital
6.2 Employees, a key pillar for growth
6.3 Focus on R&D&I
6.4 Excellence in environmental performance
6.5 Occupational health and safety
6.6 Efficient supply chain management
6.7 Relationship with society and stakeholders

INNOVATION

Considers innovation throughout its value chain as a key lever to offer clients higher value-added products.

CREDIBILITY

Commitment to the requirements undertaken with the client.

CLIENT ORIENTATION

Offers added value to its clients by supporting them in obtaining funds to finance their investments and innovating in business models.

QUALITY

Maintains a firm commitment to quality management, based on a continuous improvement and learning approach that is integrated into all processes.

4.2 STRATEGIC PILLARS

The strategy of the Técnicas Reunidas group is based on three fundamental pillars: methodology, diversification and quality.

THE 3 STRATEGIC PILLARS OF TÉCNICAS REUNIDAS

Methodology

One of the competitive advantages that differentiates Técnicas Reunidas is its firm commitment to a **methodology** that helps the Company achieve its objectives.

The Company's **methodology** is based on the development, systematisation and proper use of rules, procedures, calculation methods, lessons learned and Golden Rules.

Diversification

Basing part of the strategy on diversification, in terms of clients, products and geographical areas, promotes resilience and the Company's capacity to adapt to a complex and constantly evolving market.

Quality

Since the Company was founded, **quality** has been one of its most outstanding values, and has become a strategic line, due to the vital role it plays in the development of its projects and the impact it has on the confidence of clients, suppliers and subcontractors.

The objective of this strategic pillar is to optimise and guarantee the efficiency of work processes, while serving as a barrier to the entry of new competitors.

The Company's human capital and innovative approach are two fundamental values. Técnicas Reunidas' expert employees are capable of managing and technically developing projects of great complexity and diversity, using the most advanced tools to control and meet the objectives of safety, quality, deadlines and budget.

The Company also has innovation in its DNA, which has allowed it to extend its activity to other sectors and penetrate new market segments, develop its own technologies in the fertilizer and hydrometallurgy sectors, and implement new management, design, calculation and control tools, adapting them to the specific needs of its projects and introducing the use of its own most advanced technological tools into its working methods, or those developed specifically for Técnicas Reunidas.

A wide range of reputable and financially solvent clients guarantees the consolidation of Técnicas Reunidas' presence in the market and facilitates the acquisition of new clients, reducing the concentration of risk.

Geographical and sectorial **diversification** allows not only a more balanced distribution of the project portfolio, but also ensures that any changes in investment cycles are properly offset.

Finally, the diversification of available products allows Técnicas Reunidas to focus on different types of projects at any given time. Its commitment to innovation has enabled the Company to enter new market segments in areas that include conceptual studies, basic engineering, FEED, Front End, PMC, EPC and LSTK.

Following the maxim *Working Smart*, ensuring quality in the execution of our own operations and those of our suppliers and subcontractors, allows clients to rest assured that their plants are functioning correctly, in accordance with contractual requirements.

To reinforce its commitment to quality, the Company has an externally audited Quality Management System that is fully compliant with the ISO 9001:2015 standard. In addition, the Company has developed more than 1,300 procedures that help to maintain high quality standards across all its operations.

In addition, client satisfaction creates a dynamic that leads to invitations to participate in new investments, and even other plants, thereby securing recurring projects.

Employees play a key role in the Company's performance in the area of quality. Técnicas Reunidas has an excellent team that allows the Company to overcome the challenges it faces, achieve its objectives in a sustainable and responsible way, and comply with the quality standards required by the market.

5 RESPONSIBLE MANAGEMENT

5.1 GOVERNANCE MODEL

Técnicas Reunidas has a corporate and sustainable governance model that is continuously evolving. This model seeks to generate long-term value in line with the business model, and provides credibility and confidence to stakeholders.

KEY INDICATORS [205-1]

INDICATOR	2019 DATA	2017-2019 PROGRESS
Independent Directors (%)*	35.71 %	- 25.8 p.p (percentage points)
Good Governance Code Recommendations adopted (%)**	85.71 %	+ 4,2 p.p. (puntos porcentuales)
Business units analysed from the perspective of ethics and integrity (%) [205-1]	100 %	=
Votes against items on the agenda of the Annual General Meeting (%)	4.06 %	+ 3.6 p.p. (percentage points)
Percentage of issues raised through the Whistleblower Channel that have been resolved.	100 %	=

2019 MILESTONES

- Approval of the directors' remuneration policy for 2019 to 2021.***
- Inclusion of environmental and HSE parameters in the variable remuneration of executive directors, and establishment of applicable long-term variable remuneration.
- Updating of the Company's corporate documentation and new corporate policies.
- Attainment of a high score in the self-assessment of the performance of the Board of Directors.
- Reassessment of criminal risks.
- Creation of the Risk and Control Matrix and the Training Matrix.
- Development of TPDD policies and procedures (integrity assessment of third parties including, among others, clients, partners and suppliers).
- Implementation of the regulatory compliance function at a global level, with the appointment of a Deputy Compliance Officer for the Middle East.

GOALS 2020

- Approval of a Long-Term Remuneration Plan for executive directors.
- Planning and development of the activity of the Board's Delegated Committees through specific regulations for the Audit and Control Committee, the Appointments and Remuneration Committee and the Management and Risk Committee.
- Updating of the Articles of Association, Regulations of the Board of Directors, Regulations of the Annual General Meeting of Shareholders and the Company's Internal Code of Conduct in Securities Markets.
- Development of corporate policies, such as the Policy for the Selection and Diversity of Directors, the Policy for Relations with Shareholders, Investors and Other Stakeholders or the Corporate Social Responsibility Policy.
- Development of new policies related to the management system for criminal compliance, and review of existing policies in order to ensure compliance with international standards.
- Compliance with insider dealing regulations and reporting to regulatory bodies.
- Implementation of the actions proposed in the Board's Self-Assessment Report.
- Continued deployment of the regulatory compliance process in those geographical areas that require such action in terms of business volume and continuity.
- Audit of the Criminal Compliance Management System.
- Reform of face-to-face training to convert it into a decisive factor for the implementation and diffusion of the criminal compliance culture.

* This decrease was due to directors with a long-standing relationship with the Company who do not have immediate replacements being moved from the independent category to the category of other external directors, due to their outstanding contribution to the Company.

** Percentage of recommendations of the Code of Good Governance for Listed Companies issued in 2015 by the National Securities Market Commission with which TR fully or partially complies. Recommendations that do not apply to the Company are excluded from the calculation. In 2019, this figure was recalculated in accordance with the recommendations of the National Securities Market Commission.

*** A Directors' Remuneration Policy for 2020-2022 will be submitted for consideration at the 2020 Annual General Meeting, and will include a long-term incentive for executive directors.

OWNERSHIP STRUCTURE
[102-5]

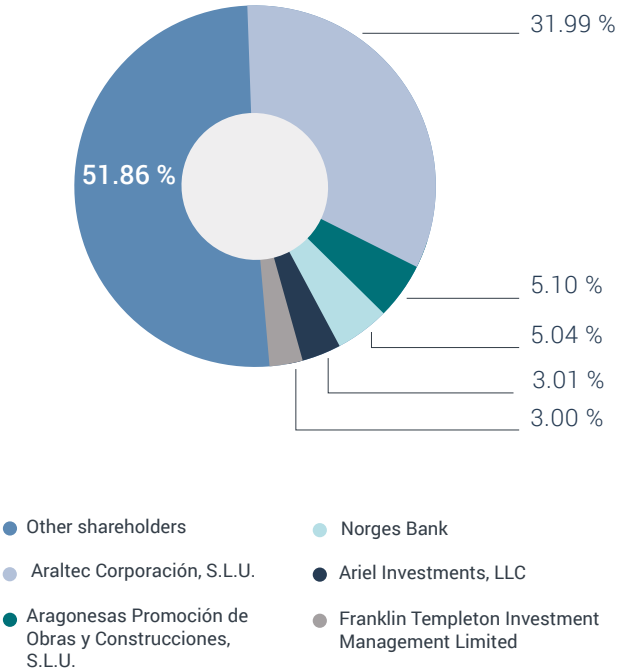
Técnicas Reunidas' share capital is comprised of 55,896,000 shares.

51.86 % corresponds to minority shareholders. The Board of Directors, for its part, holds 37.25 % of the shares, maintaining the stability of capital structure over recent years.

Técnicas Reunidas shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

> The majority of Técnicas Reunidas shareholders supported the proposed resolutions submitted to the General Meeting of Shareholders with regard to the Directors' Remuneration Policy for 2019-2021, with 99.61 % voting in favour of this item on the agenda.

Técnicas Reunidas' share capital structure*



*Structure as of 31 December 2019

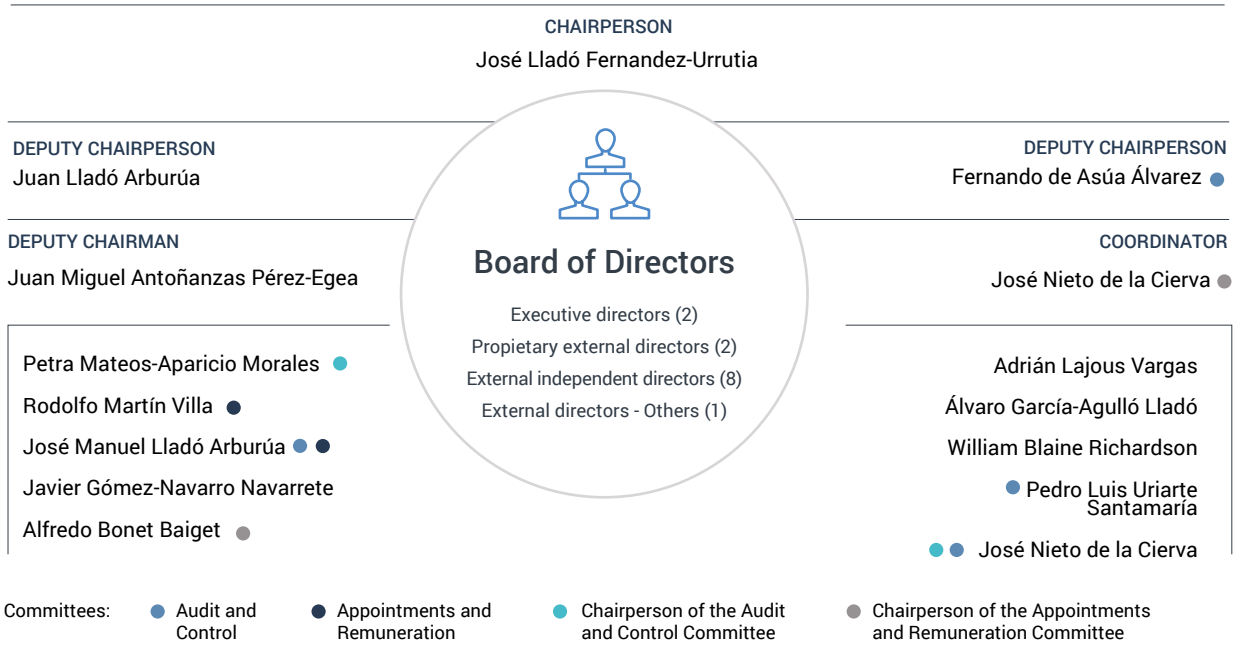
COMPOSITION AND FUNCTIONING OF GOVERNING BODIES

[102-18]; [102-22]; [102-23]; [102-24]; [102-26]; [102-28]; [102-29]; [102-30]; [102-33]; [405-1]

GOVERNANCE STRUCTURE

The Company manages its governance structure through its main corporate bodies, such as the General Meeting of Shareholders, the Board of Directors and its two Delegated Committees (the Audit and Control Committee and the Appointments and Remuneration Committee). The chairpersons of both Committees are external independent directors.

Composition of the Técnicas Reunidas Board of Directors



BOARD MEMBERS	POSITION	STATUS	FIRST APPOINTMENT	LAST APPOINTMENT
José Lladó Fernández-Urrutia	Chairperson	Executive	10/05/2006	29/06/2016
Juan Lladó Arburúa	Deputy Chairperson	Executive	10/05/2006	29/06/2016
Juan Miguel Antoñanzas Pérez-Egea	Deputy Chairperson	Other external	10/05/2006	27/06/2018
Fernando de Asúa Álvarez	Deputy Chairperson	Other external	10/05/2006	27/06/2018
Álvaro García-Agulló Lladó	Director	Proprietary	10/05/2006	29/06/2016
José Manuel Lladó Arburúa	Director	Proprietary	10/05/2006	29/06/2016
Javier Gómez-Navarro Navarrete	Director	Other external	10/05/2006	27/06/2018
William Blaine Richardson	Director	Other external	22/06/2011	29/06/2016
Pedro Luis Uriarte Santamarina	Director	Independent	29/06/2016	29/06/2016
Petra Mateos-Aparicio Morales	Director	Independent	29/06/2016	29/06/2016
Adrián Lajous Vargas	Director	Independent	29/06/2016	29/06/2016
Alfredo Bonet Baiget	Director	Independent	27/06/2018	27/06/2018
José Nieto de la Cierva	Director	Independent	27/06/2018	27/06/2018
Rodolfo Martín Villa	Director	Other external	26/06/2019	26/06/2019

Further information on the profile of each board member is available at www.tecnicasreunidas.es

Board Self-Assessment [102-28]

The Técnicas Reunidas Board of Directors is subject to an annual self-assessment of its performance. On the basis of its results, a plan is drawn up, with proposed actions that will contribute to improving the Company's performance in areas such as sustainability, HSE, good governance, etc.

In 2019, several actions were implemented as a result of the Action Plan that had been defined in the previous year, among which the following are especially of note:

- Continued efforts to promote greater debate within the Board on Company strategy, sector trends, the competitive environment and other long-term issues.
- Strengthen interaction with the management team.
- Improve the information made available to Directors, reserving a specific point on the agenda to facilitate the sharing of such information.
- Develop committee work plans.
- Provide the Board of Directors with additional information on investor perceptions of the Company.
- Make further progress with regard to diversity of competences on the Board of Directors.

Most of the actions contained in the Action Plan, including some proposals for previous years, were satisfactorily completed during the year.

THE MAIN ISSUES ADDRESSED BY THE BOARD AND ITS COMMITTEES OVER THE COURSE OF 2019 WERE THE FOLLOWING:

- Preparation of the Annual Financial Statement, Annual Corporate Governance Report and Annual Report on Directors' Remuneration.
- Adaptation of the Directors' Remuneration Policy for 2019-2021.
- Monitoring of the tax inspections to which the Company is subject.
- Analysis of potential risks for Técnicas Reunidas (strategic, emerging, operational, financial, legal or fiscal).
- Broadening of the information reported, particularly with regard to non-financial information, through the Statement of Non-Financial Information included in the Consolidated Management Report.
- Analysis of succession protocols.
- Self-Assessment of the Board of Directors.
- Evaluation of the composition of the Board's Delegated Committees.

Main issues addressed by the Board and its Delegated Committees

In 2019, the Board of Directors and its Delegated Committees held a total of 25 meetings (9 meetings of the Board, 9 meetings of the Audit and Control Committee, and 7 meetings of the Appointments and Remuneration Committee) with 94.44% attendance in the case of the Board of Directors and the Audit and Control Committee, and 100% attendance in the case of the Appointments and Remuneration Committee.

Delegated Committees

The Delegated Committees monitor various key issues for the Company and its shareholders. Both have seen their powers strengthened as a result of amendments to the Spanish Companies Act.

COMMITTEE CHAIRPERSON
Petra Mateos-Aparicio Morales ●

Pedro Luis Uriarte Santamarina ●
José Nieto de la Cierva ●
José Manuel Lladó Arburúa ●

Audit and Control Committee

● External independent directors (3)
● Non-executive proprietary director (1)

For further information on the main activities of the Audit and Control Committee in 2019, please consult the report, which is available at the following link:
https://web-trweb-pre.azurewebsites.net/es/como-lo-hacemos/gobierno-corporativo/documentos-de-gobierno-corporativo/

Functions

- Report favourably on the individual and consolidated financial statements, including the statement of non-financial information.
- Periodically monitor the progress of auditing work.
- Receive periodic reports on the internal control system of the Company's financial information (SCIIF).
- Monitor and supervise the Regulatory Compliance Unit.
- Receive information on the Company's tax situation and the Tax Risk Manual.
- Carry out periodic monitoring of the Internal Audit Plan.
- Receive the declaration of independence of the external auditors and monitor their independence.
- Prepare the Committee's own Action Plan for 2020.

COMMITTEE CHAIRPERSON
Alfredo Bonet Baiget ●

Fernando de Asúa Álvarez ●
José Manuel Lladó Arburúa ●
José Nieto de la Cierva ●
Rodolfo Martín Villa ●

Appointments and Remuneration Committee

● External independent directors (2)
● Proprietary director (1)
● Other external (2)

For further information on the main activities of the Audit and Control Committee in 2019, please consult the report, which is available at the following link:
https://web-trweb-pre.azurewebsites.net/es/como-lo-hacemos/gobierno-corporativo/documentos-de-gobierno-corporativo/

Functions

- Assessing the necessary competences, knowledge and experience of the Board of Directors.
- Submitting to the Board of Directors or reporting on proposals for the appointment of directors.
- Proposing the members that should form part of each of the Committees and other positions on the Board.
- Propose to the Board of Directors the remuneration policy for directors and general managers or persons with management functions.
- Analyse the Group's plans with regard to human resources.
- Report on compliance with the parameters and indicators for the remuneration of executive directors.

REMUNERATION AND PERFORMANCE MODEL [102-35]; [102-36]

The Board's remuneration model consists of a fixed component and attendance allowances, and in the case of executive directors, a variable component.

In 2019, the Company submitted the Directors' Remuneration Policy for the three-year period 2019-2021 for consideration at the General Meeting of Shareholders, which approved the policy, with 99.61 % voting in favour. This policy is based on the principles shown below:

Remuneration of the highest governing body and senior executives

GENERAL PRINCIPLES OF THE REMUNERATION MODEL
Remuneration for the skills and responsibilities that the position of director requires, offering incentives for their efforts, but without compromising their independence.
Remuneration for the service of directors.
Remuneration adjusted on the basis of the demands of the market.

VARIABLE REMUNERATION COMPONENTS

SUSTAINABILITY

The Directors' Remuneration Policy has introduced sustainability criteria as part of the variable component of remuneration applicable to executive directors, which includes the following parameters:

- **Financial targets (80 %):**
  - Consolidated revenue (20 %), order book (30 %) and margin/ (EBITDA (30 %).
- **Non-financial objectives (20 %):**
  - HSE (10 %) and environment (10 %).

The incorporation of these environmental and HSE parameters reinforces Técnicas Reunidas' commitment to these key issues in the development of its business activity.

For further information on the remuneration of the Board and senior executives, please refer to the Annual Corporate Governance Report and the Report on the Remuneration of Directors of Listed Companies:
https://web-trweb-pre.azurewebsites.net/es/como-lo-hacemos/gobierno-corporativo/documentos-de-gobierno-corporativo/

Management model for the governance of the Company

Técnicas Reunidas has a governance model based on its corporate regulations, which include the Articles of Association (updated in 2018 and due for further update in 2020), the Regulations of the Annual General Meeting, the Regulations of the Board of Directors and the Internal Code of Conduct in Securities Markets (due for further update in 2020).

This model entails continuous analysis of the legislation applicable to the Company and its activities, with particular reference to its status as a listed company, and taking into account best international practices in this area.

In addition, Técnicas Reunidas takes into special consideration all recommendations on matters of governance, which although non-binding, are widely recognised benchmarks in this area.

MAIN INTERNAL STANDARDS OF GOOD GOVERNANCE
1. ARTICLES OF ASSOCIATION
2. REGULATIONS OF THE ANNUAL GENERAL MEETING
3. REGULATIONS OF THE BOARD OF DIRECTORS
4. INTERNAL CODE OF CONDUCT IN SECURITIES MARKETS
5. REGULATIONS OF THE AUDIT AND CONTROL COMMITTEE (UNDERGOING APPROVAL)
6. REGULATIONS OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

This management model has been reinforced by the approval by Técnicas Reunidas' shareholders, for the third consecutive year, of a joint audit system developed by the external auditors PwC and Deloitte. The main advantage of this auditing system is that it provides greater confidence to analysts and investors through improved external supervision of the Company's financial information.

Looking ahead to the next year, the Company will continue to work on improving its management model and adapting it to the new regulations that have been introduced in 2019. Accordingly, the Company plans to update its Articles of Association and the Regulations of the Board of Directors, and to approve specific regulations for the Board's Delegated Committees.

> Técnicas Reunidas employs internal control mechanisms at the level of delegation of powers at the financial, banking and operational levels throughout all its organisational levels and business activities.

Adaptation of the management model to external factors

The Company carries out a continuous analysis of emerging factors to determine those that may potentially impact on its management model, assessing this impact and then categorising these factors on the basis of the results.

This focus on continuous monitoring ensures that Técnicas Reunidas is in a position to adopt the measures that may be required in each case, and to define its future strategy.

As a listed company, one of the pillars of Técnicas Reunidas' corporate governance model is the Internal Code of Conduct in Securities Markets (available on the Company website), which determines the criteria of behaviour to be followed, by those to whom it applies, with regard to any privileged information to which they may have access in the exercise of their duties.

This corporate document takes on even greater significance following the approval of Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse. The management model is aimed at aligning corporate documentation and practices with the best national and international practices.

> Técnicas Reunidas adapts it governance model in accordance with new regulations, best practices and other relevant external factors.

External factors impacting on the Company's governance model in 2019

Amendments to corporate, accounting and securities market regulations, with particular emphasis on obligations to disclose non-financial information.

Strengthening of the activity of the Board of Directors and its Delegated Committees as a result of more stringent obligations to disseminate non-financial and sustainability information.

Técnicas Reunidas Governance Model

INTEGRITY AND COMPLIANCE [102-16]; [102-17]; [103-2]

In addition to the internal rules of good governance mentioned above (such as the Regulations of the Board of Directors), the Company has a Code of Conduct (updated in 2016 and available on the website) which has continued to be disseminated to all employees throughout 2019.

The Company also has a specific Code of Conduct for suppliers and subcontractors, in order to strengthen the integrity of its supply chain. This Code details the ethical, social and environmental requirements that the Company establishes for its supply chain (for more information, see section 6.6 Efficient Supply Chain Management).

The Compliance Unit is another key element in the management of integrity at Técnicas Reunidas. The Unit's most important functions include the dissemination of the Code of Conduct, management of the Whistleblower Channel, review and adaptation of crime prevention systems, etc.

The Company has also had a Crime Prevention Management System in place since 2017 (based on the Company's Code of Conduct and the regulatory framework). In this context, in 2019, Técnicas Reunidas carried out a reassessment of criminal risk and began to draw up its risk and control map to minimise risks and improve the Company's capacity to prevent, detect and respond to critical issues of regulatory compliance and integrity.

2019 also saw the launch of Técnicas Reunidas' international implementation of this system in Saudi Arabia, in order to ensure greater control over regulatory compliance and reduce associated risks in all its subsidiaries and projects around the world.

Ever alert to best practices in integrity and compliance, the Company is also working to adapt the Management System for Crime Prevention to new benchmark standards to improve management, such as UNE 19601 on Criminal Compliance Management Systems (already adapted and undergoing dissemination) and ISO 37001 on Anti-bribery Management Systems (undergoing adaptation).

Finally, with regard to the Code of Conduct, the Company has a Whistleblower Channel (Code Mailbox) to facilitate the communication of non-compliance or other issues related to the Code. This Channel is available to Técnicas Reunidas' employees, as well as partners, suppliers and subcontractors (buzondelcodigo@trsa.es).

Five complaints were received in 2019, four of which were substantiated and resolved by adopting the appropriate disciplinary and organisational measures. None of the complaints related to respect for freedom of association, the right to collective bargaining, discrimination in employment, forced or compulsory labour, or child labour.

Among the most notable of the proposed measures in 2019 to improve the functioning of the Whistleblower Channel is a tool that will allow access to documented information on all the issues addressed.

PRINCIPLES CONTAINED IN THE CODE OF CONDUCT OF TÉCNICAS REUNIDAS

INTEGRITY

- Respect for legality, human rights and values.
- Use and protection of assets.
- Justification of expenditure.
- Processing of information and knowledge.
- Respect for free competition in the market.

PROFESSIONALISM

- Quality and innovation.
- Client orientation.
- Relationships with companies, associates and suppliers.

OTHER PRINCIPLES

- Professional development, non-discrimination and equal opportunities.
- Training.
- Protection of privacy.
- Occupational health and safety.
- Rejection of child and forced labour.
- Respect for the environment.
- Social commitment.
- Relationships with shareholders.
- Neutrality.
- Prevention of money laundering and the financing of terrorism.
- Corporate image and reputation.

> Técnicas Reunidas has a range of internal rules and management tools that reinforce the responsible commitment of the Company and all its employees

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY AT TÉCNICAS REUNIDAS

In 2019, Técnicas Reunidas consolidated CSR and sustainability as strategic pillars of the Company at the corporate level.

To this end, the Company has developed a sustainable development strategy aimed at the creation of lasting value and the provision of high value-added services to enable its clients to operate efficient and viable industrial plants that contribute to the transition to a low-carbon economy. In doing so, the Company seeks to take advantage of the commercial opportunities arising from its advanced technological capabilities.

Sustainability, together with the Corporate Governance system in which it is framed, is destined to constitute a fundamental strategic line for the Group, to become a key element in differentiating the Company from its competitors, and to represent a determining factor in consolidating Técnicas Reunidas as the company of choice for its stakeholders.

An essential requirement for the success of Técnicas Reunidas' business activities is the contribution of its activities to the communities in which the Group operates. In carrying out this activity, decision-making processes are guided by the Sustainable Development Goals, with the Company rejecting any actions that may run contrary to the achievement of these goals.

With regard to the Sustainable Development Goals, the Group is making a significant contribution to the achievement of Goals 7, 9 and 13, which refer to the supply of affordable, non-polluting energy, building resilient infrastructure, promoting inclusive and sustainable industrialisation, and encouraging innovation and combating climate change. The contribution to the achievement of these objectives is achieved through the development of technical solutions that enable clients to operate efficient and sustainable industrial plants, thereby promoting energy efficiency and universal access to energy services. In addition to these three, Técnicas Reunidas is firmly committed to several other goals, as detailed in the following section.

Técnicas Reunidas' sustainability strategy is comprehensive and covers all its activities, whether corporate or operational. The strategy covers issues relating to corporate governance, the environment and the relationship with society, with all work in this area coordinated between the departments involved.

To support this strategy, Técnicas Reunidas is in the process of updating its CSR, Sustainability and ESG Policy, which sets out the Company's main commitments in these areas. As an integral part of this Policy, the Company also has other specific policies related to this area.

Another of the basic principles enshrined in Técnicas Reunidas' CSR, Sustainability and ESG Policy is transparency. In this context, the Company has progressively increased the amount of non-financial information it reports annually since 2012, particularly relating to its CSR performance, in accordance with the main international standards

Lastly, the Company participates in various internationally recognised initiatives in the field of CSR, such as the UN Global Compact and the Carbon Disclosure Project - Climate Change, in which it has obtained, for the second year running, the status of world leader, as well as recognition from various sustainability forums.

> In order to further consolidate CSR as a strategic element, Técnicas Reunidas is in the process of updating its General CSR, Sustainability and ESG Policy.

TÉCNICAS REUNIDAS' COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) define global development priorities around a set of common goals and targets.

