

Madrid, a 15 de noviembre de 2017

Estimados Sres.:

Un año más, tengo el honor de presentar el Informe de Progreso de Técnicas Reunidas a todos nuestros grupos de interés por medio de nuestro Informe Integrado, elaborado de conformidad con las Directrices del Marco Internacional de Reporting Integrado y el Global Reporting Initiative, en el que la Compañía ofrece una visión de los aspectos no estrictamente financieros y su firme compromiso con la responsabilidad social corporativa.

En un mercado caracterizado por el freno al descenso de los precios del crudo, por las crisis de los países emergentes y por la desaceleración económica, la Compañía ha continuado apostando con fuerza por la innovación y el desarrollo de las tecnologías propias, lo que redundará en la eficiencia en la ejecución de los proyectos y en la prestación de servicios de alto valor añadido y rentabilidad.

Somos conscientes de que nuestro esfuerzo repercute también en otras muchas empresas y de forma global en la sociedad, generando valor y riqueza. Durante el periodo comprendido entre los años 2008 y 2016 la aportación directa de la Compañía al PIB español ha ascendido a más de 4.000 millones de euros y sólo en los últimos 5 años son casi 800 las empresas españolas a las que hemos ayudado a abrirse camino en el exterior. Durante el ejercicio 2016, la actividad de Técnicas Reunidas ha generado casi 13.000 puestos de trabajo en España, 5.200 de forma directa y 7.600 de forma indirecta.

Siendo fieles a los principios de profesionalidad, liderazgo y compromiso seguimos desarrollando nuestra actividad y apostando por un modelo de negocio sostenible que trasciende al propósito de rentabilidad económica, lo que permite continuar creando valor y progreso económico y social de los territorios en los que desarrollamos nuestros proyectos.

Por todos estos motivos, Técnicas Reunidas desea renovar su adhesión al Pacto Mundial y mostrar su compromiso con los fines que persiguen los Objetivos de Desarrollo Sostenible de Naciones Unidas y su firme propósito de continuar progresando en la consecución de los mismos.



Juan Lladó Arburúa

Vicepresidente

Técnicas Reunidas, S.A.



TECNICAS REUNIDAS

INTEGRATED REPORT  
2016

TÉCNICAS REUNIDAS







TECNICAS REUNIDAS

INTEGRATED REPORT  
2016

---

TÉCNICAS REUNIDAS

# INDEX



CHAIRMAN'S  
STATEMENT

---

Page 6



TÉCNICAS REUNIDAS  
AT A GLANCE

---

Page 8



OUR  
ACTIVITY

---

Page 10



BUSINESS MODEL  
AND STRATEGIC PILLARS

---

Page 20

3.1 Business Areas .....	11
3.2 Operating Environment .....	14

4.1 Business model and value chain .....	21
4.2 Strategic pillars .....	24





## RESPONSIBLE MANAGEMENT

Page 26

5.1 Governance model .....	27
5.2 Risk management .....	36



## RESOURCES AND RELATIONSHIPS

Page 40

6.1 Control and management of finance capital .....	41
6.2 Employees .....	48
6.3 Innovation .....	56
6.4 Excellence in environmental performance .....	66
6.5 Occupational health and safety .....	74
6.6 Efficient supply chain management .....	82
6.7 Relationship with society and interests groups .....	91



## BASES FOR THE PREPARATION OF THE INTEGRATED REPORT

Page 98



## ANNEXES

Page 104

8.1 GRI-G4 Content Index .....	105
8.2 PwC review report .....	116



# 1

## CHAIRMAN'S STATEMENT <sup>[G4-1]</sup>

Dear friend,

On the occasion of the Annual General Meeting, Técnicas Reunidas is pleased to put at the disposal of our shareholders and employees in connection with its General Meeting its 2016 Integrated Report, offering a less finance-focused view of the Company's activities.

For the second year running, the Integrated Report has been drawn up in line with the following reporting standards: the guidelines of the International Integrated Reporting Framework and the Global Reporting Initiative, and with external verification in accordance with ISAE 3000 (revised) of its Corporate Social Responsibility indicators, an area of great interest for Técnicas Reunidas.

The contents of the Integrated Report are based on an updated review of the most important aspects of activity for both the Company and its stakeholders, prioritising them in order to address them appropriately. This analysis has identified particularly noteworthy aspects for the Company, including the successful implementation of projects, economic performance, regulatory compliance, good governance and occupational health and safety, with specific relevance to on-site safety.

More than 50 projects in approximately 30 countries have been being implemented during the last year. The solid professionalism of our workforce has made it possible to achieve sound figures for the portfolio and revenue. Combined with the efforts made in project implementation, this has translated into a high percentage of repeat business in client contracting.

## [G4-1]

These figures are particularly significant in a market that is characterised by the fall in crude oil prices, the crisis in emerging countries and the economic slowdown. According to the International Energy Agency, there will be a total investment of \$66.6 billion dollars during the 2016-2040 period, necessary to meet a global increase in energy consumption that the BP Energy Outlook estimated significant for us.

We are aware that our efforts also affect many other companies and have a global impact on society, creating value and wealth. During the period between 2008 and 2016, the Company's direct contribution to Spanish GDP amounted more than 4,000 million euros, and in just the last 5 years we have helped almost 800 Spanish companies to break through into foreign markets. During 2016, the Company's activities have generated almost 13,000 jobs in Spain - 5,200 directly and 7,600 indirectly.

The year's milestones include, at a commercial level, the award of contracts for the Clean Fuels projects at the Ras Tanura refinery for Saudi Aramco and the power plant for MGT Teesside in the United Kingdom, demonstrating the Company portfolio's diversification by geographical area and by type of activity. 2016 has also seen important actions in the area of Corporate Governance, such as the appointment of directors Petra Mateos and Adrián Lajous, enhancing the diversification and internationalisation of the Board of Directors, and the drawing up of the Director's Remuneration Policy for the 2016-2018 triennium, approved practically unanimously by the shareholders. In the financial area, meanwhile, we have developed a series of management policies and procedures to mitigate risks related to the nature and the economic management of projects.

The Company has maintained its emphatic commitment to innovation, which facilitates the improvement of the proprietary technologies which, in turn, improves efficiency in the implementation of projects (especially turnkey projects) and enables at the same time the Company's activities to continue developing toward the provision of high added-value services and profitability, considered the basis for Técnicas Reunidas' growth and market differentiation. This effort also has a direct reward in the form of contracting.

Finally, Técnicas Reunidas intends to strengthen its commitment to Corporate Social Responsibility over the coming years, with a specific Strategic Plan projected expected to be approved in 2017, which will guide the Company's actions in this area and take into account the United Nations Sustainable Development Goals.

In the medium and long term, the future looks bright. Investment in refining, petrochemicals, fertilisers, gas treatment and processing, and electricity generation will remain stable. There will still be opportunities for us. Strengthening our capabilities will allow us to seize these opportunities with the greatest potential for success.

**José Lladó Fernández-Urrutia**



## 2

# TÉCNICAS REUNIDAS AT A GLANCE <sup>[G4-3]; [G4-6]; [G4-8]; [G4-9]</sup>

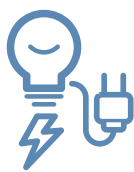
Técnicas Reunidas is an international contractor involved in the management, engineering, design, procurement, construction and commissioning of complex plants for a wide range of clients in the whole world.

Its main lines of business are the following:

## Oil and Natural Gas



## Power



## Infrastructures and Industry



## Main figures in 2016

**4,793** million €  
of current revenue

**192** million €  
of EBIT

**100%** attendance  
of Board meetings

**8,890**  
professionals of over  
70 nationalities

**15.1** million €  
of investment in R&D&I

**30%** drop in the  
number of recordable  
incidents

**71%** of purchases  
and subcontracts  
to local businesses

**3,650** million €  
of purchases and  
subcontracts <sup>(1)</sup>

(1) Final figure considering invoicing dates.

(2) Collaboration with organisations to promote education, health, social business initiatives and culture and civil society programmes.

(3) PQI (Project Quality Index) is an indicator of the project quality that is used by the main clients of Técnicas Reunidas in the Middle East and its purpose is to rate the quality of the three stages of a project, likewise engineering, procurement and construction.

## TR PRESENCE IN THE WORLD AND MAIN CONTRACT AWARDS IN 2016



## Main awards in 2016

Clean Fuels project within  
the Ras Tanura refinery



Kilpilahti power generation  
project for Neste/Veolia/  
Borealis in Finland



Biomass plant for MGT  
Teesside in the United  
Kingdom



Minatitlán refinery project  
for Pemex in Mexico



Throughout its more than **50-year** history, Técnicas Reunidas has designed and managed the construction of more than **1,000** industrial plants in over **50** countries. Many of the most important state and multinational oil companies feature among its clients. <sup>[G4-3]; [G4-9]</sup>



**+ 585,321 €**  
devoted to social contributions <sup>(2)</sup>

More than **50** projects  
**currently** underway in 30  
different countries

**10,582** million €  
portfolio in late 2016

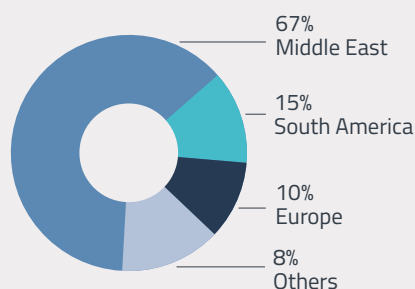
Contract awards for  
**2,922** million € in 2016

**49%** recurrence  
in terms of awarded projects

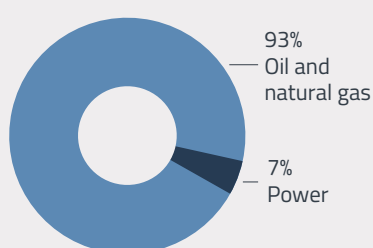
Project Quality Index (PQI) of  
**92.4/100** <sup>(3)</sup>

## The Técnicas Reunidas portfolio in 2016

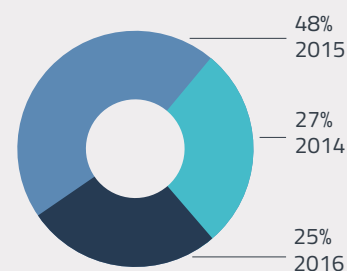
Project portfolio per region <sup>[G4-8]</sup>



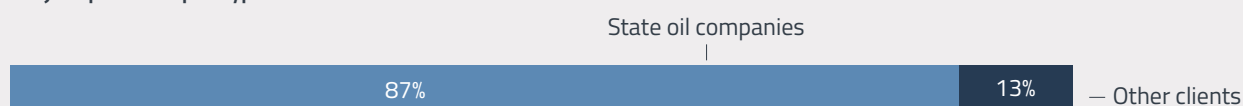
Project portfolio per line of business <sup>[G4-8]</sup>



Project portfolio per year of award



Project portfolio per type of client <sup>[G4-8]</sup>



An aerial photograph showing a large, complex offshore oil platform being towed by a massive tugboat across a body of water. The platform is a long, rectangular structure with various pipes, tanks, and equipment visible on its deck. The tugboat is positioned at the front of the platform, leaving a white wake in the dark water. Several smaller support vessels are also visible around the platform. In the background, a large construction site is visible on a sandy beach, with various pieces of heavy machinery and materials scattered across the area. The sky is clear and blue.

# 3 OUR ACTIVITY

## 3.1 BUSINESS AREAS <sup>[G4-4]</sup>

### OIL AND NATURAL GAS

Despite investment adjustment and a challenging market environment in 2016, Técnicas Reunidas has secured contracts with key clients as well as delivering various projects in different parts of the world.

Income from this business area increased by 14% during the last fiscal year to reach €4,266 million, equivalent to 89% of the Company's revenue.



This business area provides management, administration, engineering, procurement, construction and start-up services for facilities at every stage of the oil and natural gas value chain. The Company is also an experienced in-house developer of basic design for specific units for facilities and projects, facilitating verification of functionality and operability, and offering greater efficiency.

### OIL AND NATURAL GAS

#### TYPES OF PROJECTS



#### Refining and Petrochemicals (Downstream)

- Management, design, procurement, construction, start-up, modernisation and expansion of refineries.
- Petrochemical plants for the production of monomers, polymers and various plastics.
- Chemical plants.

#### Oil and Natural Gas (Upstream)

- Development projects that cover the entire natural gas value chain (treatment, fractionation, storage and transport).
- Oilfield primary processing.

#### Proprietary Development Projects

- In-house basic and conceptual design for specific units not subject to licensing.
- Design, supply and construction of heat transfer equipment.

#### MAIN FIGURES



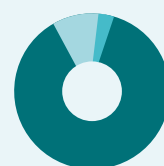
More than  
**800**  
refining, petrochemical and chemical unit projects and studies, and 70 upstream and gas plants designed and constructed across the globe.

**2,158**  
million €  
in contract awards.

**4,266.2**  
million €  
in sales.

**9,797**  
million €  
in the portfolio.

% of the Company current revenue



**89%** Oil and Natural Gas

#### 2016 MILESTONES

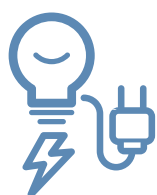


- Award by Saudi Aramco of the turnkey contract for the Clean Fuels project at the Ras Tanura refinery (Saudi Arabia).
- Award by INA-Industrija Nafta to Técnicas Reunidas of the contract for the FEED project for residue upgrading at the INA Rijeka refinery in Croatia.
- Delivery of projects including the nitric acid plant for Yara in Australia, the refining units for the Cochabamba and Santa Cruz refineries for YPF (Bolivia) and offshore work at La Perla for Repsol and Eni.
- Significant progress on projects including the Talara refinery modernisation for Petroperú (Peru), the RAPID refinery complex for Petronas (Malaysia), the Al-Zour refinery processing units for KNPC (Kuwait), the STAR refinery for SOCAR (Turkey) and the Fadhilli gas plant and Integrated Gas Combined Cycle (IGCC) projects for Saudi Aramco (Saudi Arabia).



## ENERGY <sup>[G4-4]</sup>

Sales within the Energy Division have increased during 2016, reaching €395.9 million as a result of projects such as the Fort Hills cogeneration plant (Canada) and the Kilpilahti power plant (Finland) and the launch of the biomass plant for MGT Teesside (United Kingdom).



The Energy Division provides engineering and construction services for various types of industrial energy facilities and to date has been involved in projects representing more than 31,000 MW across 25 different countries. The Company's experience ranges from conducting feasibility studies and basic and conceptual engineering studies, to complete implementation of large-scale and complex turnkey projects.

### ENERGY

#### TYPES OF PROJECTS



##### Fossil-fuel Power Plants

- Fossil-fuel power plants using different technologies, including combined cycle and cogeneration plants.

##### Other Power Plants

- Biomass and waste treatment and/or recovery (power and/or heat generation).
- Nuclear power plants (main engineering contractor, dismantling and radioactive waste management facilities, design and supply of heat transfer equipment).

#### MAIN FIGURES



**24,000MW**

installed power in combined cycle power plants and more than 50 cogeneration projects.

Técnicas Reunidas has been involved in the **development of over 20 nuclear power plants** around the world.

**Over 40 years' experience in power plants**

**395.9 million €**  
in sales.

**786 million €**  
in the portfolio\*.

% of the Company current revenue



**8%**  
Energy

#### 2016 MILESTONES



- Award by Kilpilahti (an associate Company formed by Neste, Veolia and Borealis) of the contract for the design and construction of a new combined heat and power plant to supply the Neste refinery and the Borealis petrochemical complex in Poorvo (Finland), worth more than \$270 million.
- Award by MGT Teesside to Técnicas Reunidas, in consortium with Samsung, of the contract for the construction project for a new 299-MWe combined heat and power plant at Teesside (United Kingdom), worth more than \$800 million.
- Significant progress on projects including the Fort Hills cogeneration plant for Suncor, Total and Teck (Canada).
- Delivery of benchmark projects including the Southern Energy Node power plant for the GDF Suez Group.
- Involvement, through Técnicas Reunidas' associate Company Empresarios Agrupados, in multiple projects related to nuclear power plants within and outside of Spain.

\*This figure includes the Energy Division portfolio.

## INFRASTRUCTURES AND INDUSTRIES <sup>[G4-4]</sup>

The Infrastructures and Industries Division has increased its revenues in 2016 to €130.5 million, mainly as a result of projects in the area of water treatment awarded in previous years.



Within this Division, Técnicas Reunidas' projects include:

### INFRASTRUCTURES AND INDUSTRIES

#### TYPES OF PROJECTS



##### Infrastructures and Environment

- Ecology.
- Water.
- Airports.
- Air and land transport.
- Ports and coastlines.
- Architecture.
- Edification and urban planning.

##### Proprietary development projects

- Research and development for industrial processes and technologies for the manufacture of nitrogen and phosphorous fertilisers through its subsidiary ESPINDESA.
- Development of proprietary technologies in the field of hydrometallurgy and electrochemistry (recovery of metals and other electrochemical processes).

#### MAIN FIGURES



ESPINDESA has built **50 industrial plants** in 15 different countries.

The Company has a technology centre for hydrometallurgy and energy storage, developing technologies and participating in national and European R&D&I projects.

More than **350,000 tonnes** of zinc are produced globally each year under the TR License Zincex™.

**130.5 million €** in sales (a 6.4% increase compared to 2015).

% of the Company current revenue



**3%**  
Infrastructures and Industries

#### 2016 MILESTONES



- Técnicas Reunidas has made progress in the implementation of projects including the operation of a seawater desalination plant in Perth (Australia) and the design and construction of the water intake system for the new waste water treatment plant in Darsait (Oman).
- Some of the Infrastructures Division's assets which are linked to the operation of concessions have been offered for sale by Técnicas Reunidas following the strategic decision to discontinue concession activities.

## 3.2 OPERATING ENVIRONMENT [G4-2]

Técnicas Reunidas operates in a complex, challenging and constantly changing market environment with newly emerging competitors. Various trends, both sector-related and in other activity-related areas, have the potential to affect the Company's performance over the coming years as well as generate new business opportunities.

Técnicas Reunidas regularly analyses these trends, defining actions for adapting to them and taking advantage of emerging opportunities, at the same time as managing any identified risks.

### MARKET ENVIRONMENT

Some relevant factors such as the fall of the oil price, the slowdown of the Chinese economy, the geopolitical crisis or the economic-financial crisis of the emerging countries have led to a complex operating environment for the Company and for the world economy.

Despite all this, the business model of Técnicas Reunidas has proven to be solid, which has allowed the Company to meet the need of its clients and take advantage of the existing opportunities in downstream and gas treatment, less sensitive sectors to the cutback in investment.

The oil and gas sector has also been impacted by fluctuating forecasts for energy demand and production. Although investments in the oil and gas industry are focused on the long term, other factors such as adaptation to new environmental regulations, the need to renew infrastructure and social development remain reasons for maintaining investment in the

sector in the short term. However, these factors have carried less weight over last year.

Forecasts for the medium and long term are encouraging. The major global energy agencies estimate steady growth in energy demand over the coming decades, driven in part by the increase in population and global GDP, among other reasons. This increase in demand will also take place in other markets linked with the activity of Técnicas Reunidas such as agricultural products and fertilizers.

The Company is well placed to benefit from the opportunities in this new framework. Técnicas Reunidas throughout the energy value chain and has commissioned a relevant process of diversification of projects and geographies which has began to bear fruit and is reflected in the strength and diversity of the portfolio.



## A STRATEGY ADAPTED TO ITS ENVIRONMENT

[G4-2]

Técnicas Reunidas has adapted its strategy in order to tackle the challenges that have emerged in its areas of activity. The Company has shown its resilience in the face of these difficulties by focusing on downstream activities (refining and petrochemicals), working mainly for international clients, many of them national companies, whose budgets are less prone to fluctuation and, finally, it has also maintained a strong position in geographical areas with high capacity for investment, such as the Middle East.

In 2016, Técnicas Reunidas has concentrated its commercial endeavours in markets offering greater opportunities for growth, securing new clients and increasing trade references with repeat clients. The new projects awarded to the Company in 2016 ensure a high-quality and diversified portfolio, enabling adaptation to the market. The Company has also strengthened its commitment to services such as conceptual and basic design, including basic engineering of unit processes, FEED (Front End Engineering Design) and PMC (Project Management Consultancy), which can offer higher returns as well as a closer relationship with clients in the initial phase of investments.

In line with the commercial endeavours above, Técnicas Reunidas has diversified its portfolio in other areas of business, including power generation projects, as well as fertiliser manufacture, hydrometallurgy, heat transfer and water treatment projects. In the field of nuclear energy in 2016, the Company, through its associate company Empresarios Agrupados, continued to provide engineering support services to nuclear power plants both in Spain and abroad.

Finally, the Company maintains its ongoing commitment to R&D&I, with the aim of securing its position as a benchmark company in project implementation in this area linked to its three main areas of business, this creates added value and boosts competitiveness in a challenging market environment. Within this field, it is remarkable that Técnicas Reunidas is currently one of the world's leading companies in the implementation of complex processing units such as hydrocrackers, cokers, flexicokers and high-pressure hydrodesulphurisation units.





## A CHALLENGING AND EVER-EVOLVING MARKET ENVIRONMENT

[G4-2]

### 2016 MARKET ENVIRONMENT

#### Oil price drop arrested

The drop in the price of oil, which was behind cuts in exploration and production investment in recent years, has stopped in 2016. This trend is expected to become more stable in the short term, thereby strengthening investment.

#### Economic downturn

The slower growth of the Chinese economy and the economic-financial crisis that has struck emerging countries has affected the projected short-term demands in some potential markets for the Company.

#### Excess supply in the market

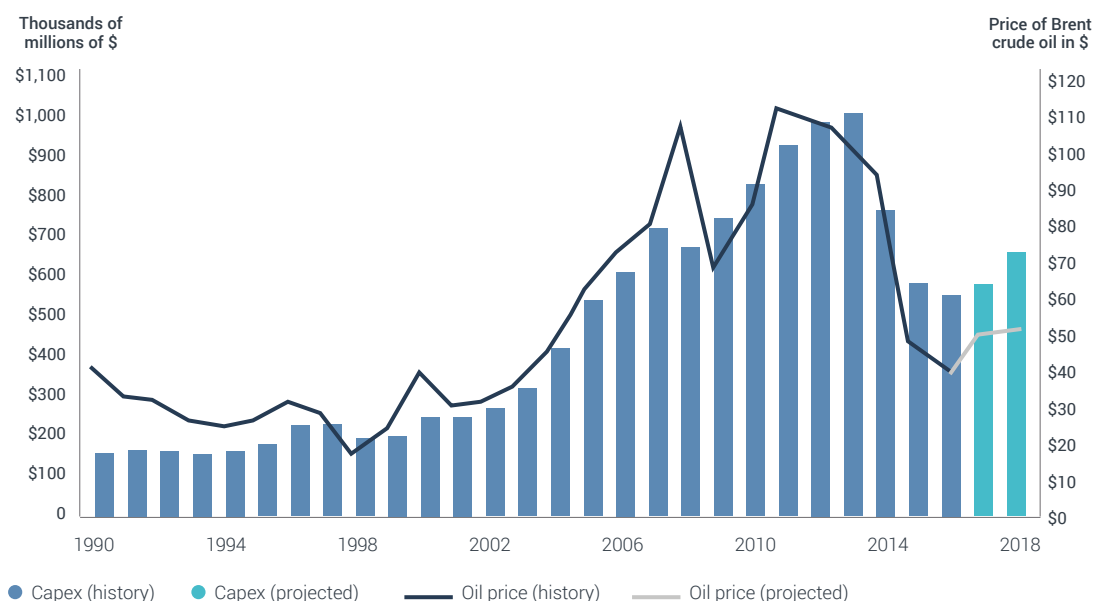
The oil and gas market was among those attracting most attention from the markets in 2016, mainly because of the fear of excess supply as a result the rapid growth of fracking in the USA and the return of Iran to the market, among other factors.