In 2019, Técnicas Reunidas carried out a detailed analysis of the most relevant SDGs for its business, as well as the actions it is undertaking to contribute to their achievement. As indicated in the previous section, the most important SDGs for the Company, in terms of relevance, are goals 7, 9 and 13, which refer to the supply of affordable, non-polluting energy, building resilient infrastructures, promoting inclusive and sustainable industrialisation, and encouraging innovation and combating climate change. The Company is also committed to other goals, as detailed below.

Principales ODS de aplicación a Técnicas Reunidas y contribución de la Compañía a su consecución.

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

SDG and goal	How is Técnicas Reunidas contributing to their achievement?	Key messages on Técnicas Reunidas' contribution in 2019
1 NO POVERTY "END POVERTY IN ALL ITS FORMS EVERYWHERE"	• Promoting the hiring of local suppliers and subcontractors with the aim of creating a positive socio-economic impact in the areas in which the Company operates. • Encouraging and training suppliers and subcontractors to improve their performance and enhance their competitiveness, which will lead to greater business opportunities in the future. For more information see section 6.6 Efficient supply chain management.	**€2,846 million of purchases from local suppliers and subcontractors in 2019.**
3 GOOD HEALTH AND WELL-BEING "ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES"	• We are strongly committed to occupational health and safety as a strategic pillar. • A sound Occupational Health and Safety System, certified in accordance with the OHSAS 18001 standard, which helps to minimise occupational accidents and diseases, and extends to subcontractors. • The strengthening of Técnicas Reunidas' commitment in this area by setting increasingly demanding and ambitious annual occupational safety targets. • Providing occupational health and safety training for employees and subcontractors, and reinforcing the Company's safety culture through awareness campaign. For more information see section 6.5 Occupational Health and Safety.	**An 11.86 % reduction in the total recordable incidence rate (TRIR) and maintenance at zero of the number of occupational diseases between 2018 and 2019.**
4 QUALITY EDUCATION "ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL"	• Offering training adapted to the needs of employees to help them maximize their skills and foster their professional development. • Establishing agreements with universities and learning centres to offer internships to students, optimising their employability and aiding their integration into the labour market. • Supporting institutions and initiatives that promote education in the field of sustainable development and efficient energy use. For more information see section 6.2 Employees, a key pillar for growth and 6.7 Relationship with society and stakeholders.	**71.370 hours of employee training.** **Collaboration with more than 11 institutions in the field of culture, science, research and education.**

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

SDG and goal	How is Técnicas Reunidas contributing to their achievement?	Key messages on Técnicas Reunidas' contribution in 2019
7 AFFORDABLE AND CLEAN ENERGY "ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL"	• Developing efficient energy infrastructures that allow our clients to provide affordable and non-polluting energy supply. • Collaborating in R&D&I projects that contribute to achieving a more efficient use of energy resources and promoting the development of low-cost environmentally-friendly batteries for use in electric vehicles. • Contributing to the decarbonisation of the economy. • Increasing the percentage of renewable energy consumption in offices. For more information see section 6.3 Innovation and quality	**Industrial plant modernisation projects that optimise and render their operation sustainable.** **R&D&I projects focused on sustainable action (3R2020, Monacite, Sea4value and BioRecover).**
8 DECENT WORK AND ECONOMIC GROWTH "PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL"	• Offering employment opportunities to engineers and other professionals, both in Spain and the countries where Técnicas Reunidas operates. • Adopting a global approach to Human Resource management in order to align the policies implemented by the Company. • Encouraging the development of local business networks, promoting local purchasing and subcontracting within the framework of projects, and training professionals from the local community to enhance their employability. • Promoting sustained, inclusive and sustainable economic growth and decent work for all. For more information see section 6.2 Employees, a key pillar for growth and 6.7 Relationship with society and stakeholders	**Over 57,500 people, mainly from subcontractors, worked on the Company's projects.** **51 % permanent contracts within the Company (in Spain).** **71 % of trainees hired.**
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE "BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION"	• Developing technologies and processes that optimise the sustainable performance of industrial plants, and generating a lower environmental impact through the reduction of emissions, the efficient use of resources and the minimisation and optimisation of generated waste. • By using its own Technology Centre and collaborating with third parties in R&D&I projects related to the mass storage of energy and the recovery of metals from waste and petrochemicals from biomass. • Promoting the decarbonisation of the economy. For more information see section 6.3 Innovation and quality	**€4,9 million invested in R&D&I.** **70 employees assigned to R&D&I.**
11 SUSTAINABLE CITIES AND COMMUNITIES "MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE"	• Promoting circular economy activities. • Reducing the environmental impact of generated waste and improving air quality. • Promoting the preservation of cultural and natural heritage. • Developing technologies to make cities more resilient (for example, with innovation projects in the field of energy storage). • Promoting efficient waste management. For more information see sections 6.3 Innovation and quality and 6.4 Excellence in environmental performance	**Aim to reduce CO_2 emissions by 12 % between 2016 and 2030** **17 % increase in the proportion of electricity that comes from renewable sources.**

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

SDG and goal	How is Técnicas Reunidas contributing to their achievement?	Key messages on Técnicas Reunidas' contribution in 2019
12 RESPONSIBLE CONSUMPTION AND PRODUCTION "ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS"	• Ensuring sustainable production methods. • Commitment to the circular economy. • Promoting the responsible use of natural resources among employees, suppliers and subcontractors. For more information see section 6.4 Excellence in environmental performance.	**Certified Environmental Management System (ISO 14001:2015), implemented in 100 % of business processes.**
13 CLIMATE ACTION "TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS"	• Developing proprietary technologies to reduce NO2 and NOx generated during the manufacture of nitric acid. • Optimising the use of energy resources in the Company's activities through actions such as energy audits, preventive maintenance of machinery, and energy-efficient lighting and IT equipment. • Delivering transparency in the Company's reporting on its performance on climate change and participating in initiatives such as CDP Climate Change. • Promoting efforts to combat climate change in all corporate areas. For more information see sections 6.3 Innovation and quality and 6.4 Excellence in environmental performance.	**A reduction of over 80 % of CO_2 emissions from levulinic acid production through the use of the LIFE+WALEVA project technology.** **A-rating in the CDP, positioning the Company among the leading companies in combating climate change.**
16 PEACE, JUSTICE AND STRONG INSTITUTIONS "PROMOTE JUST, PEACEFUL AND INCLUSIVE SOCIETIES"	• Adhering to a Code of Conduct that reflects the Company's commitment to act in accordance with the law, human rights and internationally accepted ethical practices in all its operations. • Implementing a Management System for Crime Prevention, with specific managers responsible for the areas of the Middle East and Latin America. • Providing a Whistleblower Channel through which anyone can report activities that are at odds with the Company's ethical and regulatory framework. For more information see section 5.1 Governance Model.	**100% of employees are familiar with the Code of Conduct.** **100% of the complaints submitted through the Whistleblower Channel in 2019 were resolved.**
17 PARTNERSHIPS FOR THE GOALS "REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT"	• Collaborating with world leaders in sustainability. • Aligning the CSR, Sustainability and ESG policy with the SDGs. • Committing to continue strengthening the measurement of its contribution to SDGs in the coming years, in order to define new actions that will contribute to their achievement. For more information see section 6.7 Relationship with society and stakeholders.	**Identification of the SDGs where Técnicas Reunidas can make the most significant contribution.** **Active collaboration with entities such as the Global Compact, the Carbon Disclosure Project and the Excellence in Sustainability Club.**

5.2 RISK MANAGEMENT[102-15]

Técnicas Reunidas has the necessary tools and procedures that enable it to identify, anticipate, minimise and manage the risks associated with all of its areas of activity, ensuring the sustainability and solid performance of the business for all of its stakeholders.

The comprehensive methodological framework for key risk management used by the Company encompasses all areas and projects, thereby improving risk monitoring and control, reducing operating uncertainties.

Using this comprehensive framework a catalogue of key risks is identified in accordance with the recognised COSO II system.

Técnicas Reunidas has management policies for each key risk, such as:

- Procedures intended for reducing risks related to the nature of the projects, such as careful selection of projects, policies for diversifying geopolitical risks, policies for preserving the technical capacity for carrying them out, policies for sharing project risks with third parties, taking out insurance, formulas for contracting with quality suppliers, etc.
- Procedures related to financial management of projects: managing exchange risk, liquidity risk, tax risk and contingency risk.
- Health and Safety Management Systems: policies, procedures and periodic reviews of the system.

COMPONENTS FOR RISK MANAGEMENT

INTEGRATION OF RISKS THROUGHOUT THE VALUE CHAIN OF TÉCNICAS REUNIDAS

- Design.
- Supply.
- Construction.
- Commissioning.

MAIN OPERATING RISKS AND MECHANISMS FOR MANAGEMENT IN TÉCNICAS REUNIDAS

RISK	DESCRIPTION	MANAGEMENT MECHANISM AND MITIGATION
VARIATIONS OF COSTS IN PROJECTS	**Different factors can influence a variation in the cost estimates of turnkey projects (a total price is closed at the beginning while the building costs could undergo variances), such as volatility of prices of raw materials, changes in the scope of projects, meeting deadlines and quality of construction and assembly subcontractors, the number of lawsuits brought by clients and suppliers, geopolitical decisions having an immediate impact or weather conditions, amongst others.** **Making a valuation of all these factors involves a high degree of judgement and estimates.** **The failure to meet delivery deadlines can lead to compensation being paid to the client.**	• Developing new formulas for contracting that reduce risks (open book) and including exemption from liability clauses in contracts. • Including liability referral clauses in contracts with suppliers and subcontractors. • Intensive purchasing in the early months of building work of any critical equipment that is highly sensitive to price changes in respect of certain raw materials. • Contracting derivatives that make it possible to buy certain raw materials and essential equipment in instalments. • Distributing the execution of the work among several contractors and incorporating the subcontractors as partners in the project. • Increased supervision of construction and assembly contractors. • Including contingencies for deviations in quotes. • Using opinions of external advisors when making estimates and judgements. • Closely monitoring project completion deadlines to detect any delays, which will allow mechanisms to be implemented to speed up work and thus reduce the risk of penalties. • Including a figure for contingencies in the building quotes to cover deviations. • Sharing risk with clients in any cases where this is acceptable to them. • Signing contracts on the basis of a consortium with the building contractor when the risk is high and the client has authorised it.
VARIATIONS IN THE PRICE OF CRUDE OIL	**The price of crude oil, in addition to other factors, influences decisions made by the Group's clients on investment, contract award and building work, and also on the behaviour of suppliers, competitors and partners, with a special impact on entering into contracts and subsequent negotiations.** **Recent falls in the price of crude oil have pushed clients to offer less favourable payment terms and to be more demanding when negotiating changes of scope and complaints.** **The Group's marketing activity is conditioned by the investment efforts of our clients.**	• Prevalence of NOCs (National Oil Companies) in the portfolio which, as opposed to IOCs (Integrated Oil Companies), include economic factors other than pure profit in their decision-making processes, and also geopolitical and social criteria. • Diversification of product and geographical areas. • Mitigation of negotiation risks through early detection of any issues that could involve a change in the price contracted.

MAIN OPERATING RISKS AND MECHANISMS FOR MANAGEMENT IN TÉCNICAS REUNIDAS

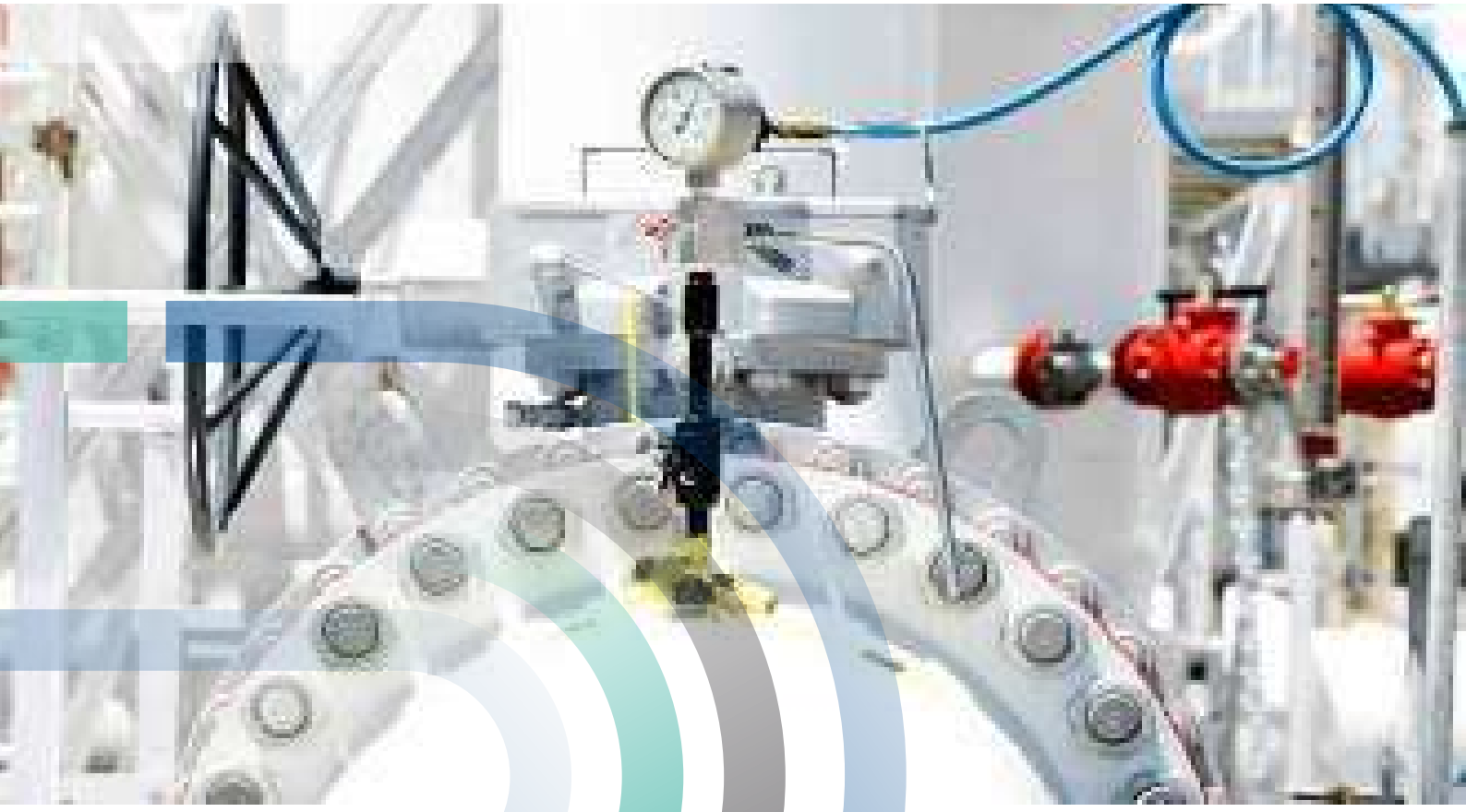
RISK	DESCRIPTION	MANAGEMENT MECHANISM AND MITIGATION
EXECUTION OF PROJECTS IN NUMEROUS COUNTRIES	**The projects are carried out in numerous geographical areas, each of which involves a different risk profile to be reduced:** **• Geographical areas under acute social and political tensions.** **• Locations with limited access, low level of training of local human resources, local content requirements or adverse climate conditions.** **• Increased tax burden in all geographical areas in which the Group carries out its business.** **• Countries with limited legal security.** **• Local content requirements.** **• Furthermore, executing projects in different geographical areas makes it difficult to assign margins.** **• The development of projects for the first time in a certain geographical area increases the risk of deviation in margins.**	• Selection of projects, based on a detailed analysis of the client and country, on establishing a local presence before submitting bids and an in-depth analysis of their interests, margins and risks. • Use of modular construction methods in geographical areas where the shortage of labour or lack of site conditions allow a saving to be made as opposed to other options. • Wherever possible, including in contracts the possibility of referring disputes to courts or arbitration in countries where TR has experience. • Including clauses in contracts that allow prices to be reviewed in case of changes in legislation. • Flexibility for us to adapt to local content requirements. • Implementation of policies resulting in profits being assigned to the countries where they are generated (BEPs). • The Group's Internal Tax Risk Manual which establishes the tax strategy and the internal procedures for tax risk management of the Group, including training activities and internal research programmes. • In the bidding stage, tax strategies are defined with local advisors to minimise the risk, even in the Group's regular markets. • In the building stage, the tax settlements submitted are supervised, with the support of local advisors, and any events or deviations from the original strategies are identified in order to correct them with the backup of the operations department.
CONCENTRATION IN A REDUCED NUMBER OF CLIENTS	**At specific times the portfolio might be seen to be highly concentrated on a reduced number of clients.** **The concentration of business in certain countries leads to a concentration of local subcontractors, increasing our bargaining power.**	• Concentration solely on markets in which the Company has sufficient previous experience, and when top level clients are involved. • Policy of diversification that enables TR to have access to different markets. • Engaging in relevant marketing activities in markets and with clients where Técnicas Reunidas does not yet have any presence. • Strategies for fragmentation and diversification of construction subcontractors, making use of both small local subcontractors and major international companies.
ENVIRONMENTAL AND SAFETY REQUIREMENTS	**Técnicas Reunidas carries out projects with a significant impact on the environment or with sensitive Health and Safety risks.** **The Group works on monitoring and minimising them in collaboration with its clients, subcontractors and suppliers in this field.**	• Environmental Management and Safety Systems that ensure compliance with the requirements of each project and monitoring the results obtained. • Ensuring environmental management from the engineering stage, as a result of Técnicas Reunidas' technical ability to design efficient projects. This assurance extends to its suppliers and subcontractors through audits and training sessions. • Intensifying safety in processes from the design stage in order to deliver safer plants to clients during the operating stage. • Promoting safety in the workplace with suppliers and subcontractors to reduce the risks arising during the projects.

MAIN OPERATING RISKS AND MECHANISMS FOR MANAGEMENT IN TÉCNICAS REUNIDAS

RISK	DESCRIPTION	MANAGEMENT MECHANISM AND MITIGATION
ECONOMIC VARIABLES	**Certain economic circumstances such as exchange rates, interest rate, the willingness to participate in arrangements proposed by financial institutions and insurance companies or tax legislation can have a significant impact on the Company's business and profits.** **Period of geopolitical tensions having a strong impact on economic variables.** **Greater weight on our clients' decisions of the entities or institutions which finance their investments.**	• Ongoing monitoring of risks associated to currency and taking out exchange-rate insurance as considered necessary for mitigating the risk. • Managing a healthy balance sheet and adequate financing facilities for guaranteeing sufficient solvency to execute projects. • Mitigation of the risk of liquidity shortages in clients by taking an active participation in their processes for obtaining funding, through the banks which regularly provide backup in the operations in which Técnicas Reunidas participates, and also by using export insurance mechanisms.
INFORMATION TECHNOLOGY	**With the increased digitalisation of the Group, the risk of cybercriminals hacking its systems has also increased.**	• Information Security Management System certified in compliance of ISO 27001:2015. • Providing specific training for more than 4,000 employees. • Supervision by the Information Security Committee of the implementation of the strategic cybersecurity plan, the results of audits and the main risks and measures applied.
RETAINING KEY PERSONNEL AND ADAPTING RESOURCES TO THE WORKLOAD	**A loss of key personnel at Técnicas Reunidas, and also if their skills are inadequate, could increase the risk of not being able to execute projects properly.** **Furthermore, the excessive concentration of projects or any delays could lead to inefficiency in staff management.**	• Procedures for identifying key workers who should be retained. • Application of policies for monitoring salaries and career plans for those workers, which will contribute to them remaining with the company. • Implementation of a flexible Human Resources structure to be able to rapidly adapt to market variations, and maintaining engineering centres outside of Spain which will allow for rapid growth of the workforce. • Globalised management of human resources aimed at standardising the criteria employed in the different branches.
INTEGRITY AND REPUTATION	**Any conduct lacking in integrity or irresponsible behaviour on the part of employees or other third parties with which the Company collaborates (suppliers and subcontractors) could have an adverse effect on the reputation and profits of Técnicas Reunidas.** **Such conduct could be related to aspects such as violation of human rights, the environment, issues of discrimination and forced labour, and corruption and bribery, amongst others.**	• In-house regulations to guarantee integrity in the conduct of its professionals. • Having a Code of Conduct that establishes the values that should inspire behaviour in the Company. • Having a Whistleblower Channel. • Making the anti-corruption policies available and known. • Drawing up an appendix to the Code of Conduct specific to the chain of supply, which establishes the guidelines expected from employees in the purchasing process. • Requirements made to suppliers and subcontractors on issues relating to the environment, Human Rights, health and safety, and integrity. Compliance with these requirements is supervised by Company inspectors when visiting the projects.

MAIN OPERATING RISKS AND MECHANISMS FOR MANAGEMENT IN TÉCNICAS REUNIDAS		
RISK	**DESCRIPTION**	**MANAGEMENT MECHANISM AND MITIGATION**
QUALITY OF EXECUTION	**Quality in project execution ensures not only the successful completion of the project, but also the possibility of obtaining similar future projects, or others with the same client.**	• Mechanisms for supervising quality in all project phases. • Creation of databases to compile the Group's know-how and best practices. • Quality Department, responsible for designing procedures.
CLIMATE CHANGE	**Requirements involving climate change which could influence clients' needs and the way in which Técnicas Reunidas executes its projects.**	• The Company has high technical engineering skills that can offer clients the solutions that will help them to carry out their actions in respect of Sustainability and their initiatives for reducing emissions, for example by modernising the already existing industrial plants. • The Company has advanced technical procedures that enable projects to be executed in extreme environmental conditions, as demonstrated in locations such as Saudi Arabia or Canada.

6 RESOURCES AND RELATIONSHIPS



6.1 CONTROL AND MANAGEMENT OF FINANCE CAPITAL

In 2019 Técnicas Reunidas managed to increase its revenue by 7 % reaching €4,699 million in a complex market context and to which the Company is able to successfully adapt itself.

KEY INDICATORS

INDICATOR	2019 DATA	2017-2019 PROGRESS
Portfolio (€ million)	10,026	1.6 %
Awards (€ million)	4,886	5.7 %
Revenue (sales) (€ million)	4,699	-7.3 %
EBIT (€ million)	68.2	-31.8 %
EBIT/sales (%)	1.5%	+0,5 percentage points
Structural costs (€ million)	102	1.0 %
Profit/(loss) after tax (€ million)	-10	-115.6 %
Net cash position (debt/cash position)	371	60.6 %
Work in progress (€ million)	1,960	2.0 %
Guarantees (€ million)	5,861	39.2 %

2019 MILESTONES

- Broadening the Company's sources of financing.
- Closure on January 2020 of the tax audit of the years 2011-2014, provided on the annual accounts 2019, and launching a Previous Agreement with the Tax Authority that allows a consensus on a tax model.
- Forming relationships with over 280 investors.

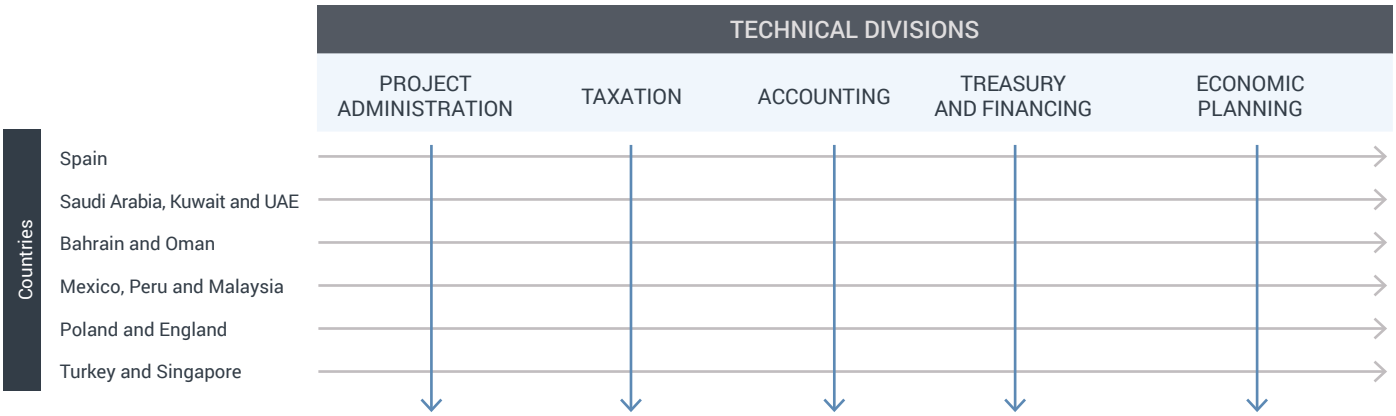
GOALS 2020

- Restructuring the existing syndicated financing agreements.
- Expansion of financing from the capital market.
- Closing of the Previous Agreement with the Tax Administration.

MANAGEMENT APPROACH [103-2]

In order to implement its financial management, Técnicas Reunidas has a specific division that adopts a matrix structure with two overlapping lines: on the one hand the technical divisions and on the other, the main countries in which it operates.

Matrix-based organisation of Técnicas Reunidas' financial management



Along with its own functions, the Finance Division provides support for Company clients who need to obtain funding (as described in the attached highlighted case).

PROJECT TR-ANSFORM

TR has launched an ambitious project to reduce costs and seek efficiency in the execution of its projects. This process has been led by the McKinsey and E&Y teams, under the coordination of a team of executives of the group.

The project design will be completed in the first quarter of 2020 and its implementation will take place in the second and third quarter of 2020.

MARKET ENVIRONMENT

The market environment in which Técnicas Reunidas has operated has been affected by different external factors during the past year. These factors have forced the Company to adapt its financial management as described below:

Market environment. External factors having an effect on Técnicas Reunidas

OIL PRICES

- The recovery of the price of oil has not brought about any relaxing of discipline in managing the cash position of clients, nor any change in the Company's decision-making process.
- The Company has redefined its balance-sheet structure, broadening the funding facilities and their different sources, and increasing its discipline in managing payments.

INCREASED TAX PRESSURE

- The Company submitted its arguments against the Spanish tax inspection settlement agreements for Corporate Income Tax for the years between 2008-2011; that claim is with the National High Court to which the case file has been referred.
- At the same time, on January 2020 it was closed the tax audit for the financial years 2011-2014, provided in the annual accounts 2019.

EXCHANGE RATE €/$

- The depreciation of the currencies of the emerging countries and the volatility of the dollar against the euro have a strong impact on the results of companies, like Técnicas Reunidas, having almost all of their business outside of Spain.
- In order to mitigate this risk, the Company is using a policy of monitoring risk and hedging it through derivatives.

NEW CONTRACTING MODELS

- The evolution of contracting models in recent years has resulted in projects being increasingly more often invoiced according to milestones rather than for the percentage completed. This has led to longer collection periods which creates difficulties for the Company's financial position, as it has to continue meeting its obligations with its suppliers, employees, etc.
- In order to mitigate this circumstance, Técnicas Reunidas has maintained a policy of managing a sound balance sheet and financing facilities that are adequate for guaranteeing the solvency necessary for executing projects.

DIRECT NEGOTIATION OF DIFFERENCES WITH THIRD PARTIES

- The Company has observed a growing trend in certain clients and suppliers for giving less weight to direct negotiation for settling their differences with Técnicas Reunidas, leading to an increase in litigation.
- Clients also postpone decision-making regarding changes and claims to the last months of project execution.
- These circumstances forces the Company to estimate the foreseeable outcome of those differences, based on the criteria of its legal advisors.