This excess supply was countered in late 2016 by the OPEC countries and Russia cutting output by 1.2 million, or 1.5%, down to 32.5 million barrels per day, so as to rebalance the oil market.

#### Delay in the development of energy projects

The difficulties in accessing funding and the economic recovery that some clients are expecting and that will ensure the feasibility of the energy projects has delayed development in some cases.

Evolution of the price of oil (\$/Brent oil) vs investments (Capex) within the oil & gas sector (thousands of millions of \$) between 1990-2016 and 2017-2018 projections, worldwide



Sources: Rystad Energy (capex); US Energy Information Administration (oil prices)

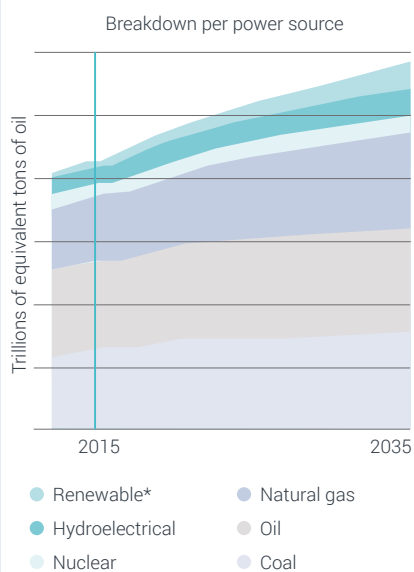
## EVOLUTION OF DEMAND IN MARKETS RELATED TO TÉCNICAS REUNIDAS ACTIVITIES OVER THE COMING DECADES <sup>[64-2]</sup>

### GLOBAL POWER CONSUMPTION

Global power consumption will grow by 31% between 2015-2035 (at an average rate of 1.3% per year, below the rate between 1995-2015, which was of 2.2%), mainly in areas such as India, China and non-OECD countries.

Renewable energies and nuclear power will show the greatest growth between 2015 and 2035 (291% and 59% respectively). Hydroelectrical power will grow by 42%, natural gas by 38%, oil by 15% and coal by 5%.

Evolution of global power consumption 2015-2035.



\*Including biofuels  
Source: BP Energy Outlook

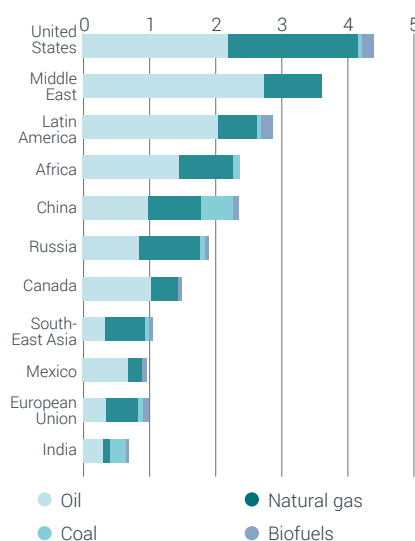
### POWER INFRASTRUCTURES

The International Energy Agency (IEA) estimates that a total of 66.6 trillion\* dollars will be invested in power infrastructures over the next 24 years (equivalent to 2% of the world GDP over the same period), which equals an average per annum investment of 2.66 trillion\* dollars.

As regards the oil and gas sector, the IEA estimates a total investment of 22.8 trillion dollars for the period between 2016 and 2040, which adds up to 34% of the estimated global investment in energy.

The nuclear power sector, where Técnicas Reunidas boasts a lengthy experience, will enjoy an estimated investment of 1.3 trillion\* dollars in new plants and the upgrading of existing ones over the next 24 years. This adds up to 2% of the total estimated investment in the energy sector.

Investment in primary energy supply per region, 2015-2040 (% GDP)



Source: WEO2015. Data for New Policies scenario.

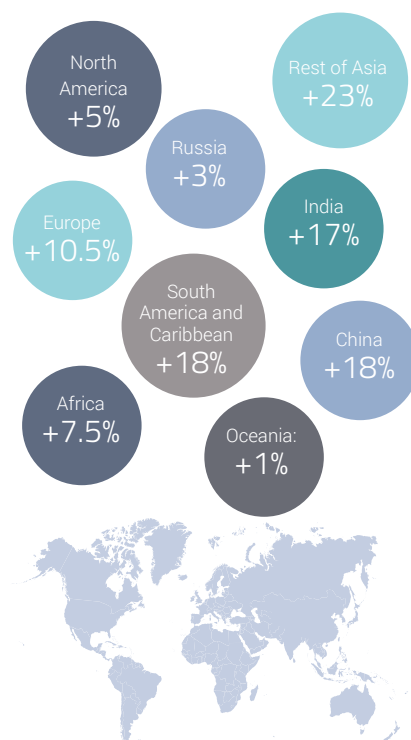
Clarification\*: 1 European billion = 1022 = 1 trillion (in the USA and UK)

### DEMAND FOR CHEMICAL PRODUCTS AND FERTILISERS

The increased demand will drive the growth of the world production of petrochemical and organic products at a rate of 3.4% per year until 2024.

In turn, the yearly demand for nitrogen for fertilisers will increase by 5.6% until 2018, propelled mainly by areas such as China, South America and India.

Origin of the increased demand for nitrogen for fertilisers, 2014-2018



Source: own work from data from the American Chemistry Council and FAO.

## OTHER ACTIVITY-RELATED AREAS

Besides market developments, the Company could be affected by factors related to other areas of activity.

### TÉCNICAS REUNIDAS' ADAPTATION TO TRENDS IN DIFFERENT ACTIVITY-RELATED AREAS.



	FINANCING	OPERATING	ENVIRONMENTAL AND OCCUPATIONAL SAFETY REQUIREMENTS
TRENDS	<ul style="list-style-type: none"> <li>• New models for contracting and implementation that spread client charges (through milestone billing rather than progress payments).</li> <li>• Governments' increased willingness to tax in order to offset deficits.</li> </ul>	<ul style="list-style-type: none"> <li>• Greater risk for contractors associated with the new contracting models.</li> <li>• Increased competition from countries such as China, South Korea and India.</li> <li>• Restructuring of resources and asset optimisation by the major energy sector companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Growing presence of Técnicas Reunidas in countries with less restrictive environmental and safety standards.</li> <li>• Amendment of regulations governing environmental certification and emergence of new certification in the field of occupational health and safety.</li> </ul>
HOW IS TÉCNICAS REUNIDAS PREPARED?	<ul style="list-style-type: none"> <li>• Increase in available lines of financing of working capital.</li> <li>• Development of policies aimed at an appropriate allocation of profits to the countries in which they are generated.</li> <li>• Optimal treasury management.</li> </ul>	<ul style="list-style-type: none"> <li>• Substantial capacity for management of complex projects.</li> <li>• Know-how and consolidated working procedures.</li> <li>• Thorough knowledge of suppliers and their capacities.</li> <li>• Rigorous risk management and established risk mitigation measures.</li> <li>• Work across all areas to maintain high quality throughout the project life cycle.</li> <li>• Partnerships with competitors on specific projects.</li> <li>• Leverage through proprietary technologies.</li> <li>• Greater integration with clients from the initial phases.</li> <li>• Collaboration policies with key suppliers and subcontractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforcement of the assessment system for local suppliers and performance of internal audits.</li> <li>• Updating and adaptation of proprietary technology to meet new environmental requirements.</li> <li>• Keeping ahead of the publication of new regulations in order to comply with the most demanding safety requirements and environmental standards.</li> <li>• Convening of seminars and conferences involving clients and subcontractors.</li> </ul>



#### INNOVATION AND NEW TECHNOLOGIES

#### GOVERNANCE AND CSR

#### SUPPLY CHAIN

#### HUMAN RESOURCES

### TRENDS

- Increase in social acceptance of the use of sustainable raw materials and growing interest in the use of more efficient energy storage units and network management.
- Opportunities related to the improvement of metal recycling processes which enhance its appeal over mineral source extraction.
- Importance of digitalisation and the use of new technologies to provide increased efficiency, swifter response to clients, reduced costs and other benefits.
- Increased activity of corporate governing bodies and the need to strengthen internal monitoring systems and risk management.
- Need to ensure equitable treatment of shareholders and take into consideration the concerns of other interested parties.
- Growing demand for higher quality non-financial reporting.
- Required inclusion of CSR at the highest levels of Company governance.
- Low demand in the sector, leading to increased aggressiveness in negotiations and the risk of unethical practices.
- Continued lack of demand, which may reduce supplier market capacity, and an increasing risk of reduced quality and supply delays.
- Volatility in raw materials and currency that may give rise to price fluctuations during the purchasing process.
- Consolidation of the Company's internationalisation.

### HOW IS TÉCNICAS REUNIDAS PREPARED?

- Proprietary development projects in all operational areas to provide optimally efficient, high-quality services.
- Digitalisation strategy for boosting competitiveness, adapting to client demands and optimising processes.
- Market presence in the fertiliser industry, especially for nitrogen fertilisers with proprietary technologies.
- Technical capacity in R&D&I (electrochemistry, hydrometallurgy, recycling of valuable materials, process biotechnology and energy storage).
- Reinforcement of the role of the Board's committees, inclusion of a Lead Independent Director and increased resources for internal monitoring systems.
- Development of internal documentation in line with best practices in corporate governance.
- Creation of communication channels with the main stakeholders.
- Reporting and verification of information on CSR in accordance with the most demanding standards.
- Review of the management's award procedure to ensure transparency.
- Reinforcement of Company presence in supplier workshops during the manufacture of equipment.
- Inclusion of historical price indicators for materials alongside spot market correction factors during the award procedure.
- Bid requests open to the global supplier market and in multiple currencies.
- Management and monitoring of subcontractors carrying out assembly activities, including micromanagement where required.
- Implementation of monitoring tools for all phases of construction, commissioning and start-up, from excavations to handover.
- Creation of a small assembly team for resolving critical situations.
- Globalisation of human resource management in close collaboration with the departments and management concerned.
- Multi-country management: adaptation of internal policies to local labour and tax regulations, as well as local culture, through direct management of our expatriate employees from the destination countries.
- Ongoing implementation of specific tools to enable continuous analysis of the labour market and location of available high-level professionals.
- Establishment of internal rotation policies where required.
- Assignment of key personnel to the projects at the design implementation phase.
- On-site deployment of design personnel in order to improve efficiency and create designs which are better adapted for assembly for specific countries and clients.



4

# BUSINESS MODEL AND STRATEGIC PILLARS





## 4.1 BUSINESS MODEL AND VALUE CHAIN

Técnicas Reunidas is a Company involved in the management, administration, engineering, design, procurement, construction and start-up of industrial facilities, with over 50 years' experience across the globe. The Company has a strong position in the value chain of the oil, gas, energy, nitrogen fertiliser, hydrometallurgy, water and infrastructure sectors, which reinforces its competitiveness and the stability of its activities.

Its business model is underpinned by a set of defining values and resources with the aim of generating value among shareholders and other interest groups.



By using different resources...

### PEOPLE

- Multicultural team and adaptation to different markets.
- Flexibility, customer orientation and prioritisation of safety.
- On-going training for employees and site secondments.



For further information, check chapters 6.2, 6.3, 6.5

### KNOW-HOW AND TECHNOLOGY

- Experience in the management of complex projects.
- Optimal knowledge of design set out in standards and procedures.
- Expertise in the world market of suppliers and subcontractors.
- Golden Rules\* for any complex units where there is lengthy experience.



For further information, check chapters 5.2, 6.1

### FINANCIAL CAPITAL

- Healthy accounts.
- Currency risk coverage policies.



For further information, check chapters 5.2, 6.1

### MATERIALS AND ENERGY

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



For further information, check chapter 6.4

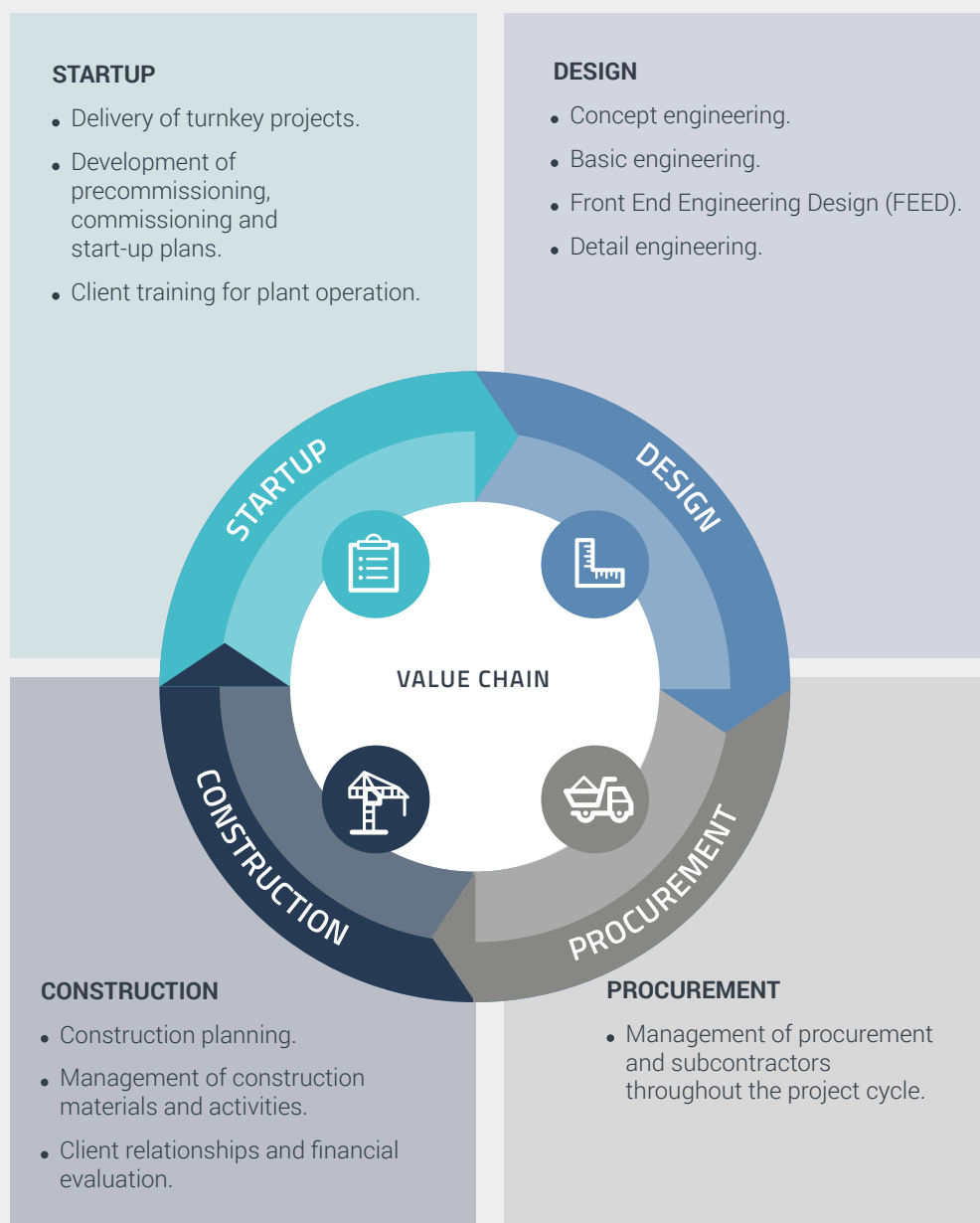
### RELATIONSHIPS

- Historical relationship with suppliers and contractors and strict homologation and follow-up process.
- Constant communication with local communities.



For further information, check chapters 6.6, 6.7

...throughout their activities...



### Differential values of Técnicas Reunidas

#### KNOW-HOW

We have extensive know-how in all the project stages. This know-how is collected in a set of rules, procedures, calculation procedures, lessons learned and Golden Rules\*.

#### FLEXIBILITY

Our experience and operational structure streamlines the decision-making process, the approach to different technologies and the response when confronted with unexpected changes in the projects.

\*The Golden Rules in Técnicas Reunidas are a set of internal rules and procedures that dictate the way the Company operates. They rely on the knowledge acquired over 55 years of operation to ensure the project management follows the best practices and lessons learned. Similarly, they guarantee that the Company abides by the same rules in all operations everywhere.

...Técnicas Reunidas produces value for its shareholders, clients and other interest groups

#### SHAREHOLDERS

- Gearing of the activity towards value generation.



For further information, check chapters 5.1, 6.1

#### CLIENTS

- Adaptation to their needs and meeting of commitments.
- Guarantee of satisfaction and recurrence.



For further information, check chapters 6.1, 6.3

#### LOCAL COMMUNITY

- Generation of wealth in the surrounding area (employment, skill development, etc).



For further information, check chapters 6.1, 6.6, 6.7

#### SUPPLIERS AND SUBCONTRACTORS

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



For further information, check chapter 6.6



#### REFERENCED CHAPTERS OF THE INTEGRATED REPORT

5.1 Governance model

5.2 Risk management

6.1 Control and management of financial capital

6.2 Employees, the key pillar for growth

6.3 Innovation

6.4 Excellence in environmental performance

6.5 Occupational health and safety

6.6 Efficient supply chain management

6.7 Relationship with society and interest groups

#### INNOVATION

We consider innovation throughout the value chain as a key differentiating aspect to provide greater added value to our clients.

#### CONFIDENCE

We always honour our commitments and requirements with our clients.

#### CUSTOMER ORIENTATION

We offer an added value to our clients by supporting them to obtain funding for their investments, innovating in the marketing models and taking risks in the projects (Lump Sum Turn Key projects).

#### QUALITY

We maintain a strong commitment to quality management, based on an on-going improvement and learning approach that is integrated within all the processes.



## 4.2 STRATEGIC PILLARS

The Técnicas Reunidas Group's strategy is based on three fundamental pillars: Methodology, Diversification and Quality.

### THE 3 STRATEGIC PILLARS OF TÉCNICAS REUNIDAS

#### METHODOLOGY



The **methodology** is based on the development, standardisation and correct use of the rules, procedures, calculation methods, lessons learned and Golden Rules.

This methodology is used to optimise and guarantee the efficiency of the work processes and presents an obstacle for potential competition.

In this sense, the human capital of the Company and its innovative approach are two of its key values. The professionals in Técnicas Reunidas can manage and technically develop highly complex and diverse projects using state-of-the-art tools to monitor the safety, quality, schedule and budget goals and ensure they are met.

Furthermore, the Company has innovation in its DNA, so it has been able to branch into other sectors and access other market segments, develop proprietary technology for the refining and gas sectors and for the fertiliser and hydrometallurgy sectors, and implement new management, design, calculation and control tools, adapting them to the specific needs of its projects.

#### DIVERSIFICATION



**Diversification** refers to clients, products and geographical areas.

The wide range of renowned Clients guarantees that Técnicas Reunidas can consolidate its market presence and allow new clients to be found, thereby reducing risk concentration.

Geographical and sector diversification allow not only a more balanced distribution of the project portfolio, but also compensation in the event of changes in the investment cycles.

Finally, the diversification of the products offered allows Técnicas Reunidas to focus on different types of projects at different times. Innovation efforts have driven the Company into new market segments such as projects involving conceptual studies, basic engineering, FEED, Front End, PMC, EPC, LSTK, among others.

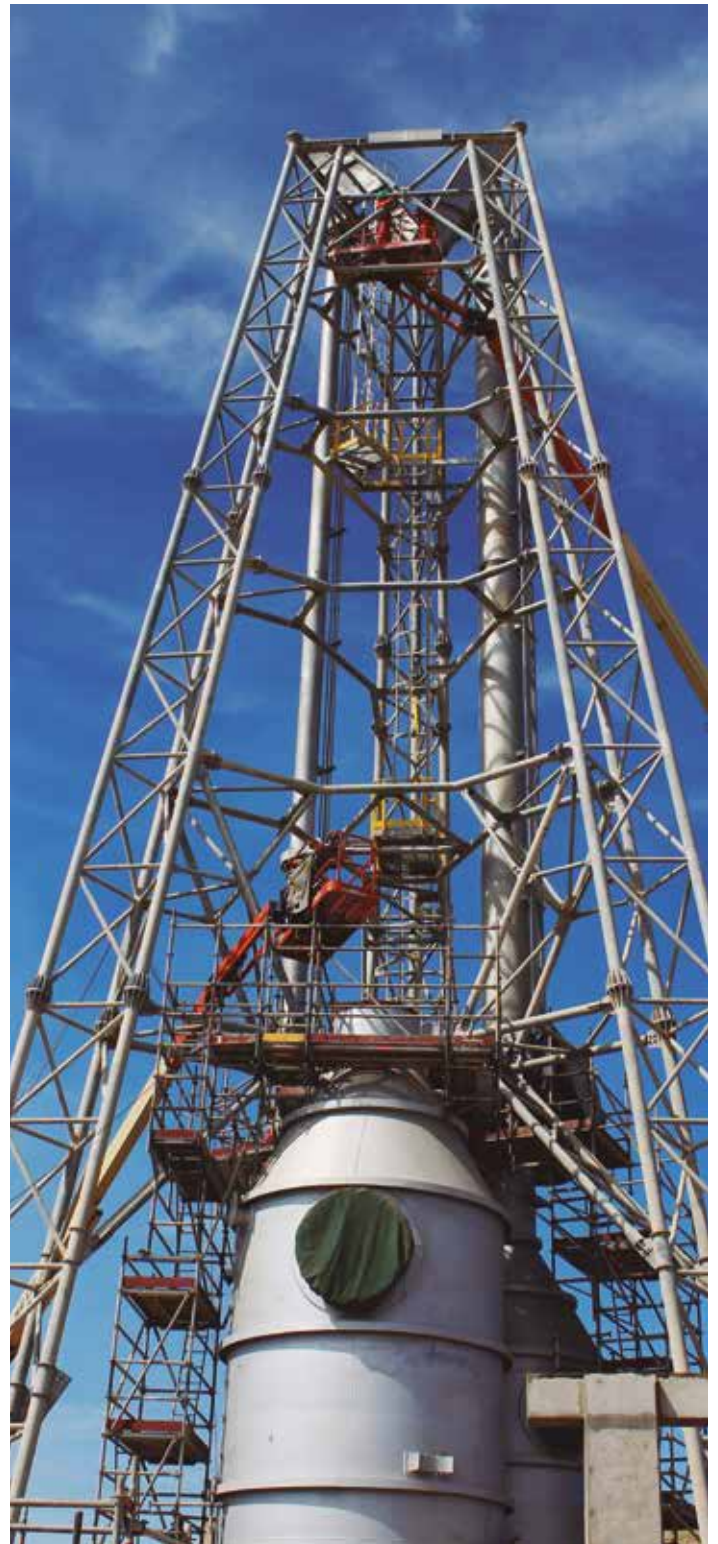
## QUALITY




As stated in the motto Working Smart, **quality** assurance during execution by both the Company itself and the suppliers and subcontractors gives Clients full assurance that their plants will operate correctly in accordance with the contract requirements and within the agreed schedule.

Furthermore, Client satisfaction creates the dynamics of being invited to participate in new investments and even different plants, thereby developing a recurrent portfolio of projects.

Employees have a key role in the quality aspects of the Company's performance. Técnicas Reunidas relies on an excellent team so that the Company can tackle any challenge it faces and attain its objectives sustainably, responsibly and with the quality standards required by the market.







5

# RESPONSIBLE MANAGEMENT

## 5.1 GOVERNANCE MODEL

Técnicas Reunidas has a governance model with a commitment to robust compliance, involving ongoing review and improvement. This model and its underlying ethical values bring credibility and encourage stakeholder confidence.



### KEY INDICATORS [S03], [G4-38]

INDICATOR	2016 data	2014-2016 progress
Independent Directors (%)	61.5%	+11.5 pp (percentage points)
Good Governance Code recommendations adopted (%)*	94.50%	+1.5 p.p.*
Business units analysed from the perspective of ethics and integrity (%)	100%	= (maintained at 100%)
Votes against the items on the agenda of the Annual General Meeting (%)**	<1%	***



### 2016 MILESTONES

- Training on and implementation and dissemination of the Code of Conduct.
- Adaptation of internal regulations to the legislative changes implemented through the 2015 Annual General Meeting of Shareholders.
- Standardisation of the External evaluation procedure for the Board and its Committees.
- Appointment of Ms. Petra Mateos-Aparicio as director and internationalisation of the Board through the appointment of Mr. Adrián Lajous.
- Approval of the Remuneration Policy for the Directors of Técnicas Reunidas.
- Launch of the Training Plan for Directors.



### 2017 GOALS

- Development of the Crime Prevention Model within the framework of the ongoing improvement and updating of internal documents and procedures.
- Updating of the Internal Code of Conduct in Securities Markets.
- Maintenance of the trend established over recent years of a minimal percentage of votes against items on the agenda of the Annual General Meeting of Shareholders.
- Strengthening of the performance appraisal process for the Board of Directors.
- Implementation of the Training Plan for Directors.
- Establishment of a dual or joint audit or audit system.
- Approval of the Guidelines for Fiscal Strategy and Internal Fiscal Risk Management Procedures.
- Adoption of the Approval Policy for services other than audit services.
- Appointment of a Compliance Officer.

\*Percentage of recommendations from the Good Governance Code for Listed Companies issued in 2015 by the CNMV (National Securities Market Commission) with which TR fully or partially complies. Recommendations that do not apply to the Company are excluded from the calculation. 2015-2016 progress.

\*\*Discounting votes corresponding to own shares held. This is one of the lowest percentages in the Ibex-35 on particularly contentious items, such as the remuneration of management.

\*\*\*The percentage of votes against items on the agenda of the Annual General Meeting has remained at the same level between 2014 and 2016.



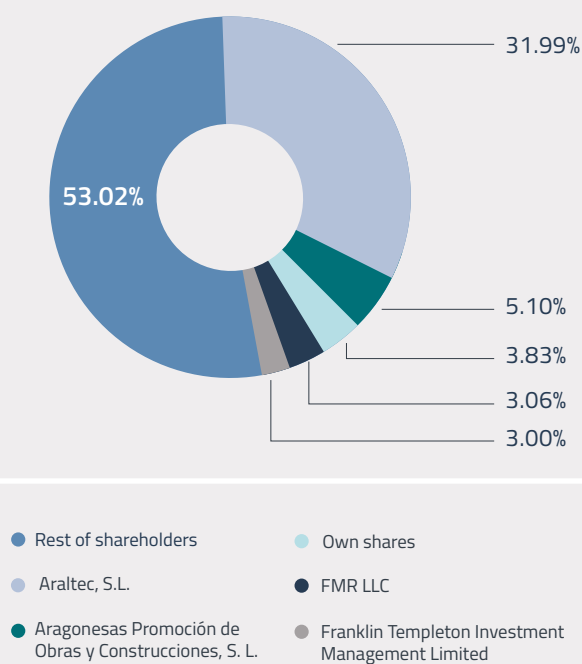
## OWNERSHIP STRUCTURE <sup>[G4-7]</sup>

Técnicas Reunidas' share capital consists of 55,896,000 shares. 53.02% corresponds to minority shareholders. The Board of Directors, meanwhile, holds 37.26 %.

Shareholders from all around the world put their trust in Técnicas Reunidas. 62.08% of our 18,560 shareholders are from outside Spain.

Técnicas Reunidas shares are listed on the Spanish continuous market, forming part of the selective IBEX-35

Structure of the TR registered capital\*



\*Ownership structure at 31 December 2016.



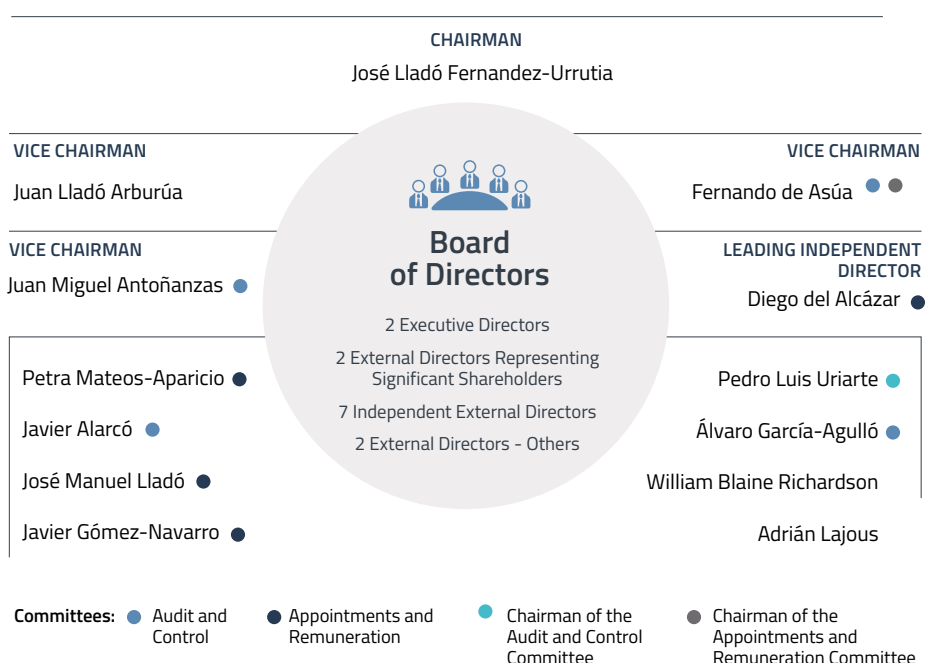
# COMPOSITION AND FUNCTIONING OF THE GOVERNING BODIES

[G4-34]; [G4-38]; [G4-39]; [G4-40]; [G4-42]; [G4-44]; [G4-45]; [G4-46]; [G4-49]; [G4-LA12]

## GOVERNANCE STRUCTURE

The governance of the Company is managed by means of the Annual 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 Board and its Committees all include a majority of independent directors. The chairpersons of both Committee are also independent.

### Composition of the Board of Directors of Técnicas Reunidas



### The Board has a Leading Independent Director that has powers to:

- Summon the Board.
- Include new items in the agenda of a scheduled Board meeting.
- Coordinate and meet non-executive directors.
- If necessary, manage the periodic evaluation of the Chairman.

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	Independent	10/05/2006	29/06/2016
Fernando De Asúa Álvarez	Deputy Chairperson	Independent	10/05/2006	29/06/2016
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	Independent	10/05/2006	29/06/2016
Javier Alarcó Canosa	Director	Independent	22/06/2007	26/06/2012
Diego Del Alcázar y Silvela	Director	Independent	25/03/2010	29/06/2016
Pedro Luis Uriarte Santamarina	Director	Independent	22/06/2011	29/06/2016
William Blaine Richardson	Director	External - Other	22/06/2011	29/06/2016
Petra Mateos-Aparicio	Director	Independent	29/02/2016	29/06/2016
Adrián Lajous Vargas	Director	Independent	29/06/2016	29/06/2016

## Board Performance Evaluation <sup>[G4-34]; [G4-38]; [G4-39]; [G4-40]; [G4-42]; [G4-44]; [G4-45]; [G4-46]; [G4-49]</sup>

Técnicas Reunidas conducts regular performance evaluations of the Board of Directors and develops corresponding Action Plan.

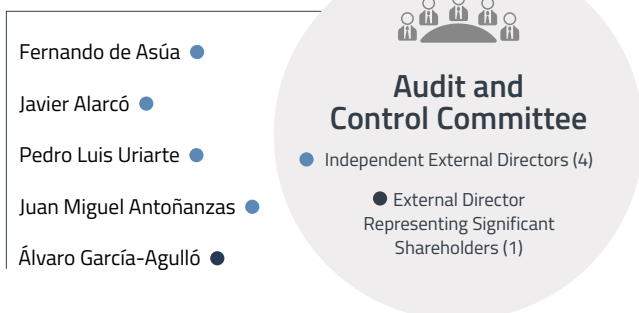
In 2016, as a result of the evaluation carried out in 2015 and the corresponding Action Plan, several measures were implemented, including the development of a specific training plan for Directors, the selection of Petra Mateos-Aparicio and Adrián Lajous Vargas as suitable candidates for directorships, and improvements to the information submitted to Directors prior to meetings.

## Delegated Committees

The Board's Delegated Committees monitor some of the key matters for the Company and its shareholders. The powers of both have been reinforced as a result of the amendment of the Spanish Companies Act.

### COMMITTEE CHAIRMAN

Pedro Luis Uriarte



### COMMITTEE CHAIRMAN

Fernando de Asúa



### Functions of the Committee

- Checking the effectiveness of the internal control or finance risk management systems.
- Ensuring that the Company has the policies, processes and controls required to manage them.
- Implementing the Crime Prevention Model covering all the Company's activities worldwide.
- Establishing a double audit or joint audit system.
- Approving the Fiscal Strategy Manual and Internal Procedures for the Management of Fiscal risks.
- Approving the Policy for the approval of services other than those for audits.
- Updating the Internal Code of Conduct in the Stock Market.

### Functions of the Committee

- Ensuring the suitability of the members of the Board of Directors for their functions.
- Establishing the remuneration policies for directors and managers as required for the long-term interests of the managers and shareholders.
- Evaluating the performance of the Board of Directors, with the assistance of an independent third party of renown.
- Following up on the Training Plan.



For further information on the governing bodies and the profiles of the TÉCNICAS REUNIDAS directors, check the Corporate Governance Annual Report ([www.tecnicasreunidas.es](http://www.tecnicasreunidas.es))

## Main Topics Addressed by the Board and its Delegated Committees

The Board of Directors and its Delegated Committees held a total of 24 meetings in 2016 (4 more than in 2015) with 100% attendance.

The main topics addressed included the following:

### JOINT ACTIONS OF THE BOARD AND ITS COMMITTEES

- Drawing up of the Annual Accounts and the Annual Corporate Governance Report.
- Adaptation of corporate documentation to the changes in the Companies Act.
- Follow-up actions on the tax inspections to which the Company is subject.
- Analysis of potential risks for Técnicas Reunidas (strategic, emerging, operational, financial, legal and fiscal).
- Transparency requirements.
- External auditor independence.
- Evaluation report on the Board of Directors.

## REMUNERATION AND PERFORMANCE MODEL <sup>[G4-51]; [G4-52]</sup>

The remuneration model for the Board and the Company's senior executives consists of one fixed and one variable component.

In 2016, the Directors' Remuneration Policy for the three-year period 2016-2018 was approved at the General Meeting of Shareholders with 0.099% of votes against, the lowest percentage for Ibex-35 companies in this area in 2016. This policy is based on the principles shown below.

### Salaries of the main governing body and top executives

#### GENERAL PRINCIPLES

Payment for the dedication, qualification and responsibility required by the post of director. Incentives are offered for their dedication, without jeopardising their independence.

Payment for the effective dedication of the directors.

Reasonable payment in accordance with market demands.

Attraction, retention and motivation of directors with outstanding professional profiles which are suitable to contribute to the strategic goals of the Company.

#### COMPONENTS OF THE SALARY



##### FIXED

- Work in the Board of Directors: 55,478€
- Work in the Committees: 15,384€
- Allowance for attendance to the Board: 3,500€\*
- Allowance for attendance to the Audit and Control Committee: 3,500€\*
- Allowance for attendance to the Appointments and Remunerations Committee: 5,000€

\* 3,500€ from May 2016.



##### VARIABLE

The variable component of the salary applies to executive directors, depending on parameters such as the following:

- Awards during the period.
- Portfolio levels.
- Income.
- Profit.
- Shareholder remuneration during the period.



For further information on the salary of the Board of Directors and top executives, check the Annual Report on Remunerations of the Directors of Listed Corporations ([www.tecnicasreunidas.es](http://www.tecnicasreunidas.es)).

## MANAGEMENT MODEL FOR THE GOVERNANCE OF THE COMPANY

Técnicas Reunidas' governance model is based on various internal standards including the Articles of Association, the Regulations of the Annual General Meeting, the Regulations of the Board of Directors (updated in 2016) and the Internal Code of Conduct in Securities Markets.

This model is based on the legislation applicable to the Company's activity both as a public limited Company and as a listed entity. Técnicas Reunidas also takes into account soft law recommendations on matters of governance which, although not binding, are 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 THE SECURITIES MARKETS

Técnicas Reunidas fulfils 94.5% of the applicable recommendations of the CNMV's Good Governance Code\*.

\*This percentage includes recommendations with which the Company partially complies.

## Adaptation of the management model to external factors

The Company continuously monitors emerging factors with the potential to impact on this management model. This focus on continuous monitoring allows Técnicas Reunidas the flexibility to take measures wherever necessary, as well as to determine future strategies.

In 2016, the Company made a number of adjustments to the internal regulations to ensure full coordination with both the applicable general legislation and the best national and international practices in this area.

### External factors that had a bearing on the governance model of the Company during 2016

Corporate and criminal regulation changes

Strengthening of the competences of the Audit and Control Committee because of the changes in the Corporate Law

Técnicas Reunidas adapts its good governance management model in step with regulatory changes and the external factors which impact on it.



## Integrity and Compliance

[G4-56]; [G4-57]; [G4-58]; [G4-DMA]; [G4-SO4]

Maintenance of integrity during the performance of activities is regulated by the main internal standards of good governance mentioned above, particularly the Code of Conduct, which was updated and implemented in 2016.

This code encompasses various matters related to regulatory compliance, as well as all other issues which are relevant to the Company's commitment to acting in accordance with the law, human rights and internationally accepted practices.

At the same time, Técnicas Reunidas has introduced internal control mechanisms for processes involving delegation of powers, as well as finance and banking, throughout the Company's organisational levels and business activities.

In this regard during 2016, Técnicas Reunidas has continued with the implementation and updating of various documents related to its Crime Prevention Model, including the Code of Conduct mentioned above and the Crime Prevention Policy. In addition, it has decided to commit to the creation of the new position of Compliance Officer.

Likewise, various actions have been developed to familiarise personnel with existing procedures in this area. To this end, meetings have been held with all senior managers and many of the middle managers to ensure that they are informed about the applicable regulations and the risks that affect them. Information actions and online training courses have also been provided, aimed at all employees in the Group.

Alongside other measures, the Code of Conduct has established a Reporting Channel to enable the reporting of behaviour that could constitute breaches of the Code or the general regulations.

### PRINCIPLES OF THE TÉCNICAS REUNIDAS CODE OF CONDUCT

#### INTEGRITY

- Loyalty to the Company.
- Observance of law, human rights and values.
- Use and protection of assets.
- Expenses.
- Handling of information and know-how.
- Respect to freedom of market competition.

#### PROFESSIONALISM

- Quality and innovation.
- Customer orientation.
- Relationships with collaborating companies and suppliers.

#### OTHER PRINCIPLES

- Professional development, non-discrimination and equal opportunities.
- Training.
- Privacy protection.
- Safety and health at the workplace.
- Rejection of child, forced or compulsory labour.
- Respect for the environment.
- Social commitment.
- Relationships with the shareholders.
- Neutrality.
- Prevention of money laundering and funding of terrorism.
- Corporate image and reputation.

Técnicas Reunidas has internal monitoring mechanisms in place throughout the Company's organisational levels and business activities.



## Management of Corporate Social Responsibility (CSR)

Técnicas Reunidas has a CSR Policy approved by its Board which outlines the Company's main commitments in the area of corporate governance and social and environmental issues. The Company has amplified this management framework by incorporating other specific policies besides the Code of Conduct mentioned above.

Transparency towards stakeholders is one of the basic principles of the CSR Policy. In this respect, since 2012, Técnicas Reunidas has produced annual reports on its CSR performance in accordance with the main international standards.

The Company is also involved in some of the key CSR business initiatives including the UN Global Compact and the CDP Climate Change. Similarly, and in light of the recent approval by the United Nations of the Sustainable Development Goals (SDGs), Técnicas Reunidas is keen to show its commitment to these goals, having implemented various actions over recent years which contribute to their achievement.

Since 2012, Técnicas Reunidas has published CSR reports in accordance with the international GRI frameworks. In 2016, the Company adapted its report to meet the recommendations of the International Integrated Reporting Framework and also underwent an independent external audit on CSR indicators in accordance with ISAE 3000 (revised).

### CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

#### SUSTAINABLE DEVELOPMENT GOALS

#### HOW IS TÉCNICAS REUNIDAS CONTRIBUTING TO THEIR ACHIEVEMENT?

##### 1 NO POVERTY



"END POVERTY IN ALL ITS FORMS EVERYWHERE"

- Promoting contracting with local subcontractors and suppliers with the aim of creating a positive socio-economic impact in the areas where it operates.
- Encouraging suppliers and subcontractors to improve their performance and enhance their competitiveness, contributing to better business opportunities in the future.



For further information, check the chapter 6.6 Efficient supply chain management

##### 3 GOOD HEALTH AND WELL-BEING



"ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES"

- Helping to minimise occupational accidents and diseases by means of a sound Occupational Health and Safety System which extends to subcontractors and is certified to standard OHSAS 18001.
- Establishing annual occupational safety targets which are increasingly demanding and ambitious, reaffirming Técnicas Reunidas' commitment in this area.
- Providing occupational health and safety training for employees and subcontractors and reinforcing the Company's safety culture through awareness campaigns.



For further information check the Chapter 6.5 Occupational health and safety

##### 4 QUALITY EDUCATION



"ENSURE INCLUSIVE AND QUALITY EDUCATION FOR ALL AND PROMOTE LIFELONG LEARNING"

- Offering training adapted to employees' needs in order to help them maximise their skills and boost their professional development.
- Establishing agreements with universities and research centres to offer internships to students, optimising their employability and aiding their integration into the labour market.
- Supporting institutions and initiatives which promote education in the field of sustainable development and the efficient use of energy.



For further information check the chapters 6.2 Employees, the key pillar for growth and 6.7 Relationship with society and interest groups

<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>  <p><b>"ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL"</b></p>	<ul style="list-style-type: none"> <li>• Developing efficient energy infrastructures for our clients which contribute to sustainable energy supplies.</li> <li>• Collaborating in R&amp;D&amp;I projects which help to achieve a more efficient use of energy resources and which promote the development of low-cost environmentally-friendly batteries for use in electric vehicles.</li> </ul> <p> For further information check the chapter 6.4 Excellence in environmental performance.</p>
<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>  <p><b>"PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL"</b></p>	<ul style="list-style-type: none"> <li>• Offering employment opportunities to engineers and other professionals both in Spain and in other countries where Técnicas Reunidas operates.</li> <li>• Adopting a global approach to the management of human resources in order to align the policies implemented by the Company.</li> <li>• 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.</li> <li>• Providing scholarship programmes including the INICIA programme, aimed at students and recent graduates with no previous professional experience.</li> </ul> <p> For further information check the chapters 6.2 Employees, the key pillar for growth and 6.7 Relationship with society and interests groups.</p>
<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>  <p><b>"BUILD RESILIENT INFRASTRUCTURE, PROMOTE SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION"</b></p>	<ul style="list-style-type: none"> <li>• Developing technologies and processes that have less environmental impact by means of reduced greenhouse gas emissions, efficient use of resources and optimisation of generated waste.</li> <li>• Using the resources of its own Technology Centre and collaborating with third parties in R&amp;D&amp;I projects related to massive energy storage and the recovery of metals from waste and chemicals from biomass.</li> </ul> <p> For further information check the chapter 6.3 Innovation</p>
<p><b>13 CLIMATE ACTION</b></p>  <p><b>"TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS"</b></p>	<ul style="list-style-type: none"> <li>• Developing proprietary technologies for reducing the NO<sub>2</sub> and NO<sub>x</sub> generated during the manufacture of nitric acid.</li> <li>• 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.</li> <li>• Delivering transparency in the Company's reporting on its performance with regard to climate change and participating in initiatives such as CDP Climate Change.</li> </ul> <p> For further information check the chapter 6.4 Excellence in environmental performance</p>
<p><b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b></p>  <p><b>"PROMOTE JUST, PEACEFUL AND INCLUSIVE SOCIETIES"</b></p>	<ul style="list-style-type: none"> <li>• Adhering to a Code of Conduct that reflects the Company's commitment to acting in accordance with the law, human rights and internationally accepted ethical practices throughout its operations.</li> <li>• Implementing a crime prevention scheme which strengthens the organisation's compliance strategy.</li> <li>• Providing a specific channel through which anyone can report activities which contravene the Company's ethical framework.</li> </ul> <p> For further information check the chapter 5.1 Governance model</p>
<p><b>17 PARTNERSHIPS FOR THE GOALS</b></p>  <p><b>"REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT"</b></p>	<ul style="list-style-type: none"> <li>• Analysing which of the Company's actions contribute to the achievement of SDG targets.</li> <li>• Incorporating this content for the first time into the Integrated Report, helping to promote awareness among stakeholders of the SDGs and Técnicas Reunidas' interest in contributing to their targets.</li> <li>• Making a commitment to the detailed analysis of this contribution over the coming years in order to define new actions to strengthen it.</li> </ul> <p> For further information check the chapter 6.7 Relationship with society and interests groups</p>

Note: Only those SDGs to which Técnicas Reunidas can make a relevant contribution are included.

## 5.2 Risk Management [G4-2]; [G4-14]; [G4-S03]

Técnicas Reunidas has various tools and procedures which help to identify, prevent, minimise and manage the risks associated with all its areas of activity, ensuring the sustainability and satisfactory performance of the business for all its stakeholders.

The Company has a comprehensive methodological framework for managing key risks in all areas and projects, preventing the creation of an isolation management structure.

By means of this framework, a catalogue of key risks has been compiled, identified in accordance with COSO II methodology.

The Company has developed a set of management policies for each identified risk, including:

- Procedures to mitigate risks related to the nature of the projects like careful selection of projects, policies for diversifying geopolitical risks, policies for maintaining the technical capability necessary to implement projects, policies for sharing project risks with third parties, maintenance of insurance cover and contracting methods which ensure the quality of suppliers.
- Procedures related to the financial management of projects like management of foreign exchange risk, liquidity, tax risks and technical contingencies.
- Management systems for health and safety like policies, procedures and regular system reviews.