IMPORTANCE OF HAVING A SOUND FINANCIAL STRUCTURE

- Técnicas Reunidas has remodelled its financing structure with the aim of simplifying it and obtaining longer timelines.
- To that end it has concluded two syndicated facilities, the first for €150 million, maturing in 2020, and the second for €283 million maturing in 2020 and 2021.
- Although the financing under syndicated facilities has made it possible to obtain better financing timelines at competitive prices, it requires the Company to comply with certain balance sheet and profit ratios.

RELATIONSHIP WITH INVESTORS

The Company manages the relationship with its shareholders and potential investors, through the Department for Investor Relations.

This department channels its actions through its participation in conferences in the energy sector and targeted roadshows at venues with a high investor volume, such as London, New York, Paris, Frankfurt or Milan.

Furthermore, the Company management team, through the department for investor relations, participates in multisectorial conferences, meetings in the offices of Técnicas Reunidas in Madrid and other actions such as Investor Day or visits to projects under construction.

> On many occasions Técnicas Reunidas has been acknowledged by the publication "Institutional Investors" for its work in communication, of both the management team and the Department for Investor Relations.

In those meetings, the main topics on which the interest of investors was centred during 2019 were the following:

- Learning the trends of the energy market in the medium and long term.
- Knowing the Company's position on energy transition.
- Gaining an insight into recovering margins affected by the long fuel crisis.
- Identifying growth options for Técnicas Reunidas and valuing the capacity of the Company to absorb that growth.
- Having a better understanding of the competitive environment, delving into the differences and similarities of the Company with its competitors.

During 2019, Técnicas Reunidas participated in 6 sector conferences and held 11 roadshows, apart from visiting and receiving many visits from investors. Actions were taken with a total of 288 investors in 2019.

An active communications policy with investors

Técnicas Reunidas, through the quarterly webcasts of its First Deputy Chairman, informs on the evolution of its results and its vision for the future.

Those webcasts are reinforced with interim roadshows in cities with a high concentration of investors (London and Madrid), in which members of Company management participate.

6.2 EMPLOYEES: THE COMPANY'S MAIN ASSET

The Técnicas Reunidas workforce consists of over 10,000* employees who represent the Company's main asset. In order to effectively manage its relationship with its employees, Técnicas Reunidas has acquired the necessary tools and strategies to promote their well-being and development, thereby improving the Company's competitiveness and future market prospects.

KEY INDICATORS [102-8]; [401-1]; [404-3]

INDICATOR	2019 DATA	2018-2019 PROGRESS**
Company personnel (number)**	10,068*	-12.23 %
Female personnel (%)	24.00%	0%
Permanent employees (%)	51%	+2 percentage points
Wage Gap**	19.92%	-24.82 %
Voluntary employee turnover (%)	3.10%	+0.1 percentage points
Expatriate personnel (%)***	824	-15 %
Training (hours)****	71,370	-26 %
Persons trained (number)	4,090	32 %
Training (hours per employee)	8.7	-24 %
Performance evaluations (number of employees)[404-3]	5,334	-3 %

2019 MILESTONES

- Implementation of new features in the SAP SuccessFactors software tool that streamline various processes in the area of human resources.
- Implementation of the Saudization policy in the Marjan project.
- Incorporation of 53 recent Saudi Arabian graduates in the engineering offices in Madrid for training during the engineering phase of the Haradh and Marjan projects.
- Incorporation into the Company's workforce of various postgraduate students in commissioning and start-up of chemical plants.

GOALS 2020

- Further implementation of Employee Central tools in all group subsidiaries.
- Promotion of Online Training, with a wide range of technical, skills and language courses accessible from any device without time restrictions.
- Inclusion of evaluation forms for employees leaving the project or the Company in the SuccessFactors programme.
- Definition of Training and Professional Development Itineraries by categories.

* Although the Company's total workforce exceeds 10,000 employees, the data is calculated using a limited perimeter of 8,181 employees, after excluding external professionals and the workforce of recently acquired companies. These employees will be included in next year's Integrated Report.

** Exceptionally, in this section the time comparisons in the indicators are based on the period 2018-2019 and not 2017-2019, as in the rest of the report. This is due to a change in the calculation criteria (perimeter) of the information reported between 2017 and 2018. Likewise, it should be noted that although the total workforce of the Técnicas Reunidas Group exceeds 10,000 employees, the numerical data included in this section only refers to internal employees in Spain and Company subsidiaries (8,181 people), excluding external professionals and the workforce of recently acquired companies.

*** Only includes staff belonging to Spanish expatriate professionals working on projects. This figure does not follow the same calculation criteria as last year, so the percentage indicates a percentage decrease.

**** Training hours do not include hours of on-site health and safety training.

MANAGEMENT APPROACH [103-2]

Técnicas Reunidas has succeeded in consolidating the globalised management of its human resources, which is a key component in its diversification strategy at the level of both services and geographical areas.

This globalised management allows Técnicas Reunidas to exercise more comprehensive control over all the areas relating to human resources, to increase the reliability of information, to offer a range of basic conditions to all employees, and to optimise the time and cost associated with their management.

One of the most important 2019 milestones that contributed to the consolidation of this globalised management is the implementation of the functionalities of the SAP SuccessFactors tool in all Company subsidiaries throughout the world. This tool has enabled the Company to digitalise and streamline processes for employees on a global scale, which means it can be used on any device.

SAP SuccessFactors brings considerable value to Técnicas Reunidas, as it facilitates more globalised decision-making in the field of human resources and establishes synergies between the Company's subsidiaries and Business Divisions, leading to the consequent optimisation of all processes.

Alongside this global management approach, Técnicas Reunidas maintains an operational approach that enables the Company to adapt its policies and procedures, depending on the project, to business and client requirements. The core objective is the integration of all management areas within a single system. This allows work to be carried out in a coordinated manner and facilitates the pursuit of common objectives.

Técnicas Reunidas also has Human Resources Business Partners in each business division, who act as representatives of the Corporate area. International projects also have specific professionals assigned to the management of human resources, which ensures the standardisation of all the Company's processes in this area.

Técnicas Reunidas' HR management framework.

CORPORATE CULTURE

Técnicas Reunidas promotes among its employees the four values of its corporate culture (commitment, teamwork, determination and development) on which its Human Resources strategy is based and that contribute to the achievement of Company objectives.

Core values of Técnicas Reunidas' corporate culture

COMMITMENT	DETERMINATION	TEAMWORK	DEVELOPMENT
Commitment to a Company with over 50 years of history, positioned among the three leading oil and gas engineering and construction companies in Europe, and among the top ten in the world.	Employees show a spirit of determination to the great challenges (technological design, logistics, etc.) that the Company faces, and which it can overcome thanks to its employees.	Técnicas Reunidas' employees belong to a great team in which they feel heard and where the creation of bonds of trust is stimulated, offering support both personally and professionally.	Continuous opportunities for development due to being able to work on large projects, providing ideas, working independently and being part of leading projects worldwide.

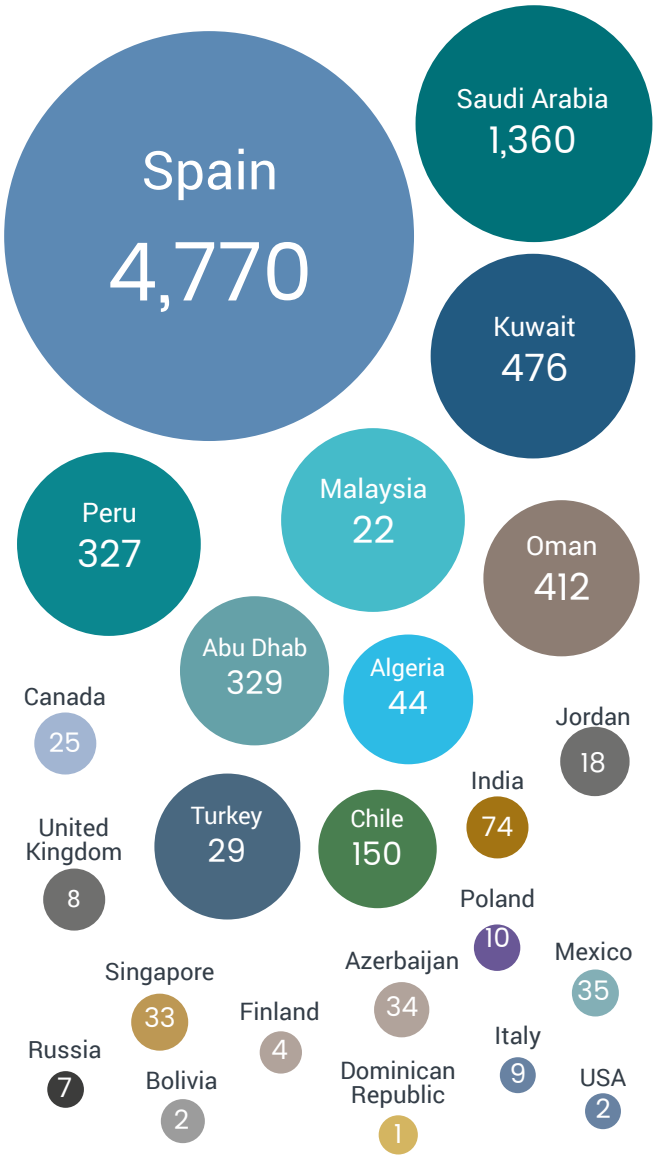
A DIVERSE, INTERNATIONAL TEAM [102-8]; [103-2]; [405-1]

Técnicas Reunidas employee profile*

- **43** years **of age**.
- An average of **10 years at Técnicas Reunidas**.
- **51 %** have a **permanent contract**.
- **100 % covered** by a **collective agreement**.
- **76 % are men** and **24 % are women**.

* Data corresponding to workforce hired in Spain as of 31 December 2019.

Workforce distribution by country



* Data corresponding to the internal workforce of subsidiaries as of 31 December 2019.

At the end of 2019, the Técnicas Reunidas workforce totalled 10,000 employees from 70 different countries.

An important group within this workforce comprises expatriates working on projects, who represent 17 % of the total number of Técnicas Reunidas employees.

Ensuring their commitment and maintaining their sense of belonging is a key aspect for the Company. For this reason, Técnicas Reunidas makes it a priority to ensure that all its employees, regardless of location, can benefit from the same working conditions and levels of occupational well-being.

As previously mentioned, the SAP SuccessFactors tool makes a valuable contribution in this regard, and enables all employees to benefit from the same resources, despite being distributed over more than 20 countries.

Another notable initiative in recent years, in terms of ensuring equal opportunities for all employees, has been Técnicas Reunidas' commitment to e-learning, which enables employees to access learning processes and develop their professional careers in a much more flexible manner.

Workforce distribution by category and gender*	2019	
	MEN	WOMEN
Senior management**	0.2 %	0.04 %
1st executive level	1.9 %	0.92 %
2nd executive level	3.3 %	1.0 %
Graduates, technical experts and administrative staff	58.6 %	33.2 %
Skilled workers	0.5 %	0.0 %
Sales personnel	0.6 %	0.4 %

*Data corresponding to internal workforce as of 31 December 2019 (including Heymo, excluding external personnel).
** In addition to senior management, the Técnicas Reunidas workforce includes two executive directors, both of whom are men, not included in this table.

Técnicas Reunidas also works to ensure diversity and equal opportunities in the workplace, promoting a climate in which people are judged and valued on the basis of merit and professionalism.

The Company's commitment in this area is expressly stated in its Code of Conduct (available on the website), which establishes that Técnicas Reunidas "will not accept any discrimination in employment-related or professional matters on the grounds of age, race, colour, gender, religion, political opinion, nationality, social background, disability, sexual orientation or any other circumstance that might engender discrimination".

The Company also has an Equality Committee, which meets on a quarterly basis to analyse the current situation and any potential conflicts, adopting appropriate measures as necessary.

TALENT MANAGEMENT AND RETENTION

Técnicas Reunidas focuses on two key areas to ensure the creation of a working environment that encourages the personal development of employees and their commitment to the Company; namely, advanced management of professional development and personal welfare; and knowledge management.

MANAGEMENT OF PROFESSIONAL DEVELOPMENT AND PERSONAL WELFARE

Técnicas Reunidas has a skills assessment programme that allows those professionals with responsibilities in team management to monitor the skills established by the Company. The Company offers these professionals training and specific skills to promote the growth of the employees they are in charge of.

These assessments are carried out jointly between the managers and the team, analysing overall performance and the development of both generic and technical-functional skills. In this regard, it should be noted that two competencies of special interest to the Company have recently been incorporated: commitment to HSE culture (Health, Safety and Environment); and regulatory compliance.

Técnicas Reunidas offers specific incentives for high performing employees. Once these employees have been identified, the Company provides them with specific customised development and training plans. It also supplements these measures with specific remuneration actions with short and long-term plans.

Lastly, Técnicas Reunidas conducts a work climate survey every two years in order to ascertain employees' level of satisfaction with their job, their relationships with the Company and superiors, their workload, etc., and develops action plans based on the analysis of employees' responses.

> 5,334 employees received performance appraisals in 2019.

With regard to talent retention, the Company is committed to providing its employees with a working environment that meets their expectations. Técnicas Reunidas provides training to ensure their professional growth, and also undertakes to inform employees of the latest developments in the area of human resources through a variety of initiatives, which include the six-monthly newsletter.

In addition, when the circumstances permit, the Company favours internal mobility as a means to retain their talent and enhance their professional development by strengthening their skills and abilities.

The offer of competitive remuneration and social benefits is another of key component of Técnicas Reunidas' commitment to promoting the creation of a work environment that fosters the well-being and satisfaction of its professionals. In addition, the Company incorporates flexible working criteria in its corporate policies, accompanied by social benefits that are specially adapted to each country and workplace. Some of the main measures consist of food allowances, life and accident insurance and the employee club.

KNOWLEDGE MANAGEMENT [103-2]; [404-1]

In Técnicas Reunidas' business activities, effective management and sharing of knowledge adds value to projects and reinforces their quality.

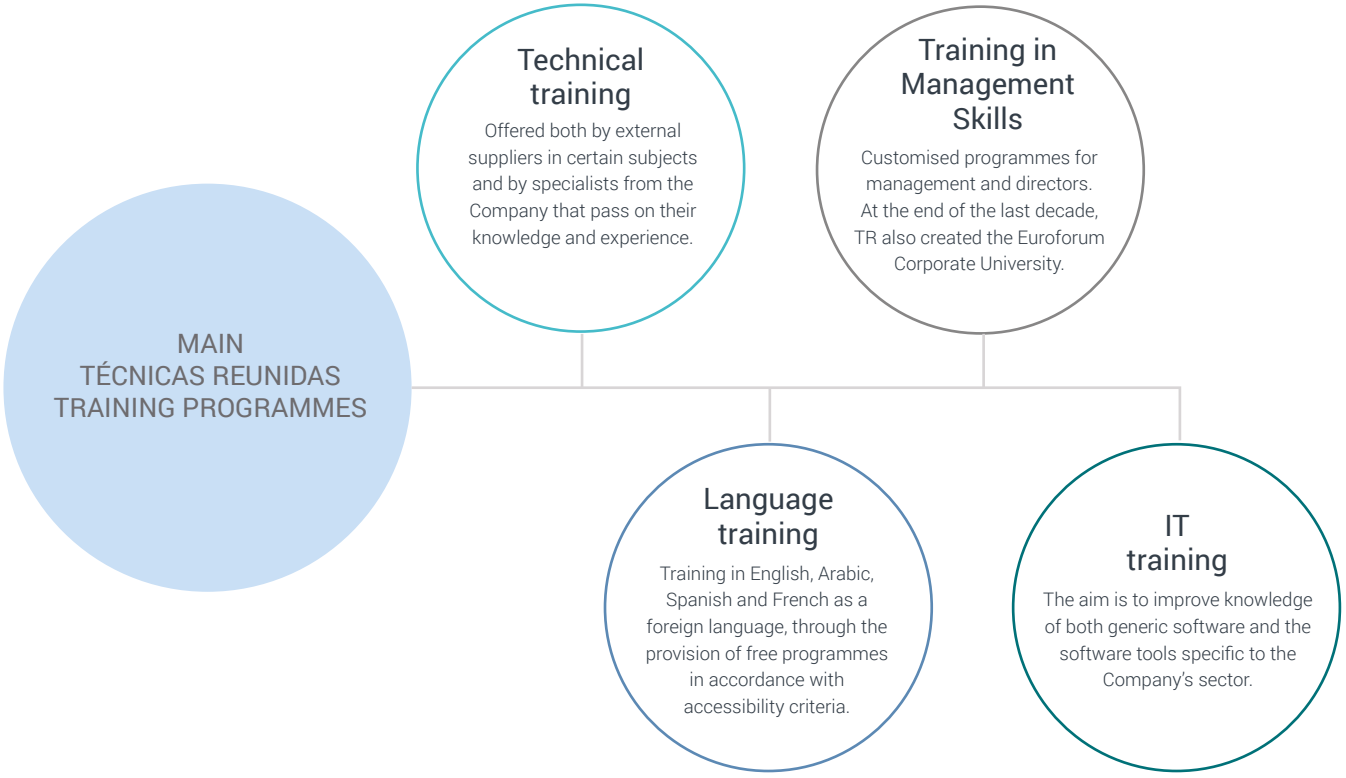
Another key aspect that directly impacts on the Company's competitiveness is the retention and further development of knowledge and intellectual capital.

Knowledge management is mainly carried out through the provision of the requisite training resources and the knowledge that is made available to employees to enable improved performance of their work.

To ensure the ongoing development and usefulness of the courses offered, trends in the evaluation of competencies for each area are analysed, identifying any skill deficiencies and applying specific training programmes (Training Itineraries). In addition, after each training course, participant managers are sent a questionnaire to assess the effectiveness of the training provided and to identify potential improvements and adjustments to future training.

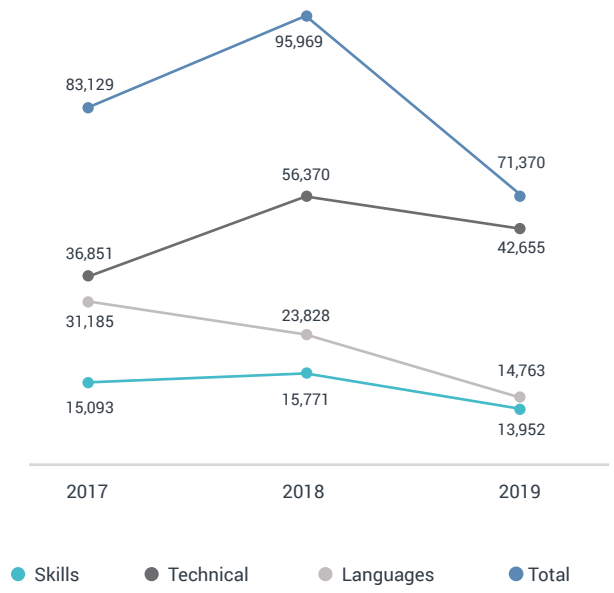
Técnicas Reunidas currently has four main training modules to cover the training needs of Company employees (see diagram).

> In 2019, Técnicas Reunidas' professionals received more than 71,000 hours of training.

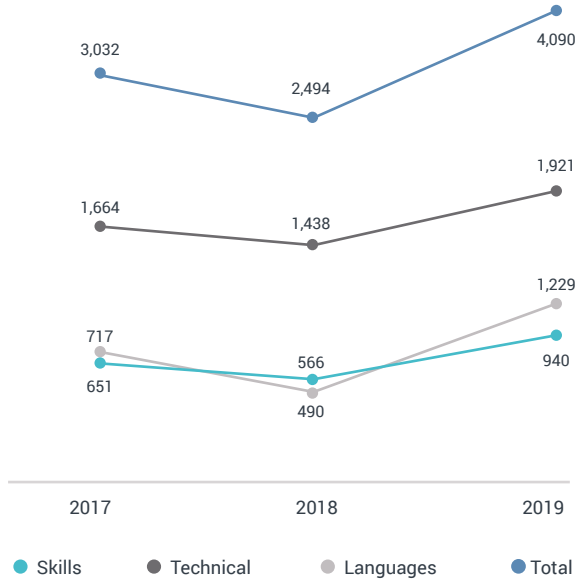


Training at Técnicas Reunidas. Key indicators. [404-1]

Hours of training 2017-2019*



Number of individuals trained in 2017-2019 and total number of employees*



* In 2019 there was a significant increase in the number of trained employees, mainly due to the provision of access to e-learning activities for employees of subsidiaries. However, training hours fell as a result of the Company's need to improve efficiency in the development of its operations, which led departments to prioritise the technical training required for employee performance, as opposed to other non-essential courses.

Women: **13.08** h/employee

DISTRIBUTION OF TRAINING IN 2019 (by gender)

Men: **7.1** h/employee

TRAINING ON SUSTAINABLE DEVELOPMENT GOALS

One of the areas in which Técnicas Reunidas has committed to training is Sustainable Development Goals, given the importance of this issue for the Company.

To this end, Técnicas Reunidas has developed a specific course aimed at raising awareness of the content and purpose of SDGs, how the Company contributes to their fulfilment, and what each employee can do to assist in this effort, both inside and outside the office. The course is available on the TRAula platform, which can be accessed by all employees.

> The Company's efforts to retain talent and its professionals are bearing fruit. In the last year, voluntary turnover (3.1 %) has remained well below the sector average.

ATTRACTING AND SELECTING THE BEST TALENT

With regard to attracting talent and selecting personnel, Técnicas Reunidas aims to identify and incorporate the best available talent, whether it be the finest highly skilled experienced professionals committed to the Company's project, or young talent with development potential.

Técnicas Reunidas is aware of the risk that the talent gap (deficit of qualified personnel with specific profiles) may pose for certain companies over the medium and long term. Although this does not constitute a significant risk for Técnicas Reunidas, recent years have seen the Company working constantly on retaining and attracting talent. On the one hand, this provides current employees with the necessary knowledge and skills, and on the other hand, it increases awareness of the Company among students and professionals in the sector, thereby making Técnicas Reunidas an attractive option for developing their professional careers.

Técnicas Reunidas has developed programmes aimed at incorporating young talent, and given the international nature of the Company, these extend to countries where Técnicas Reunidas has a significant presence. The Company also offers international scholarships for work placements in Spain.

Técnicas Reunidas also has professional training agreements with around 70 Spanish and international universities, foundations and organisations. Among the most noteworthy are those signed with prestigious centres like Imperial College London (United Kingdom), Drexel University (USA), Texas A&M University, KTH Royal Institute of Technology (Sweden) and the United States-Spain Council Foundation, through which the Company received students from prestigious centres like the Cornell Institute, the Massachusetts Institute of Technology and the Georgia Institute of Technology.

COMMITMENT TO TALENT ATTRACTION THROUGH SOCIAL MEDIA

The Company has an active presence on social media such as *LinkedIn* and *Twitter*, which allows it to get closer to its stakeholders, and especially to those professionals and students interested in joining Técnicas Reunidas.

This presence helps the Company to be more effective in attracting new talent through the regular publication of job offers and information on the multiple projects it is undertaking throughout the world.

Key data on Técnicas Reunidas' social media presence

+150,000 FOLLOWERS	@Técnicas Reunidas
Almost 6,000 FOLLOWERS	@TRSA_rrhh

Training of Saudi Arabian students within the framework of the Saudization programmes developed by the Company

As part of the Saudization programmes launched in 2018 and 2019 in the Haradh and Marjan projects, Técnicas Reunidas invited 53 recent Saudi Arabian graduates to its Madrid offices for training during the engineering phase of the projects.

During their time in Spain, these professionals combined practical training with Spanish classes and an MBA scholarship provided by the Company.

Incorporation of students from the commissioning course at the Universidad Politécnica de Cartagena (UPTC) into the Técnicas Reunidas workforce

As a result of the agreement signed by Técnicas Reunidas with the UPTC, highly experienced Company employees provide training to the students.

In 2018 and 2019, a total of nine postgraduate students in chemical plant commissioning and start-up joined Técnicas Reunidas through its Inicia Grant programme. On completion of the scholarship period, five of these students were hired by the Commissioning Department to assist in this critical phase of construction.

In 2019, more than 500 agreements were signed with universities and other organisations to offer work practice in the Company. Almost two-thirds of the trainees who completed their training were subsequently hired (71 %).

Técnicas Reunidas' recruitment and selection principles

We carry out our selection processes with the following criteria:

- Candidate confidentiality.
- Equal opportunities and non-discrimination.
- Respect for the person, honesty and professional ethics.

We seek to match the specific requirements of the position and Company culture with the competencies of the candidates to ensure their successful integration and development at Técnicas Reunidas.

We believe in internal promotion and professional development in line with the requirements of the responsibilities undertaken.

The recruitment of outstanding professionals committed to the corporate project and the provision of an enriching and stimulating work environment.

6.3 FOCUS ON R&D&I

The innovation and knowledge generated by the company enhances the attraction of Técnicas Reunidas in an increasingly more competitive market. The Company strives to anticipate clients' demands and to strengthen its position of leadership through new technologies, work methods and tools for management, design and control.

KEY INDICATORS

INDICATOR*	2019 DATA	2017-2019 PROGRESS
Investment in R&D&I (€ million)	4.90	25 %
Professionals working in R&D&I (equivalent number)	70	-1 %
Professionals working exclusively in research (number)	57	-
Impact on turnover for technologies developed in exclusive R&D&I projects (€ million)*	2.6	-41 %

2019 MILESTONES

- Installation of a new reactor in the Maxam nitric acid plant in Tarragona that includes a new gas abatement system for greenhouse gases.
- Development of a new patent that replaces the existing one for the ZINCEX™ process in order to extend the protection of the property of this technology for a further 20 years.
- Concession of the ECOLEAD™ patent.
- Development of a process for recovering rare earth concentrates from monazite minerals.
- Commencement of marketing of the new technologies PHOS4LIFE™, WALEVA™, HALOMET™, LIP4CAT™ and DATMOS™.
- Concession of a R&D project along the strategic lines of the Own Technologies Division as part of the European HORIZON H2020 programme.
- Assembly of the world's largest demountable flare system as part of the Ras Tanura project.
- Experimental validation on a relevant scale of a compact hydrogen production process.

GOALS 2020

- Commissioning of the zinc production plant using the ZINCEX™ technology of the firm AMERICAN ZINC RECYCLING (AZR) in USA and technical support for the start-up until maximum production capacity is reached.
- Commissioning of the lead and silver production plant using the ECOLEAD™ technology of the firm AMERICAN ZINC RECYCLING (AZR) in USA and technical support for the start-up until maximum production capacity is reached.
- Development of the basic engineering for a plant producing zinc from urban waste.
- Development of the basic engineering and operating of a pilot plant for the production of phosphoric acid from rock phosphate.
- Continued sales of the new technologies PHOS4LIFE™ (production of phosphoric acid from sewage sludge incineration waste), WALEVA™ (production of levulinic acid from Biomass waste), HALOMET™ (production of zinc and other metals from urban solid waste), implementing each of the marketing plans and the actions envisaged in them for introducing them on the market.
- Improvements in the incorporation of greenhouse gas abatement technology (nitrous oxide) with output of over 95%.

* For the purposes of comparison Espindesa is excluded. Nor is the impact of other innovation activities considered (other than R&D&I) whose direct or indirect effect would amount to hundreds of € millions in sales.

MANAGEMENT FOCUS

INNOVATION MODEL

Técnicas Reunidas has an innovation model intended for improving efficiency in project execution and client satisfaction. To achieve this, the model focusses on guaranteeing budget control (cost), compliance with the programme, improved quality and performance on issues related to the environment and occupational health and safety.