### Risk management framework in Técnicas Reunidas



## MAIN OPERATIONAL RISKS AND MANAGEMENT MECHANISMS AT TÉCNICAS REUNIDAS

RISK	DESCRIPTION	MANAGEMENT AND MITIGATION MECHANISM
PROJECT COST VARIATIONS	<p><b>Various factors can cause changes to costs with respect to project plans:</b></p> <ul style="list-style-type: none"> <li>Contracting of turnkey projects with a set price agreed at the outset, while the costs of implementation are subject to variation.</li> <li>Price fluctuations in raw materials.</li> <li>Subcontracting (usually local) companies for civil engineering works and electro-mechanical equipment. Since construction work involves a significant proportion of the total cost of plants, there is a risk that deviations may occur. Becoming aware of these deviations at an advanced stage of the project's implementation allows only a narrow margin for correction.</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion in project budgets of a figure for contingencies to cover deviations.</li> <li>Development of contracting models that mitigate risks (open books) and incorporation of exemption clauses in contracts.</li> <li>Inclusion of indemnity clauses in contracts with suppliers and subcontractors.</li> <li>Transfer of risk to clients in the (unlikely) event that they are willing to accept this.</li> <li>Intensive acquisition, during the first months of implementation, of any equipment which is both critical and very sensitive to the price of certain raw materials.</li> <li>Use of derivatives that enable certain essential raw materials to be purchased by instalments.</li> <li>Distribution of the execution of the work between several contractors and contracting of leading construction companies in the different countries.</li> <li>Signing of consortium agreements with the contractor when the risk is high and the client authorises it.</li> </ul>
CRUDE OIL PRICE FLUCTUATIONS	<p><b>Alongside other factors, the price of crude oil affects the behaviour of the Company's clients, as well as its suppliers, competitors and partners, and has particular impact both on contracting and subsequent negotiations.</b></p>	<ul style="list-style-type: none"> <li>Predominance of NOCs (National Oil Companies) in the portfolio which, unlike IOCs (Integrated Oil Companies), incorporate other economic factors besides pure profit into their decision-making processes, such as geopolitical and social criteria.</li> <li>Mitigation of negotiation risks through the early detection of issues that may involve amendments to the contract price.</li> </ul>
IMPLEMENTATION OF PROJECTS IN MULTIPLE GEOGRAPHICAL AREAS	<p><b>Projects are implemented in multiple geographical locations, each with a different risk profile to mitigate:</b></p> <ul style="list-style-type: none"> <li>Geographical areas subject to significant social and political tensions.</li> <li>Locations with restricted access, low levels of training of local resources, requirements concerning local content or adverse weather conditions.</li> <li>Countries with limited legal certainty.</li> </ul> <p>Additionally, the implementation of projects in different geographical areas makes them more difficult to control.</p>	<ul style="list-style-type: none"> <li>Project selection, based on detailed analysis of the client and country, establishing a local presence before bidding and an exhaustive analysis of interests, margins and risks.</li> <li>Use of modular construction schemes in geographical areas where labour shortage or site conditions allow savings with respect to other options.</li> <li>Inclusion in contracts, whenever possible, of referral of disputes to courts or arbitrators in countries in which the Company has previous experience.</li> <li>Inclusion in contracts, whenever possible, of clauses that allow price revisions in the event of amendments to the law.</li> <li>Application of common procedures in the implementation of projects and through the centralisation of the project monitoring teams in the Madrid offices.</li> </ul>

## MAIN OPERATIONAL RISKS AND MANAGEMENT MECHANISMS AT TÉCNICAS REUNIDAS

RISK	DESCRIPTION	MANAGEMENT AND MITIGATION MECHANISM
CONCENTRATION ON A SMALL NUMBER OF CLIENTS	<p>The portfolio may at certain times reflect increased concentration on a small number of clients.</p> <p>The concentration of business in certain countries gives rise to a concentration of local subcontractors, increasing their negotiating capacity.</p>	<ul style="list-style-type: none"> <li>• Concentration only in markets where the Company has sufficient previous experience, as well as projects involving high-level clients.</li> <li>• Diversification policy which allows the Company access to very different markets.</li> <li>• Development of commercial activity with new clients and in markets in which Técnicas Reunidas is not yet active.</li> <li>• Diversification policy with regard to construction subcontractors, using both minor local subcontractors and major international companies.</li> </ul>
ENVIRONMENTAL AND SAFETY REQUIREMENTS	<p>Técnicas Reunidas works on projects which have a significant impact on the environment and appreciable risks in terms of health and safety.</p> <p>Their control and minimisation throughout the project life cycle depends not only on Técnicas Reunidas but also on the good practice of subcontractors and suppliers.</p>	<ul style="list-style-type: none"> <li>• Environmental management and safety systems that ensure compliance with the requirements of each project and monitoring of the results.</li> <li>• Assurance of environmental management right from the engineering phase, thanks to Técnicas Reunidas' technical capacity in designing efficient projects. This assurance extends to its suppliers and subcontractors, by means of audits and training sessions.</li> <li>• Reinforcement of process safety from the design phase, with the aim of providing clients with facilities that are safer during the operation phase.</li> <li>• Promotion of occupational safety among suppliers and subcontractors to reduce the risks which arise during projects.</li> </ul>
ECONOMIC VARIABLES	<p>Some variables - such as exchange rates, interest rates, the willingness of financial and insurance institutions to participate in projects and the tax regime - have a significant impact on the Company's activity and revenues.</p>	<ul style="list-style-type: none"> <li>• Continuous monitoring of currency-related risks and contracting of exchange rate insurance where necessary to mitigate risk.</li> <li>• Advice from financial experts involved in the establishment of the taxation criteria affecting the different companies of the group.</li> <li>• Management of a sound balance sheet and adequate lines of funding to ensure sufficient solvency to implement projects.</li> <li>• Mitigation of the risk of clients' lack of liquidity by means of active participation in the processes of obtaining financing, through banks that frequently support operations involving Técnicas Reunidas, as well as through the use of export credit insurance mechanisms.</li> </ul>
INFORMATION TECHNOLOGY	<p>A failure in the information technology systems has the potential to negatively impact on the running of Técnicas Reunidas' business:</p> <ul style="list-style-type: none"> <li>• Intrusion attempts on the Company's systems by cybercriminals.</li> <li>• Increasing significance of this risk as the Company intensifies its process of digitalisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Information security management system certified according to ISO 27001:2015.</li> <li>• Specific training given to more than 4,000 employees over the past 3 years.</li> <li>• Implementation of an Information Security Committee to analyse the development of the strategic plan on cyber security, the results of audits and the main risks.</li> </ul>

Continue



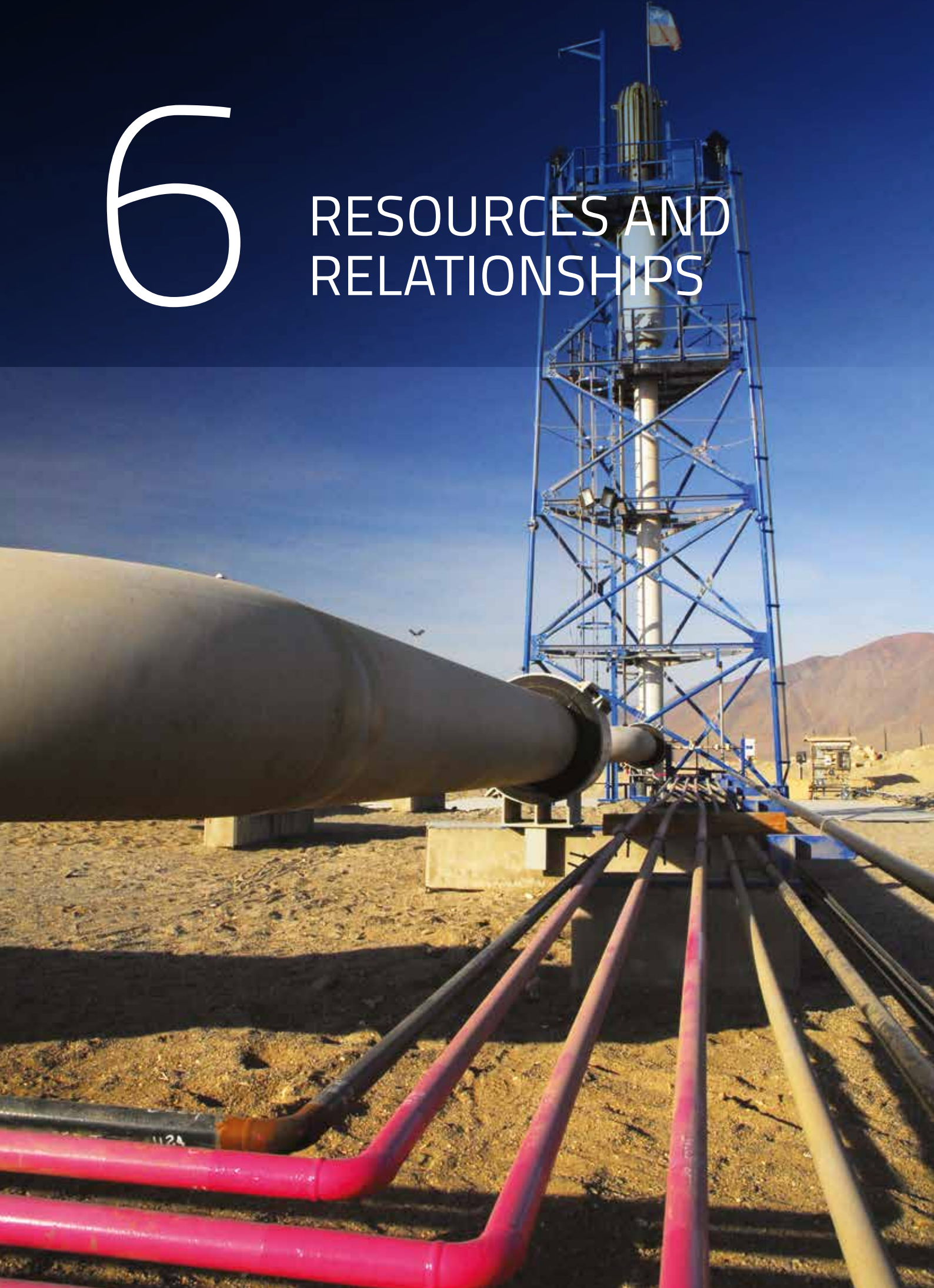
## MAIN OPERATIONAL RISKS AND MANAGEMENT MECHANISMS AT TÉCNICAS REUNIDAS

RISK	DESCRIPTION	MANAGEMENT AND MITIGATION MECHANISM
RETENTION OF KEY PERSONNEL AND ADAPTATION OF RESOURCES TO WORKLOAD	<p>The loss of key personnel at Técnicas Reunidas, as well as insufficient training of its personnel, could reduce the Company's capacity to successfully implement projects.</p> <p>Engineering workloads vary according to the phase of implementation of projects, with the result that either concentrations or delays in the awarding of contracts can cause mismatches in the workload.</p>	<ul style="list-style-type: none"> <li>Procedures for assessing employees' skills, in order to identify the key personnel who should be retained.</li> <li>Implementation of monitoring policies for these employees, alongside remuneration and career plans that encourage them to stay with the Company.</li> <li>Implementation of a flexible human resources structure, as well as maintenance of engineering centres outside Spain that allow accelerated increases in personnel.</li> <li>Globalised management of human resources with the aim of standardising the criteria applied within the Company's different subsidiaries across the world.</li> </ul>
INTEGRITY AND REPUTATION	<p>Any unfair or irresponsible behaviour by employees or by other agents working in partnership with the Company (suppliers and subcontractors) could adversely affect Técnicas Reunidas' reputation and results.</p> <p>This includes breaches related to areas such as human rights violations, environmental impact, discrimination, forced labour, corruption and bribery.</p>	<ul style="list-style-type: none"> <li>Internal regulations to ensure the upright behaviour of workers.</li> <li>Implementation of the Code of Conduct, which sets out the model values for Company behaviour.</li> <li>Dissemination and understanding of anti-corruption policies.</li> <li>Drawing up of an annex to the Code of Conduct for the supply chain, which lays down guidelines for employees involved in purchasing procedures.</li> <li>Need for suppliers and subcontractors to fulfil requirements on environmental issues, human rights and health and safety. Compliance with these requirements is monitored by Company inspectors during their project inspections.</li> </ul>



# 6

## RESOURCES AND RELATIONSHIPS



## 6.1 CONTROL AND MANAGEMENT OF FINANCIAL CAPITAL

In 2016, Técnicas Reunidas made higher-than-expected increase in sales and operating profit, despite the continuing complexity of the market.



### KEY INDICATORS

INDICATOR	2016 DATA	2014-2016 PROGRESS
Portfolio (million €)	10,582	+25.8%
Awards (million €)	2,922	-35.1%
Revenue (Sales) (million €)	4,793	+52.2%
EBIT (million €)	192	+21.8%
EBIT/Sales	4%	+1*
Structural costs (million €)	91.5	+20.4%
Results after tax (million €)	140	+4.1%
Net cash position (debt/cash)	488	-26.5%
Work in progress (million €)	1,570	+115%
Guarantees (million €)	4,325	+45%

\* Percentage points



### 2016 MILESTONES

- Fulfilment of forecasts for sales, operating profit and dividends announced in February 2016.
- Share price recovery in a highly complex market environment.
- Holding of the second Investors' Day in Madrid.
- Development of long-term financing mechanisms to protect the Company from clients' liquidity constraints.



### 2017 GOALS

- Consolidation of the Company's economic growth.
- Maintenance of Técnicas Reunidas' financial margins.
- Disciplined management of the Company's funds.
- Adaptation of the group's tax strategy to the BEPS framework.

## MANAGEMENT APPROACH [G4-DMA]

Técnicas Reunidas has a specialised division for financial management, whose operation is structured as a matrix with two intersecting axes: one for technical areas and the other for the countries in which it operates.

Alongside its internal functions, the division provides support to the Company's clients in obtaining financing.

### Matrix-based organisation of financial management at Técnicas Reunidas

		TECHNICAL AREAS				
		FUNDING	TAXATION	ACCOUNTING	TREASURY	COST CONTROL
Countries	Spain					
	Saudi Arabia, Kuwait and Oman					
	Chile and Bolivia					
	Bangladesh, India and Malaysia					
	Poland and England					
	Turkey, Algeria and Egypt					





## SUPPORT FOR CLIENTS SEEKING FINANCING FOR THEIR PROJECTS

Técnicas Reunidas' clients generally use multiple sources of funding to carry out their projects. One of the most important, due to its lower cost, is bank financing covered by credit insurance provided by Export Credit Agencies (ECAs).

The Company's long-standing relationship with these entities, combined with its financial solvency, provides added value to clients accessing this type of funding. Since Técnicas Reunidas' financial capacities enable the design of attractive project models, adapted to the requirements set out by the ECAs, this facilitates support for projects.

## MARKET ENVIRONMENT

The market environment in which Técnicas Reunidas operates has been affected by various external factors during the past year. These have made it necessary for the Company to adapt its financial management, as shown below.

### Market environment: external factors that have impacted on Técnicas Reunidas



#### OIL PRICES

- A sustained increase in the price of oil has failed to give rise to either a relaxation of discipline in clients' management of liquid assets or modifications in their decision-making processes.
- Consequently, the Company has redefined its balance sheet structure, increased lines of financing and intensified discipline in the management of billing and payments.



#### ELIMINATION OF TAX ADVANTAGES AND TAX INSPECTION

- Law 27/2014 on corporate tax entered into force on 1 January 2015, eliminating certain tax advantages which had benefitted Técnicas Reunidas over the last 30 years. This change has had a substantial impact on the Company's after-tax profit.
- Also during that year, the Tax Office concluded its review of the company's taxes for the 2007-2011 period, issuing non-conformity reports as a result of applying criteria which, in the opinion of Técnicas Reunidas, differ significantly from those applied in previous inspections.
- As of 31 December 2016, the company was waiting to receive authorisation from the National Court to submit its appeal against the non-conformity reports.



#### EXCHANGE RATE €/€

- The depreciation of emerging countries' currencies and the strengthening of the dollar against the euro impact heavily on the results of companies that, like Técnicas Reunidas, do almost all their business outside of Spain.
- To mitigate this risk, the company is pursuing a policy of risk monitoring and coverage by means of derivatives.



#### NEW CONTRACTING MODELS

- Developments in contracting models over recent years have meant that projects are increasingly billed by milestones rather than progress payments. This has led to extended collection periods, complicating the financial position of the company, which must continue to meet its obligations to its suppliers, employees and others.
- To mitigate this effect, Técnicas Reunidas has maintained a policy of managing a solid balance sheet and adequate lines of financing to ensure the solvency necessary for implementing its projects.



## OPERATING INCOME [G4-9]

Over the last fiscal year, Técnicas Reunidas has increased its sales (up 14.4% compared to 2015) and operating profit (up 123.1% compared to 2015), surpassing the forecasts announced by the Company in February 2016.

In specific terms, Técnicas Reunidas has been able to increase its sales by 68% over the last three years, despite the impact of the oil price crisis on global energy investment.

This significant growth has been achieved during a period of global crisis and uncertainty in the sector due to Técnicas

Reunidas' strong market position in the Middle East, a market that has demonstrated its resilience during this period, and this has been reflected in a 66% increase in the portfolio over the last three years.

Finally, operating profit exceeded the Company's forecast, reaching €192 million. At the same time, however, Técnicas Reunidas adjusted its net profit by €11 million after depreciating the value of specific available-for-sale assets, leaving the figure standing at €129 million.

Técnicas Reunidas' growth over recent years is the result of the Company's vision of building a client-oriented business platform diversified by products and geographical areas. Client satisfaction enables Técnicas Reunidas to rely on repeat business at the same time as it expands its client portfolio in target markets.

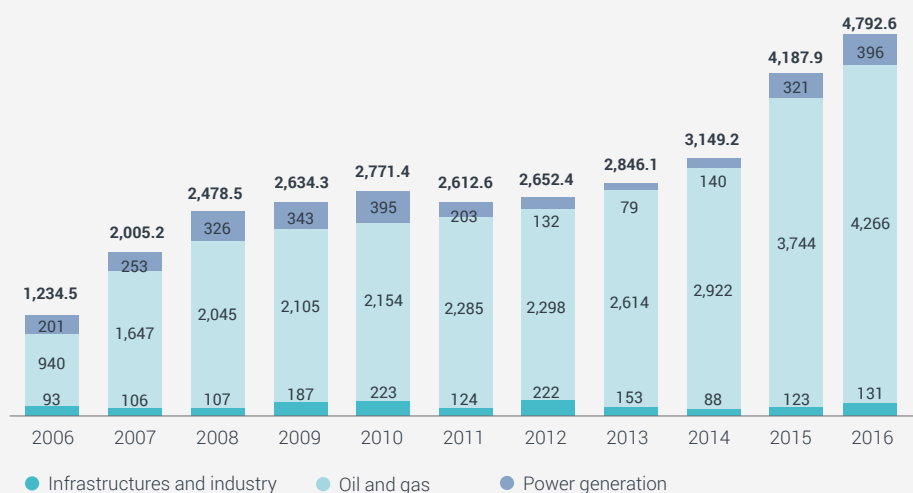


### FULFILMENT OF FORECASTS FOR RESULTS ISSUED BY TÉCNICAS REUNIDAS IN FEBRUARY 2016

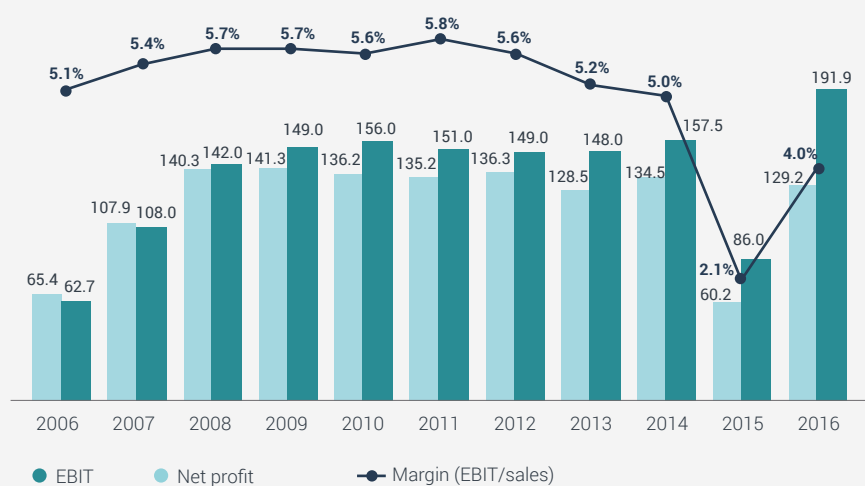
After the sharp deterioration in the Company's results in 2015, Técnicas Reunidas published preliminary results for its shareholders at the beginning of 2016, assuming various performance targets for its most significant financial figures.

Over the course of the year, the Company has been able to achieve its targets in sales, margin and dividend, reaffirming its commitment to transparency and the fulfilment of promises made to its shareholders.

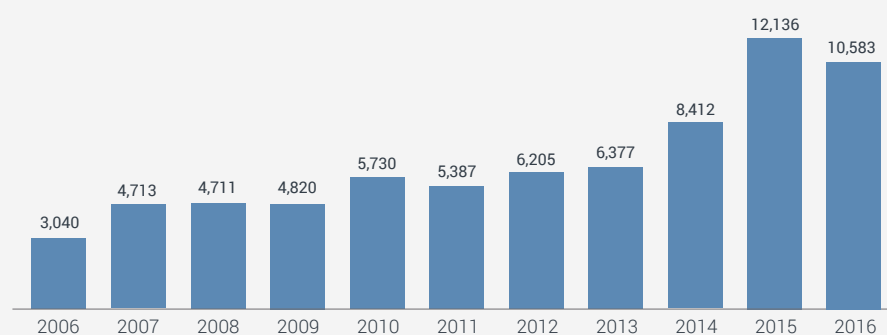
### Evolution of the sales. Breakdown per division (millions of €)



### Evolution of the EBIT and net profit (millions of €) and margin (%)



### Portfolio evolution (millions of €)



## TÉCNICAS REUNIDAS' VALUE CREATION IN SPAIN [G4-EC1]

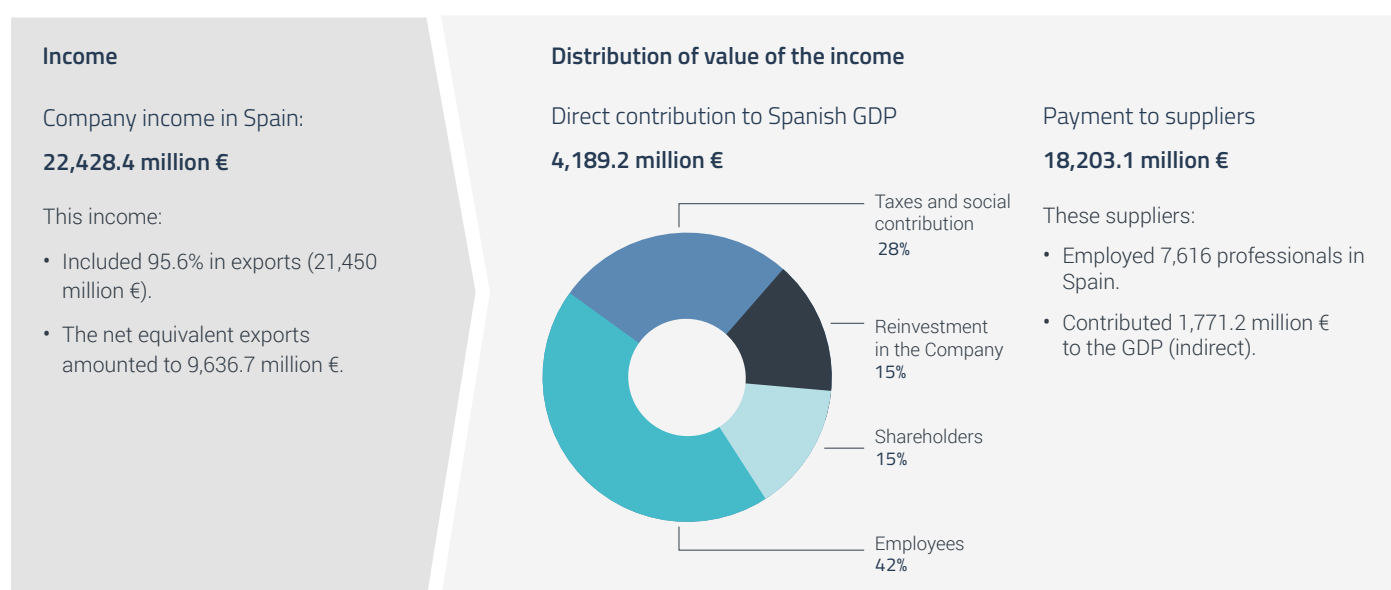
Técnicas Reunidas' activities contribute to the creation of wealth not only for its shareholders. Part of the revenue generated by the Company is distributed to create value for other agents.

The Company's revenues within Spain during the 2008-2016 period amounted to €22,428.4 million, of which 95.6% (€21,450.0 million) corresponded to total exports and €9,637 million to net exports.

These revenues were used mainly in the procurement of goods and services from suppliers (€18,203.1 million) and other items that have made a direct contribution to Spanish GDP equivalent to €4,189.2 million.

Notable items include the value created by Técnicas Reunidas in the form of taxes and social contributions (€1,177.2 million), employees' remuneration (€1,749.8 million), payments to shareholders (€625.0 million) and reinvestment in the Company (€637.2 million).

### Técnicas Reunidas' Value Creation in Spain (2008-2016)



#### Note on the methodology

Data obtained from a supervised internal report drafted by an independent expert on four firms of the Grupo Técnicas Reunidas (Técnicas Reunidas, S.A.; Técnicas Reunidas Internacional, S.A.; Initec Industriales, S.A.U.; Initec Infraestructuras, S.A.U.).

This analysis does not include the financial result of the Grupo Técnicas Reunidas. The operating result is used as a basis to calculate the economic impact.

The direct contribution to the Spanish GDP has been calculated as follows:

- 'Taxes and social contribution' includes income tax retentions, Social Security contributions and Corporate Tax.
- 'Employees' includes payment of salaries, minus income tax retentions and contributions to the Social Security.
- 'Reinvestment in the Company' includes coverage of the financial results and reserves.

In addition to its contribution to the creation of economic value for various stakeholders, Técnicas Reunidas has a positive impact in other areas relevant to society, such as employment and stimulus for R&D&I.

The Company's activity in 2016 gave rise to 12,788 jobs in Spain, of which 5,164 were direct employment and 7,624 were generated by the knock-on effect in other sectors associated with payments to suppliers.

Técnicas Reunidas has generated employment in Spain even during the economic crisis, maintaining continuous annual growth rates in its workforce since 2009.

The Company also contributes to boosting R&D&I in Spain. Técnicas Reunidas' activities require it to be at the forefront

of technology, which is why it has endeavoured to make significant investment in this area, much higher than for other business activities in the Spanish economy. The Company allocated more than €92 million to R&D&I between 2008 and 2016.

During the economic crisis, Técnicas Reunidas has continued generating employment, helping to mitigate the increasing unemployment rate in Spain.

## CONTRIBUTION TO THE EXTERNAL SECTOR AND THE DEVELOPMENT OF 'BRAND SPAIN'

Técnicas Reunidas is focused on activity abroad, making a decisive contribution to the upturn in the Spanish economy's external sector over recent years. In the 2008-2016 period, the Company's turnover abroad amounted to €21,450 million, representing 95.6% of revenues.

The quality of our project implementation and the satisfaction of our clients in different parts of the world have also made an important contribution to the strengthening of Brand Spain.



Photo of the project for Yara in Australia, completed in 2016

## STOCK PERFORMANCE

Técnicas Reunidas stock performed strongly in 2016, with share prices increasing by 12% over the fiscal year, despite the challenges of a highly complex market.

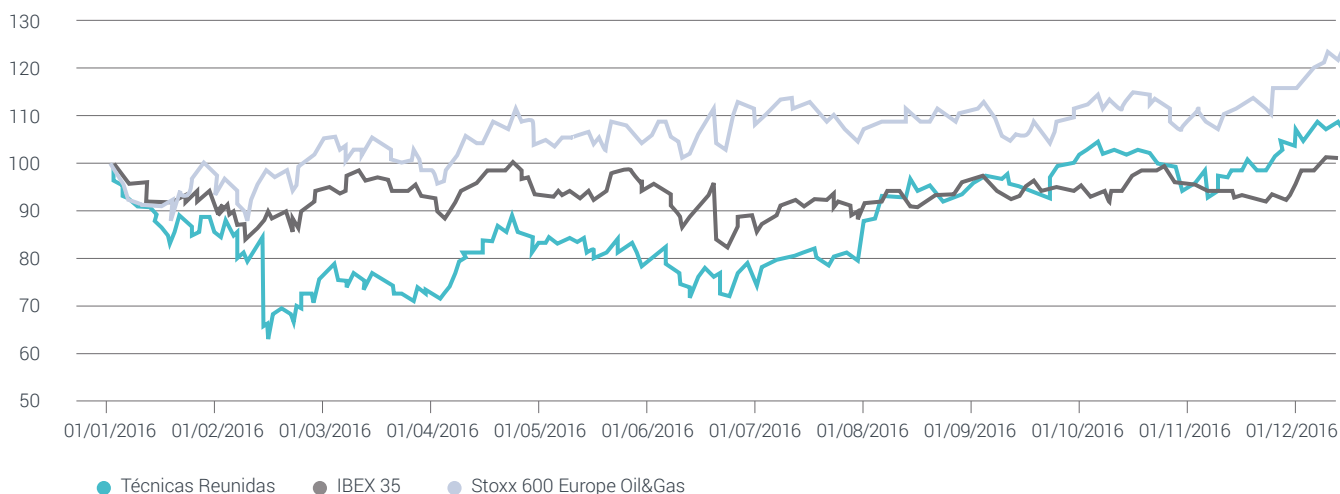
This performance far outstripped that of the IBEX 35 (with a rise of 0.4%, compared to Técnicas Reunidas' 12%) and remained in line with the upward trend in the STOXX Europe 600 Oil & Gas index (+24.7% in 2016).

An important factor in this strong share performance is the role played by the liquidity agreement signed with Banco Santander, helping to protect the share price and provide the Company with a very high rotation rate in its free float.

With regard to shareholder remuneration, at the end of 2016, Técnicas Reunidas approved the distribution of €0.667 per share in respect of the advance payment of the dividend from the results for the fiscal year 2016 approved at the Annual General Meeting. This remains the same as in recent years, as an example of stability and responsibility towards shareholders.

In a highly complex economic context, the market has opted for Técnicas Reunidas, as shown by the 12% rise in the value of shares in 2016, compared to 0.4% for the IBEX 35 during the same period.

Técnicas Reunidas' share price movement and other benchmark indices over 2016 (base level 100\*)



Note: \*The value 100 corresponds to the listing of each of the indices at 04/01/2016.



## INVESTOR RELATIONS

The Company manages its relationship with its shareholders through the Investors Relation Department. The department's activities are channelled through its participation in oil sector seminars, roadshows targeted at locations with a high volume of investors and other actions including multisectoral seminars, meetings at our offices in Madrid and visits to plants.

The main topics of interest for investors at these meetings were as follows:

- Gaining further information about the causes underlying the deviations in results related to the Canadian project in 2015.
- Understanding energy market trends over the medium and long term.
- Identifying Técnicas Reunidas' growth opportunities and assessing the Company's capacity to absorb this growth.
- Gaining a better understanding of the competitive environment, focusing on the differences and similarities between our Company and its competitors.

Técnicas Reunidas has recently received important international recognition for its investor relations programme. The publication institutional Investor, an international frame of reference which evaluates major European companies in all sectors of activity, has spotlighted Técnicas Reunidas as **the Company with the best programme in Europe in this field within the category of oil service sector.**

### OUR SECOND INVESTORS' DAY

In 2016, Técnicas Reunidas held its second Investors' Day since the Company became listed on the stock exchange in 2006.

The event, held in Madrid, focused on strategic aspects for the Company, such as the market and clients, as well as liquid asset trends and new contracting.



Técnicas Reunidas can depend on the confidence of its investors, as shown by the support given at the various meetings with the investment community throughout 2016.



## 6.2 EMPLOYEES, THE KEY PILLAR FOR GROWTH

The management of a workforce with almost 9,000 employees of 70 nationalities in over 30 different countries has a direct impact on the Company's competitiveness. Técnicas Reunidas uses systems, policies and processes to enable effective management of one of its key distinguishing features, its outstanding professionals.



### KEY INDICATORS [G4-10], [LA1], [LA9], [LA11]

INDICATOR	2016 DATA	2014-2016 PROGRESS
Company personnel (number)**	8,890	+4.0%
Female personnel**	34.4%	+1.3 *
Permanent workers**	74.4%	+8.0*
Voluntary employee turnover	2.5%	-0.4*
Expatriate personnel	31.9%	+7.4*
Training (hours)***	126,346	-1.2%
Persons trained (number)	3,004	+5%
Training (hours per employee)	24.47	-1.1%
Performance evaluation (number of employees undergoing evaluation)	4,169	+9.4%

\* Percentage points.

\*\* The data for Company personnel refers to the Company's total number of personnel. The data for female personnel and permanent workers refers to the internal workforce including HEYMO (5,238 employees in 2016), while the rest of the indicators in the table refer to the internal workforce excluding HEYMO (5,164 employees in 2016).

\*\*\* Hours of training do not include training in occupational health and safety conducted in site.



### 2016 MILESTONES

- Launch of the SAP Success Factors module for better management of indicators related to the Company's human resources.
- Start of implementation of SAP Success Factors at various Técnicas Reunidas subsidiaries.



### 2017 GOALS

- Expansion of the SAP Success Factors module to include the rest of the Company's subsidiaries.
- Global implementation of human resource policy procedures (remuneration, recruitment, expatriation, etc.).
- Development of informational guides for employees for particular sites (with information on the location and the local environment, etc.).



## MANAGEMENT APPROACH [G4-DMA]

Técnicas Reunidas is pushing forward with globalised management of human resources in response to its diversification strategy, in services and projects as well as geographical areas.

This globalised management approach offers benefits including enabling Técnicas Reunidas to implement more comprehensive control of all sections related to human resources, increasing the reliability of information, offering a series of basic conditions to all employees, and optimising time and cost in their management.

To support this, in 2016 the Company has begun implementation of the software SAP Success Factors, which enables better management of objective-based employee performance, remuneration plans, succession plans, selection processes, evaluations and training schemes.

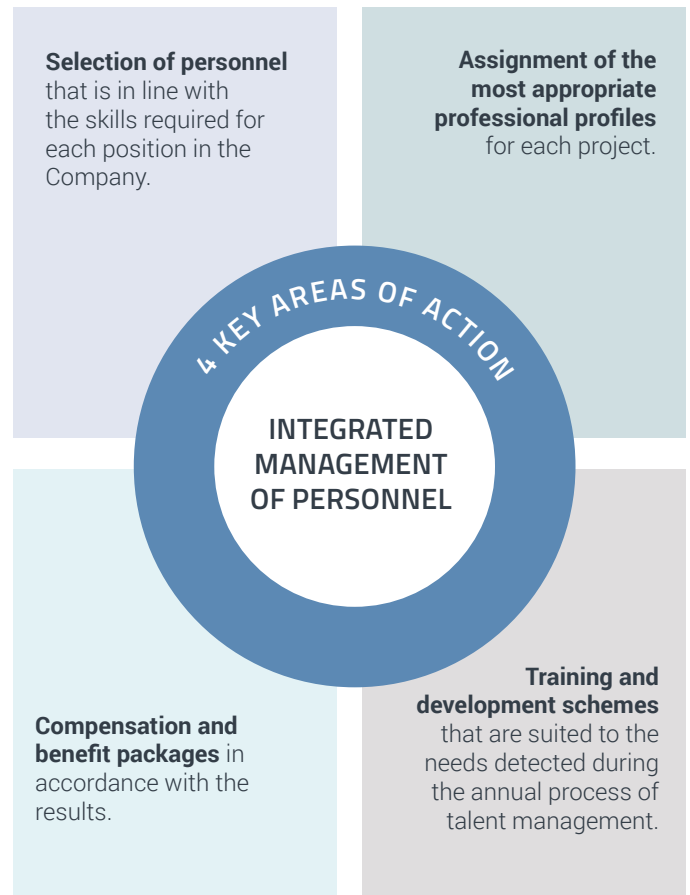
Alongside this global management approach, Técnicas Reunidas maintains an operational approach that enables it to adapt its policies and procedures, depending on the project, to the needs of business and clients.

Its cornerstone consists of the integration of all areas of management within a single system. This enables joined-up work and the pursuit of common goals.

Técnicas Reunidas also has a Business Partner for Human Resources within each area of business, acting as a representative of the Corporate Division. For international projects, there are also specialist professionals responsible for the management of human resources.

Técnicas Reunidas has incorporated the position of Human Resources Officer into the entire project life cycle. This is implemented right from the bidding phase, alongside the performance of a specific risk analysis. During the implementation phase, this officer ensures that both the subsidiaries and the human resources team for each project have professional resources available.

### Personnel management framework in Técnicas Reunidas





## CORPORATE CULTURE

In recent years, Técnicas Reunidas has rolled out a corporate culture in which the employee plays a key role.

This culture is based on four values that the Company disseminates to its employees through specific training sessions in which managers also participate.

### Values in the Técnicas Reunidas corporate culture

#### COMMITMENT

**Commitment** with a Company that boasts more than 50 years' experience and is among the three main oil and gas engineering firms in Europe, and among the top ten in the world.

Employees strive to **improve** when faced with the big challenges (involving technology, design, logistics, etc) that the Company has to tackle. It is thanks to the employees that these challenges are overcome.

#### IMPROVEMENT

#### TEAM

The Técnicas Reunidas employees are part of a **team** where their voices are heard and which promotes the formation of bonds of trust to offer professional and personal support.

Constant opportunities for **development** thanks to the chance to work on large projects, providing ideas, working with independence, being part of leading projects throughout the whole world.

#### DEVELOPMENT





## A DIVERSE AND INTERNATIONAL TEAM [G4-10]; [G4-DMA]; [G4-LA12]

### Técnicas Reunidas employee profile\*



- ✓ **41 years old.**
- ✓ They have **13 years' work experience, more than half of them (8 years) in Técnicas Reunidas.**
- ✓ **74% of employees** are on an open-ended contract.
- ✓ **100% of employees** are covered by a **collective agreement.**
- ✓ **66% of employees are men, 34% are women.**

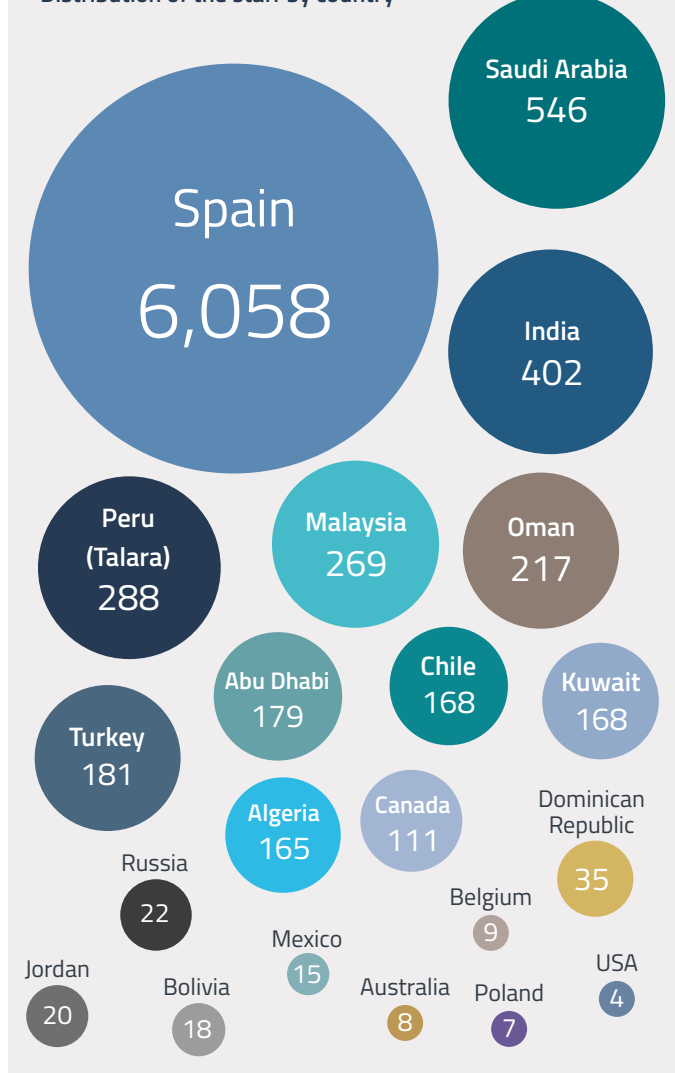
\*Data as of 31st December 2016 for the in-house staff.

At the end of 2016, Técnicas Reunidas' workforce amounted to 8,890 employees of 70 nationalities.

An important group within this workforce are the expatriate professionals working on projects overseas. Ensuring their commitment and maintaining their sense of belonging is a key aspect for the Company.

Técnicas Reunidas extends all its human resources measures to these professionals, including several specific actions aimed at this group over recent years, such as the launch of an E-learning training platform to facilitate their learning and professional development and other loyalty-related actions.

### Distribution of the staff by country



## DIVERSITY AND EQUAL OPPORTUNITIES

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

To ensure respect for diversity, Técnicas Reunidas has set up an Equality Committee, which meets on a quarterly basis to analyse the current situation and potential conflicts, adopting appropriate measures as necessary.

Distribution of the staff* by category and gender (%)	2016	
	MEN	WOMEN
Directors and top management	0.25%	0.04%
Managers and middle managers	4.14%	1.03%
MSc. BSc and administration staff	60.22%	32.94%
Clerks	0.58%	0.02%
Sales representatives	0.48%	0.29%

\*Data as of 31st December 2016 for the in-house staff without Heymo.

## TALENT MANAGEMENT AND RETENTION [G4-DMA]

Técnicas Reunidas works in two key areas to ensure the creation of a good working environment that promotes employees' growth and their commitment to the Company. These comprise advanced management of personal welfare and development, and knowledge management.

### PERSONAL WELFARE AND DEVELOPMENT [G4-LA11]

Técnicas Reunidas has a skills audit programme that allows professionals with team management responsibilities to monitor competences set out by the Company. The Company provides these professionals with the training and specific skills to further the development of employees for whom they are responsible.

These skills audits are conducted jointly by the managers and the team, analysing overall performance and the development of both general and technical/functional competences.

4,169 employees underwent performance evaluations in 2016.

With regard to talent retention, the Company strives to offer its employees a working environment that meets their expectations. Técnicas Reunidas provides training for their professional development.

In addition, when circumstances permit, the Company encourages internal mobility as a means of retaining talent and enhancing their professional development, reinforcing their skills and abilities (see box below).

The offer of competitive remuneration and social benefits is another of Técnicas Reunidas' cornerstones, creating a work environment which fosters the welfare and satisfaction of its professionals.

The Company also incorporates labour flexibility criteria into corporate policies, alongside social benefits which are adapted to the country and workplace. Some of the main measures include food allowances, life assurance and accident insurance, advances, loans and an employee club.

Técnicas Reunidas offers specific incentives for high performers. Once identified, the Company offers these employees specialised training and development plans. It also complements these measures with specific remuneration actions over the short and long term.

Finally, Técnicas Reunidas conducts surveys about its working environment every two years, gathering information on employees' levels of satisfaction with their jobs, their relationships with the Company and their superiors, their workloads, etc., and develops action plans based on the analysis of employees' responses.

### TALENT RETENTION THROUGH THE INTERNAL MOBILITY OF BOLIVIAN PROFESSIONALS IN OTHER COMPANY PROJECTS

In 2016, as part of a Company integration project and with the aim of retaining the best professionals within the Company, Técnicas Reunidas facilitated the international mobility of 25 Bolivian professionals, deploying them in management and supervisory roles as well as in technical positions in 10 projects across the world in areas such as refining, petrochemicals, natural gas, energy, infrastructures and industries.

This project reinforces Técnicas Reunidas' commitment to retaining the best professionals within the Company, offering them a solid professional career and the opportunity to participate in challenging projects in more than 30 different countries where Técnicas Reunidas is active.



Aerial image of the SOCAR project.

## KNOWLEDGE MANAGEMENT

[G4-LA9]

Another key aspect in retaining and enhancing intellectual capital within the Company involves providing professionals with the necessary knowledge and training resources.

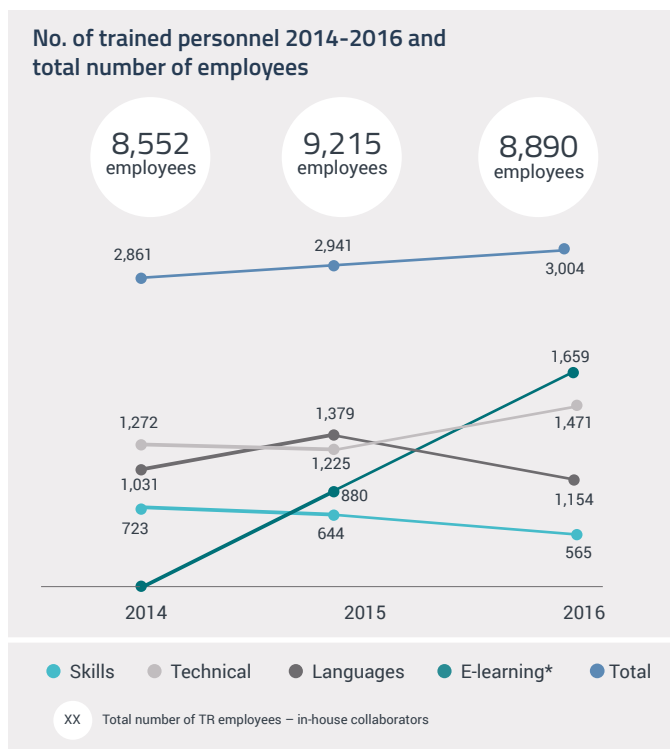
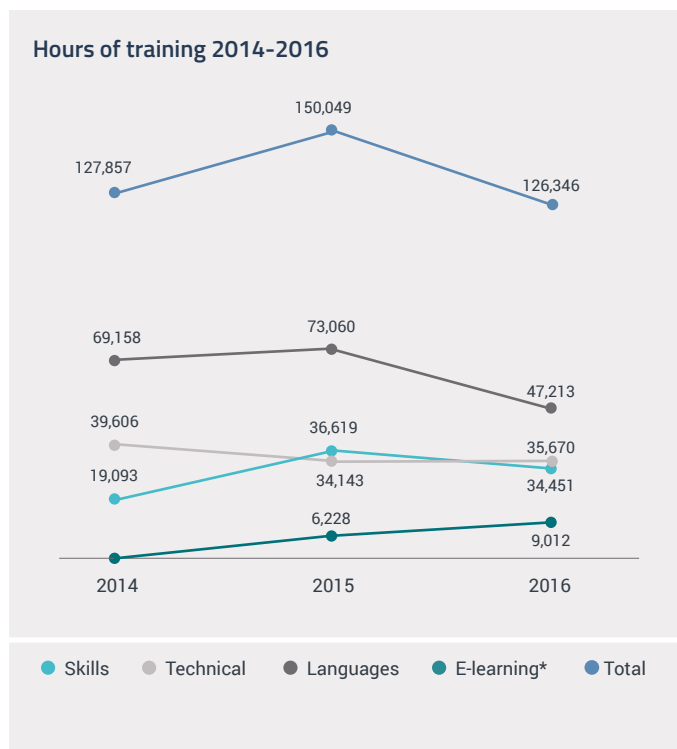
To ensure the usefulness and progressive nature of the courses offered, trends in skills audits for each area are analysed, identifying any gaps in specific skills and implementing specific training programmes (learning paths).