To achieve this objective, from the initial project stages the model incorporates suppliers and subcontractors; this enables the Company to reinforce its procedures for control of risks and opportunities and for ongoing improvement of its activities (see highlighted table).

Lastly, innovation in Técnicas Reunidas is complemented with a significant effort in R&D&I. As a result, the Company develops new technologies that can be introduced on the market, giving rise to new lines of business.

Best practices in innovation at Técnicas Reunidas

Construction phase focussed from the start of the project

In order for the construction phase to be executed more efficiently, Técnicas Reunidas promotes the involvement of the subcontractors from the initial stage, designing constructive outlines that facilitate the achievement of objectives and in each case analysing the outlines that are most feasible.

With this approach, the available resources can be optimised, which has a positive effect on the quality of the projects, and, consequently, on clients' satisfaction.

In this field, Técnicas Reunidas also takes into account the use of back-up tools that allow a remote view of the actual situation of each project (for example, through virtual reality). The use of these innovative tools contributes to a better control of the situation of the projects, reducing risks and optimising timelines.

Strengthening overall risk control

Contracts are increasingly more rigorous and require proper monitoring in all phases. It is important to document all steps so that, in the event of a dispute, the measures taken can be substantiated with third parties. This greater need for monitoring creates a challenge from the aspect of management.

In response to this, the Company is innovating and improving the form of managing and documenting the projects, using innovative tools.

These include EOM *(Executive Operation Meetings)* which gradually achieves greater levels of automation and makes it possible to detect any deviations in the projects, whether positive or negative, clearly and decisively. It also shows the detailed status of the actual situation of the project every week in the context of its Risk Management System.

> Developing and managing knowledge is key to innovation and ongoing improvement in Técnicas Reunidas.

Técnicas Reunidas Innovation Model

STRATEGIC APPROACH	• Driven by the "challenges of innovation" put forward by the Operations Management Department to the Company.
LEADERSHIP AND ACKNOWLEDGEMENT	• Leadership in different fields and geographical areas, which has enabled the Company to gain the confidence for carrying out continuous projects with the world's major oil companies*. • Development of new technologies at the José Lladó Technology Centre.
COMMITMENT TO INNOVATION	• Focus on achieving a successful integration with clients, partners, subcontractors and other participants in the projects. • Commitment from Senior Management level involving all partner companies. • Continuous progress in systems for optimising the collaboration with partners and subcontractors. • Contact with the production plants to strengthen the relationship with clients, analysing any potential improvements in the lines of cooperation.
KNOWLEDGE MANAGEMENT	• Encouraging knowledge sharing through lessons learned, Golden Rules and the development of new procedures. • Access to a supplier and subcontractor database, with all the relevant information for managing the Company's knowledge about them and to be able to make more appropriate decisions in the bidding and award stage, and following up on orders. • Annual presentations of project forums and strategic plans to an increasingly larger number of heads of department, project managers and discipline leaders. • Incorporation of software updates available on the market into the projects (or developing own systems) for mitigating risks and consolidating correct project management. • Keeping fluid relationships with the developed plants to promote knowledge sharing on production details, common problems and improvements to be introduced. • Company professionals participating in outside forums. • Having systems in place for management and protection of industrial property in order to safeguard the knowledge generated in the Company.
COOPERATION AND COMMUNICATION	• Establishing plans for promoting internal and external collaboration on innovation. • Active collaboration with clients, partners, suppliers and subcontractors in the search for solutions in the projects, enabling the Company to be perceived as something more than just a supplier of services. • Frequent work with suppliers and subcontractors (with whom it has established frameworks for co-operation) which allows projects to be properly implemented, reducing the risks.

*Such as Saudi Aramco, Total, Lukoil, ADNOC, Tupras and, more recently, Petronas, KNPC, Pemex, BAPCO, etc.

Highlighted case

Innovation aimed at improving efficiency in the company. TR-ansforma Plan

In addition to taking action on project management,Técnicas Reunidas directs its innovation efforts toward increasing the overall efficiency of the company. To this end, the company has launched a global plan known as TR-ansforma Plan, aimed at identifying sources of opportunity for the company to become more efficient.

The Plan is run by an in-house team formed by highly qualified personnel from different divisions with back-up from external consultants and its ultimate objective is to **transform the company for the future, placing people at the centre**.

The Plan centres on four work fronts intended to optimise aspects such as:

- **"Non-production" costs**, acting in areas such as services with third parties or reporting.
- **Total Installed Cost – TIC**, that covering fields such as the purchasing model, surplus material management or engineering using the TIC approach.
- **Project development and execution**, focussing on variables such as on-site personnel, H.O. personnel, or the choice of India as centre of operations.
- **Key and strategic fronts at TR**, considering aspects such as talent management or streamlining cash flow.

Apart from improving efficiency, there are many **positive aspects** introduced with this plan, beginning by the possibility of different groups that had not worked together in the past having the opportunity of collaborating and sharing forms and methods of working, especially between different business lines. The Plan has also enabled employees to have the opportunity of contributing ideas and improvements and make their voice have an important role in the improvement process at Técnicas Reunidas. With this, the TR-ansforma Plan has given employees in projects and departments the opportunity to openly and transparently identify areas for improvement beyond their normal scope of work, providing very valuable information that has been included in schemes and initiatives.

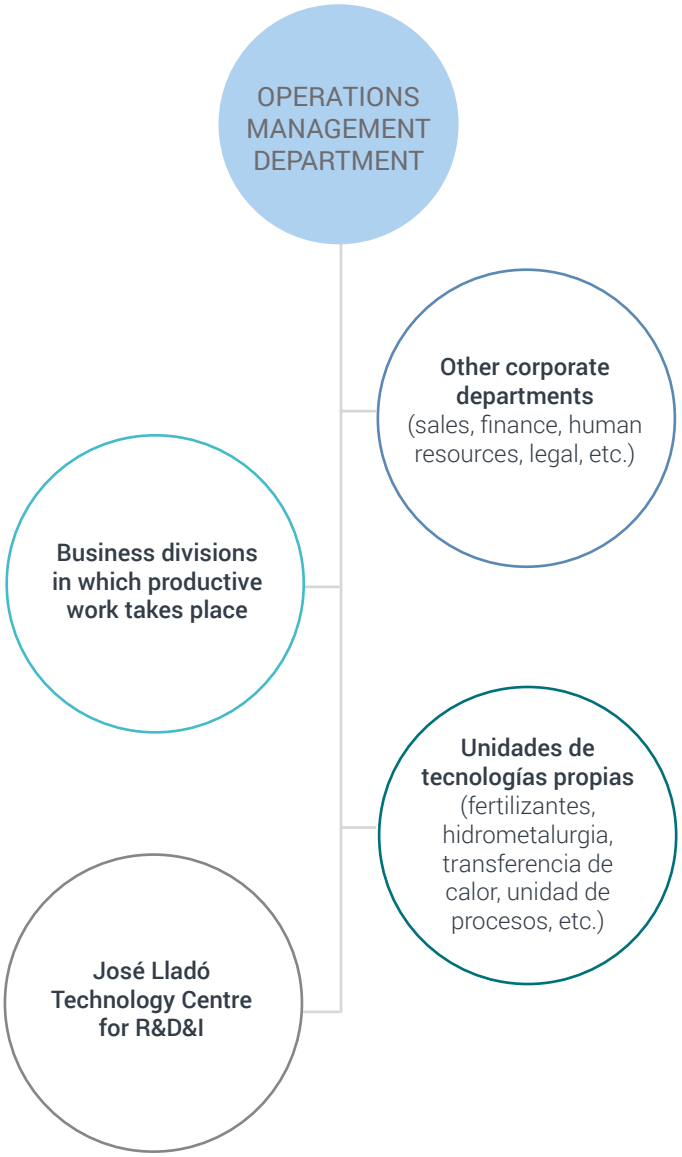
MANAGEMENT STRUCTURE AND TOOLS

Innovation and R&D&I management at Technical Reunidas takes place jointly through the Operations Management Department which coordinates the work carried out in different areas.

> There is a close association between innovation, leadership and clients' trust. By combining these aspects, Técnicas Reunidas offers them a wide range of solutions, thus being able to respond to their needs.

Innovation and R&D&I management at Técnicas Reunidas

Coordination of activities in different areas



Resources and tools

Qualified professionals for performing management that minimises risks, optimises designs and finds a suitable solution to the different alternatives for provisioning, logistics, construction and pre-commissioning in projects.

Strategic plans in the different business divisions that are implemented by designing procedures and good practices, training own personnel, engaging specialists, implementing methods and performing audits.

Development and integration of the most advanced software and systems into both the design phases and the phases for provisioning, construction and final delivery to the client.

Programmes of lessons learned and Golden Rules. The lessons learned are success cases that are applied to all the projects (identified throughout the course of the company's history) while the Golden Rules are a series of guidelines that are applied to certain parts of projects (units) in which the Company has extensive experience.

Controlling the potential risks of the project and ensuring all commercial or technical aspects that could have a negative effect on it.

Procedures and standards that are regularly updated and which help to improve the efficiency of all Company activities, ensuring quality in all processes.

TÉCNICAS REUNIDAS INNOVATION STRATEGY

The strategy of Técnicas Reunidas regarding innovation revolves around three areas:

Growth through the identification of business opportunities

- In the most developed part of its business (Oil and Gas) Técnicas Reunidas has wagered on optimising the quality of its resources, consolidating its know-how (knowledge gained from the projects developed over the course of its history) and transforming its work methods in an ongoing search for excellence.
- The Company's participation in projects for the modular design of plants or for making the basic design has helped to consolidate the presence of Técnicas Reunidas on the global market.

Diversification through the development of products and services that respond to the requirements of current and potential clients

- In recent years Técnicas Reunidas has made considerable efforts to find new clients and markets. As a result, major projects have been carried out in the field of oil and gas (in Saudi Arabia, Oman, Bahrain, Kuwait, Turkey, USA, Canada, Peru, Bolivia, Russia, Belgium, China, Mexico and Egypt, amongst others), and also others related to the production of plastics, nitrate and electricity generation (in Australia, Mexico, France, Dominican Republic, United Kingdom, Norway, etc.).
- With regard to R&D&I, Técnicas Reunidas has focussed on four areas of activity: metal recovery, critical raw materials, environment and biorefining. The strategy for the near future includes the consolidation of the technologies already designed and the development of new technologies in different fields based on the knowledge available in the organisation.

Interaction with the aim of maintaining a close relationship with clients, suppliers, subcontractors and other institutions

- In an increasingly more globalised business and social context where technological forces stimulate the development of communications, the Company's strategy for innovation is aimed at achieving leadership in the fields in which it operates, introducing virtual reality applications and the use of artificial intelligence into the management of emerging areas such as big data. The management and knowledge of these areas makes it possible to extend the cooperation with relevant associates, which has a positive effect on generating opportunities for increasing the efficiency of the work processes and the development of new technologies that can help the Company to grow.
- At the same time, the progress achieved in greater integration and collaboration, and also in communications with partners, suppliers and subcontractors, facilitates the distribution of work in accordance with the abilities of each individual, monitoring the targets established and exchanging opinions with their executives.

> Greater interaction with innovative businesses, research organisations, suppliers, subcontractors and the sector creates synergies for obtaining more ambitious projects and the development of new services, processes and technologies.

OPEN INNOVATION: GENERATING NEW OPPORTUNITIES FOR GROWTH, DIVERSIFICATION AND INTERACTION

Técnicas Reunidas also focusses on Open Innovation as a form of growth and generating synergies in this field.

Interaction with innovative businesses, research organisations, and the sector implies a clear advantage as it involves interacting with all the external elements for implementing the services, processes and technologies of Técnicas Reunidas. This collaboration with the other agents in the innovation system allows for greater effectiveness of the resources allocated and minimises the risks, while at the same time speeding up the launch of new services, processes and technologies on the market.

The José Lladó Centre plays a relevant role in strengthening open innovation, as it collaborates with different public research centres, technology centres, universities, etc.

THE COMPANY'S KNOWLEDGE AT THE SERVICE OF ITS CLIENTS

Técnicas Reunidas has headed the construction of more than 1,000 industrial plants for some of the leading companies in the energy and chemical sectors. This experience has materialised as conventional and modular projects in very different geographical areas and climate conditions.

It is also important to point out that, on the basis of its knowledge, Técnicas Reunidas has developed technologies that are a reference on the market, which are used in industry to differentiate our clients providing them with added value compared to other technologies.

In order for this course to become a reality, Técnicas Reunidas places at the disposal of its clients its ability for using the most advanced tools and the knowledge developed in all stages of the projects, from project management and engineering to the construction and commissioning, including provisioning for the projects. This knowledge at Técnicas Reunidas' disposal has been of unquestionable value in offering clients three types of projects with growing interest on the market such as the revamping of processes, the standardisation of plants and the licensing of technologies belonging to the Company with the associated engineering services.

In its dealings with clients, Técnicas Reunidas is very conscious of issues relating to health, safety and the environment, its experience in the management of suppliers and subcontractors around the world and the capacity of its process department. It also controls and manages risks with the same transparency that it maintains with its clients, informing them regularly on any situations that could have a certain complexity. This whole set of abilities places the Company at the forefront.

It is essential for the Company to hold this position of leadership in order to have access to clients and projects. Accordingly, the Company focusses increasingly more on collaborating with its clients in the development of some of its basic tools before executing the projects, such as conceptual studies, feasibility studies and design engineering, and is also able to lead projects in consortium, which allows for more competitive solutions (see highlighted table).

When implementing these solutions, Técnicas Reunidas does not only limit its participation to executing the projects, but also, once they are delivered, the Company involves itself in the operation, offering assistance to clients. This ongoing relationship with the clients as a supplier of technology once the project has concluded enables Técnicas Reunidas to have access to information and to identify problems on the basis of which new business opportunities can be developed in the future.

Highlighted case

ZINCEX™ technology license

An example of this type of project is the licence for the use and commercial exploitation of ZINCEX™ technology for the plant producing 140,000 tpa of SHG Zinc (purity 99.995%) from Waelz oxide (WOX) for AMERICAN ZINC RECYCLING (AZR) in Rutherford County, N.C. (USA).

With this new plant, the company can complete the recycling value chain by refining the WOX into SHG Zinc which is used in common products including galvanized steel for automobiles, various infrastructure applications, die cast components, domestic appliances and toys. Zinc is also added to soil as vitamin supplements and as sunscreen due to its health improvement properties. The Rutherford County facility is the only plant in the Western World that produces zinc solely from recycled sources.

This plant is the seventh to be licensed for the use and commercial exploitation of ZINCEX™ technology.

Photo AMERICAN ZINC RECYCLING (AZR) plant in Rutherford County, N.C. (USA).

Highlighted case

Projects where standardisation is required

More and more clients are demanding greater standardisation of projects. It is not surprising therefore that this is an important advantage for them as it considerably reduces the number of suppliers required during the operating and maintenance phases.

Actions of this type are a challenge for Técnicas Reunidas, as it has to anticipate this aspect right from the design stage because it will have less suppliers available to it.

Once again, the Company's in-depth knowledge of both its supply chain and its own clients has enabled it to successfully overcome this circumstance by drawing up specific purchasing strategies from the initial project phase.

COMMUNICATION WITH CLIENTS AND ASSESSMENT OF THEIR SATISFACTION

The characteristics of the business and of the type of projects carried out make it essential to maintain a constant dialogue with clients in the development of the projects.

In order to maximise client satisfaction, Técnicas Reunidas has implemented a system based on establishing global indicators on the development of the projects which make it possible to rapidly know the progress attained and any possible improvements.

Project monitoring also comprises holding EOMs (Executive Operation Meetings), where the situation of the projects is reviewed from the aspects of status, progress and difficulties and opportunities, both internally with all teams involved (every week), and externally with clients and partners (every month). The Company ultimately records its clients' satisfaction by way of an inspection when the project is finished.

> It is essential for Técnicas Reunidas to receive the opinion of clients and main suppliers in order to improve the quality of the work and enhance the Quality Management System used by the Company.

> The most evident demonstration of client satisfaction is the high percentage of recurring work they contract with Técnicas Reunidas; this is especially relevant given the high degree of competition in the market and which is clearly reflected as acknowledged by the ENR*, in markets such as the Middle East.

* In recent years, Técnicas Reunidas has occupied 10th and 11th position in the sub-section for International Design Companies of ENR (Engineering News Record).

R&D&I AND OWN TECHNOLOGY

Since its inception, Técnicas Reunidas has allocated a large amount of resources to the R&D&I of industrial processes and technologies. In addition to the development of technologies in different areas of its business, the Company has been accumulating considerable experience and know-how in designing refinery and petrochemical units, in supervising and managing complex projects and in verifying or developing basic engineering data, which has enabled it to consolidate its leadership position at international level.

As a result of its investment in R&D&I, Técnicas Reunidas has a portfolio of proprietary technologies in different areas of business and also the associated patents and trademarks.

These proprietary technologies enable the Company to provide licences for their use and marketing, and also all the R&D and engineering services associated to them so that they can be used in industry. This set of technologies and services brings clear added value and important competitive advantages to Técnicas Reunidas clients.

In this context, the Company has both an Own Technologies Development Division whose purpose is to produce profitable knowledge (technologies) in such a way as to be able to develop a tangible product; and also a subsidiary registered as Española de Investigación y Desarrollo SAU, commonly known as Espindesa , which in the past has developed and commercialised own technologies in the field of fertilizers, nitric acid and nitrates with the support of the companies that manufacture them. Espindesa has provided technology to more than 70 industrial facilities.

To protect this knowledge once it has been developed is a key aspect. Accordingly, the technological knowledge and innovation accumulated by the Company gives it a competitive advantage in the markets in which it competes, creating value for its shareholders.

To protect this knowledge, Técnicas Reunidas has a specific procedure that sets out how the protection of industrial property should be managed.

With this, for each item of knowledge and innovation the Company evaluates the most appropriate way to guarantee its protection taking into account the ultimate objective sought, the advantages and disadvantages associated to each protection model, and the ensuing risks.

As a result of this work procedure, in recent years the Company has developed new technologies or has improved those already existing and has protected them through patents (see the list below).

In the coming years, Técnicas Reunidas expects to provide the licences for commercial use and exploitation of the new technologies developed and to provide the engineering services associated to their use in industry.

Proprietary technologies, patents and trademarks of Técnicas Reunidas

ZINCEX

Field of activity.
Metal recovery

Scope. Technology that enables the processing of leached minerals and zinc concentrates that are difficult to treat using conventional methods in order to produce zinc via hydrometallurgy using solvent extraction.

LIP4CAT

Field of activity.
Metal recovery

Scope. Technology for the processing of calcines obtained from roasting zinc concentrates to obtain zinc leaching.

DATMOS

Field of activity.
Metal recovery

Scope. Technology for the processing of mineral concentrates that cannot be used in the conventional RLE process (Roasting, Leaching and Electrowining) to obtain zinc leaching.

ECOLEAD

Field of activity.
Metal recovery

Scope. Technology for recovering lead and silver from secondary raw materials based on brine leaching and the subsequent precipitation of the precious metals.

WALEVA

Field of activity.
Biorefining

Scope. Technology for re-utilisation of agricultural and food waste, which is currently burned, using a chemical process that makes it possible to produce levulinic acid.

PHOS4LIFE

Field of activity.
Critical raw materials

Scope. Technology for producing technical grade phosphoric acid from ash and sludge generated by waste water treatment plants.

HALOMET

Field of activity.
Environment

Scope. Technology for urban waste treatment by incinerating it for recovering zinc and other metals.

Tecnologies developed and sold by Espindesa

NAME	FIELD OF ACTIVITY	SCOPE
AMMONIUM PHOSPHATE GRANULES (DAP/MAP)	Fertilizers	Obtaining granular diammonium phosphate or monoammonium phosphate from phosphoric acid and ammonium in a tubular reactor.
NPK GRANULATED FERTILIZERS	Fertilizers	Technology for granulating different compounds based on nitrogen (N), phosphorous/phosphates (P) and potassium (K)
NITROSULPHATE	Fertilizers	Technology for production of granular nitrosulphate from nitric acid-sulphuric acid and ammonia.
DILUTE NITRIC ACID	Fertilizers, plastics and mining	Technology for obtaining nitric acid to a concentration of less than 70 % from ammonia and air with two types of processes, one single pressure stage (mono pressure and two pressure stages (Dual)).
NITRIC ACID CONCENTRATE	Organic nitration and plastics	Technology for obtaining nitric acid to a concentration of 98-99 % from ammonia and air.
EXTRACTIVE DISTILLATION OF NITRIC ACID	Organic nitration and plastics	Technology for obtaining nitric acid to a concentration of 98 % -99 % from nitric acid diluted with an extractive agent.
DENSE AMMONIUM NITRATE	Fertilizers	Technology for obtaining high-density ammonium nitrate from nitric acid and ammonia for use in agriculture
POROUS AMMONIUM NITRATE	Mining	Technology for obtaining low-density ammonium nitrate prills from nitric acid and ammonia for use in mining
CALCIUM AMMONIUM NITRATE	Fertilizers	Technology for obtaining granulated calcium ammonium nitrate from nitric acid, ammonia and dolomite for use in agriculture
UAN SOLUTIONS	Fertilizers	Technology for obtaining Urea Ammonium Nitrate solutions, known as UAN from ammonium nitrate and urea for use in agriculture

Patents

TECHNOLOGY	TITLE	COUNTRIES	STATE
HYDROGEN (H_2) PRODUCTION	Intellectual property of an Ethanol processing system for an Air Independent Propulsion system	Germany, Spain, United Kingdom	**Granted**
ZINCEX	Method and device used for mixing and sedimentation in solvent extraction processes for recovering pure products	Brazil, China, Spain, Italy, Mexico, United States, South Africa	**Granted**
ZINCEX	Process for electrolytic production of pure zinc or zinc compounds from primary and secondary zinc raw materials	Australia, China, Spain, Mexico, United States	**Granted**
ZINCEX	Process for the continuous electrolytic production of highly pure zinc	Brazil, Canada, China, Spain, France, United Kingdom, India, Iran, Mexico, Netherlands, Peru, Poland, South Africa	**Granted**
ECOLEAD	Process for the selective recovery of lead and silver	Australia, European Union, Iran, Japan, Russia, United States	**Granted**
ECOLEAD	Process for the selective recovery of lead and silver	Canada, India, Mexico, Peru	**Being processed**
WALEVA	Purification of clavulanic acid	European Union	**Being processed**
PHOS4LIFE	Process for preparing technical grade phosphoric acid from ash and sludge generated by waste treatment plants	European Union	**Being processed**
NEW ZINCEX	Improved process for the recovery of zinc from raw materials containing zinc	European Union	**Being processed**

In the context of Own Technologies, Técnicas Reunidas is an international leader in the field of nitric acid, the Ammonium nitrate prills for mining and in the recovery of basic zinc metal using its ZINCEX™ technology of solvent extraction.

Another area to which the Company directs its efforts in innovation is the field of developing clean technologies.

In this context, in addition to having established a close collaboration with suppliers of catalysts for reducing emissions in nitric acid projects, it has promoted among clients the development of what are known as "dual" plants which optimise energy consumption.

Furthermore, Técnicas Reunidas is developing technologies intended for recovering metals from all type of waste (for example, the European Biorecover project). The work in this field is consistent with the European environment policies in respect of a more rational use of resources and promoting the circular economy.

Lastly, the Company is alert to new areas that could lead to business opportunities and growth, such as critical raw materials with technology developments in the field of mining rare earth elements*, considered as strategic critical metals for Europe, United States, Japan, China, South Korea and Australia or in the extraction of phosphorous from non-conventional raw materials for the production of fertilizers, phosphoric acid, etc.

INNOVATION AT THE SERVICE OF THE ENVIRONMENT

Among the technologies developed by Técnicas Reunidas that can be beneficial for the environmental are the WALEVA™, HALOMET™ and PHOS4LIFE™ technologies.

The WALEVATM technology enables levulinic acid to be produced from biomass waste. At the moment these agricultural residues are burned in the fields, generating serious environmental problems due to the high amount of greenhouse gas emissions. The reduction of CO_2 emissions from producing levulinic acid using this technology is higher than 80%.

Similarly, HALOMET™ is a new technology for processing waste coming from urban waste incineration plants, to recover zinc and other high added value metals. This new technology developed has emerged as a solution following the new environmental legislation that has begun to be introduced in countries such as Switzerland, which refers to the proper treatment of urban waste and is scheduled to be applied to the rest of Europe in the coming years.

Lastly, the PHOS4LIFE™Technology is for producing technical grade phosphoric acid from ash and sludge generated by waste water treatment plants. With this technology an environment-friendly process is achieved, contributing to the protection of the natural surroundings, to sustainable development and to the circular economy, making it possible to prolong the phosphate reserves.

In 2019 a reactor was fitted and put into operation in the nitric acid plant of the MAXAM group in Tarragona. This reactor allows the plant to continue operating in similar conditions, even with increased capacity and output, plus a considerable reduction of N_2O emissions; it is expected that around 90% of the existing N_2O emissions will be destroyed.

Highlighted case

The José Lladó Technology Centre, hub of R&D&I at Técnicas Reunidas

Since 1974 Técnicas Reunidas has a Technology Centre which forms part of the Own Technologies Development Division. This Centre known as the José Lladó Technology Centre is located in San Fernando de Henares and occupies more than 5,000 m^2 with over 70 professionals.

This Centre is an area for promoting R&D&I and acts as a driving force for the transfer and diffusion of technology, with the client being the core of the Centre's activity and innovation the tool of competitiveness. The Technology Centre enables and makes it possible to stimulate participation in innovation processes and R&D&I activities.

In the Technology Centre, Technological Research and Development projects are carried out, paying special attention to the company's technological requirements, technological services and technical assistance are provided, research results are shared among the different public research centres, technological centres and Técnicas Reunidas and the company encourages and participates in the development of cooperative research between companies.

* Rare earth elements: a set of 17 elements given this name due to being very dispersed and not found in concentrated form like other minerals. These elements have many uses of high added value and are becoming increasingly more sought after.

R&D&I in new technology projects in which Técnicas Reunidas participates

3R2020

Purpose. Development of innovative technologies that make it possible to recover and recycle certain streams of waste not recoverable at present, to convert them into useful and economically viable resources.

Participation of Técnicas Reunidas. Development of technologies for recovering metals from industrial and urban waste streams with a high metal content.

LIGNOPRIAZED

Purpose Development of biorefining technologies for obtaining products with high added value from lignin.

Participation of Técnicas Reunidas. Development of technologies for the recovery of lignin from different sources (kraft and klason) in products and applications with high added value.

MONACITE

Purpose. Development of technologies for obtaining rare earth (neodymium, praseodymium, gadolinium, lanthanum and europium) from minerals such as monazites, silicates rich in this type of element.

VIMAC

Purpose. Development of technologies for the entire recovery of complex minerals, recovering the maximum value of the metals they contain.

PUREPHOS

Purpose. Development of new technologies for purification of phosphoric acid from non-conventional mineral raw materials.

WALEVA TECH

Purpose. Development of a new biorefining process for obtaining levulinic acid (LEVA) and its by-product gamma-valerolactone (GVL) from the fractionation of C6 sugars from lignocellulosic biomass.

BIORECOVER

Purpose. Research and development of sustainable, safe new technologies, mainly based on biotechnology, for the selective extraction of critical raw materials from primary and secondary sources of rare earth, magnesium and platinum not currently mined.

Participation of Técnicas Reunidas. Development of a new purification technology that is cheap and environmentally efficient for recovering rare earth and platinum.

SEA4VALUE

Purpose. The objective of the project is to establish the bases for converting the brine produced in desalination plants into a supplementary source of critical raw materials.

Participation of Técnicas Reunidas. Development of new selective adsorbers and innovative extraction processes that enable precious metals such as molybdenum, indium and vanadium to be recovered.

6.4 EXCELLENCE IN ENVIRONMENTAL PERFORMANCE

Técnicas Reunidas' projects are subject to increasingly demanding sustainability requirements established by clients, financial institutions and the regulations of the countries in which the company operates. In response, the company places environmental management at the heart of its strategy by implementing specific practices that are integrated into its overall management.

KEY INDICATORS [102-8]

INDICATOR	2019 DATA		2017-2019 PROGRESS
Energy consumption (GJ)	1,043,343		77 %
Greenhouse Gas Emissions - Scopes 1 and 2 (tCO_2eq)	76,314		73 %
Greenhouse gas emissions - Scope 3 (tCO_2eq)*	20,496		-10 %
Steel consumption (t)**	36,147		-57 %
Copper consumption (t)	430		-61 %
Hazardous and non-hazardous waste generated (t)	48.599		22 %
TEIF (Environmental Incident Frequency Index) ***	Objetivo	Real	*The value of both indices has remained below the limits established by the Company throughout the period 2017-2019****.*
	0.050	0.014	
SSIF (Significant Spill Incident Frequency)	Objetivo	Real	
	0.008	0.004	

2019 MILESTONES

- Implementation of a mobile application for recording on-site observations.
- A 10 % increase in the number of environmentally sustainable waste management companies.
- Implementation of data collection on waste reused on site and/or sold as raw material.
- Requesting environmental information from the company's suppliers in order to obtain final approval.
- Monitoring of the company's carbon footprint in order to adopt measures aimed at meeting targets for reducing emissions by 2030, where necessary.
- Meeting the targets set for the TEIF (Environmental Incident Frequency Index) and SSIF (Significant Spill Incident Frequency) indicators.

GOALS 2020

- Renewal of Environmental Management System certifications for TR S.A., TR Sagemis International and TREI-Tecnical, in accordance with ISO14001-2015.
- Reduction of 3.5 % in electricity consumption, 3 % in paper consumption and 80 % in plastic bags in the Madrid offices.
- LEED certification for the Adequa offices.
- Meeting the most ambitious targets for the TEIF (0.025) and SSIF (0.007) indices in construction projects.
- Issue and communication of an HSE**** ALERT for each significant on-site spill.
- Implementation of training/awareness campaigns on waste separation.
- Improving measurement for the reuse of materials and products on worksites to prevent them from becoming waste.

* Scope 3 emissions include data from the "Business Travel" category for Técnicas Reunidas and Initec offices and projects.
** Includes consumption of structural steel, carbon steel, steel alloys and stainless steel in pipes and sheets.
*** TEIF: Environmental Incident Frequency Index. The index is calculated as TEIF = (Number of environmental incidents x 200,000) / Hours worked; SSIF: Significant Spill Incident Frequency. The index is calculated as SSIF= (Number of significant spill incidents x 200,000) / Hours worked. Progress is not shown, as the Company's targets for the indicators are updated each year to more demanding values. The Company's TEIF and SSIF are well below the objective limits established for both ratios, which serves to demonstrate the good performance achieved in this area.
**** Health, Safety and Environment.

MANAGEMENT APPROACH

Técnicas Reunidas believes in clean energy, for which it is firmly committed to contributing to the transition towards it.

Therefore, Técnicas Reunidas develops engineering projects to meet the energy needs of today's society. Our commitment is to optimise the efficiency of oil and gas production, as well as energy production on a global basis, in accordance with the sustainability standards of each individual country. Our professionals are committed to developing products, systems and services designed to obtain energy that is more affordable, more reliable, and meets today's environmental standards.

With this goal in mind, Técnicas Reunidas has had an Environmental Management System ("EMS") in place for 19 years, based on the need for continuous improvement in environmental performance. This System is implemented in accordance with ISO 14001:2015, following the policies, programmes and practices established in the Environmental Management Manual and the United Nations Principles adopted by the Company, and in accordance with commitments to the United Nations Sustainable Development Goals and Agenda 2030. The management system has been externally certified by AENOR, with no "non-conformities" occurring in recent years, which is evidence of its high level of maturity.

In 2019, Técnicas Reunidas has continued to strengthen the key elements of its EMS. In this regard, it should be noted that the Company's Quality, Safety, Health and Environmental Policy has been updated, and is available to all interested parties on the Company's intranet and website. This year also saw certifications extended to include TREI-Tecnical, which carries out support activities for the Heat Transfer Division in Bangalore (India). All Técnicas Reunidas Environmental Management System certifications are linked and in line with a global strategy.

In the area of environmental management, it should also be noted that a data collection tool has been in place for several years, in order to ensure the traceability of data from the point of origin. In 2019, Técnicas Reunidas extended the use of this tool to the construction and engineering areas; in the case of the latter, as an internal management tool to improve information control.

> 2019 saw the certification of the TREI-Tecnical Environmental Management System, thereby adding to other existing certifications for Técnicas Reunidas, Initec Plantas Industriales and TR Sagemis.

TÉCNICAS REUNIDAS' APPROACH TO ENVIRONMENTAL MANAGEMENT: STRATEGIC PILLARS		
Effective incorporation of environmental aspects into the Strategic Plan for Operations and Business, and in all activities.	Establishment of environmental goals and regular review.	Satisfaction of client requirements and compliance with current legislation and applicable codes and standards, as well as other mandatory environmental requirements.
Creation of appropriate and effective communication channels with employees and stakeholders.	Provision of appropriate continuous training in environmental issues for employees and collaborators.	Establishment of monitoring channels that facilitate continuous improvement in efficient energy use, environmental protection and the prevention of pollution.

ENVIRONMENTAL MANAGEMENT ALONG THE VALUE CHAIN

The Environmental Management System is described in the environmental management manuals and the procedures that support them. This documentation is available on the company's intranet, and applies to both work centres and projects. In addition, those projects that so require will develop specific environmental procedures and plans in accordance with contractual and financing commitments, as well as corporate manuals and procedures.

Técnicas Reunidas has also implemented methodologies that ensure, from the bidding phase, the identification, monitoring and verification of the various environmental aspects, in order to ensure compliance with requirements, as well as the identification of environmental risks and opportunities. This last identification forms part of the environmental management system, and is carried out for each action undertaken by the company, both in projects and in offices, where regular updating is implemented and follow-up workshops held.

The Técnicas Reunidas Environmental Management System is not only applied to the company's own facilities. The Company extends its scope to cover the projects that it implements, and ensures that this implementation complies with the applicable environmental legislation, contractual requirements and other sustainability criteria in the design of the plants when requested by the client.

This methodology is implemented in 100 % of the Company's projects and is based on the publication of an Environmental Log to monitor and verify compliance in this area. The HSE engineer in charge of the environmental aspects of each project continuously monitors compliance throughout the engineering and procurement phase. This monitoring subsequently becomes the responsibility of the on-site HSE team.

At the corporate level, follow-up internal environmental audits are carried out on 30 % and 70 % completion of engineering and procurement, and regular monitoring audits are conducted during the construction phase. These audits are carried out in conjunction with verification of compliance with health and safety regulations.

In addition, an annual internal audit of projects is conducted by an external company, which guarantees the independence of the system. This process is completed with an external certification audit carried out by AENOR (see previous section), and verification of the environmental performance indicators, which include carbon footprint.

TÉCNICAS REUNIDAS' ENVIRONMENTAL MANAGEMENT SYSTEM ALONG THE VALUE CHAIN.

Projects in which the Company participates

- Environmental requirements for project implementation.
- Sustainability criteria for plant design and new technologies.

Company activities

- Environmental management at the Company facilities, focusing on key environmental aspects (energy, emissions, materials and waste).

Suppliers and subcontractors

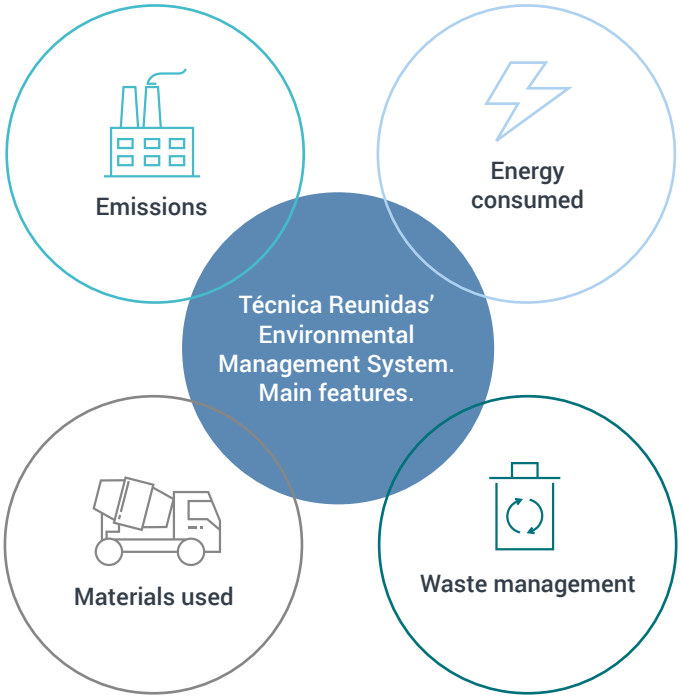
- Environmental requirements for suppliers and subcontractors.

ENVIRONMENTAL MANAGEMENT IN COMPANY ACTIVITIES [103-2]

Técnicas Reunidas not only implements its Environmental Management System in the projects it undertakes, but also in its own facilities. This system enables the identification and management of environmental aspects deriving directly from the Company's activities, and the subsequent implementation of mitigating measures, and the establishment of targets and monitoring based on a dashboard of indicators.

In 2019, the most noteworthy initiatives in the area of the Company's own facilities and activities were:

- Collaboration with the owners of the Adequa buildings to prepare the necessary documentation to obtain the "LEED Gold" Certification in 2020.
- Completion of a mobility survey for Técnicas Reunidas employees and participation in an ongoing responsible mobility project for access to the Company's facilities in the North Area.
- Fitting new selective waste containers that contribute to streamlining waste management in the Madrid offices. The goal in 2020 is to have them replace personal waste bins at work desks.
- Collaboration in the design of urban gardens and new green areas planned for 2020 in the Adequa office facilities.
- Implementation of the EMS in all the group's new offices. 2019 saw the certification of the support office for the Heat Transfer Division in Bangalore, India.

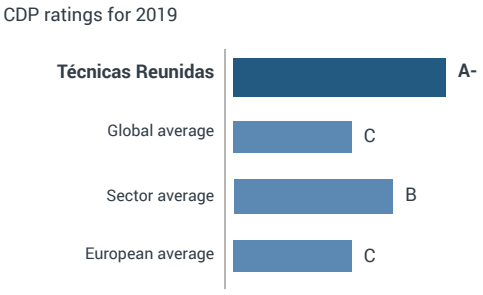


For more information, see the point **Técnicas Reunidas' Environmental Performance** in this section of the report

TÉCNICAS REUNIDAS, AMONG THE LEADING COMPANIES IN COMBATING CLIMATE CHANGE

For several years, Técnicas Reunidas has participated in the CDP - Climate Change initiative, aimed at investors. By means of a public questionnaire, the company reports on its emissions, strategy, and risks and opportunities in the area of climate change.

In the 2019 edition, Técnicas Reunidas retained its position among the leading companies in Spain, demonstrating its commitment in this area and promoting transparency in communication with its stakeholders.



ENVIRONMENTAL PROJECT MANAGEMENT [103-2]

In order to ensure the execution of work in an environmentally safe and sustainable manner, Técnicas Reunidas carries out a wide variety of actions to:

- Ensure compliance with applicable legislation, contractual requirements and specific requirements to obtain environmental permits (see figure).
- Improve the environmental awareness of subcontractors and workers.

Implement the EMS to ensure correct identification and proper compliance with the environmental requirements of each project

1 | IDENTIFICATION OF PROJECT REQUIREMENTS

Identification of the environmental requirements for each project based on:

- Type of project (conceptual, FEED, EPC).
- Country of implementation.
- Client.
- Contract.
- Environmental impact assessments.
- Applicable environmental legislation and permits.
- Client specifications.
- Other aspects.

2 | MONITORING PLANS

Development of specific plans to ensure the inclusion and monitoring of environmental requirements:

- Environmental management plan for the engineering and procurement phase.
- Preparation of an Environmental Log* for each project, including all the environmental requirements that must be taken into account in the design of the plant.
- Environmental management plan for the construction phase.

3 | AUDITS OF COMPLIANCE

Regular audits to ensure compliance with established procedures:

- Annual internal audit in offices.**
- Internal audits on 30% and 70% of project completion in the engineering phase.**
- Regular internal audits in the construction phase.***
- External audit of the EMS.

*Database in which all the environmental requirements of the projects are included.
** In 2019, there was 1 internal environmental audit of the EMS; 1 internal audit of the audit process; 11 environmental audits for projects in the engineering phase; and 2 external environmental audits covering all EMS activities in work centres and projects in the engineering, procurement and construction phase.
***24 environmental audits were carried out on projects in the construction phase in 2019.

To this end, the Company appoints at least one environmental specialist at each of its sites, who is responsible for ensuring that the work is carried out in accordance with the standards required in the Environmental Management Plans. These plans are developed specifically for each project, and set out all the environmental actions and measures that Técnicas Reunidas and its subcontractors are required to carry out, which include:

- Environmental inspections to monitor the implementation of required actions by subcontractors.
- Monitoring of dust, noise, water and other environmental concerns.
- Specific environmental meetings to monitor and plan the actions required to control environmental impacts.
- Report, investigate and monitor environmental incidents.
- Specific follow-up reports for Company records and distribution to the interested parties.
- Preparing for and responding to environmental emergencies, carrying out drills to contain spills, leaks, fires; and forming a specialised team to act in the event of an environmental emergency.
- Training and environmental awareness: including sessions on waste management, spill prevention and reuse of on-site materials.

ON-SITE ENVIRONMENTAL SPECIALISTS. FUNCTIONS

a) Implement the Environmental Management Plan, with the support of the Project Leader and the Health and Safety Manager.

b) Report on the degree of compliance with environmental standards and plans.

c) Ensure that subcontractors implement the measures envisaged in the Plan.

d) Prepare training and environmental awareness campaigns and ensure their implementation.

e) Assess new environmental risks that may arise during the execution of the work and that are not covered in the Plan, and implement prevention and control measures.

f) Investigate and report any environmental incidents that occur.

ENVIRONMENTAL CRITERIA IN THE DESIGN OF PLANTS AND NEW TECHNOLOGIES

Técnicas Reunidas offers its clients its expertise in integrating sustainability criteria into project design. This provides significant added value to the client, who benefits from improved environmental performance of the project in the operational phase.

In this respect, the Company has adopted measures that include the following:

- Optimisation of resources through an exhaustive analysis of the environmental impact in the bidding phase, which allows the actual requirements of the project to be identified in the phases prior to its execution.
- Design of sustainable plants that allows clients to comply with their environmental plans in the operation phase.
- Appointment of an HSE engineer in charge of environmental issues as part of the project team.
- Real-time monitoring of the environmental indicators of each project to avoid deviations.

Highlighted case

Increasing environmental efficiency in the Bu Hasa ONSHORE oil field improvement and expansion project (Abu Dhabi, United Arab Emirates)

Técnicas Reunidas is developing the Bu Hasa Integrated Oil Field Development Project for ADNOC ONSHORE. The scope of the project includes the implementation of a new crude oil collection system and new gas compression and water injection facilities.

The project to improve and expand the Bu Hasa field is part of ADNOC's strategy for 2030, which aims to ensure sustainable growth, value creation and increased efficiency in the ADNOC group's business activities.

To this end, Técnicas Reunidas has taken into consideration parameters related to the improvement of the life cycle and energy efficiency of assets, the optimisation of the technologies adopted and the value of the investment.

In particular, the use of Gas Lift technology will enable an increase in production with lower specific energy expenditure per barrel of oil produced, thereby improving efficiency and reducing the number of inactive wells. In addition, improvements in water separation, treatment and re-injection will enable more efficient and rational use of water, more effective use of this resource in crude oil production, and a substantial reduction in waste water. All this will result in greater energy efficiency and a smaller environmental footprint, as well as improved production and the promotion of economic and social development.

ENVIRONMENTAL REQUIREMENTS FOR SUPPLIERS AND SUBCONTRACTORS [308-2]

Técnicas Reunidas extends its environmental commitments to include its supply chain, and demands compliance with environmental requirements from its suppliers and subcontractors.

In 2019, the Company continued to request information on sustainability during the approval and pre-qualification process, requesting information from suppliers and subcontractors on their carbon footprint and pre-assessing them from an environmental point of view.

6,545 suppliers were asked for information on sustainability and the environment in 2019, of which 5,445 were verified. Of the recurrent suppliers that are relevant for the company, 65.63% have provided the requested data. The breakdown of these responses has an impact on the final rating of the supplier, which is subsequently used to make decisions regarding the awarding of contracts and orders.

The Company aims to further strengthen the environmental compliance and performance of its supply chain through a series of measures that include the implementation of a more fluid dialogue with its suppliers, the inclusion of environmental requirements and obligations in contracts, greater monitoring of its environmental performance, and if necessary, the establishment of action plans for improvement.

TÉCNICAS REUNIDAS' ENVIRONMENTAL RISKS AND OPPORTUNITIES

Environmental risks and opportunities are an integral part of the global risk and opportunity matrix that the Company develops for both its offices and projects.

The main risks in environmental terms are climate risks associated with the geographical area where our projects are undertaken; risks derived from design limits resulting from environmental legislation - and possible modifications during project execution; and standards and application guidelines, such as the World Bank and Equator Principles, which are normally more restrictive than those applying locally, and also influence project financing.

In addition, major opportunities derived from environmental performance are also identified as competitive advantages, due to a high degree of knowledge of the applicable legislation and standards, which allows the Company to be exceptionally flexible when developing projects throughout the world.

ENVIRONMENTAL PERFORMANCE [103-2]

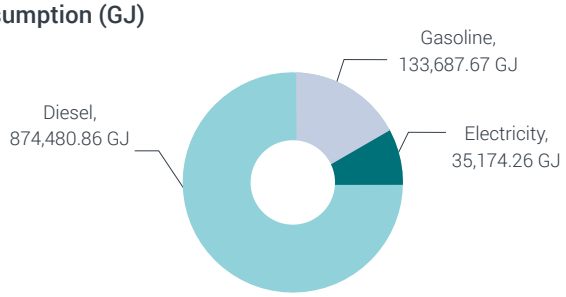
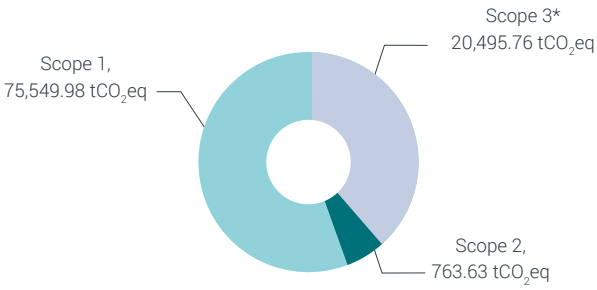
Técnicas Reunidas ensures detailed monitoring of its environmental performance through the definition of specific indicators in relation to material aspects in this area.

With regard to these indicators, the Company has made a major effort in recent years to expand the scope of activities in which monitoring is applied. Based on the data collected, Técnicas Reunidas established 2017 as the base year for analysing its environmental performance, and consolidated this approach in 2019.

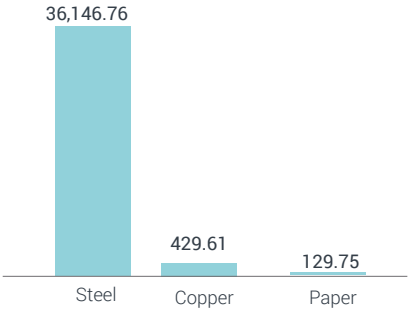
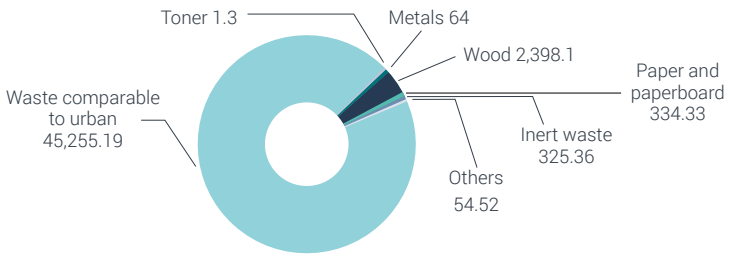
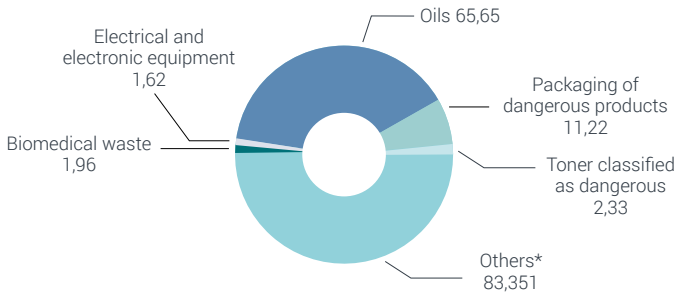
The Company has also standardised the parameters for calculating the levels of intensities for the various environmental indicators. These are now calculated per million euros of revenue (taking advantage of the fact that the financial information has the same parameters as the reported environmental information).

It is important to note that these ratios may vary significantly year on year, depending on the degree of progress of each project. It is no coincidence that the execution of EPC projects such as those developed by Técnicas Reunidas involves different phases with very different work intensity, procurement and personnel.

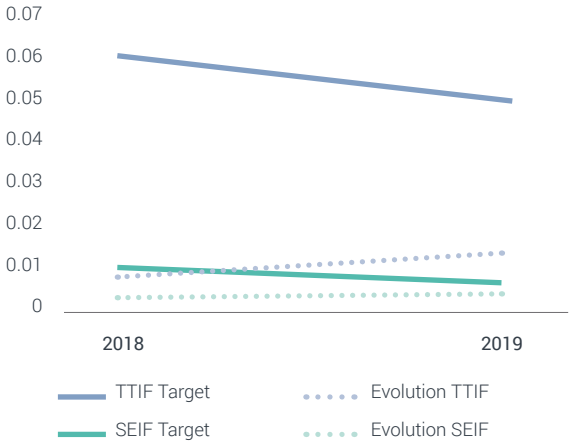
The monitoring and analysis of all this information allows Técnicas Reunidas to design multiple actions to improve environmental performance.

TOPIC	2019 TARGETS AND INDICATORS*	2019 LINES OF ACTION AND MILESTONES
ENERGY CONSUMPTION [302-1]; [302-3]	**Evolution.** In 2019, the Company's energy consumption amounted to 1,043,343 GJ an increase of 61.77 % over the previous year. This increase was due to a number of factors, which include more accurate calculation of some data, increased activity in some projects and the extension of the reporting scope. **Energy consumption (GJ)**  **Total Energy consumption:** 1,043,343 GJ. **Energy consumption intensity:** 222.04 GJ/million euros of revenue.	• Implementation of energy efficiency plans. • Implementation of awareness campaigns on-site and online. • Promotion of transparency on climate change through initiatives such as the CDP. • Commitment to the circular economy.
EMISSIONS [305-1]; [305-2]; [305-3]; [305-4]	**Target.** 12% reduction in the period 2017-2030. **Evolution.** In 2019, Técnicas Reunidas' Scope 1, 2 and 3 greenhouse gas emissions amounted to 96,809 tCO_2eq, representing an increase of 43% with respect to 2018. In any case, the three scopes developed differently. Scope 1 emissions increased as a result of greater energy consumption from fossil fuels and improved data collection. Scope 2 emissions were reduced through the use of certified renewable energy in Spain. Scope 3 emissions also decreased as a result of the company's strategy to replace travel with video conferencing. **Greenhouse gas emissions (tCO_2 equivalent)**  **Greenhouse gas emissions:** 96,809 tCO_2eq. **Emissions intensity**:** 20.60 tCO_2eq/million euros of revenue. * Scope 3 only takes into account emissions corresponding to the category "Business travel" for the offices of TR and INITEC, and Técnicas Reunidas and INITEC projects. **Scope 1 emissions intensity: 16.08 tCO2eq/million euros of revenue. Scope 2 emissions intensity: 0.16 tCO2eq/million euros of revenue. Scope 3 emissions intensity: 4.37 tCO2eq/million euros of revenue.	

* In some cases, the results for partial amounts may differ slightly from the total data due to rounding up.

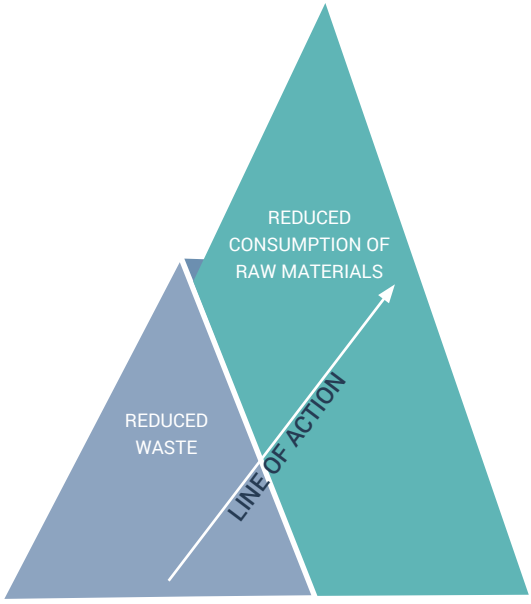
TOPIC	2019 TARGETS AND INDICATORS*	2019 LINES OF ACTION AND MILESTONES
MATERIALS [301-1]	**Materials consumption (t)** **Evolution.** Steel consumption increased by 44 % in 2019, while copper consumption decreased by 52 %. Paper consumption increased by 21 %. When analysing progress in consumption, it should be noted that these materials are purchased in large volumes until the stock is exhausted, which means that there are significant variations in specific periods.  Note: Of the materials reported, only paper is considered renewable.	• Optimisation of the use of material resources along every stage of the value chain. • Recovery of materials through R&D&I activities, e.g. development of technologies for the recovery of non-ferrous metals. • Participation in European technology development consortia, with projects aimed at the recovery of metals and rare earth. • Use of environmentally friendly paper in offices and awareness campaigns.
WASTE [306-2]	**Generation of non-hazardous waste (t)** **Evolution.** Generation of non-hazardous waste increased by 21 % in the last year. This increase is mainly due to improvements to the way in which non-hazardous waste is recorded in projects managed by the company.  **Total non-hazardous waste:** 48,433 t. Note. Waste comparable to urban waste includes waste water that has not been discharged into the sewage network, but collected for appropriate treatment. **Generation of hazardous waste (t)** **Evolution.** Generation of hazardous waste decreased by 28 % in the last year as a result of the Company's efforts to improve waste management.  **Total hazardous waste:** 166 t. * The "Others" category includes alkaline batteries, button batteries, filtration and absorbent materials and fluorescent tubes, among others. Hazardous waste does not include data on the sludge generated during projects, which is managed by authorised waste management companies. Various types of oil are also included (lubricants, hydraulic fluids and oil-water mixtures).	• Promotion of the circular economy with the aim of preventing surplus materials from becoming waste. • Encouraging prevention, reuse and recycling as opposed to incineration and dumping. • Prevention, mitigation and control of waste management through the integration of the latest techniques in the environmental design of plant processes. • Awareness-raising campaigns in offices and at sites. • Implementation of data collection on waste reused on site and/or sold as raw material. Some sites have begun to record these amounts and are able to track performance and variations over time.