Técnicas Reunidas currently has four main educational blocks covering the training needs of the Company's employees (see diagram).

In 2016, Técnicas Reunidas' professionals received more than 126,000 hours of training. Average training per employee has amounted to 24.47 hours a year.



## Training in Técnicas Reunidas. Main indicators



WOMEN: 29.76 H/EMPLOYEE

TRAINING RATIOS IN 2016  
(by gender)

MEN: 21.70 H/EMPLOYEE

\* As of 2015, E-learning was included in this category for the breakdown of hours of training. A person may receive more than one type of training during the year.

One of the main objectives of training is to drive internal promotion. To this end, Técnicas Reunidas has established specific learning paths in each field, aimed at workers with the potential to assume leadership roles in the future. These include the SIMAN Plan, aimed at prospective site managers (Construction Division), and the Q-Site, a key area for our clients (Quality).

The Company's efforts towards retaining talent and professionals are bearing fruit. Over the past year, at 2.5%, employee turnover has remained well below the average for the sector.





## ATTRACTION AND MANAGEMENT OF THE BEST TALENT

Técnicas Reunidas' aims in terms of attracting talent and selecting personnel focus on incorporating the best available talent, including both highly skilled, seasoned professionals committed to the Company venture and young talent with development potential.

Técnicas Reunidas has developed schemes aimed at the incorporation of young talent. Because of the Company's international coverage, there are specific recruitment and training programmes in place in the countries where Técnicas Reunidas has a significant presence, as well as international grants for internships in Spain.

The clearest example of these initiatives is the INICIA scholarship programme, targeted exclusively at students and recently qualified graduates with no professional experience.

In addition to this, Técnicas Reunidas has internship agreements with some 70 universities, foundations and entities, both Spanish and international. The most important include those with prestigious institutions such as Imperial College London (United Kingdom), Drexel University and Texas A&M University (USA), KTH Royal Institute of Technology (Sweden) and the Fundación Consejo España - USA, receiving students from universities such as the Cornell Institute, MIT and the Georgia Institute of Technology.

In 2016, a total of 265 agreements with universities and other organisations were signed in order to offer internships in the Company. More than half of the interns (54.3%) were subsequently offered contracts.



### Selection and recruitment principles



## 6.3 INNOVATION

Innovation enhances the Company's competitiveness in a challenging market, where success depends on ensuring client satisfaction through the offer of products and services with high added value. Quality management based on continuous learning and improvement is integrated into all processes, offering standout value in this area.



### KEY INDICATORS

INDICATOR	2016 DATA	2014-2016 PROGRESS
Investment in R&D&I (€ million)	15.12	+7.5%
Professionals working in R&D&I (equivalent number)	225	+12.5%
Professionals working exclusively on research (number)	81	+3.8%
Contracts for technology licensing (number)	1	+0%*
Impact on turnover of technologies developed in exclusive R&D&I projects (€ million)**	5.9	-18.1%



### 2016 MILESTONES

- Innovation in products and access to new markets (e.g. the United States, with a major project for Sasol for special plastics).
- Strengthening the Company's capacities in FEED projects (e.g. the project for Qatar Petroleum, as part of a consortium with Total).
- Development of nitric oxide technologies for clients in three plants in Chile, China and Spain (Tarragona).
- Draft design of a metal recovery plant (zinc and lead) from fly ash generated in municipal waste incineration.
- Expansion of the range of products marketed by the Heat Transfer Division through the acquisition of Sagemis International.



### 2017 GOALS

- Continuing to boost cooperation in the area of innovation, with all departments involved throughout the project life cycle.
- Demonstrating, at pilot scale, the viability of the process developed through the LIFE+ WALEVA project for producing levulinic acid from biomass waste.
- Analysing the technological, economic and environmental viability of the scaled technologies from the LIFE+ ZAESS and ZINCETM projects.
- Applying the skills acquired in the design of heat transfer equipment to the development of high value-added solutions related to electricity generation.
- Creating an internal feedback tool for identifying areas for improvement in project quality management activities.
- Automating a system of external feedback from clients (Voice of Client), which ascertains clients' views on project activities.

\* Data for 2014 was 1.

\*\* For the purpose of information comparability, ESPINDESA is excluded. Neither is the impact of other (non-R&D&I) innovation activities taken into account, whose direct or indirect effect would amount to hundreds of millions of Euros in sales.

# MANAGEMENT APPROACH

## INNOVATION MODEL

Técnicas Reunidas uses an innovation model aimed at **improving efficiency in project implementation**. To this end, its activities focus on the four key aspects of quality, budget (cost), adherence to plans and compliance with safety and environmental requirements.

Likewise, innovation enables Técnicas Reunidas to **increase the number of products it offers** (from EPC<sup>1</sup> projects to other modes such as OBE, LSTK, PMC, FEED<sup>1</sup> and conceptual studies), as well as **implement a management system which minimises risks**.

Técnicas Reunidas works every day to expand its knowledge base on its products and services and on the markets in which it operates and potential future markets. This continuous knowledge-seeking gives the Company a solid basis from which to launch competitive new products and services which challenge those offered by the competition.

### DEVELOPMENT OF FEED (FRONT END ENGINEERING DESIGN) PROJECTS

Técnicas Reunidas carries out numerous conceptual designs, feasibility studies and FEED studies. These projects help strengthen client relationships and are of great importance in the development of Técnicas Reunidas' technical and technological capabilities. FEED projects awarded in 2016 include:

- FEED contract for Phase II of the Zekreet project to develop new gasoline production units for Qatargas in Ras Laffan, Qatar.
- FEED contract and provision of PMC (Project Management Consulting) services for the expansion of the Skikda refinery for Sonatrach in Algeria.
- FEED project for residue upgrading at the INA Rijeka refinery in Croatia.
- FEED project for an Enagás regasification plant in Baja California, Mexico.
- Two FEED contracts for two power plants in Mexico and a further FEED contract for another plant in the United States.

## OTHER OUTSTANDING INNOVATION PRACTICES AT TÉCNICAS REUNIDAS

### Cloned management of projects

One of the lines along which the Company is working in order to innovate and improve project management consists in the **cloned management** approach.

Its aim is to achieve greater efficiency in the execution of work by means of establishing a series of procedures, standards, and regulations which set out certain norms or models.

This approach allows to reduce the risks of non-compliance during the execution of the project by taking advantage of accumulated experience.

### Quality in the innovation process

Técnicas Reunidas has a Quality Management System certified according to ISO 9001, focused mainly on continuous improvement and learning based on the successes and failures that occur during our day-to-day activities.

This system is a fundamental element in the innovation process and encompasses the entire value chain, including suppliers and subcontractors.

The management of this area has made it possible to achieve quality ratings for projects which are well above client targets (92.4/100 in 2016, representing an improvement of 1.8% over the last three years), playing a key role in client satisfaction.

<sup>1</sup> FEED (Front End Engineering Design), EPC (Engineering, Procurement and Construction), OBE (Open Book Estimation), LSTK (Lump Sum Turn Key) and PMC (Project Management Contract).

## Técnicas Reunidas' innovation model

STRATEGY	<ul style="list-style-type: none"> <li>• Driven by the 'innovation challenges' defined by Operational Management.</li> </ul>
LEADERSHIP AND RECOGNITION	<ul style="list-style-type: none"> <li>• The transformation of productive systems and the development of proprietary technologies enable the Company to hold leading positions in various fields and geographical areas. This has conferred the confidence necessary to enable it to implement projects on an ongoing basis with major oil companies<sup>2</sup>.</li> <li>• Técnicas Reunidas' José Lladó R&amp;D&amp;I Technology Research Centre allows the Company to explore the development of new and nascent technologies.</li> </ul>
COMMITMENT TO INNOVATION	<ul style="list-style-type: none"> <li>• Técnicas Reunidas focuses its efforts on close integration with clients as well as with partners, subcontractors and other major players in its projects. The Company's commitment to innovation extends from senior management to all employees, including all partner companies, and encompasses the fundamental aspects of project implementation (quality, timeliness, safety, budget, environment, etc.).</li> <li>• With the aim of sustaining the technologies developed, continuous contact is maintained with all production plants.</li> </ul>
DISSEMINATION OF KNOWLEDGE	<ul style="list-style-type: none"> <li>• The Company encourages knowledge sharing through lessons learned, its Golden Rules and the development of new procedures.</li> <li>• Técnicas Reunidas maintains a database of suppliers and subcontractors, including all relevant information (technical and financial capabilities, performance on orders contracted, strong points and areas for improvement) in order to manage knowledge and ensure better decisions at the bidding phase and contract award phase and in the development of orders.</li> <li>• Técnicas Reunidas incorporates upgrades for existing software into its projects or develops its own systems in order to mitigate risks and ensure good management of the key aspects of projects.</li> <li>• Ongoing contact with plants encourages knowledge sharing about the details of production, common problems and improvements to be implemented.</li> <li>• As part of the dissemination of knowledge, Company professionals are actively involved in relevant forums and events.</li> </ul>
COLLABORATION AND COMMUNICATION	<ul style="list-style-type: none"> <li>• Técnicas Reunidas creates plans to promote internal and external collaboration in innovation.</li> <li>• The Company is more than just a provider of services. Expanding the perception that Técnicas Reunidas is actively collaborating in the search for solutions for projects is a key factor for success.</li> <li>• Regular work with suppliers and subcontractors with whom the Company has made progress in cooperative schemes boosts this interaction.</li> </ul>

<sup>2</sup> These include Saudi Aramco, Total, Lukoil, ADNOC, Tupras and, most recently, Petronas, KNPC and Pemex.



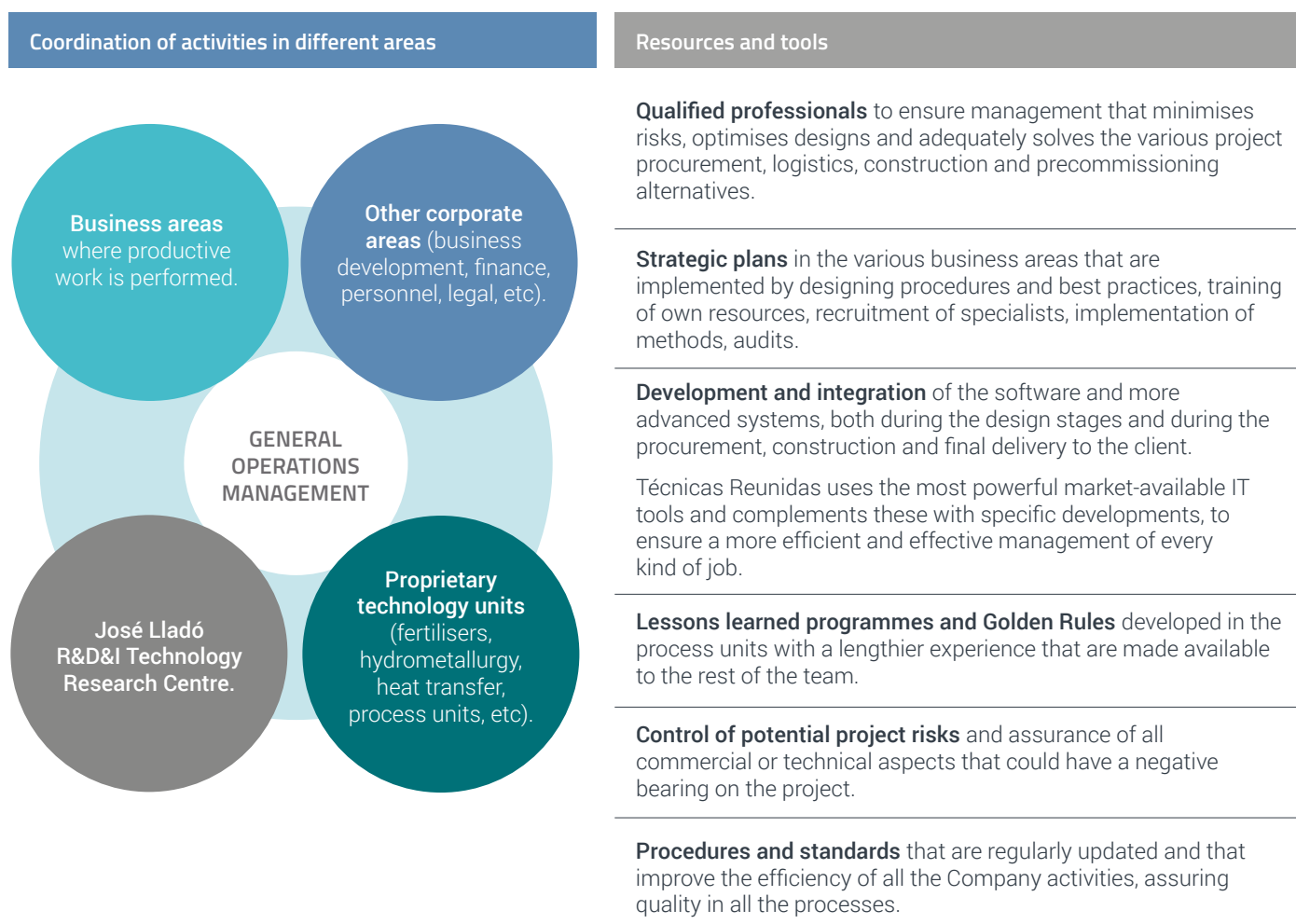
## MANAGEMENT STRUCTURE AND MECHANISMS

Management of innovation and R&D&I at Técnicas Reunidas is integrated through the Operations Department, which coordinates this work across various areas.

To put innovation into practice, Técnicas Reunidas uses various resources and mechanisms, as shown in the figure below.

There is a close relationship between innovation, leadership and client confidence. The integration of these aspects allows Técnicas Reunidas to offer clients a wide range of solutions which respond to their needs.

### Management of innovation and R&D&I at Técnicas Reunidas



# TÉCNICAS REUNIDAS' INNOVATION STRATEGY

Técnicas Reunidas' innovation strategy is implemented in three areas:

## Growth

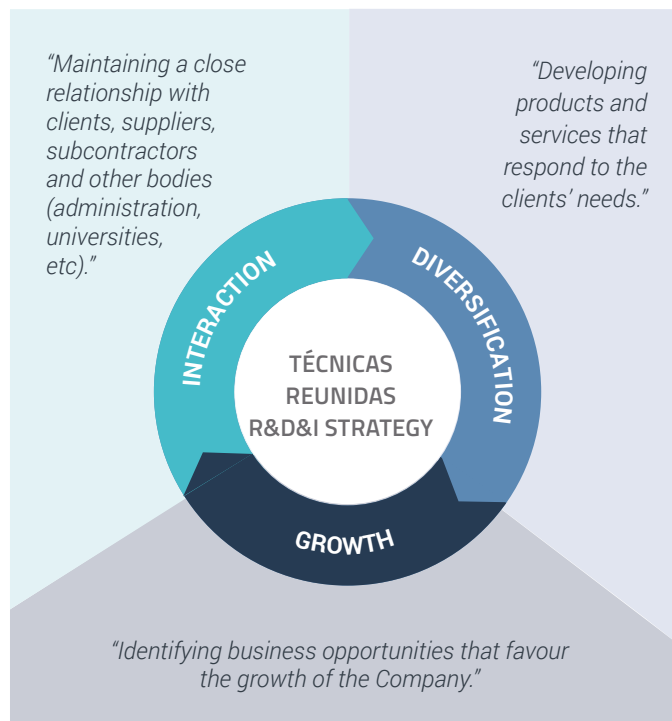
- In its most active area of business (Oil and Gas), Técnicas Reunidas is committed to optimising the quality of its resources, consolidating its know-how and transforming its working methods, as part of its ongoing drive for excellence.
- The Company's involvement in modular plant design projects and the development of basic design (such as that for the Talara Refinery) are activities that have helped to consolidate Técnicas Reunidas' presence in the global market.

## Diversification

- In recent years, Técnicas Reunidas has striven to seek out new clients and markets. As a result of this, the Company has been awarded important contracts in the field of oil and gas, modular projects for Total, Petroperú and Pemex, and others related to nitrate production and power generation.
- With regard to R&D&I, Técnicas Reunidas has focused on three areas of activity: raw materials, energy storage and the environment. The strategy for the near future involves the consolidation of pre-existing technologies and the development of new technologies in different fields, based on the organisation's existing know-how.

## Interaction

- The Company's innovation strategy pursues greater interaction between divisions, as well as with other agents, offering opportunities to increase the number of proprietary technologies and encouraging a shift in the style of innovation towards an open approach.
- Técnicas Reunidas is working on improvements in communication with partners and other companies, encouraging the distribution of work based on each party's capacities, the monitoring of achievement of targets and the exchange of opinions between managers through win-win strategies.



Greater interaction with innovative companies, research organisations, suppliers, subcontractors and the operational environment offers synergies in securing more ambitious projects and developing new services, processes and technologies.

## OUR KNOW-HOW AT THE SERVICE OF THE CLIENT

Técnicas Reunidas has managed the construction of over 1,000 industrial plants for several leading companies in the energy and chemical sectors. This experience has involved conventional and modular projects in diverse geographical environments and climatic conditions.

Besides its track record, Técnicas Reunidas offers its clients its capacity to use the most advanced tools, the know-how it has acquired in all aspects from project management to construction and procurement - always with a focus on health, safety and the environment - its experience in managing suppliers and subcontractors from all around the world, the power of its processes department and the proprietary technologies that it has developed. This set of capabilities positions the Company at the forefront in its field.

Holding a position of comprehensive leadership is essential for accessing clients and projects. In this area, the Company is increasingly focusing on working with clients in the development of some of its basic pre-implementation tools for projects, including conceptual studies, feasibility studies and engineering design.

One of Técnicas Reunidas' main values is that it not only implements projects for clients but that, subsequent to delivery, the Company also offers follow-up and assistance with

operation. By way of an example, ESPINDESA maintains regular contact with all the licensed plants, and this generates business opportunities. This has been the case with two projects in 2016, one for the design upgrade for the existing reactor at the MAXAM nitric acid plant in Tarragona and the other for the modification of a plant in order to allow operation while repairs are carried out on critical equipment, ensuring continued production. There are also opportunities for work with specific clients (such as Sabic) providing in-house contractor services for upgrades or support for operation and start-up.

This ongoing relationship with clients, as a supplier of technology after completion of construction projects, provides access to information and issues, with the potential to generate new business opportunities.



## COMMUNICATION WITH CLIENTS AND CLIENT SATISFACTION

The characteristics of the business and the type of projects implemented make it essential to maintain ongoing dialogue with clients during the development of projects.

To ensure accurate monitoring, which impacts directly on client satisfaction and the satisfactory evaluation of the Company's work, Técnicas Reunidas uses a system based on the establishment of global indicators, which provides rapid access to information on performance outcomes and potential improvements. Project follow-up also includes the holding of EOMs (Executive Operations Meetings) to review the status of projects from the points of view of progress, difficulties and opportunities, both internally, with all the teams involved in the project (usually weekly), and externally, with clients and partners (usually monthly).

Lastly, the Company collects information on client satisfaction through a review exercise at the end of the project.

For Técnicas Reunidas, it is essential to hear the views of clients and major suppliers, in order to improve the quality of work and strengthen the Company's quality management system.



### Highlight from 2016

#### Revamping of the ZINCEX™ process at the Skorpion plant (Namibia)

Técnicas Reunidas has completed the basic design for the process to enable the change of raw materials at the Skorpion zinc refining plant in Namibia, following the exhaustion of the ore at its associated mine.

The Skorpion plant, which has been in operation since 2003, is a benchmark in the sector due to its low operating costs, its vertically integrated mine-refinery and the quality of the end product - advantages in part linked to the use of ZINCEX™ technology, exclusive to TR.

The new design will enable the treatment of new minerals with high levels of atypical impurities, converting the plant into a toll refinery with a business model based on significant flexibility in feedstock.

This project means that the ZINCEX™ technology range will have access to new markets in the zinc sector and will also validate Técnicas Reunidas' positioning as a benchmark technology provider for highly complex projects requiring custom technology solutions.



The most obvious demonstration of client satisfaction is the high volume of repeat contracting with Técnicas Reunidas, a particularly outstanding achievement given the high level of competition in the market.





## R&D&I AND PROPRIETARY TECHNOLOGY

Since its founding, Técnicas Reunidas has devoted considerable resources to R&D&I for industrial processes and technologies. The work carried out by the subsidiary ESPINDESA and by Técnicas Reunidas' Proprietary Technology Development Division, in partnership with other institutions, has resulted in the granting of numerous patents and the presentation of various publications.

Likewise, the development of unit processes by the Departments of Heat Exchange and Processes has consolidated the Company's position in the development of basic engineering.

### Patents and licences owned by Técnicas Reunidas

PATENTS AND TRADEMARKS	PRODUCTION LICENCES
<ul style="list-style-type: none"> <li>Intellectual property rights to ZINCEX™ processes (patent family valid in more than 10 countries).</li> <li>Intellectual property rights to the ECOLEAD™ process.</li> </ul>  	<ul style="list-style-type: none"> <li>Nitric acid in all forms and for all uses.</li> <li>Ammonium nitrate in all forms.</li> <li>Granular fertilisers (DAP, NPK, CAN).</li> <li>Urea ammonium nitrate solutions (UAN).</li> <li>Zinc production (ZINCEX™).</li> <li>Lead and silver production (ECOLEAD™).</li> </ul>

The Company is a global leader in the field of nitric acid, prilled ammonium nitrate for mining, and zinc base metal recovery with its ZINCEX™ solvent extraction technology.

Another focus of Técnicas Reunidas' efforts in innovation is the development of clean technology.

In this area, in addition to having established a close working relationship with catalyst suppliers in order to reduce emissions in nitric acid projects<sup>3</sup>, it has promoted to clients the development of dual purpose plants which optimise energy consumption.

In addition to this, the Company is amassing extensive experience in power generation and developing technologies in the field of energy storage, as well as metal recovery from

all types of waste, aligning itself with European environmental policies on a more rational use of resources and promoting the circular economy.

In this regard, Técnicas Reunidas is strengthening its leadership and participating as a trusted technological partner in various research and development projects, some of them nominated for highly prestigious awards in the field of sustainable development (e.g. the DAPhNE Project).

The Proprietary Technology Development Division and the José Lladó R&D&I Technology Research Centre contribute to business leadership of Técnicas Reunidas by an approach focussed on the development of own making and unique solutions.

<sup>3</sup> The activities developed have resulted in a reduction of emissions from nitric acid plant stacks from a traditional range of 1000-1500 ppm of N<sub>2</sub>O (a greenhouse gas) to values of 50-150 ppm.