* In some cases, the results for partial amounts may differ slightly from the total data due to rounding up.

TOPIC	2019 TARGETS AND INDICATORS*	2019 LINES OF ACTION AND MILESTONES
ENVIRON-MENTAL INCIDENTS AND SPILLS [306-3]	**Hazardous substance spills and other environmental incidents at project sites** **Evolution.** The incident rate for significant environmental incidents and spills has remained below the target values set by the company in both 2018 and 2019. **TTIF and SEIF Indexes**  TEIF (Environmental Incident Frequency Index) is an indicator that represents the total number of environmental incidents that have taken place on the site. The indicator is calculated as TEIF=(number of environmental incidents x 200,000)/(hours worked). SEIF (SSIF: Significant Spill Incident Frequency) which assists in monitoring the occurrence of significant spills (those over 50 litres on land or over 4m3 in water). The indicator is calculated as SSIF= (number of significant spill incidents x 200,000)/(hours worked).	• Definition of specific indicators for monitoring (TEIF and SEIF). • Specific measures to prevent this type of situation (use of anti-drip trays and performance of regular inspections, among other measures), or in their absence, minimising its environmental impact (installation of spill action kits; emergency drills; cleaning and adequate treatment of the generated waste, etc.).

* In some cases, the results for partial amounts may differ slightly from the total data due to rounding up.

TÉCNICAS REUNIDAS HAS CONSOLIDATED ITS COMMITMENT TO THE CIRCULAR ECONOMY IN 2019



In 2019, Técnicas Reunidas consolidated its commitment to developing its environmental initiatives, taking into account the principles of the circular economy.

The Company's strategy in this area includes two fundamental lines of action: optimisation of consumption and correct management of waste to facilitate its conversion into raw materials. These lines of action were reflected throughout 2019 in actions such as:

Reuse of on-site waste

- Earth and excavated land for filling foundations and trenches, and ground levelling or similar, in projects such as Hamriyah IPP (United Arab Emirates), Ras Tanura (Saudi Arabia), Jazan IGCC (Saudi Arabia) and Duqm (Oman).
- Use of concrete demolition debris to improve roads used during construction at the Hamriyah IPP project (United Arab Emirates).
- Use of on-site treated waste water for irrigation needs in construction, dust control of roads and pathways, and watering of landscaped areas. This was possible in the projects in Duqm (Oman), Jazan IGCC (Saudi Arabia), Jazan Refinery (Saudi Arabia), Haradh (Saudi Arabia) and Fadhili (Saudi Arabia).
- Reuse of wood, metal and other waste to make information panels and other supporting structures.

Reuse of waste outside the site:

- Sales to companies specialising in the management of reusable waste materials, such as cable reels, scrap metal, pallets, cable remnants and drums, which will re-enter the supply chain. This action has been carried out on a regular basis in most projects, and has been measured specifically during the last year the in projects in Duqm (Oman), Hamriyah IPP (United Arab Emirates), KNPC (Kuwait), Ras Tanura, Fadhili, Jazan IGCC (Saudi Arabia).

Improvements in the revaluation of the generated waste:

- One of Técnicas Reunidas' accomplished goals in 2019 was the selection or replacement of waste management companies on the basis of the final destination of the waste, promoting the identification of management companies that ensure the reuse and revaluation of such material.

6.5 OCCUPATIONAL HEALTH AND SAFETY

In order to fully integrate occupational health and safety into the life cycle of Técnicas Reunidas projects, the Company is backed by a solid Management System, externally certified, which it extends to its suppliers and subcontractors.

KEY INDICATORS

INDICATOR	2019 DATA		2017-2019 PROGRESS
Hours worked (number)	181,307,688		31 %
Number of employees on site (Técnicas Reunidas and subcontractors)	57,595		34 %
LTIR*	Target	Value	Values for these indices remained below the limits established by the Company over the 2017-2019** period.
	0.050	0.015	
TRIR*	Target	Value	
	0.200	0.052	
SR*	**Target**	**Value**	
	0.020	**0.006**	
Average degree of compliance detected in internal corporate audits (%)	90,5		+1.2 p.p (percentage points)

2019 MILESTONES

- Implementation of software for digitizing and analysing data related with HSE*** at construction sites, and an application for mobile devices which makes it possible to record safety observations on site.
- Transition of the Occupational Health and Safety System towards the new ISO 45001 standard in order to achieve accreditation under the regulations in 2020.
- Setting up a team of safety, health and environment engineers at the India office.
- Consolidation of the measurement of participation of Técnicas Reunidas Supervisors in HSE*** activities at construction sites.
- Formalizing an action plan for safe commissioning.
- Increasing the number of HSE*** inspections at suppliers' workshops and monitoring them by way of the Vendor Assessment Index.
- Consolidation, by the Company, of how a health and safety culture is included in the annual Talent Management evaluations.

GOALS 2020

- Issue communiques from H.O. to increase visibility of actions carried out in other projects or in H.O.
- Obtain certification under the ISO 45.001 regulations for the Occupational Health and Safety System.
- Encourage action aimed at creating a Técnicas Reunidas which is a "Healthy Company".
- Conclude the implementation of the mobile application for recording observations on site.
- Implement the actions which result from the Safe Commissioning Plan in all our projects.
- Implementing the Técnicas Reunidas TR-ansforma Plan

* LTIR (Lost Time Incident Rate): (number of accidents with time off work/nº of hours worked)*200,000. TRIR (Total Recordable Incident Rate): (number of recordable incidents (according to OHSA)/nº of hours worked)*200,000. SR (Severity Rate): (nº of working days not worked due to accidents during the working day/total nº of hours worked)*1,000.
** Progress is not shown, as the Company's targets for the indicators are updated each year to more demanding values. Nevertheless, all of these are well below the objective limits established for both ratios, which serves to demonstrate the good performance achieved in this area.
***HSE (Health, Safety and Environment): Health, Safety and Environment

MANAGEMENT APPROACH [103-2]

Since 2008, Técnicas Reunidas has had an Occupational Health and Safety Systems certified under the OHSAS 18001 international regulation, which covers different phases in the life cycle of the projects.

This system is in the process of being adapted to the ISO 45001 standard, which is more stringent compared with the system currently in place. To this end, throughout the year, various actions have been carried out, such as providing training from outside the Health and Safety Department in order to lay down a specific plan for transitioning to the new standard and carrying out a deficiency analysis (GAP analysis) in order to discover what the current situation is and how much effort is necessary in order to obtain the new certification during 2020.

The existing System is based on the Corporate Policy on Quality, Safety and Environment, signed by the Company's Deputy Chairman, which is also to be updated in the early part of 2020. One of the aspects this review will focus on will be precisely the commitment of Senior Management to managing risks and opportunities as regards occupational health and safety.

In order to guarantee that the Management System is implemented correctly and that it adapts to the established objectives, not only will we carry out internal corporate audits to monitor the various projects and internal system audits by independent parties, but also audits by external certification bodies. The results of the audits are to be shared and discussed with the client or subcontractor on site, which will result in the action taken to correct the deficiencies being effective. The audits by external bodies are aimed at maintaining the certification of the safety health and environment Management System.

In 2019, 16 internal monitoring audits were carried for Técnicas Reunidas in the construction phase of the projects, as a result of which 581 deviations were detected (12 % fewer than in 2018). The average degree of compliance in the audits was 90.51 %, (as opposed to 87.48 % obtained in 2018), which confirms the proper performance of the company in this area. Furthermore, in 2019, 8 internal monitoring audits were carried out on Initec projects in the construction phase, and a total of 76 deviations were detected.

Técnicas Reunidas also cares for the occupational health of its employees and works specifically in this field in countries where there are risks deriving from cases of serious diseases appearing among the population. The Company also carries out numerous awareness, information and preventive measures campaigns, and periodic medical check-ups.

> As part of its spirit of continuous improvement, Técnicas Reunidas is adapting its Occupational Health and Safety System to the new ISO 45001 international standard, in order to become certified under the regulations in 2020.

THE "MOVE SAFELY II" CAMPAIGN

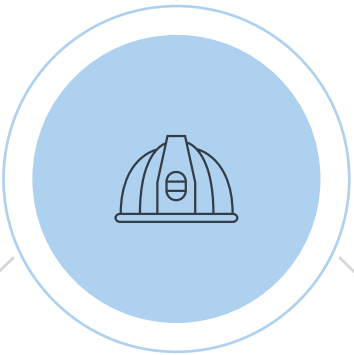
Continuing on from the campaigns carried out in the previous year and also motivated by the commencement of the improvement works at the Adequa complex, in July 2019 an awareness campaign was carried out in order to prevent accidents during journeys by personnel who work at or visit this office area.

A range of materials and options have been offered, ranging from informal talks (*Toolbox Talks*) for workers and clients, to the preparation of support material which has been distributed to employees and placed in visible areas at building entrances.

Basic principles of Occupational Health and Safety Management at Técnicas Reunidas

Integrating safety into the strategy

The aspects regarding health and safety are integrated into the strategic business plans and objectives are established throughout the organisation, both at construction sites and in the corporate area, compliance being evaluated in both cases.



Incident prevention philosophy

Diffusion throughout the company and among its suppliers, of a work ethic based on the prevention of incidents, to guarantee the best possible working conditions.

Continuous improvement of methods and processes

Promoting a culture of on-going improvement in work methods and procedures and subsequently applying it to all activities, thus boosting incident prevention.

Audits within the Health and Safety Management System

2018-2019 Data	**24** Corporate HSE audits (16 TR + 8 Initec) (15 at TR in 2018)	**4** Internal audits to the Management System (2 in 2018)	**2** External Audits to the Management System (2 in 2018)	**90,51%** Degree of compliance of internal corporate audits (87.48 % in 2018)
Importance	Systematic evaluation of applying the Health and Safety Management System in the workplace in the construction phase.	Verifying that the Management System is applied efficiently by the Company's employees.	Confirmation of the correct functioning of the System by an independent third party.	List of key indicators, such as the degree of compliance, which ensure the on-going improvement of the System.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT IN THE VALUE CHAIN

Técnicas Reunidas' commitment goes beyond the Company's employees and extends to the workers of the subcontractors who are involved in the execution of the projects.

As part of the Occupational Health and Safety Management System, the on site health and safety managers play an essential role when it comes to applying the specific plans in this area, which define the scope of the work to be carried out together with the preventive measures necessary in each case. All personnel responsible for health and safety aspects answer directly to the Project Management, which reinforces their advisory role.

Both the on site health and safety team and the prevention teams in the offices are responsible for carrying out periodic information campaigns on safety, risk prevention, healthy habits and good practice as regards health and safety.

When working with suppliers and subcontractors, Técnicas Reunidas has a series of specific evaluation criteria as regards health and safety.

These criteria are applied first when standardising suppliers and subcontractors via the e-Supplier electronic portal (for more information see chapter 6.6 Efficient supply chain management). Depending on the results obtained, suppliers and subcontractors may be rejected or further demands may be made on them, such as to improve site supervision, implement an action plan or an increase in the number of audits.

In addition, health and safety aspects are taken into account later and their performance is evaluated both on site and at workshops through the use of various tools developed specifically for that purpose.

Team responsible for applying Health and Safety Plans. Responsibilities.

ON SITE HEALTH AND SAFETY MANAGER

a. Implement the HSE plan with the support of the Project Leader.

b. Advise on compliance with regulations and the HSE plans.

c. Direct the on site training programme.

d. Evaluate risks in activities not covered by the Plan.

e. Supervise the notification of incidents and looking into them.

f. Identify high risk activities not included in the Plan and apply a safe work system.

OCCUPATIONAL HAZARD PREVENTION TEAMS

a. Advise and guide on health and safety regulations.

b. Promote a positive occupational safety culture.

c. Carry out drills.

d. Development and implementation of a health and safety policy.

e. Supervise risk evaluations.

f. Identify training needs.

g. Monitor health and safety performance.

h. Supervise the notification of accidents and their investigation.

CORPORATE CULTURE BASED ON SAFETY

Técnicas Reunidas promotes the creation of a specific corporate culture for occupational health and safety and promotes training processes for the workforce, by encouraging their participation in prevention tasks and dealing with problems regarding working conditions and promoting the sharing of responsibility at the various levels within the organisation.

The Company also works to ensure that health and safety procedures are standardised throughout the organisation with the aim of guaranteeing maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on an intense training effort. During 2019, 0.95 hours of training in this field were given for every 100 hours worked (56% more than in 2018), taking into account both personnel in the Company (at the offices) and those of the subcontractors.

Occupational Health and Safety Training. What training is provided?

OFFICE PERSONNEL

- Training for all new employees in the prevention of risks associated with their job.
- Specific, personalised training for each department or group of workers.
- Annual training for emergency brigades on their duties.
- Safety campaigns in offices.
- Training of designated employees in all buildings in the use of defibrillators.
- Availability for all workers, of a wide variety of health and safety courses through the "e-learning" platform, for which they can register voluntarily.

CONSTRUCTION SITE PERSONNEL

- Obligatory induction courses on safety, both for our own personnel and for those of subcontractors before joining in activities on the construction site of a project.
- Specific safety training, according to the activity to be carried out, over a period of one to five years, depending on the training type.
- Specific programme of courses for personnel who participate in the construction phase of projects, with both obligatory courses and recommended courses.
- Promote health and safety talks between workers and their direct superiors on the building site itself, at the commencement of works.

Corporate occupational safety culture

OCCUPATIONAL SAFETY PERFORMANCE

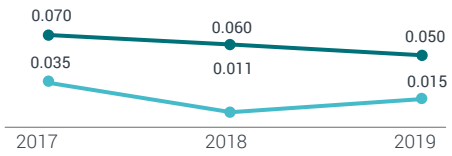
Técnicas Reunidas monitors the results and indicators as regards safety, both in the projects where it acts as the main contractor and in those where it is part of a consortium and is responsible for health and safety management.

Through this monitoring, the Company values compliance with the established objectives and, where necessary, analyses the reasons for deviations in order to establish specific action plans, if necessary, to correct those results. Técnicas Reunidas records and reports on not only accidents and incidents, but also another series of parameters which help to evaluate performance from the proactive point of view. As part of this data analysis, quasi-accidents or near misses are studied together with any observations carried out during the site inspections which show areas for improvement in order to be able to work efficiently towards the prevention of accidents.

The results achieved as regards safety are notified to the Management of the projects and to the Técnicas Reunidas Management in order to keep them informed on health and safety.

Similarly, the results for each construction site and the incidents which have occurred are shared between all of the entities involved, so promoting improvement in the value chain. The most relevant incidents are dealt with also during the safety talks (*toolbox meetings*) given to the workers by their superiors. Additionally, each of these incidents gives rise to a specific investigation with the aim of applying corrective measures to avoid their repetition.

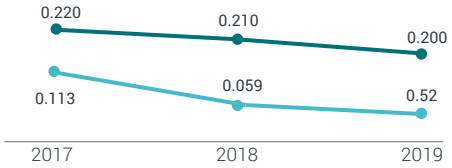
(LTRI) Lost Time Incident Rate*



LTIR target

(LTRI) *Lost Time Incident Rate**=(No. of accidents with time off work/No. of hours worked)*200,000

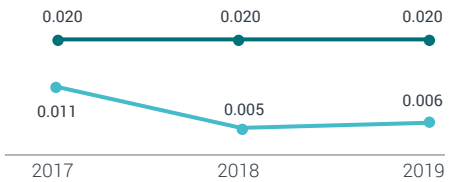
(TRIR) Total Recordable Incident Rate*



TRIR target

Total Recordable Incident Rate (TRIR)=(No. of recordable accidents according to OHSA No. of hours worked)*200,000

SR (Severity Rate)



SR target

Severty Rate (SR))=(No. of days not worked due to accident during working hours with time off work/No. of hours worked)*1,000

Evolution of Safety indicators in 2019

During 2019, in construction, some 181,300,000 work hours have been carried out, including those worked by subcontractors.

This amount of work has meant an extraordinary effort by the Company, which has had to manage a volume of more than 62,200 workers at peak time (between its own and those belonging to subcontractors).

The main safety indicators evaluated by Técnicas Reunidas (the Lost Time Incident Rate – LTIR; the Total Recordable Incident Rate - TRIR and the Severity Rate - SR) remained significantly below the limits established by the Company, despite the increases shown in two of them.

However, in 2019 an accident unfortunately occurred with a final result of four deceased workers, three of whom belonged to subcontractor companies. The accident took place during chemical cleaning work on a boiler within the commissioning phase of one of our projects.

As a result of the accident, the corresponding investigation was immediately carried out with the aim of discovering the causes and to implement the corresponding measures to avoid its repetition. The lessons learned from the investigation have been distributed throughout the company.

In addition to the immediate action taken, certain causes were discovered which resulted in the need for a corporate action plan aimed at improving safety during commissioning activities in all of the project's activities.

[403-2]

Consolidated results for safety at Técnicas Reunidas construction sites

	2017		2018		2019	
Hours worked	137,902,242		196,453,180		181,307,688	
Number of employees on site (Técnicas Reunidas and subcontractors)	43,022		64,676		57,595	
Deaths	Actual	Target	Actual	Target	Actual	Target
	4*	0	1	0	4**	0
LTIR: Lost Time Incident Rate	Actual	Target	Actual	Target	Actual	Target
	0.035	0.070	0.011	0.060	0.015	0.050
TRIR: Total Recordable Incident Rate	Actual	Target	Actual	Target	Actual	Target
	0.113	0.220	0.059	0.210	0.052	0.200
SR: Severity Rate	Actual	Target	Actual	Target	Actual	Target
	0.011	0.020	0.005	0.020	0.006	0.020
Number of recordable accidents	78		58		47	

* Death of four employees of a subcontractor who were working on the Company's projects.
** Death of four employees, one belonging to Técnicas Reunidas and three belonging to subcontractors who were working on one of the Company's projects.

PARTICIPATION IN EXTERNAL FORUMS AND RECOGNITION FOR OCCUPATIONAL HEALTH AND SAFETY

The commitment and performance of Técnicas Reunidas in the area of health and safety has, for yet another year, earned it recognition by its clients.

Throughout 2019, the Company has been represented at various international forums of the sector in the field of occupational health and safety:

- The "HSE Europe Congress" held in Lisbon, where, together with the Health and Safety professionals of leading companies in the industrial sector, the latest technology was examined, both with regard to the theoretical aspect and its application in workplace environments.
- The "Sustainable Performance Forum EMEA", held in June in Paris, and "VI EHSS Seminar", which was held in Madrid in October, organised by a leading company in the sector, where the latest technology in operation risk management and control was presented.

By participating in these forums, the Company guarantees that it is up to date in the relevant aspects of safety management and maintains contact with other companies and clients in the sector, which will result in benefits for all parties involved in correct safety performance.

Equally, Técnicas Reunidas has received recognition from its clients for its performance in the field of health and safety:

- Best Safety Performance Award (January 2019) in the Jazan Refinery & Terminal Project – Package 10 & 11 and the Jazan Integrated Gasification Combined Cycle Project – Package 5.
- Best Subcontractor Camp (February and March 2019) in the Jazan Integrated Gasification Combined Cycle Project – Package 5.
- Project Safety Index 91.20% in the Jazan Integrated Gasification Combined Cycle Project – Package 5.

In addition to the recognition received from clients, Técnicas Reunidas has reached a large number of milestones in relation to its projects' safe work hours:

- March 2019: 30 million hours without lost time incidents at the Jazan Refinery & Terminal Project – Package 10 & 11 (Saudi Arabia).
- June 2019: 15 million hours without lost time incidents at the Jazan Integrated Gasification Combined Cycle Project – Package 5 (Saudi Arabia).
- July 2019: 80 million hours without lost time incidents at the Fadhili Project (Saudi Arabia).
- August 2019: 5 million hours without lost time incidents at the Touatgaz Project (Algeria).
- September 2019: 5 million hours without lost time incidents at the DUQM Refinery Project (Oman).
- November 2019: 20 million hours without lost time incidents at the Ras Tanura Project (Saudi Arabia).
- December 2019: 15 million hours without lost time incidents at the Haradh & Hawiyah Project (Saudi Arabia). 2 million hours without lost time incidents at the Bu Hasa Project (United Arab Emirates).

6.6 EFFICIENT SUPPLY CHAIN MANAGEMENT

Having a supply chain that is in line with the level of demand and the Company's values is a key factor for guaranteeing a project's success.

KEY INDICATORS [308-1]; [308-2]

INDICATOR	2019 DATA	2017-2019 PROGRESS
Procurement of materials from suppliers and construction subcontracting (millions of euros)	3,666	-9 %
No. of construction subcontractor workers*	62,200	13 %
Local procurement and subcontracting (%)	78%	+ 1 p.p. (percentage point)
Approved suppliers and subcontractors (number)	2,758	16 %
Suppliers subject to audits or assessment (%)	68%	+ 7 p.p. (percentage points)
Average score for supplier performance evaluation (from 0 to 3)	2.19	+0.01
Efficiency in procurement tasks (hours dedicated / order)	261	-28 %
Hours of training for suppliers	327	140 %
Number of days for closing non-conformities**	25	-55 %

2019 MILESTONES

- Robotization/ Digitalization of processes.
- Implementation of a plan for improving the efficiency and quality of resources.
- Implementation of the eSAM tool for managing subcontracts in projects.
- Extending the functions of the *e-Supplier* portal to improve the use of the information obtained from the subcontracts.
- Formalisation of a new Code of Conduct and a Statement of Integrity form specific to suppliers and subcontractors, consistent with the Company's Code of Conduct.
- Increased percentage of suppliers subject to audits or assessment.

GOALS 2020

- Improvement of the efficiency of internal processes in the supply chain.
- Strengthening the communication channels through an interdepartmental intranet aimed at speeding up problem-solving.
- Increased collaboration with clients, sharing technical knowledge in forums and publications in the sector.
- Implementation of the improvements arising from the development of the Innova project for optimising digitalization processes.
- Implantation of the TR-ansforma plan for increasing efficiency in activities.
- Continued implementation of the "eSAM" in all projects.
- Integration of "eCost" software with "eSAM" for optimising the control of Construction costs.
- Development of the software "Site Workforce Control" for monitoring construction activities.
- Review of structures and optimising Construction resources.
- Creation of a new manager profile for improving information on and control of the deliveries and purchases in the final project stages.

* Data corresponding to direct subcontractors in construction work during the peak month of the year.
** The way of calculating this indicator has been changed. In 2017 the calculation was on the number of days from opening the non-conformity until its closure. However, in 2019 it has been calculated as the number of days from the opening of the non-conformity until when the corrective action agreed upon with the supplier is approved by the client.

MANAGEMENT APPROACH [103-2]

Técnicas Reunidas' main objective in the management of its supply chain is for materials, assembly equipment and services (subcontracts) to be awarded on a competitive basis under the standards of excellence and quality demanded in the sector.

The management of this supply chain is increasingly complex. To overcome this challenge, the Company has adopted innovative tools that make it possible to analyse and monitor the performance of its suppliers and subcontractors, maximising efficiency, generating new opportunities and carrying out correct risk management.

Another essential aspect in the management of the supply chain consists of having a global supplier market with updated information that enables reducing risks in the selection of suppliers and subcontractors from the perspectives of finances, performance and quality.

Técnicas Reunidas' approach to supply chain management

INNOVATION

Both units (provisioning and construction) innovate with processes and technologies that improve the management and performance of the supply chain.

REGULATION

Various procedures regulate the management of the supply chain, establishing the functions and responsibilities of the professionals involved.

PROVISIONING UNIT (PURCHASING)

CONSTRUCTION DIVISION (SUBCONTRACTS)

STRATEGY

Every year both units approve internal strategic plans in line with the general objectives of the Company, which ensure the evaluation of the key variables of the process and ongoing improvement.

COMPREHENSIVE MANAGEMENT

Técnicas Reunidas has a Comprehensive Management System that allows the individual and overall performance of suppliers and subcontractors to be measured and monitored.

AWARD

The centralised system of awards ensures plurality, fair competition and transparency for suppliers and subcontractors throughout the award process.

In 2019, there were on average more than 57,500 workers (mainly belonging to subcontractors) in the Técnicas Reunidas projects (62,200 at the peak moment). In order to respond to the challenges involved in managing such a high number of workers, the Company had over 3,275 professionals engaged in financial control and monitoring of the work of subcontractors.

2019, A YEAR WITH IMPORTANT CHALLENGES IN THE MANAGEMENT OF THE SUPPLY CHAIN

In 2019 Técnicas Reunidas managed over 181 million working hours (equivalent to more than 20,000 years) in its projects around the world. Most of those hours were worked by the subcontractors.

The high volume of business in various projects in 2019 required new resources, and it was necessary to look for new suppliers and subcontractors to carry out the work in the new countries and areas, in accordance with the quality standards demanded by the Company.

CENTRALISED INSPECTION MANAGEMENT (PROVISIONING)

Técnicas Reunidas collaborates with a wide variety of clients and suppliers in different geographical areas, some of which are areas with a strong manufacturing tradition and others are emerging industrial powers.

The Inspection Department employs its own personnel in surveying and becoming familiar with the different local markets as a way of assessing and providing the Company with a network of associates capable of understanding the needs of Técnicas Reunidas and assuming its style of work, reconciling the needs for quality and safety with those of the end client.

The implantation of the "IMA" App (*Inspection Management Application*) enables more data to be collected and analysed with a view to assessing the performance of those associates. To encourage its use, and the channelling of suggestions from the users themselves, Técnicas Reunidas is promoting training sessions with the various collaborating agencies.

Another essential tool for ensuring success consists of acquiring increasingly more knowledge which will enable the Company to guide the supplier in case of any difficulty arising in manufacture. Suppliers' success is the project's success, and our own; and our experience is theirs. Specialisation by areas in the Provisioning Unit is a response to this need. Having key personnel in the main supply specialities makes it possible to better assess the offers in close collaboration with the technical departments, provide more complete advice to the end client and user, anticipate any difficulties that might arise during the project and respond more swiftly and more consistently to the different problems that occur in manufacture.

One of the major challenges is to be able to channel all the experiences from solving problems in different projects. To that end, the structure of the department has been reinforced, centralising the key personnel mentioned above. Performing this management on a centralised basis makes it possible to speed up the response to problems. What is more, the centralised knowledge means that problems that the Company has already encountered with the same client, unit, process, etc. can be anticipated.

This effort is reflected as a significant improvement of the indicator associated to multidisciplinary management and resolution of problems (number of days for the closure of non-conformities).

MANAGEMENT OF CONSTRUCTION SUBCONTRACTS

The Construction Division provides a response to the needs arising in the different phases of EPC projects (Engineering, Procurement and Construction) within the field of construction:

- Quotation phase (head office) in which a complete valuation is made of the construction cost and the technical description of the bid.
- Task Force phase (home office) in which, amongst other activities, the subcontracting takes place, the organisational chart is defined for the construction work and Company personnel is chosen and mobilised. In order to select subcontractors, Técnicas Reunidas follows a transparent and detailed award process which enables it to choose the companies that are best suited to its requirements.
- Building phase (site) in which building work is supervised, including management of subcontracts and the supervision and control of all activities, up until the delivery of the facilities to the client.

All the activities composing these three phases are regulated under corporate procedures that are audited during the course of the project and ensure continuous compliance with the requirements established.

Furthermore, to strengthen management of subcontractors, in recent years it has been necessary to implement a micro-management with some of them in order to guarantee that the work is carried out in optimum conditions. With this objective, Técnicas Reunidas has developed a set of tools that facilitates monitoring building work.

These include the e-SAM software that seeks to improve efficiency in time and costs of subcontractor management processes, strengthen communications, increase control of the processes and strengthen the ability to make future forecasts. In 2019, this tool continued to be implanted, for example being applied in the Crisp and Marjan projects where new modules and functions have been put into operation, which has meant a significant milestone.

EFFECTIVE SUBCONTRACTOR MANAGEMENT IN THE MOST COMPLEX CONDITIONS

Due to events occurring in Turkey during the summer of 2016, the Turkish company that was awarded the main subcontract in SOCAR's STAR project in Turkey abandoned the site. That contract included civil engineering work, building construction, underground piping, mechanical assembly, electricity installation and instrumentation. At that time, the general progress of the works stood at 35 %.

Immediately, with the aim of minimising the impact of this incident on the project scheduling, Técnicas Reunidas provided all possible means for finding alternatives that would guarantee the continuation of the building work. As a result of its knowledge of the country (Técnicas Reunidas has executed other major projects in Turkey in the past), the Company was able to find alternatives in the supply chain in record time.

With the support of the different tools for monitoring progress and carefully controlling figures, in a very short space of time Técnicas Reunidas managed to reassign the subcontracts for the different technical disciplines to 6 subcontractors.

The client has publicly thanked the Company's actions in solving a major problem that could have seriously affected the viability of the project and its future profitability.

THE TÉCNICAS REUNIDAS SUPPLY CHAIN IN FIGURES
[102-9]; [204-1]

Técnicas Reunidas has a world-wide database composed of 24,906 suppliers of materials and construction subcontractors, of which 2,186 suppliers and 572 subcontractors have already been approved by the Company.

When implementing projects, Técnicas Reunidas encourages collaboration with local suppliers and subcontractors for which it uses a specific procedure that ensures the best handling of requirements of this type.

In recent years, the volume of purchases made with these local suppliers and subcontractors has increased considerably, representing 78% of the total in 2019.

In its commitment to encouraging this type of purchases and contracts, the Company makes a thorough analysis of the local market to identify potential firms who can be awarded contracts (including visits to those firms and carrying out a pre-qualification process). Furthermore, it also provides them with training and coaching with the aim of enhancing their skills and aiding their integration into Técnicas Reunidas projects.

Having access to this type of suppliers and subcontractors brings the Company a number of advantages, particularly in delivery times and conclusion of assembly work, and also speeds up the processes of admission into the country.

On the other hand, the collaboration of Técnicas Reunidas with local suppliers and subcontractors not only brings them economic benefit, but also provides them with the possibility of working with an international Company with extensive experience, which can mean a lever for them to grow and enhance their skills.

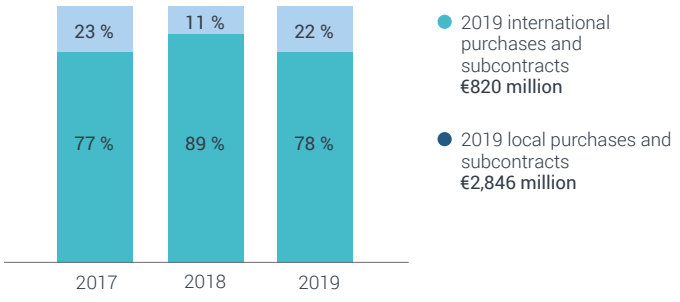
In the past year Técnicas Reunidas has demonstrated the broad knowledge it has of its supply chain in the various projects in which it has been involved. In the BU HASA, ADGAS and SEWA projects (all in the Emirates) and in the project under development in Singapore, the Company has promoted the incorporation of new suppliers into the list approved by each client.

In some of these projects the client has validated the system used by Técnicas Reunidas for the approval of suppliers, which has enabled the Company to extend and consolidate business lines with its regular suppliers, which will offer it the possibility of collaborating in new geographical areas.

The Técnicas Reunidas supply chain in 2019

	Suppliers of materials (mechanical and static equipment, materials for pipes, electricity, instrumentation, etc.).	**Construction subcontractors** (Civil engineering work, mechanical assembly, electricity installation and instrumentation, etc.).
No. of suppliers and subcontractors approved	2.186	572
No. of regular and recurring suppliers and subcontractors	542	132
No. of strategic suppliers and sub-contractors	36	17

Distribution of purchases among suppliers of materials and subcontracts made by Técnicas Reunidas between 2017 and 2019*



Total purchases from suppliers of materials and construction subcontractors in 2019: €3,665.5 million*

* Note: data taking into account invoicing dates. Local purchases and subcontracts include those made by subsidiaries, branches, and foreign Joint Ventures. International purchases and subcontracts include those managed from Spain even if they are awarded at international level.

ENHANCING THE SKILLS OF LOCAL SUPPLIERS AND SUBCONTRACTORS IN SAUDI ARABIA

In 2019 Técnicas Reunidas created several workshops for some suppliers (and their employees) within the framework of the IKTVA programme in Saudi Arabia.

This programme makes it possible to improve the abilities of the supply chain so they can offer better quality services, strengthening Técnicas Reunidas commitment to the long term development of the country.

Through fluid dialogue with suppliers, reflected in training and coaching plans (workshops) both in the Company offices in Madrid and also in the subsidiaries and on building sites, the Company's information increases, processes are improved, helping them to be more competitive and favouring the creation of new actions and opportunities that will enable them to grow in the future.

APPROVAL OF SUPPLIERS AND SUBCONTRACTORS, AND RISK MANAGEMENT IN THE SUPPLY CHAIN

Técnicas Reunidas establishes a number of demands made of its suppliers and subcontractors through the approval process which includes specific requirements depending on the type of goods and services contracted.

Filling in the pre-qualification questionnaire through the e-Supplier portal is the first step to be taken by any supplier and subcontractor to be eligible to the Company.

In the case of suppliers, this process is handled by the person in charge of approvals in the division belonging to the Quality Department which coordinates these activities.

Then, whether the supplier is approved or not, the coordinator for provisioning can request additional measures for orders of a certain technical complexity, high financial volume, or any that have to meet the specifications indicated by the client.

Ultimately, the Company makes use of the SPMat system which makes it possible to evaluate the orders awarded that are selected by the Approval Committee. The information obtained in the process must be available for consultation by buyers and will be taken into account for recommending buying from the supplier.

Subcontractors go through a similar approval process, with any who do not meet the requirements established being ruled out in the phase for submitting quotes.

A SUPPLY CHAIN IN LINE WITH THE REQUIREMENTS AND SPECIFICATIONS OF TÉCNICAS REUNIDAS

It is essential for Técnicas Reunidas to have a supply chain that meets its requirements and specifications.

The Company has a list of suppliers and subcontractors with which it has not had positive experiences in the past (list of disqualified suppliers and subcontractors) in order to avoid other Group companies working with them, thus reducing any subcontracting risks as much as possible.

The main reasons for which a supplier or subcontractor might be included on this list are defects or serious non-compliance in the execution of their work, having claims undergoing arbitration, or being in a negative financial situation, with the consequent risk for the execution of the project.

RISK MANAGEMENT IN THE PURCHASING AND SUBCONTRACTING PROCESS

The Company has a procedure that identifies the risks in the purchasing and subcontracting process.

In addition, to increase safety and reduce supply chain risk, Técnicas Reunidas strictly regulates the subcontracting of works or services to key suppliers and subcontractors through clauses included in the corresponding contracts. This means that the goods used and services performed are always under control.

If any serious risks are detected in an award, valid alternatives are sought and the award made to that supplier or subcontractor is disregarded. If those alternatives do not exist and/or the risk can be kept under control, a series of actions will be established in the order specifications to minimise them and, furthermore, they will be more closely monitored during manufacture.

As part of the award process a detailed analysis of the financial situation and of the degree of Compliance of the recommended supplier or subcontractor has also been implemented, intended to identify economic and reputational risks in order to take any actions necessary to mitigate them.

Lastly, with regard to subcontracts, Técnicas Reunidas has identified the potential risks that might arise and has designed specific mechanisms for mitigating them.

Those risks include production risks (which are minimised by closely monitoring the progress of the work), financial risks (managed by assessing subcontractors before awarding the contract) and risks associated to shortcomings in quality (which are controlled by monitoring their performance).

It is also important to minimise risks in Health, Safety and Environment (HSE). To this end, risks with suppliers are minimised through the approval and subsequent inspection in the work centre, while in the case of subcontractors, a pre-qualification is carried out prior to the award and subsequently, in the construction phase, they are supervised, inspected and audited. In addition, the Company controls any potential risks associated to the well-being at work of the employees of the subcontractors working on the projects, participating in the management of the workers' camps (see highlighted table).

INSPECTION OF THE WORKERS' CAMPS OF THE SUBCONTRACTORS

In 2019, Técnicas Reunidas intensified the inspection of the camps for the workers belonging to the subcontractors to ensure that they meet applicable legislation and the project specifications, thus supervising their well-being at work.

Moreover, the Company has placed special emphasis on providing an appropriate infrastructure and standard for the workers' camps managed directly by the Company.

APPLICATION OF THE TÉCNICAS REUNIDAS CODE OF CONDUCT IN ITS SUPPLY CHAIN [103-2]

Managing the supply chain not only entails searching for reliable partners who can provide solvency and value, but they are also required to share the Company's commitment to sustainability.

In 2019, Técnicas Reunidas reinforced the management of regulatory compliance in its supply chain. To that end, it drew up a new Code of Conduct and a Statement of Integrity form specific to suppliers and subcontractors, consistent with the Company's Code of Conduct.

These measures include the following aspects:

- Integrity of conduct between the professionals of Técnicas Reunidas and its stakeholders.
- Importance of suppliers and subcontractors acting responsibly, efficiently and to a certain standard.
- Promotion of equal opportunities and non-discrimination.
- Commitment to Human Rights.
- Protection of workers' rights and the environment.

Técnicas Reunidas requires the companies in its supply chain to abide by the Code of Conduct for suppliers and subcontractors by registering on the e-Supplier portal. Since the portal was set up, a total of 1,892 suppliers and subcontractors, out of a total of 24,906, have entered and completed the pre-qualification questionnaires and accepted the TR Code of Conduct, 780 during 2019.

In addition, Técnicas Reunidas makes a series of demands on environmental issues, employment and the protection of Human Rights, amongst which the specific requirements consistent with the ISO 14001 standard, compliance with environmental legislation and reporting on other information regarding sustainability (see the attached illustration).

Main requirements to the supply chain regarding sustainability

- Environmental management requirements according to the ISO 14001 Standard.
- Ability to comply with applicable environmental legislation.
- Reporting any environmental incidents/ accidents occurring during the past 5 years.
- Reporting any environmental fines/ penalties during the past 5 years.
- Reporting the carbon footprint every year.
- Health and Safety requirements in line with the OHSAS 18001 standard.
- Requirements concerning Human Rights.

CONSOLIDATION OF THE e-Supplier PORTAL FOR ELECTRONIC MANAGEMENT AND COMPILING OF INFORMATION ON SUPPLIERS AND SUBCONTRACTORS

The *e-Supplier* portal is consolidated since 2017 as a key tool for improving management of the supply chain.

This portal acts as a platform that unifies the channels of communication with suppliers and subcontractors and enables a two-way flow of information. On the one hand, the Registration-Pre-qualification module makes it possible to gather up-to-date information on suppliers and subcontractors and for the Company to send them certain requisites such as those included in the Code of Conduct. Furthermore, the Requisitions Management module encompasses the entire tender process from when it is launched until bids are received and assessed, including all classifications made during the process.

All the information collected is available in SPMat, complying always with privacy requirements. This allows for more effective, transparent and speedy management of the supply chain, which has a favourable effect on making the Company more competitive, the quality of work, the streamlining of costs and minimisation of risk in the projects.

In 2019, 5,779 bids were received from 1.406 different suppliers, who are also asked to update their information for inclusion in the Company's database. Furthermore, in order for the information obtained from the subcontractors to be used more rapidly, the functions of e-Supplier have been broadened for obtaining lists of subcontractors, pre-qualification questionnaires and consultations with details from having filled out the questionnaires. This development makes it possible for the team to have first-hand knowledge of the world-wide market of subcontractors who are the most technically qualified and economically most competitive for covering the demands of the projects.

MONITORING OF SUPPLIERS AND SUBCONTRACTORS

In order to have optimum control on meeting the contracted project deadlines and other requirements, Técnicas Reunidas continuously assesses the suppliers and subcontractors in respect of their performance and abilities.

Furthermore, for several years the Company has been allocating human and financial resources to monitoring health and safety conditions in the work of those suppliers and subcontractors, covering three major aspects:

- Assessing health and safety conditions in the workshops with which it collaborates.
- Advising and helping sales staff on health and safety issues whenever necessary.
- Guaranteeing the health and safety of its own and subcontracted inspectors in the workshops where inspections are made of the materials for the different projects.

Those aspects are evaluated using specific HSE inspections, where the parameters necessary for ensuring a safe work environment for our teams and associates are recorded, and any unsatisfactory cases are then analysed and measures taken at management level of the Provisioning Department.

If Técnicas Reunidas detects an irregularity in any matter of Health, Safety or Environment, that irregularity is closely studied. Depending on the type of irregularity and its gravity, the supplier is asked to take corrective and preventive action, and if the irregularity is serious, the Company considers the possibility of excluding the supplier from new bids or awards.

Similarly, in the case of subcontractors, they are also supervised during the course of the building work to ensure their compliance with all requirements established in the contract.

This supervision involves performing audits, as a result of which any non-conformities are detected, for which corrective action is established. These actions are set out in detail in the audit report, establishing deadlines for correcting them.

These audits are performed by inspecting any work executed by the subcontractor that will only be accepted once the inspectors from the Company have verified that the work has been carried out in accordance with the project designs and specifications. Verification of the corrective actions established is habitual practice in these inspections, and documented in detail in the quality dossiers handed to the client.

As in the case of suppliers, Técnicas Reunidas establishes in its contracts the obligation of complying with occupational health and safety and environment requirements, performing daily supervision of these aspects, and specific audits. The same as for the quality aspects of the project, any non-conformities are monitored until corrective measures are implemented. In cases of more serious or repeated infringements, the Company may apply economic penalties and even expel the worker/s responsible.

Evaluation of suppliers in 2019

797 supplier assessments made on environmental issues and 796 assessments on social issues.

435 assessments of orders with an average evaluation of 2.19 out of 3.

94 % of strategic suppliers are audited by visits to their production centres and interviews.

519 health and safety inspections carried out.

CONSOLIDATION OF THE DEVELOPMENT OF THE MOBILE APPLICATION FOR INSPECTING MANUFACTURERS OF MATERIALS AND EQUIPMENT

In its commitment to implementing technological tools for obtaining competitive advantages, Técnicas Reunidas finalised the development of the mobile App "TR Inspection Management Application (IMA)" with IBM and Apple in 2017. This tool is currently in the consolidation phase and is put into operation in the Company projects.

As a result of the maturity attained in its development and implementation, new improvements are being developed based on the experiences and comments received from users:

- Activation in the workshop that enables better and more complete monitoring of both stockpiling of materials and of the different manufacturing stages which will alert on and minimise any possible deviations that might arise and affect the delivery deadlines for projects.
- Automation processes for controlling the expenses associated to inspections which will enable greater control and management, thus benefiting the targets to be met by the projects.
- Specific training for users of the application in different geographical areas of influence where most of the manufacturing activity is taking place, such as the Middle East, Asia and Europe.

DIALOGUE AND COLLABORATION WITH SUPPLIERS AND SUBCONTRACTORS

Técnicas Reunidas has created different mechanisms to strengthen the relationship with its suppliers, especially with the strategic suppliers.

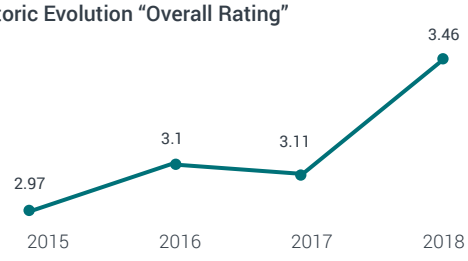
Those mechanisms include signing framework agreements that include global business conditions for different projects and the creation of joint improvement groups which deal with the main areas of improvement according to the performance observed in the development of the projects.

Because of these groups, and all other lessons learned in the evaluation processes, the Company and its suppliers are able to define and implement corrective measures for technical and management aspects.

Another of the most noteworthy actions carried out consists of the survey that Técnicas Reunidas makes of its suppliers to know in which aspects the Company has the best interaction with them and in which there is room for improvement.

In the editions of the survey carried out in the last two years, it has obtained a very positive assessment, with an upward trend. Among the specific aspects most appreciated by suppliers were the quality and amount of documentation included by the Company in the tenders; the communication and clarification of different aspects during the award process and the activities pertaining to inspection and activation.

Historic Evolution "Overall Rating"



Lastly, the Company collaborates with its suppliers and subcontractors through other mechanisms such as establishing a schedule of yearly meetings or the implantation of meetings at manager level in our projects in order to monitor them in more detail.

BENEFITS OF THE COLLABORATION WITH SUPPLIERS AND SUBCONTRACTORS

For Técnicas Reunidas, the dialogue and collaboration with suppliers and subcontractors has a direct positive repercussion on the Company's achievements.

Not only are synergies and improvements in communication enhanced, but also the building deadlines are optimised, which makes it possible to anticipate management of changes and improve on delivery times.

These collaborations have generated a reduction in quality non-conformities and an improvement in performance, not only with Técnicas Reunidas but also with other clients.

As an example of this type of collaboration, it is worth mentioning the participation of companies with broad technical knowledge on very specific subjects, such as heavy lifting specialists that associate with Técnicas Reunidas from the bidding phase, providing technical solutions for lifting large-scale equipment, transporting modules, and in general handling heavy loads; this makes it possible to streamline costs and increase safety in the Company's projects.

Técnicas Reunidas participates regularly in international exhibitions and trade fairs to contribute to the development and strengthening of its clients and suppliers.

A BOOST TO THE INTERNATIONALISATION AND INNOVATION OF SPANISH BUSINESSES

Técnicas Reunidas contributes to the internationalisation and innovation of Spanish suppliers:

- It stores a high percentage of Spanish suppliers in its database who are taken into consideration in the tender processes, offering them the opportunity of participating in international projects.
- It establishes close communications with them in the context of the projects to make them more competitive.
- It advises some of them on becoming internationalised and approaching the client approval process.
- It notifies them of opportunities in existing projects, regardless of whether the Company participates in them or not.

6.7 RELATIONSHIP WITH SOCIETY AND STAKEHOLDERS

Técnicas Reunidas places special emphasis on the social dimension of its activities, in particular in the projects it carries out. Through dialogue with the main stakeholders, the Company promotes the generation of positive impacts and reinforces its contribution in those environments where it is present.

KEY INDICATORS

INDICATOR	2019 DATA	2017–2019 PROGRESS
Amount assigned to social action projects (€)	986,450	85 %
Partner organisations in the social sphere (number)	23	-32 %
Positive impact on the local environment from projects in terms of local purchasing and subcontracting (millions of €)	2,846	-19 %

2019 MILESTONES

- Promoting local purchases and subcontracts which account for 78 % of the total.
- Increase in the amount allocated to social interest initiatives.
- Close examination of the positive impacts of projects carried out

GOALS 2020

- Maintain a high percentage of local purchases and subcontracts.
- Impact on the social aspects of the projects carried out by the Company.
- Increase the positive impacts of its activities.

MANAGEMENT PRINCIPLES
[102-43]; [103-2]

The Company structures its relationship with its stakeholders around three core aspects:

- **Social project management.** The execution of the projects leads to different impacts on their surroundings at a social level. Técnicas Reunidas manages these impacts by identifying their possible consequences and defining actions to maximize the positives and reduce or eliminate the negatives, should any arise.
- **Participation and dialogue.** Técnicas Reunidas maintains a regular dialogue with the stakeholders with the aim of familiarising itself with their expectations regarding the activity and identifying aspects which could help the Group to improve.
- **Social action.** The Company reinforces its contribution to the development of the surrounding area and to achieving various aims of social interest through collaboration with various entities which share the Company's aims. Among other priorities, Técnicas Reunidas promotes collaboration in areas such as encouraging business and entrepreneurial activities, culture, science, investigation, education and the mitigation of other social needs in the communities which host the projects in which we participate.
-

Core aspects for managing the relationship with society and the stakeholders

PARTICIPATION AND DIALOGUE WITH STAKEHOLDERS
[102-40]; [102-43]; [102-44]

As a result of the dialogue with stakeholders, Técnicas Reunidas is able to develop adequate planning of its activities, manage reputational risk and be seen as a sustainable Company.

The specific relationship channels with the stakeholders has enabled Técnicas Reunidas to identify the issues which are more relevant to them in their relationship with the Company..

Relationship channels and issues relevant to the stakeholders of Técnicas Reunidas [102-40]; [102-44]

Stakeholder	Main channels	Frequency of the relationship	Relevant issues identified in 2019
Employees	• Satisfaction surveys. • Training, tutorials and interviews. • Website. • Intranet. • Integrated Report • Evaluation of skills and knowledge.	On-going	• Job satisfaction. • Workload. • Relationship with the Company, superiors and fellow workers. • Low staff turnover.

[102-40]; [102-43]; [102-44]

Stakeholder	Main channels	Frequency of the relationship	Relevant issues identified in 2019
Clients	• Regular meetings. • Satisfaction surveys. • Trade fairs, forums and conferences. • Website. • Annual Report.	On-going	• Negotiation of proposals. • Execution of projects awarded.
Shareholders	• Meetings with investors. • Fairs and conferences. • General Meeting of Shareholders • Investors' Day. • Website. • Tours of the facilities. • Integrated Report • Proxy Advisors. • Social Networks (Twitter and LinkedIn).	Regular	• Holding webcasts and roadshows with investors.
Subcontractors / Suppliers	• Meetings with and calls to contractors and suppliers. • Sending of newsletters. • Website – special reference to the suppliers' section. • Integrated Report • Help with financing for suppliers and subcontractors.	On-going	• The Company's performance in the projects. • Increase in the functions of the Técnicas Reunidas e-Supplier portal for supplier and subcontractor management.
Society	• Tours of the facilities. • Website. • Integrated Report	Regular	• Notification of opportunities for collaboration. • Information on the economic performance of the Company and the impact this has on the surrounding area.
Local communities	• Tours of the facilities. • Meetings with local representatives. • Website. • Integrated Report	Depending on the project	• Monitoring the impacts of executing the projects. • Participation in social action projects in the surrounding areas of the projects. • Hiring local labour for the projects.
Public administration	• Meetings with the representatives of the local administrations. • Participation in work groups. • Website. • Integrated Report	Depending on the needs of each project. On-going in the case of administrations in the countries where the projects are executed. Many of the clients are public administrations.	• Dialogue with the relevant local representatives in the countries where the projects are executed.
Sector associations	• Participation in work groups. • Website. • Trade fairs, forums and conferences.	Permanently, generally channelled through participation in the Board of Directors or management.	• Participation and exchange of knowledge at business forums such as AEC (Spanish Quality Association), Club de Excelencia de Sostenibilidad (Excellence in Sustainability Club) and the annual meeting of Ammonium Nitrate and Nitric Acid producers and technology experts (ANNA). • Collaboration with leading organisations in the field of occupational health and safety, such as CCPS (Center for Chemical Process Safety). • Participation in the Emisores Españoles (Association of Spanish Issuers).

SOCIAL PROJECT MANAGEMENT

[103-2]; [203-1]; [203-2]; [413-1]; [413-2]

While carrying out its projects, Técnicas Reunidas prioritises the identification and management of the risks relating to the local community, the most relevant of which are the potential damage to the environment which could arise from the activities carried out by the Company.

In order to prevent this, or any other risk, becoming a reality, Técnicas Reunidas has policies in place based on the social management framework (see attached table) which, furthermore, makes it possible to plan precise action to respond to these matters, where coordination with the local community and the various stakeholders (public administrations, shareholders, suppliers or subcontractors) is a key element.

The Company identifies the hiring and training of local personnel, developing infrastructure in the surrounding area and potential environmental effects and cultural needs as matters of relevance to the local communities.

Throughout 2019 the focus has been placed on systematizing the way specific management of social issues is approached in the projects constructed, not only from the corporate or the health and safety point of view, but in a broader way dedicated specifically to each project, construction site and community in question. The Company also applies due diligence procedures to all third parties with which it has dealings.

The projects in which Técnicas Reunidas participates generate different impacts on the environment

- The management of more than 62,200 workers between our own staff and those of subcontractors in 2019.
- A firm commitment to local contracting of suppliers and subcontractors which in turn reinforces the positive economic contribution of the Company to the surrounding area (€2,846 million in local purchases and contracts in 2019).
- Training of companies and local manpower through courses and workshops organised by the Company.
- Strengthening of the local entrepreneurial fabric.
- Creation of key energy infrastructure through the Company's projects.
- Development of initiatives with the local communities which make it possible for particularly vulnerable groups to advance.

* Local purchases and subcontracts include those made by subsidiaries, branches and foreign joint venture entities.

The main local representatives of Técnicas Reunidas in each project are responsible for the dialogue with the local community and establishing links with them and carrying out the necessary actions.

Framework for social management of the Técnicas Reunidas projects

FRAMEWORK FOR SOCIAL MANAGEMENT

Evaluating and managing the social impact

Analysis at the tendering phase of the individual social impact of each project. Obtaining the "social licence" is the responsibility of the client.

Carrying out projects in support of the local community

As a result of the coordination with the local community, Técnicas Reunidas is aware of its needs and expectations in order to analyse ways of materialising their support to them.

Constant monitoring of the local area

Técnicas Reunidas carries out permanent monitoring of the local area and also the performance of third parties involved in the executions of the projects (amongst others, suppliers and contractors).

Complaints and restitution mechanisms for social impacts

Despite the fact that the impacts of the projects are mainly positive, the Company carries out an analysis of local regulations with the aim of offering adequate complaints and restitution mechanisms for social impacts.

Dialogue with the local community

The constant dialogue with the representatives of the local community during the construction of all projects is handled by the Project Leader.

Highlighted case

Carrying out social and environmental actions during the execution of projects

Técnicas Reunidas promotes the dissemination of its corporate values and reinforces the positive impacts produced by its activities in the projects executed. To this end, the Company promotes the most appropriate actions depending on the features of each project, in certain cases with the disinterested collaboration of its employees. In 2019, some of the most outstanding were the following:

- **The surroundings of the Duqm refinery (Oman)**. Various activities were carried out as a result of the disinterested participation of the employees, amongst which, particularly, the cleaning of the beaches in the area, the collaboration with the Duqm Women Association, the encouragement of intercultural relations and the launching of awareness campaigns. These actions have earned the recognition of the SEZAD (Special Economic Zone Authority at Duqm), the highest authority in the region.
- **The surroundings of the Tierra Mojada combined cycle plant (Guadalajara, Mexico).** Various activities organised by the employees were carried out, such as, leisure events, donations of toys and children's clothes to nearby towns and sports clothing to social organisations, the construction of houses for the most disadvantaged people and the construction of infrastructures to improve communication and awareness campaigns (safety, health, etc.).
- **The surroundings of the project implemented at Teeside (Middlesborough, United Kingdom).** Within the context of social action, financial donations have been made to various third sector institutions related to small children, sport and the disabled.
- **The surroundings of the project carried out at Haradh (United Arab Emirates).** Gifts delivered to the children of the town. Even though this was the first action of this type carried out under the project, we intend to continue encouraging others and, in this way, contributing to the development of the local community.