## OTHER INNOVATION BEST PRACTICES OF TÉCNICAS REUNIDAS



Técnicas Reunidas has been an active participant in the DAPhNE Project, which is co-financed by the European Commission and whose main goal is the development of technologies to reduce consumption in energy-intensive processes with a high demand for heat energy, such as the manufacture of ceramics, glass and cement.

The main environmental benefits of the project will consist in a reduction of 40% in energy demand and up to 85% of CO<sub>2</sub> emissions.

This project has been nominated as one of the three best research projects of 2016 at the 2016 German Sustainability Awards, one of the most prestigious European awards in the field of sustainable development.

## José Lladó R&D&I Technology Research Centre



Técnicas Reunidas has had its own technology centre since 1974, working within the remit of the Proprietary Technology Development Division.

The José Lladó R&D&I Technology Research Centre is exclusively devoted to R&D&I and extends over an area of more than 5,000 m<sup>2</sup> in San Fernando de Henares (Madrid). It is the workplace of a multidisciplinary scientific and technical team, consisting of more than 70 highly qualified professionals, and is equipped with laboratories, pilot plants and the most advanced resources for the implementation of different projects. Over a dozen projects in various areas are currently under development, including massive energy storage and recovery of chemicals from biomass waste.



For more information on the Proprietary Technology Development Division and the José Lladó Technology Centre, visit the new website: <https://ddtp.tecnicasreunidas.es/>



## Major new technology R&amp;D&amp;I projects involving Técnicas Reunidas' Proprietary Technology Development Division

<div>PROJECT LIFE + WALEVA</div> <div></div> <div><p><b>Objective.</b> Scaled technology for production of levulinic acid from biomass for the technological and financial feasibility study.</p><p><b>Técnicas Reunidas' involvement.</b> Leadership of the consortium and responsibility for scaling developed in the technology centre. Proprietary technology under development.</p></div>	<div>PROJECT LIFE + ZAESS</div> <div></div> <div><p><b>Objective.</b> Scaled technology for zinc-air flow batteries for the technological and financial feasibility study.</p><p><b>Técnicas Reunidas' involvement.</b> Leadership of the consortium and responsibility for scaling developed in the technology centre. Proprietary technology under development.</p></div>	<div>PROJECT RECLAIM</div> <div></div> <div><p><b>Objective.</b> Recovery of gallium, indium, and rare earths from photovoltaic panels, fluorescent tubes and electronic waste.</p><p><b>Técnicas Reunidas' involvement.</b> Development of technology for the recovery of rare earths.</p></div>	<div>PROJECT BUTANEXT</div> <div></div> <div><p><b>Objective.</b> Development of highly efficient production processes using sustainable raw materials for the generation of biobutanol.</p><p><b>Técnicas Reunidas' involvement.</b> Development of proprietary technology and equipment for the preliminary treatment of biomass waste.</p></div>
<div>PROJECT 3R2020</div> <div></div> <div><p><b>Objective.</b> Development of innovative technologies for recovering and recycling specific waste streams which are not currently recoverable, to convert them into useful, economically viable resources.</p><p><b>Técnicas Reunidas' involvement.</b> Development of hydrometallurgical processes for the recovery of metals from industrial and urban waste streams with significant metal content.</p></div>	<div>PROJECT ESTEFI</div> <div></div> <div><p><b>Objective.</b> Development of an efficient solution to public transport needs in urban centres through a new intermodal concept (tram, bus, electric vehicles and lifts) involving the functional integration of the most innovative accumulator technology.</p><p><b>Técnicas Reunidas' involvement.</b> Development of energy storage technology based on nickel-zinc flow batteries for application in intermodal transport networks.</p></div>	<div>PROJECT INT-MET</div> <div></div> <div><p><b>Objective.</b> Development of integrated processing of minerals and/or produced concentrates, using a combination of innovative hydrometallurgical processes and new, more efficient extraction techniques for the processing of metals.</p><p><b>Técnicas Reunidas' involvement.</b> Development of processes for the production of zinc (Zn), silver (Ag), lead (Pb) and high value-added metals from low-grade mineral concentrates or polymetallic nodules.</p></div>	

## 6.4 EXCELLENCE IN ENVIRONMENTAL PERFORMANCE

Environmental management is one of Técnicas Reunidas' priorities. Within the framework of its management system, the Company's policies, programmes and specific practices are integrated into its globalised management, ensuring environmentally responsible behaviour in operations.



### KEY INDICATORS [EN1], [EN3], [EN15], [EN16], [EN17], [EN23]

INDICATOR	2016 DATA	2014-2016 PROGRESS
Energy consumption (GJ)	454,067	*
Greenhouse gas emissions - Scopes 1, 2 and 3 (tCO <sub>2</sub> eq)**	50,718	*
Steel consumption (t)***	163,340	*
Copper consumption (t)	995	*
Hazardous and non-hazardous waste generated (t)	12,750	*
Energy efficiency at the Company's data centre (measured by means of PUE****)	1.20	-29.0%****



### 2016 MILESTONES

- Analysis of the environmental life cycle of projects within the framework of ISO 14001:2015.
- Advances in the optimised usage of materials in the engineering and design phase, within the context of sustainable design.
- Inclusion of the Group's new Company, TR Sagemis International, in the certification linked to the Environmental Management System.
- Analysis of environmental risks in the corporate offices in Madrid and analysis and monitoring of environmental risks in all projects.
- Implementation of Enablon environmental management software.
- Development of a risks and opportunities matrix in the area of climate change, including an adaptation plan.



### 2017 GOALS

- Integration of environmental targets into the Operations Department's Strategic Plan, including the acquisition of green bonds and the implementation of energy optimisation measures in the workplace.
- Inclusion of HSE Performance Indicators for sites and projects in Enablon within the 2017 Strategic Plan, entailing improved management of this area within the Company.
- Recalculation of the Company's reduction targets, in accordance with Science-Based Target methodology, following the best practices currently in the market. Once calculated, the new targets will be included in the Strategic Plan for 2018-2019.
- Completion of the adaptation of the Company's Environmental Management System to the new ISO 14001:2015, in order to certify the Técnicas Reunidas Group in accordance with this standard in July 2017.

\* Técnicas Reunidas has set 2016 as the base year for its environmental performance indicators. As a result of this, no progress figures are available. This year has been chosen because the Company has made substantial improvements in data collection, moving from a manual system to a computerised system (Enablon, and Marian for materials).

\*\* Included within Scope 3 is data for the category 'Business Travel' for worldwide offices and subsidiaries of Técnicas Reunidas and INITEC.

\*\*\* Includes consumption of structural steel, carbon steel and steel alloys and stainless steel in pipes and sheets.

\*\*\*\* PUE (Power Usage Effectiveness): a metric used to determine the efficiency of a data centre. It compares the total energy consumed by a data centre with the amount of energy actually delivered to the facility, showing how much energy is used on other equipment such as cooling systems. The variation shown in the table corresponds to the 2015-2016 period.



# MANAGEMENT APPROACH [G4-DMA]

For the last 16 years, Técnicas Reunidas' Environmental Management System (EMS) has been in constant operation and subject to ongoing improvement. This system has been implemented in accordance with ISO 14001, pursuant to the policies, programmes and practices contained in the Company's Environmental Management Guidelines.

The EMS is designed to maintain a satisfactory level of environmental integration throughout all Técnicas Reunidas' services and products, in line with the global strategy set out by the management.

In 2016, with the aim of improving its environmental management, the Company has introduced a new tool at

global level (Enablon), which enables real-time collection of environmental data at the point of origin, ensuring the data's traceability for verification purposes. To date, this includes 431 environmental indicators reported by 65 entities, based on the needs of each entity.

The identification of environmental risks and opportunities is another key element in the Company's management approach. Técnicas Reunidas includes a specific report on this aspect in all tenders and projects. The Company has also drawn up a Report on Environmental Risks and Opportunities at the corporate level.



## ENVIRONMENTAL MANAGEMENT ALONG THE VALUE CHAIN

Besides ensuring the management of environmental aspects related to its activities, Técnicas Reunidas adapts its EMS so that all its projects comply with the ISO 14001 standard. This

ensures compliance with applicable legislation, as well as other contractual requirements, and the incorporation, at the client's request, of sustainability criteria in plant design.

## ENVIRONMENTAL MANAGEMENT IN COMPANY ACTIVITIES

The EMS enables the identification and management of environmental aspects that arise directly from Técnicas Reunidas' activities. Once these aspects are identified, the Company implements mitigation measures, in addition to setting targets and follow-up based on a balanced scorecard.

The environmental aspects of most relevance to Técnicas Reunidas are grouped into four areas: emissions, energy,

waste and materials. These mostly correspond to office-based activities, although they also arise during the Company's activities on project construction sites.

Técnicas Reunidas also monitors other aspects such as water consumption by source, significant environmental sanctions, and number and volume of spills and discharges, although these are less significant.

### For the fourth consecutive year, Técnicas Reunidas has improved its Carbon Disclosure Project (CDP) score

Técnicas Reunidas has been involved in the CDP Climate Change initiative for several years.

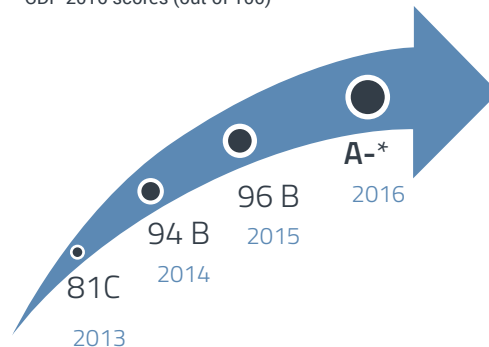
To this end, the Company completes a public questionnaire, reporting its emissions, its strategy and its risks and opportunities in the field of climate change. Based on the responses, the CDP awards a score to the Company according to its transparency in the reporting of information and its management performance.

Last year, Técnicas Reunidas consolidated its ranking by obtaining a score of A-, which was well above the average for participating companies.

Within the areas covered by the CDP, the Company's ranking was particularly noteworthy in the sections on Governance and Strategy, as well as on Risks and Opportunities, where it achieved the highest rating (A).

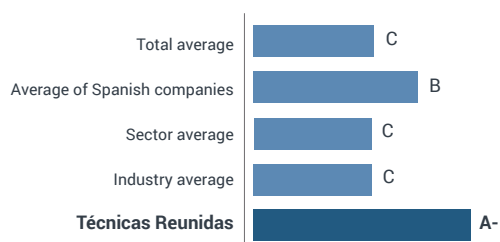
Likewise, Técnicas Reunidas ranked higher than average for its sector and industry in the section on Emissions, with a score of B.

CDP 2016 scores (out of 100)



\* CDP changes its scoring methodology in 2016.

CDP 2016 scores



For further information on this initiative, check [www.cdp.net](http://www.cdp.net)

## ENVIRONMENTAL REQUIREMENTS FOR PROJECT IMPLEMENTATION

Técnicas Reunidas extends the coverage of its EMS to ensure that the suppliers and subcontractors responsible for the construction of projects - often local companies - comply with environmental requirements.

### ADAPTATION OF THE EMS TO EACH ACTIVITY AND PROJECT OF THE COMPANY

1	IDENTIFICATION OF PROJECT REQUIREMENTS	2	FOLLOW-UP PLANS	3	COMPLIANCE AUDITS
	<p><b>Identification of environmental requirements that apply to each project, considering aspects such as the following:</b></p> <ul style="list-style-type: none"><li>• Type of project.</li><li>• Country of execution.</li><li>• Contracting Company.</li><li>• Environmental impact assessment.</li><li>• Applicable laws and permits.</li><li>• Client-specific procedures.</li><li>• Other aspects.</li></ul>	<p><b>Preparation of specific plans to follow up on environmental requirements</b></p> <ul style="list-style-type: none"><li>• Environmental management plan during the engineering and procurement stage.</li><li>• Environmental management plan during the construction stage.</li></ul>		<p><b>Periodic audits to ensure compliance with the established procedures.</b></p> <ul style="list-style-type: none"><li>• Internal yearly audit in the offices.*</li><li>• Internal audits at 30% and 70% project progress during the engineering stage.</li><li>• Quarterly internal audit during the construction stage.</li><li>• External audit of the EMS.</li></ul>	

\*An environmental audit was performed in the offices and in six projects during the engineering stage in 2016.

### Recognition of sound environmental performance in projects involving Técnicas Reunidas



The Manifa project in Saudi Arabia is a major offshore oil field with numerous auxiliary facilities in the vicinity, where Técnicas Reunidas has been involved in the creation of a cogeneration plant worth more than 700 million dollars. It is a prominent example of how, by means of innovative planning and the determination of all the companies involved in the project, improvements have been achieved in seawater quality and biodiversity in an environmental enclave of great importance to the Gulf Coast.

The Manifa marine area is an ecosystem of particular biological sensitivity, where the priority from the outset was to preserve biodiversity and the quality of the marine environment. An analysis of the area's status at the end of 2016 showed that marine health has improved since the start of operations (for example, the area of seagrass meadows has increased by 70%), as a consequence of the outstanding environmental performance of all the companies and organisations involved.

## SUSTAINABILITY CRITERIA FOR PLANT DESIGN AND NEW TECHNOLOGIES

Técnicas Reunidas offers its clients the opportunity to take advantage of its expertise in integrating sustainability criteria into the design of projects. This provides important added value for the client, who benefits from the project's improved environmental performance during its operational phase.

Within this context, the need to find solutions for combating climate change has influenced the Company's long-term strategy on diversification of its activities and services, requiring the development of innovative solutions that respond to market demand.

### SOLUTIONS FOR REDUCING OUR CLIENTS' CARBON FOOTPRINTS



A good example of an innovative solution is the Company's application of its technical capacity in the design of LEED certified buildings (Leadership in Energy & Environmental Design). This can be provided, at the client's request, in order to verify the efficiency of facilities using objective standards and quantifiable parameters.





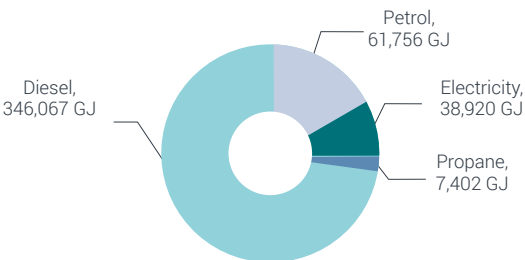
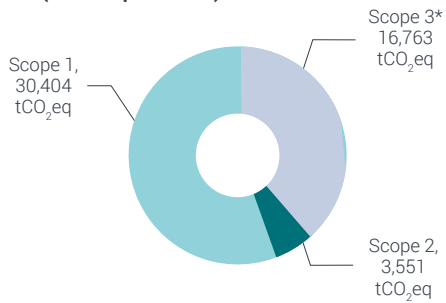
# TÉCNICAS REUNIDAS' ENVIRONMENTAL PERFORMANCE IN 2016

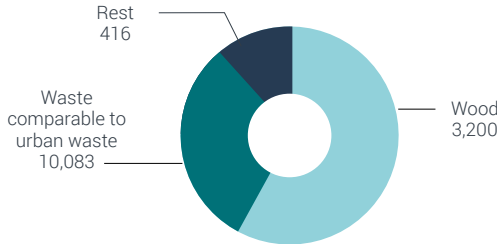
Técnicas Reunidas has made a major effort over recent years to expand the boundary for activities covered by its reporting on environmental performance indicators.

Between 2015 and 2016, although the reporting boundary has been maintained (activities carried out by the Company itself and projects in which Técnicas Reunidas has more than a 50% involvement), the data collection system has improved substantially, changing from a manual system to a

computerised system (using Enablon, and Marian for materials). Based on these data, Técnicas Reunidas has set 2016 as the new base year for environmental performance.

In addition, with the aim of standardising the intensity boundaries for the different environmental indicators, these have been calculated per million Euros of revenue (which has the same boundary as the reported environmental information).

ASPECT	2016 TARGETS AND INDICATORS	2016 COURSES OF ACTION AND MILESTONES
<b>ENERGY</b> [G4-DMA]; [G4-EN3]; [G4-EN5]	<p><b>Target: 2% reduction in electricity consumption over the 2015-2018 period.</b></p> <p><b>Power consumption (GJ)</b></p>  <p><b>Total energy consumption: 454,145 GJ</b></p> <p><b>Energy intensity: 94.76 GJ/million € of income</b></p>	<ul style="list-style-type: none"> <li>Preventive maintenance plans for electromechanical equipment and construction machinery.</li> <li>Environmental monitoring checklists and definition of objectives for process optimisation.</li> <li>Awareness campaigns, both face-to-face and web-based.</li> </ul>
<b>EMISSIONS</b> [G4-DMA]; [G4-EN15]; [G4-EN16]; [G4-EN17]; [G4-EN18]	<p><b>Target: 12% reduction over the 2012-2020 period.</b></p> <p><b>GHG emissions (tCO<sub>2</sub> equivalent)</b></p>  <p><b>Greenhouse gas emissions: 50,718 tCO<sub>2</sub>eq equivalente</b></p> <p><b>Intensity of GHG emissions: 10.58 tCO<sub>2</sub> eq/million € of income</b></p> <p><small>*Scope 3 only takes into account emissions corresponding to the category 'Business travel' for the offices of TR and INITEC, and INITEC projects. In previous years, this only included travel from Madrid, whereas from 2016, travel from subsidiaries/projects has also been included.</small></p> <p><small>** Scope 1 intensity emissions: 6.34 Tn CO<sub>2</sub>eq/€ millions income  Scope 2 intensity emissions: 0.74 Tn CO<sub>2</sub>eq/€ millions income  Scope 3 intensity emissions: 3.50 Tn CO<sub>2</sub>eq/€ millions income</small></p>	<ul style="list-style-type: none"> <li>Actions within the framework of the Company's digitalisation strategy, such as the replacement of IT equipment (see highlighted case 'Environmental benefits of Técnicas Reunidas' digitalisation strategy').</li> <li>Promotion of transparency in the field of climate change through initiatives such as CDP.</li> <li>Analysis of the available options for electric/hybrid vehicles on sites.</li> </ul>

ASPECT	2016 TARGETS AND INDICATORS	2016 COURSES OF ACTION AND MILESTONES								
MATERIALS [G4-DMA]; [G4-EN1]	<p><b>Material consumption (t)</b></p>  <table><tr><th>Material</th><th>Consumption (t)</th></tr><tr><td>Steel</td><td>163,340</td></tr><tr><td>Copper</td><td>995</td></tr><tr><td>Paper</td><td>156</td></tr></table> <p>Note: Of the total consumption of materials reported, only paper is considered as renewable material.</p>	Material	Consumption (t)	Steel	163,340	Copper	995	Paper	156	<ul style="list-style-type: none"><li>• Optimisation in the use of material resources along all stages of the value chain.</li><li>• Recovery of materials through R&amp;D&amp;I activities, e.g. development of technologies for recovery of non-ferrous metals.</li><li>• Participation in European technological development consortia, e.g. Greenlion (recovery of lithium from batteries) and Reclaim (recovery of rare earth elements, gallium and indium from photovoltaic panels, fluorescent tubes and electronic waste).</li><li>• Use of environmentally friendly paper in offices and awareness campaigns.</li></ul>
	Material	Consumption (t)								
Steel	163,340									
Copper	995									
Paper	156									
WASTE* [G4-DMA] [G4-EN23]	<p><b>Generation of non-hazardous waste (t)</b></p>  <table><tr><th>Waste Type</th><th>Generation (t)</th></tr><tr><td>Wood</td><td>3,200</td></tr><tr><td>Waste comparable to urban waste</td><td>10,083</td></tr><tr><td>Rest</td><td>416</td></tr></table> <p><b>Total non-hazardous waste: 13,699 t</b></p> <p>Note: Residues comparable to urban wastewater that have not been discharged into the sanitation network and have been collected in the projects for their proper treatment.</p>	Waste Type	Generation (t)	Wood	3,200	Waste comparable to urban waste	10,083	Rest	416	<ul style="list-style-type: none"><li>• Encouraging prevention, reuse and recycling instead of waste generation and dumping.</li><li>• Prevention, mitigation and management of waste through the integration of more advanced techniques in the environmental design of plant processes.</li><li>• Awareness-raising campaigns in offices and at sites.</li><li>• Working on the reuse of its materials, selling them as raw material to third parties.</li></ul>
	Waste Type	Generation (t)								
Wood	3,200									
Waste comparable to urban waste	10,083									
Rest	416									
<p><b>Generation of hazardous waste (t)</b></p>  <table><tr><th>Waste Type</th><th>Generation (t)</th></tr><tr><td>Oil</td><td>7</td></tr><tr><td>Electrical and electronic equipment</td><td>1</td></tr><tr><td>Rest</td><td>43</td></tr></table> <p><b>Total hazardous waste: 51 t</b></p> <p>Note: Information on the sludge generated in the projects, which are managed by authorized managers, is not included in hazardous waste.</p>	Waste Type	Generation (t)	Oil	7	Electrical and electronic equipment	1	Rest	43		
Waste Type	Generation (t)									
Oil	7									
Electrical and electronic equipment	1									
Rest	43									

\* Currently the waste information is not broken down by type of treatment. Técnicas Reunidas is working to be able to give this information in the short term

## ENVIRONMENTAL BENEFITS OF TÉCNICAS REUNIDAS' DIGITALISATION STRATEGY

Técnicas Reunidas is implementing a **digital transformation process**, committing to new technologies in order to improve its performance, increase the efficiency of its processes and enhance its competitiveness.

Various actions have been carried out by Técnicas Reunidas in the area of **digitalisation** (including promotion of video conferencing, paper reduction strategies, efficiency-oriented upgrading of equipment, and development of proprietary software applications customised for Company activities) **with the aim of reducing the Company's environmental impact**.

Also noteworthy in this area are the efforts made to **improve the efficiency of the Data Processing Centre (DPC)**, measured according to PUE\* (a ratio used to measure efficiency). The DPC has an efficiency rating of over 83% and is classified as very efficient.



\*PUE (Power Usage Effectiveness): a metric used to determine the efficiency of a data centre. It compares the total energy consumed by a data centre with the amount of energy actually delivered to the IT equipment, showing how much energy is used on other equipment such as cooling systems.



## 6.5 OCCUPATIONAL HEALTH AND SAFETY

Técnicas Reunidas works to maximise occupational health and safety throughout the project life cycle, from design to start-up, by means of a solid Management System that it extends to include its suppliers and subcontractors.



### KEY INDICATORS <sup>[LA6]</sup>

INDICATOR	2016 DATA	2014-2016 PROGRESS
Hours worked (number)	82,261,448	-15.7%
Comparison of the LTIR (lost time incident rate during project implementation) with the Company's LTIR target*	-50% por below target	**
Comparison of the TRIR (total recordable incident rate) with the Company's TRIR target*	-30% por below target	**
Average level of compliance identified in corporate internal audits (%)	88.84%	-0.13 pp (percentage points)



### 2016 MILESTONES

- Launch of a course in Process Safety for HSE, engineering and process personnel, focused on improving operational safety from the design phase of projects.
- Implementation of the Preventive Observation Programme (POP), with the aim of encouraging all personnel deployed at construction sites to report HSE breaches.
- Consolidation of the Construction Safety Essentials campaign which sets out the 6 aspects of on-site HSE which require a stringent level of compliance.
- Consultation with Técnicas Reunidas' workers to ascertain their level of engagement with the Company's HSE culture.
- Maintenance of OHSAS 18001 certification for the Occupational Health and Safety System.
- Introduction of improvements to the Health and Safety Management System for work carried out by Técnicas Reunidas.