The surroundings of the project carried out at Fadhili (Saudi Arabia). Various programmes have been carried out relating to biodiversity, such as planting trees as part of the "National Transformation Program 2020", which includes, particularly, the planting of indigenous species (which require minimum maintenance in the use of water resources) and the reduction of the carbon footprint.

Highlighted case

Our contribution to the educational development of the United Arab Emirates: the AWARENESS programme.

Técnicas Reunidas makes an important contribution to value development and creation in the United Arab Emirates (UAE). Along these lines, in addition to contributing with its activities to the social and economic growth and the generation of wealth in the country, the company has promoted the AWARENESS educational programme with the aim of giving support to the new generations of Emirates citizens and reinforcing the development of the local Oil&Gas sector.

The programme consists of a six-month full-time study plan in order to provide UAE citizens with skills and promote their participation in the public and private sector. Amongst other skills, the programme encourages them to gain skills which are extremely important for the sector, such as: technical know-how in various fields of engineering, team management, sales and negotiation skills, orientation towards results, etc.

This initiative promoted by Técnicas Reunidas has earned it the distinction by the Emirates government as the best private company in the Oil&Gas sector in the field of education. After all, AWARENESS contributes towards the efforts of the Emirates government to provide its citizens with additional professional options and improve their quality of life, all of which is in addition to other benefits generated by the activities of Técnicas Reunidas in the country:

- **Support for the local economy.** Through the AWARENESS programme, Técnicas Reunidas makes it possible for Emirates citizens to enter the labour market and support the local economy. In this regard, we should also stress the great vitalising effect generated by the fact that the company awards a large percentage of its purchases and subcontracts in the projects it carries out in the country to Emirates companies.
- **Local job creation.** The aim of AWARENESS is to develop the students' skills and prepare them for the labour needs of the future. Furthermore, Técnicas Reunidas is already making an important contribution to local job creation through direct contracting of Emirates personnel.
- ***Emiratisation.*** The aim of the emiratisation is to increase the number of UAE citizens in the job market and their contribution to the economy. The AWARENESS programme encourages job creation and promotes business development through training to improve abilities and skills of its workers.
- **Developing skills.** Through the programme, the students receive structured training on oil and gas in order to develop their skills in various specialist areas.

Not only does the positive impact associated with this contribution benefit Emirates citizens, but it will also give Técnicas Reunidas important advantages in the construction of its projects since it makes it possible for the company to contract better quality services, provided by more qualified personnel.

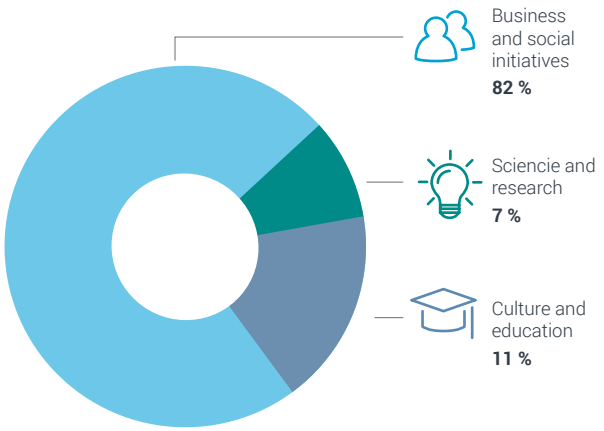
COMMITMENT TO SOCIAL ACTION

In general terms, Técnicas Reunidas has four work areas which demonstrate its commitment to social action, and which are implemented through various activities and projects.

To this end, the Company locates and selects other organisations which share its aims and analyses the opportunities to collaborate with them both financially and through other instruments (work groups, participation in forums, etc.). In 2019, the Company concentrated its collaboration efforts on certain institutions in order to be able to make more significant contributions to each of them.

> In 2019, the Company dedicated €986,450 to projects and organisations in the main fields of social action (culture, social entrepreneurial initiatives, science and research and education).

Financial investment in social interest projects. Distribution by category.



Técnicas Reunidas commitment to social action

The principal organisations with which Técnicas Reunidas collaborates [102-13]

Técnicas Reunidas' Commitment to Social Action

INCIPE

FUNDACIÓN CONSEJO ESPAÑA-EE.UU.

Cáritas

Culture

Fundación Amigos Museo del Prado

Science, research and education

Técnicas Reunidas forms part of several associations related to the business activities of the company, with which it collaborates in initiatives relating to promoting business and entrepreneurial activity, and with other organisations which promote company transparency and responsibility.

Other organisations in which Técnicas Reunidas participates

Promoting business and entrepreneurial activity

CDP SUPPORTER 2019

Fidex

TECNIBERIA
ASOCIACIÓN ESPAÑOLA DE EMPRESAS DE INGENIERÍA, CONSULTORÍA Y SERVICIOS TECNOLÓGICOS

Sercobe

7 REPORTING PRACTICE FOR THE INTEGRATED REPORT

This is Técnicas Reunidas' fifth Integrated Report, drawn up according to the recommendations set out in the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

This fifth Integrated Report consolidates Técnicas Reunidas' corporate reporting and provides continuity to the efforts made by the Company in the area of transparency, as reflected in its sustainability reports (and its first Integrated Report in 2015) published in recent years. Every year, Técnicas Reunidas strives to improve the quality of the information provided to all its stakeholders.

In this report, in addition to the <IR> framework, Técnicas Reunidas has once again followed the latest version of the Global Reporting Initiative Standards (GRI Standards) when drawing up its sustainability reports. Throughout the report, the GRI disclosures associated with the published contents are identified, and the Annex includes a GRI Content Index containing a list of the reported disclosures and the pages where the relevant information can be found.

MATERIAL TOPICS CONSIDERED IN THE PREPARATION OF THIS REPORT

The <IR> Framework and the GRI Standards require the Company to design the contents of its report to take into account "topics that materially affect the ability of an organisation to create value in the short, medium and long term".

These matters, denominated material topics, are those that reflect "the organisation's most significant economic, environmental and social impacts", and therefore refer to topics that may have an important impact on the Company when implementing its strategy, as well as the assessments and decisions of its stakeholders.

In order to comply with this criterion, the Company has drawn up a materiality analysis, as described below:

1. Identification of material topics

- Review of the material topics identified in the last edition of the report and those identified by GRI.
- Analysis of other companies' sustainability reports and integrated reports to assess which topics are considered relevant.
- Evaluation of the topics considered relevant by investors and proxy advisors on the basis of questionnaires from initiatives such as the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP).
- Opinion of other stakeholders: analysis of news items in 2019, meetings with management, evaluation of new legislation, analysis of tender specifications, etc.
- Analysis of the Sustainable Development Goals (SDGs) and identification of the most relevant topics.

2. Prioritisation of relevant topics

- Determination of the order of priority of each of the topics identified in the previous stage, based on interviews with Técnicas Reunidas managers.

3. Materiality matrix and content development

- Development of a materiality matrix that prioritises topics according to their relevance for stakeholders and for Técnicas Reunidas (see table).
- Identification of GRI disclosures to be addressed and content development in the Integrated Report.

The materiality matrix reflects those material topics with a medium or higher degree of materiality for both the Company and its stakeholders.

The figure below shows the Técnicas Reunidas materiality matrix in greater detail.

The following table shows the correspondence between the identified material topics and the term under which they are included in the new Standards. While several material topics have no direct link with GRI disclosures, some information regarding these topics is included in the Integrated Report.

In addition, the scope of the impact (within or outside the organisation) is indicated, along with the corresponding GRI disclosures that Técnicas Reunidas employs to provide information about its performance and management in each area.

Categories of material topics [102-46]; [102-47]; [103-1]

AREA	MATERIAL TOPIC FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY STAKEHOLDER GROUP*	GRI TOPICS INCLUDED	ASSOCIATED GRI DISCLOSURES REPORTED
Economic	**Economic performance**	Economic performance.	Shareholders	Economic performance	201-1
	Relations with shareholders and investors	Transparency and dialogue with shareholders and investors.	Shareholders	-	-
		Participation in sustainability initiatives aimed at investors (CDP, DJSI, etc.)		-	-
	Taxation	Fiscal transparency and accountability.	Public administrations Society	Economic performance	201-1
Operational / Business	**Client orientation and reputation**	Relations with clients.	Clients	-	-
		Compliance with requirements and client satisfaction (quality, operation, efficiency and plant safety).	Clients	Client health and safety	416-1
		Development of new business models (e.g.: Lump Sum Turn Key).	Clients	-	-
	Business Diversification	Diversification of products and geographical areas.	Shareholders	-	-
		Implementation of high added value projects (FEED).	Shareholders	-	-
	Successful implementation of projects	Striving for quality, efficiency and excellence along the company's entire value chain, from design to start-up, and including all provisioning and construction phases.	Client Society Suppliers	-	-
		Management of risks associated with projects.	Clients Society	-	-
	Digitalisation and information security	Use of new technologies in the management of the various areas of the company (Human Resources, HSE, Environment, etc.).	Employees	-	-
		Cybersecurity.	Clients	-	-
	Innovation	Innovation, R&D&I, own technologies, etc.	Clients Society	-	-

Continue

* All of the above topics are material within the organisation. The column marked with an asterisk indicates other stakeholders that consider each topic material.

[102-46]; [102-47]; [103-1]

AREA	MATERIAL TOPIC FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY STAKEHOLDER GROUP*	GRI TOPICS INCLUDED	ASSOCIATED GRI DISCLOSURES REPORTED
Integrity	Ethics and Good Governance	Good Governance.	Shareholders Public Administrations Clients Suppliers Employees	Governance	Most disclosures from 102-18 to 102-39
		Ethical behaviour and integrity.		Ethics and integrity	102-16; 102-17
		Anti-corruption.		Combating corruption	205-1; 205-2; 205-3
		Prevention of anti-competitive practices.		Anti-competitive behaviour	206-1
		Risk management at corporate level.		-	-
	Regulatory compliance	Environmental and social regulatory compliance.		Regulatory compliance - Environment	307-1
				Socio-economic compliance	419-1
Social	Relations with local communities	Dialogue with local communities, social impact assessment and contribution to communities.	Society	Local communities	413-2
		Assessment of the human rights impact of the company's activities in its various operational locations.		Assessment - Human Rights	-
	Local revitalisation	Socio-economic impact on the area in which the Company operates.	Society Suppliers	Indirect economic impacts	203-1; 203-2
		Purchases from local suppliers.		Procurement practices	204-1
	Responsibility in the supply chain	Consideration of environmental and social topics in supplier approval and monitoring.	Suppliers	Supplier social assessment	414-2
				Supplier environmental assessment	308-1; 308-2
				Child labour	408-1
				Forced or compulsory labour	409-1
				Security practices	410-1
		Workers' welfare.		Freedom of association and collective bargaining	407-1
	Quality employment	Job creation.	Employees	Employment	401-1
		Equal opportunity.		Diversity and equal opportunity	405-1

Continue

* All of the above topics are material within the organisation. The column marked with an asterisk indicates other stakeholders that consider each topic material.

[102-46]; [102-47]; [103-1]

AREA	MATERIAL TOPIC FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY STAKEHOLDER GROUP*	GRI TOPICS INCLUDED	ASSOCIATED GRI DISCLOSURES REPORTED
Social	Talent retention and development	Employee training and professional development.	Employees	Training and education	404-1; 404-3
		Measures that foster talent retention within the Company.		-	-
		Talent attraction.		-	-
	Health and safety	Employee health and safety.	Employees	Occupational health and safety	403-2
		Safety and business continuity.		-	-
Environment	Materials consumption	Company consumption of materials.	Society	Materials	301-1
	Use of energy	Energy use in company activities.		Energy	302-1; 302-3
	Climate change	Reduction of greenhouse gas emissions.		Emissions	305-1; 305-2; 305-3; 305-4
		Adaptation to climate change.		Economic performance – financial implications and other risks and opportunities for the organisation's business activities arising from climate change	-
	Waste management	Management of the waste generated by the Company.		Effluents and waste	306-3
	Environmental monitoring of projects	Environmental impact management during the execution of projects.	Society Clients Suppliers	-	-

* All of the above topics are material within the organisation. The column marked with an asterisk indicates other stakeholders that consider each topic material.

EXTERNAL ASSURANCE [102-56]

Disclosures of a non-financial nature included in this report, and deriving from the Company's** Statement of Non-Financial Information, have undergone an external review process carried out by PricewaterhouseCoopers Auditores, S.L., in accordance with the "International Standard on Assurance Engagements 3000 revised" (ISAE 3000 revised, in accordance with the requirements of Law 11/2018.).

** Available at https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf

CONTACT INFORMATION [102-53]

Readers of this report may submit questions, queries, requests or suggestions through the following channels:

Web: www.tecnicasreunidas.es

e-Mail: tr@tecnicasreunidas.es

Postal address:

Técnicas Reunidas, S.A.
C/ Arapiles, 14
C. P. 28015 Madrid, España

8 GRI CONTENT INDEX

GRI CONTENT INDEX [102-55]

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. The service was performed on the Spanish version of the report.

GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
GRI 101: FOUNDATION 2016			
GRI 102: GENERAL DISCLOSURES 2016			
Organizational profile			
	102-1 Name of the organization	Técnicas Reunidas, S.A.	Group
	102-2 Activities, brands, products, and services	11-13	Group
	102-3 Location of headquarters	C/Arapiles, 14 C.P. 28015 Madrid, España	Group
	102-4 Location of operations	11-13	Group
	102-5 Ownership and legal form	28 Técnicas Reunidas is a public company listed on the Spanish IBEX-35. Section 5.1 sets out its ownership structure.	Group
	102-6 Markets served	11-13	Group
	102-7 Scale of the organization	8, 11-13 Information on the Company's capitalization can be found at https://www.tecnicasreunidas.es/es/accionistas-e-inversores/informacion-de-la-accion/la-accion/cotizacion/	Group
	102-8 Information on employees and other workers	52, 55 • Técnicas Reunidas outsources parts of construction projects to specialist subcontractors. Page 75 (health and safety section) provides an indicator of the number of hours worked (181.307). • In 2019 there were 3.982 employees with temporary contracts. In 2019 51 % of all existing contracts were permanent. • Size of the workforce by gender and region: In 2019 the workforce was 8.181* employees, 1.948 women (24 %) and 6.233 men (76 %). * Although the total workforce of the Company exceeds 10.000 employees, data are calculated on a limited perimeter of 8.181 employees, excluding external professionals and employees of companies recently acquired by the Company. These employees will be included in the Integrated Report of the next financial year. Additional information on employees and other workers can be found on chapter 15.4.1 (pages 144 - 160) of the Consolidated Management Report at the following link: https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf	Group
	102-9 Supply chain	98	Group
	102-10 Significant changes to the organization and its supply chain	For the significant changes in relation to the organisation's size, structure, share ownership and supply chain, see pages 15 and 16 of the Annual Report on the Consolidated Financial Statements, available at www.tecnicasreunidas.es (https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf).	Group

Continue

GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
	102-11 Precautionary principle or approach	Técnicas Reunidas has a risk and opportunity management program that includes an analysis in the projects, from the bidding phase to the completion of the project, of possible environmental impacts. This analysis includes the identification of measures addressing the precautionary principle and / or reduction of unwanted effects.	Group
	102-12 External initiatives	Técnicas Reunidas has several Management Systems certified by independent third parties. In addition, the Company supports various initiatives in the field of sustainability, including, for example, the United Nations Global Compact, which it has supported for several years.	Group
	102-13 Membership of associations	113	Group
Strategy			
	102-14 Statement from senior decision-maker	6	Group
	102-15 Key impacts, risks, and opportunities	39	Group
Ethics and Integrity			
	102-16 Values, principles, standards, and norms of behaviour	34	Group
	102-17 Mechanisms for advice and concerns about ethics	34	Group
Governance			
	102-18 Governance structure	29	Group
	102-19 Delegating authority	The Board of Directors has Delegated Committees that monitor some key matters for the Company and its shareholders in all areas, including ethical, social and environmental aspects. These Delegate Committees transmit their guidelines to the Company's managers through specific channels, also monitoring their performance.	Group
	102-20 Executive-level responsibility for economic, environmental, and social topics	Through its meetings, the Board and its Executive Committees analyze the fulfillment of the objectives established in the different areas of management of the organization.	Group
	102-21 Consulting stakeholders on economic, environmental, and social topics	The governing body is informed of all relevant economic, environmental and social issues that have arisen in the Company's dialogue with its stakeholders.	Group
	102-22 Composition of the highest governance body and its committees	29	Group
	102-23 Chair of the highest governance body	29	Group
	102-24 Nominating and selecting the highest governance body	29 Técnicas Reunidas also complies with the recommendations of the Code of Good Governance of Listed Companies issued by the CNMV in 2015, of which it complies with 85.71% (in whole or in part and excluding those that do not apply it).	Group

Continue

GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
	102-25 Conflicts of interest	The Board Regulations and the Internal Code of Conduct regulate the mechanisms established to detect and regulate possible conflicts of interest. The body that settles the conflicts of interest of the directors is the Audit Committee. For more information, see the Annual Corporate Governance Report (section D6, page 40) accessible from the Técnicas Reunidas website at the following link: https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/TR_IAGC_2019.pdf	Group
	102-26 Role of highest governance body in setting purpose, values, and strategy	29 The Company's senior management participates very actively in reviewing the values, strategies, policies and objectives related to economic and environmental impacts and social, which are finally approved by the entity's corporate governance bodies, each of them within its sphere of competence.	Group
	102-27 Collective knowledge of highest governance body	The highest governance body periodically receives communications on the main economic, social and environmental issues that may affect the Company and its stakeholders.	Group
	102-28 Evaluating the highest governance body's performance	29, 30	Group
	102-29 Identifying and managing economic, environmental, and social impacts	29 The highest governance body is identified from the main economic, environmental and social issues that arise in the development of the activity, participating in its management when its relevance requires it.	Group
	102-30 Effectiveness of risk management processes	29 The highest governance body is identified from the main economic, environmental and social issues that arise in the development of the activity, participating in its management when its relevance requires it.	Group
	102-31 Review of economic, environmental, and social topics	The governing bodies of Técnicas Reunidas analyze the risks and opportunities of an economic, environmental and social nature within the general risk assessment process of the entity.	Group
	102-32 Highest governance body's role in sustainability reporting	The governing body that reviews and approves this Integrated Report at Técnicas Reunidas is the Board of Directors.	Group
	102-33 Communicating critical concerns	29 The Audit and Control Committee is responsible for reporting the main economic, environmental and social concerns to the Board.	Group
	102-34 Nature and total number of critical concerns	The issues transmitted to the highest governance body of Técnicas Reunidas in the area of compliance and risks in the CSR area have basically consisted of specialized or individualized treatment of certain areas or activities of the Company.	Group
	102-35 Remuneration policies	32	Group
	102-36 Process for determining remuneration	32	Group
	102-37 Stakeholders' involvement in remuneration	In 2019, the Directors 'Remuneration Policy for the 2019-2021 triennium was approved at the General Shareholders' Meeting to leave (Policy that is still in force) with 0.049% of votes against.	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
Stakeholder engagement			
	102-40 List of stakeholder groups	106-107	Group
	102-41 Collective bargaining agreements	For all the countries in which the figure of agreement exists, 100% of employees are regulated by the collective agreement associated with the activity license granted to the Company (engineering, construction, etc.).	Group
	102-42 Identifying and selecting stakeholders	The selection of the stakeholders has been made based on a criterion of relevance to the Company and its activities.	Group
	102-43 Approach to stakeholder engagement	106 Técnicas Reunidas guides the frequency in the relationship with its main stakeholders based on business needs. In some cases, periodic processes are established as indicated in chapter 6.7 Relationship with society and the stakeholders of this 2019 Integrated Report, specifically pages 106 and 107. Regarding the preparation of the report, Técnicas Reunidas has taken into account the main expectations mentioned by these stakeholders. To do this, information and opinions have been requested from those responsible for the Company with whom they have worked to define the contents of the report.	Group
	102-44 Key topics and concerns raised	106-107 The contents of the report respond to the main expectations expressed by interest groups.	Group
Reporting practice			
	102-45 Entities included in the consolidated financial statements	The financial data correspond to the Técnicas Reunidas Group. For more information, see the Annual Accounts Report, pages 82-87, available through https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf.	Group
	102-46 Defining report content and topic boundaries	117-119	Group
	102-47 List of material topics	117-119	Group
	102-48 Restatements of information	No restatement of the information has been carried out in this Report compared to previous years.	Group
	102-49 Changes in reporting	In this 2019 Integrated Report there have been no significant changes in relation to the scope and coverage of the material topics identified with respect to the Reports of previous years.	Group
	102-50 Reporting period	The period covered by the information in the report is 2019.	Group
	102-51 Date of most recent report	The last edition of the Report was published in 2018 with information corresponding to the year 2017.	Group
	102-52 Reporting cycle	Técnicas Reunidas prepares its reports on an annual basis.	Group
	102-53 Contact point for questions regarding the report	119	Group
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	Group
	102-55 GRI content index	121	Group
	102-56 External assurance	119	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
TOPIC-SPECIFIC CONTENT			
Economic performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	46	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 201:Economic Performance 2016	201-1 Direct economic value generated and distributed	49	Group
Indirect economic impacts			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	106	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	108	Group
	203-2 Significant indirect economic impacts	108	Group
Procurement practices			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	95, 108	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	98	Group
Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	34	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group

Continue

GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	27 100 % of the operations carried out by Técnicas Reunidas during 2019 have followed the ordinary decision-making and risk-control process, which includes the evaluation of, among others, risks related to corruption.	Group
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption training was provided to employees in person to a total of about 200 managers during the 2019 financial year.	Group
	205-3 Confirmed incidents of corruption and actions taken	In 2019, there have been no complaints of corruption and bribery.	Group
Unfair competition			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	34	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 206: Unfair competition 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2019, the Company has received no significant claim, fine, sanction or complaint on issues related to unfair competition and monopolistic practices and against free competition.	Group
Materials			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	78, 81	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 301: Materials 2016	301-1 Materials used by weight or volume	83	Group
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	78, 81	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
GRI 302: Energy 2016	302-1 Energy consumption within the organization	82	Group
	302-3 Energy intensity	82	Group
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	78, 81	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	82	Group
	305-2 Energy indirect (Scope 2) GHG emissions	82	Group
	305-3 Other indirect (Scope 3) GHG emissions	82	Group
	305-4 GHG emissions intensity	82	Group
Effluents and waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	78, 81	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method	83	Group
	306-3 Significant spills	84	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
Environmental compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	34, 78, 79	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	There have been no environmental sanctions against Técnicas Reunidas, either with regard to its facilities or the works it has carried out, in the last five years.	Group
Supplier environmental assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	95	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 308: Supplier environmental assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	81 Number of suppliers analyzed based on environmental criteria: 797. Number of suppliers on which a significant environmental impact risk has been identified: 0.	Group
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	53	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	52 Omission: New employee hires (information unavailable). The total number and rate of new employee hires during the reporting period, by age group, gender and region, are unavailable due to a change in the reporting criteria of the disclosures related to workforce. This information will be included in the next edition of the integrated report.	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
Occupational health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	87	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 403: Occupational health and safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	92 For additional information on absenteeism, see chapter 15.4.6 (pages 154-156) of the Consolidated Management Report at the following link: https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf	Group
Training and education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	57	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	57-58 For additional information on training see chapter 15.4.4 (pages 152-153) of the Consolidated Management Report at the following link: https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf	Group
	404-3 Percentage of employees receiving regular performance and career development reviews	52	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
Diversity and equal opportunities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	
	103-2 The management approach and its components	55	
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	
GRI 405: Diversity and equal opportunities 2016	405-1 Diversity of governance bodies and employees	29, 55 The distribution of the workforce by age is as follows (data as of December 31): <30 years: 8.08%; 30-50 years: 72.74%; > 50 years: 19.18%. For additional information on employment, see chapter 15.4.1 (pages 144-151) of the Consolidated Management Report at the following link: https://www.tecnicasreunidas.es/wp-content/uploads/2020/02/CCAACC%202019%20COMPLETAS%20SIN%20FIRMA.pdf	
Freedom of association and collective bargaining			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	34, 101	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Técnicas Reunidas provides the necessary elements in the countries in which it operates so that its employees and providers exercise the rights of freedom of association and affiliation. With regard to suppliers, in those cases in which a significant risk is detected that the supplier or the order does not respect the minimum standards requested by the Company in this area, the award to said supplier is ruled out.	Group
Child labour			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	34, 101	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group

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GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Técnicas Reunidas carries out its activity in the countries in which it is present, adjusting to compliance with the requirements established by local legislation in this section, as well as respecting other commitments signed by the Company, such as the principles of the Global Compact. With regard to suppliers, in those cases in which a significant risk is detected that the supplier or the order does not respect the minimum standards requested by the Company in this area, the award to said supplier is ruled out.	Group
Forced or compulsory labour			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	Técnicas Reunidas carries out its activity in the countries in which it is present, adjusting to compliance with the requirements that local legislation establishes in this section, as well as respecting other commitments signed by the Company such as the principles of the Global Compact. With regard to suppliers, in those cases in which a significant risk is detected that the supplier or the order does not respect the minimum standards requested by the Company in this area, the award to said supplier is ruled out.	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Técnicas Reunidas carries out its activity in the countries in which it is present, adjusting to compliance with the requirements that local legislation establishes in this section, as well as respecting other commitments signed by the Company such as the principles of the Global Compact. With regard to suppliers, in those cases in which a significant risk is detected that the supplier or the order does not respect the minimum standards requested by the Company in this area, the award to said supplier is ruled out.	Group
Security practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	The supplier approval procedure ensures that they operate in accordance with current legal frameworks in addition to meeting specific human rights requirements according to their activity and level of risk.	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 410: Security practices 2016	410-1 Security personnel trained in human rights policies or procedures	Técnicas Reunidas ensures that all security personnel have adequate training and knowledge based on the environment where the Company carries out its activities.	

Continue

GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
Local communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	106, 108	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	108 Furthermore, all Técnicas Reunidas operations centers are subject to the Environmental Impact Assessment (EIA) process, which takes into account different social aspects.	Group
	413-2 Operations with significant actual and potential negative impacts on local communities	108 During 2019, no centers with significant, actual or potential negative impacts on local communities have been identified due to the development of Técnicas Reunidas projects or operations.	Group
Supplier social assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	101	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 414: Supplier social assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	During 2019, no significant actual or potential negative environmental or social impacts have been identified in the supply chain. Through Técnicas Reunidas' approval process and supplier evaluations, Técnicas Reunidas ensures that this type of negative impact does not occur. Number of suppliers analyzed based on social criteria: 796. Number of suppliers on which a risk of significant social impact has been identified: 0.	Group

Continue

GRI STANDARD	DISCLOSURE AND DESCRIPTION	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY
Customer health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	Técnicas Reunidas evaluates 100% of its projects from the point of view of health and safety. The Company ensures that up to the time the projects are delivered, they comply with both its own health and safety standards and those requirements demanded by the client and by applicable legislation.	Group
	103-3 Evaluation of the management approach	Técnicas Reunidas carries out, for each material topic, an evaluation and review, at least once a year, of its management approach.	Group
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Técnicas Reunidas evaluates 100% of its projects from the point of view of health and safety. The Company ensures that until the delivery of the projects they meet both the standards of own health and safety as those requirements demanded by the client and by the applicable legislation.	Group
Socioeconomic compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	117-119	Group
	103-2 The management approach and its components	34	Group
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2019, the Company has received no significant claim, fine, sanction or complaint for issues related to non-compliance with laws and regulations in the social and economic fields.	Group

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