### 2017 GOALS

- Transition to the new international standard in Health and Safety, ISO 45001.
- Review of the corporate HSE policy.
- Implementation of Construction Safety Essentials in all projects.
- Creation of an Accident Analysis Committee to sit once a year, involving representatives from the management of different areas of Técnicas Reunidas.

\* Data for Técnicas Reunidas' personnel and subcontractors at construction sites.

\*\* Progress is not indicated because the Company's targets for LTIR and TRIR are updated each year to increasingly stringent values. Both the Company's LTIR and TRIR are significantly below the target limits for both rates, which demonstrate good performance in this field. In addition, both values in 2016 are significantly below the average for the sector (sector LTIR: 0.06/Técnicas Reunidas LTIR: 0.04; sector TRIR: 0.26/Técnicas Reunidas TRIR: 0.16).



## MANAGEMENT APPROACH [G4-DMA]; [CRE6]

Since 2008, Técnicas Reunidas has used an Occupational Health and Safety Management System certified according to the OHSAS 18001 standard. This covers all phases of the project life cycle, from design through to construction and start-up.

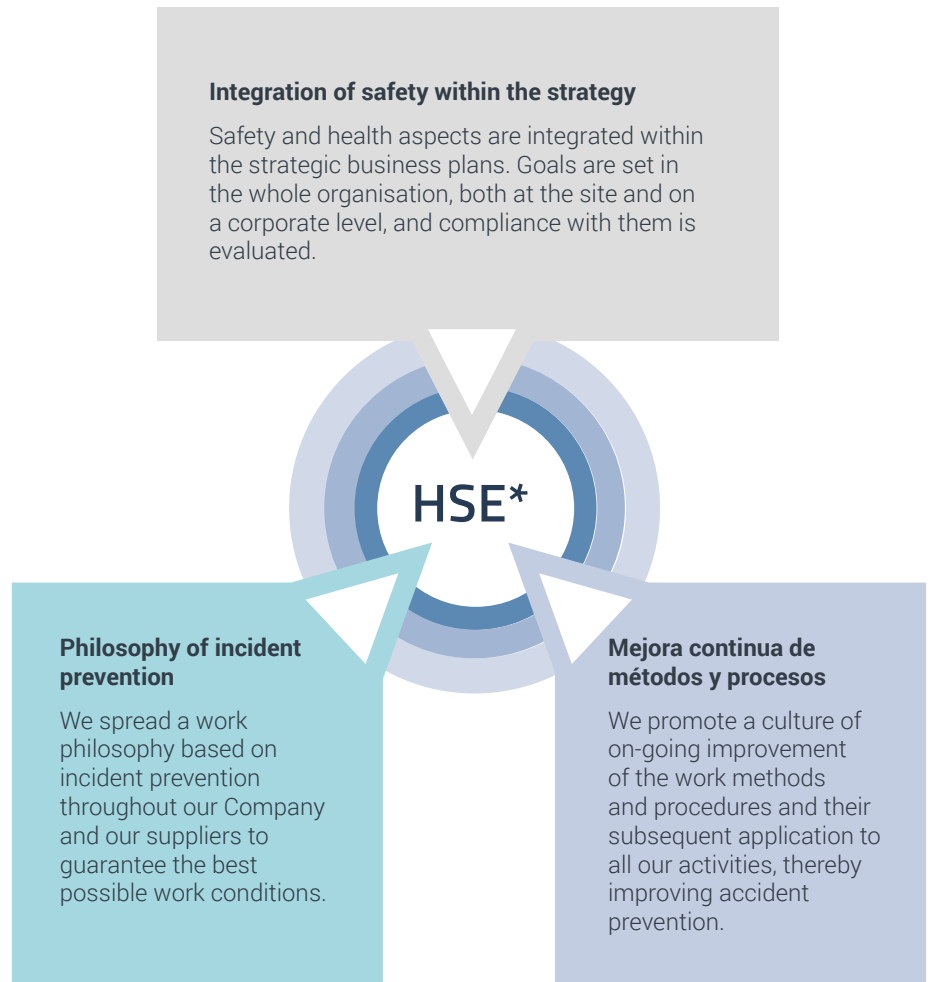
In order to ensure that the management system is implemented correctly and that it conforms to the established objectives, internal corporate health and safety audits are performed, as well as follow-up audits as defined in the plans. The results of these audits are discussed with the client or subcontractor at the site, facilitating the effectiveness of actions taken to correct any shortcomings.

At the same time, external audits are performed on projects at the construction phase, in order to maintain international certification of the Health and Safety Management System.

During 2016, 18 internal audits were carried out during the construction phase of projects, resulting in the detection of 927 deviations (8.9% less than in 2015). Of these, 73% were due to on-site execution and 27% (5 percentage points less than in 2015) to the management systems. The average level of compliance identified in the audits was 88.84%

Within the framework of its Management System, Técnicas Reunidas also safeguards the health of its employees, undertaking specialised work in this area in countries where there are specific risks due to outbreaks of serious diseases among the population. The Company also endeavours to care for the health of its employees by means of numerous awareness and information campaigns, preventive measures and regular medical check-ups.

### Key principles for the management of safety and health at the workplace in Técnicas Reunidas



\*HSE: health, safety and environment.

In the spirit of continuous improvement, Técnicas Reunidas will begin work in 2017 to adapt its Occupational Health and Safety Management System to ISO 45001, the new international standard which is currently awaiting approval. Among other innovations, this standard will reinforce the leadership role of senior management in the System.

## Audits within the safety and health system

18

HSE\* corporate  
audits during the  
construction stage  
(17 in 2015)

2

management  
system internal  
audits (1 in 2015)

2

management  
system external  
audits (1 in 2015)

88.84%

average compliance  
with internal  
corporate audits  
(90.42% in 2015)

\*HSE: health, safety and environment.



## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT IN THE VALUE CHAIN

Within the Management System, the On-site Heads of Health and Safety play an essential role in ensuring the implementation of the specific health and safety plans which define the scope of the work to be carried out, as well as the preventive actions necessary in each case.

All those responsible for the management of Health and Safety aspects on sites report directly to the Project Management, which reinforces its advisory capacity.

Both the On-site Health and Safety Team and the office-based prevention team are responsible for carrying out regular information campaigns on safety, risk prevention, healthy habits and good practices in the field of health and safety.

Técnicas Reunidas' commitment extends beyond Company employees. The Company applies a set of assessment criteria for suppliers and contractors, who, depending on the results, may be excluded or required to raise standards in aspects of Safety, Occupational Health and Environment in the workplace, implement an action plan or increase their number of audits.

The Company has achieved a significant step forward in the management of occupational health and safety in the supply chain, implementing an approval process for suppliers (see Section 6.6) from the point of view of HSE through the e-supplier web portal, a system that encourages automation and enables more reliable and effective management.

### 'Construction safety essentials' accident prevention campaign

The 'Construction Safety Essentials' campaign by Técnicas Reunidas, consolidated in 2016, sets out the site HSE aspects that require an unflinching level of compliance so as to ensure hazardous situations are eliminated.



#### The 6 basic compliance pillars are:

- Working at heights.
- Traffic.
- Lifting operations.
- Hazardous materials.
- Permit to work.
- Safety violations.

### Team responsible for the implementation of health and safety plans. What are their responsibilities?



#### ON-SITE HEAD OF HEALTH AND SAFETY

- a. Implementing the HSE Plan, with the support of the Project Manager.
- b. Providing advice on the implementation of HSE standards and plans.
- c. Overseeing the on-site training plan.
- d. Evaluating the risks of activities not covered by the plan.
- e. Supervising the reporting of incidents and their investigation.
- f. Identifying high-risk activities not included in the plan and implementing a safe system of work.



#### OCCUPATIONAL RISK PREVENTION TEAMS

- a. Providing advice and guidance on Health and Safety standards.
- b. Promoting Health and Safety culture.
- c. Conducting drills.
- d. Developing and implementing Health and Safety policies.
- e. Monitoring risk assessments.
- f. Identifying training needs.
- g. Monitoring Health and Safety performance.
- h. Supervising the reporting of accidents and their investigation.

## CORPORATE CULTURE BASED ON SAFETY [G4-LA9]

Técnicas Reunidas fosters the creation of a specific corporate culture, promoting staff training processes, encouraging employees' participation in the tasks of preventing and addressing problems with working conditions and advocating joint responsibility in the different levels of the organisation.

The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is reinforced through an intensive drive towards training.

During 2016, there were 0.53 hours of training provided in this area for every 100 hours worked (13% more than in 2015), taking into account Company personnel (in offices) and subcontractors.

A notable achievement in 2016 within the scope of occupational safety training was the launch of the course in Process Safety given by the PCCS (Center for Chemical Process Safety), focused on improving knowledge about process safety along the entire value chain.

The aim of this training, which will be extended to other Company professionals in the future (this first course has been provided only for HSE, Process and Engineering personnel), is to ensure the design and delivery to clients of safe plants during the operational phase, enhancing Técnicas Reunidas' competitiveness and reputation in the market.

In 2016, Técnicas Reunidas also carried out a consultation with employees to ascertain workers' level of engagement with

HSE culture. The analysis of its results has made it possible to set targets for 2017 that will contribute to further improving the Health and Safety Management System, ensuring greater involvement from all workers.

### Corporate culture in health and safety at the workplace



### Occupational Health and Safety training. What training is provided?

 <b>OFFICE PERSONNEL</b>	 <b>SITE PERSONNEL</b>
<ul style="list-style-type: none"> <li>• Training in job-specific risk prevention for all new additions to the workforce.</li> <li>• Annual specialised training for other employees, according to demand.</li> <li>• Annual training for emergency response teams on their responsibilities.</li> <li>• Safety campaigns in offices.</li> </ul>	<ul style="list-style-type: none"> <li>• Induction training on safety requirements for on-site activities, both for Company employees and for subcontractors, before joining a project.</li> <li>• Specialised safety training according to the specific activity, to be renewed within a period of one to five years.</li> <li>• Specific programme of courses for personnel involved in the construction phases of projects, including mandatory courses and recommended courses.</li> <li>• On-site Health and Safety talks at the outset of the work between the workers and their direct managers.</li> </ul>



# TÉCNICAS REUNIDAS' OCCUPATIONAL SAFETY PERFORMANCE IN 2016 [G4-LA6]

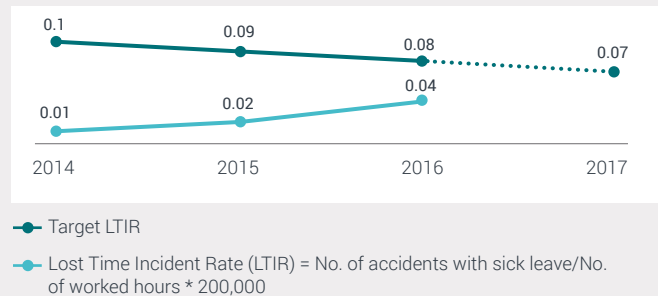
Técnicas Reunidas monitors safety indicators and outcomes both in projects where it acts as lead contractor and in those where it participates as part of a consortium and has responsibility for the management of health and safety.

Based on this monitoring, the Company evaluates the level of achievement of the established objectives and analyses the reasons for any deviations. Técnicas Reunidas also records and reports any near misses. If there are increased rates in the statistics, specific action plans are drawn up.

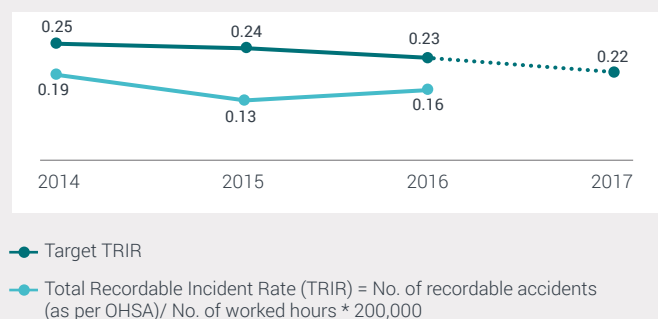
The outcomes achieved in the field of Safety are reported to all the companies involved, and the most significant incidents are also addressed in safety talks (toolbox meetings) given to workers by their managers. Additionally, every incident triggers a specific investigation with the aim of implementing corrective measures to prevent repetition.

## Evolution of the Safety indicators and comparison with the established goals

### (LTIR) Lost Time Incident Rate\*



### (TRIR) Total Recordable Incident Rate\*/\*\*



\* The figures for LRIR and TRIR are rounded off to the second decimal point because the goals set by the Company for these parameters are set with this number of decimal points.

## Evolution of Safety indicators in 2016

Despite a slight increase, these values have remained considerably below the goals set by Técnicas Reunidas for 2016. These goals are lower than the sector average and will continue to be reduced in 2017 as the Company strives for continued improvement (see attached table). Furthermore, the goals set by Técnicas Reunidas for the LTIR and TRIR get more demanding year after year (for instance, the goal set for the LTIR was lowered by 11% and those for the TRIR were lowered by 4.2%).

However, it is with a heavy heart that we have to report about the passing of one employee of our Company and two of a subcontractor in two of our projects. The results of the investigation have been taken into account to apply the corresponding corrective measures and have been transmitted to all the parties involved.

## Consolidated safety results of Técnicas Reunidas at the sites

	2014		2015		2016	
Hours worked	97,578,023		73,239,883		82,261,448	
Number of on-site employees (Técnicas Reunidas and subcontractors)	27,248		19,315		24,540	
Deaths	Actual	Target	Actual	Target	Actual	Target
	2*	0	0	0	3**	0
LTIR (lost time incident rate)	Actual	Target	Actual	Target	Actual	Target
	0.01	0.10	0.02	0.09	0.04	0.08
TRIR (total recordable incident rate)	Actual	Target	Actual	Target	Actual	Target
	0.19	0.25	0.13	0.24	0.16	0.23
Number of incidents recorded	92		49		64	

Note: The information related to accident statistics refers to the personnel on site. Regarding the breakdown by gender and region, Técnicas Reunidas will consider including this information in future editions.

\*Deaths of two subcontractor employees that were working on a Company project.

\*\*Deaths of two subcontractor employees and one Técnicas Reunidas employee working on a Company project.

Técnicas Reunidas' performance in occupational Health and Safety, as measured by TRIR and LTIR indicators, has been maintained at 50% and 30%, respectively, below the limits set by the Company.



## RECOGNITION AND INVOLVEMENT IN EXTERNAL SAFETY FORUMS

Técnicas Reunidas' commitment and performance with regard to Occupational Health and Safety has earned the recognition of clients.

**2016: main acknowledgements by clients for the Health and Safety performance of Técnicas Reunidas.**



March 2016: **30 million hours without accidents with lost time in the SADARA CHEM III project (Saudi Arabia).**



July 2016: **5 million hours without accidents with lost time in the Rapid Petronas project (Malaysia).**



August 2016: **1 million hours without accidents with lost time in the OPTARA project (Belgium).**



October 2016: **14 million hours without accidents with lost time in the Jazan IGCC-Unit 5 project (Saudi Arabia).**

One of the most significant acts of recognition came from the Kuwait Chapter of the American Society of Safety Engineers, who presented Técnicas Reunidas with a silver award.

The Company was also involved during 2016 in various forums related to occupational health and safety. Personnel from the HSE team participated in the **3<sup>rd</sup> PRL INNOVACIÓN Conference**, organised by Banco Santander in its 'Financial City' under the slogan 'Safe companies may not be healthy, but a healthy Company is safe'. The event focused on the change of mentality promoted within major companies which is transforming traditional prevention into preventive culture by and for people.

### Recognition of Técnicas Reunidas for its HSE performance



## 6.6 EFFICIENT SUPPLY CHAIN MANAGEMENT

Having a supply chain which is aligned with the Company's standards and values is a key factor in ensuring the success of projects.



### MAIN INDICATORS

[G4-EC9]; [G4-EN32]; [G4-EN33]; [G4-LA14]; [G4-HR10]; [G4-SO9]; [G4-SO10]

INDICATOR	2016 DATA	2014-2016 PROGRESS
Procurement of materials from suppliers and subcontracting of construction (million Euros)*	3,650	+67.8%
Efficiency in procurement tasks (hours spent per order)	389	+14.1%**
Non-compliance by suppliers (number)	236	-8.2%**
Average score of supplier performance evaluation (from 0 to 3)	2.12	-1.395%
Suppliers subject to audits or evaluations (%)	52.3	-4.7 p.p. (puntos porcentuales)**
Approved suppliers (number)	1,659	+15.1%
Local procurement and subcontracting (%)*	71%*	+17 p.p.*



### 2016 MILESTONES

- Improvement of safety indicators and ratios for suppliers and implementation of monitoring and corrective action plans by Técnicas Reunidas.
- Reinforcement of the key performance indicators linked to suppliers, with the aim of ensuring their reliability and traceability.
- Final implementation and launch of the e-supplier electronic portal for suppliers and subcontractors.
- Development of a mobile phone application with the aim of ensuring that inspectors have the necessary information for the swift and efficient preparation of materials inspections.
- Development and implementation of a methodology for monitoring subcontractors on sites.



### 2017 GOALS

- Final approval and incorporation of an Annex to the Técnicas Reunidas Code of Conduct, covering the rights and duties of suppliers and subcontractors in their dealings with the Company.
- Completion and launch of the mobile phone application developed for inspections.
- Further progress in the efficiency and quality of processes, with an emphasis on the reliability of information on delivery deadlines for equipment and materials.
- Launch of the negotiation module on the e-supplier portal.
- Development of constructability studies focused on the use of local materials and manufacturing techniques.
- Improvement and standardisation of the technical requirements included in contracts with subcontractors, including explicit reference to aspects such as business integrity.

\* This year, the criteria for reporting the amount for construction subcontracting and procurement has been adjusted to take into account the date of invoicing, regardless of the order date. The local procurement and subcontracting referred to in the last indicator includes procurement and subcontracting in the countries in which projects are implemented.

\*\*2015-2016 progress.

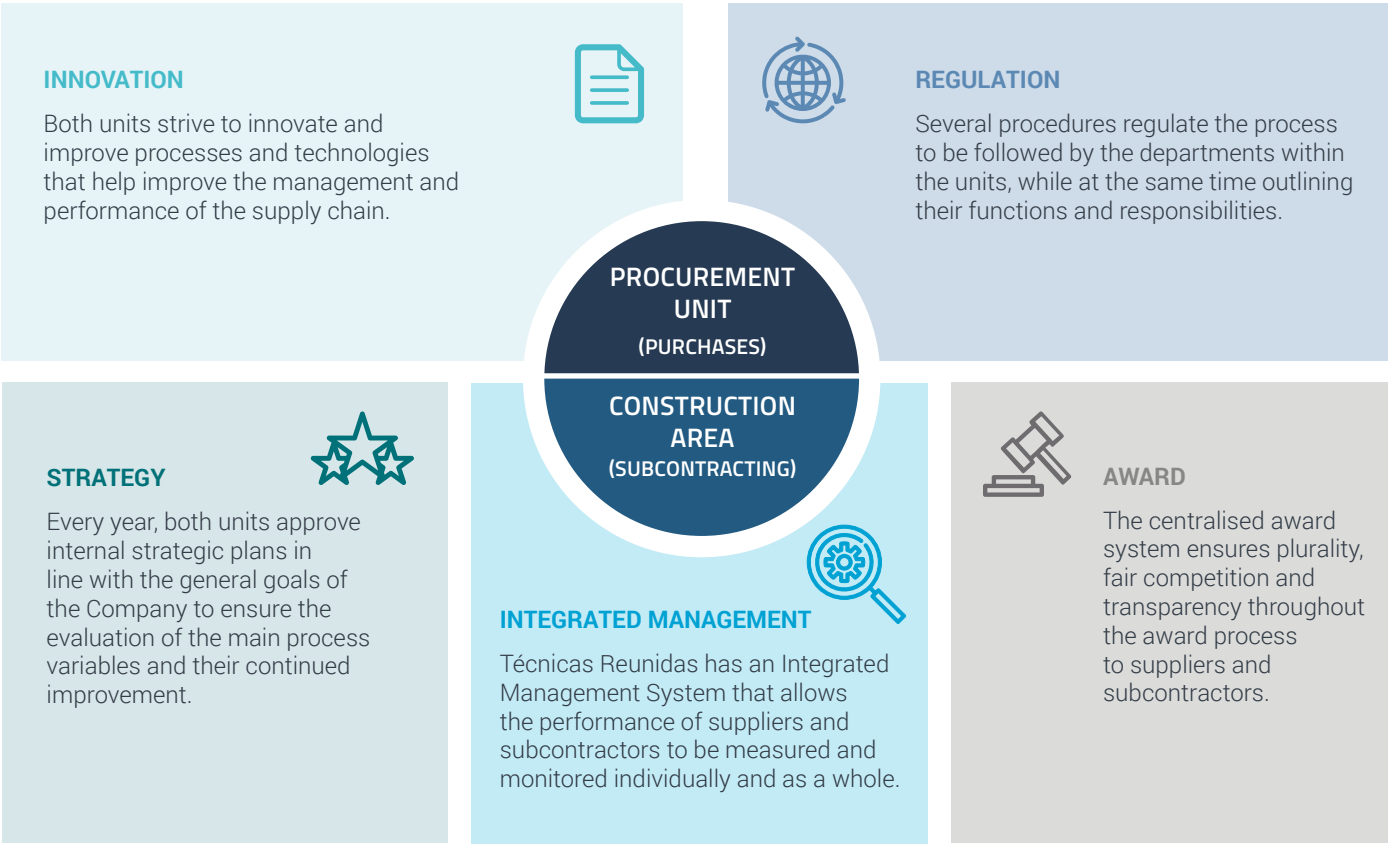


# MANAGEMENT APPROACH [G4-DMA]

Técnicas Reunidas’ main aim in managing its supply chain is to achieve competitive procurement of materials, equipment and assembly services (subcontracting) in line with the standards demanded by the sector.

The Company’s main goals are focused on having a global supplier market with up-to-date information which mitigates risk in the selection of suppliers and subcontractors from the standpoints of finance, performance and quality.

To this end, the management framework governing the activities of the Procurement Unit and the Construction Division (subcontracting), which are responsible for this task, is structured around five key areas (see diagram).



## CENTRALISED PURCHASING MANAGEMENT (PROCUREMENT)

Técnicas Reunidas provides a centralised purchasing service for any equipment and materials that are not custom made for each project, enabling a streamlined process. Since these are products with similar characteristics, this creates synergies in the supplier market.

Centralised management enables commercial improvements, greater economic efficiency from bulk order negotiations, shorter purchase processes and the possibility of establishing agreements with repeat suppliers.

Engineers in the Centralised Procurement Team are specialists in the products for which they are responsible, as well as the suppliers that they manage, which brings value to the procurement process.

Category Managers work within the supply management organisation, identifying and managing the synergies between projects and coordinating the Company's position with suppliers for the various projects. They also cultivate understanding of the technical and economic levers in each category of materials and constantly seek the most competitive sources.

The specific scope of centralised purchasing is established within the Procurement Strategy set out for each project. Acquisition of the remaining equipment and materials is decentralised and is carried out by the team assigned to the project.

The combination of centralised and decentralised approaches in purchasing management enables greater optimisation of project costs and deadlines.

## MANAGEMENT OF CONSTRUCTION SUBCONTRACTING

The Construction Division is responsible for all the requirements related to EPC projects<sup>4</sup> within the area of construction.

This service encompasses the various phases in the project life cycle:

- Bidding Phase (Head Office), involving the complete evaluation of construction costs and the technical description of the tender in terms of construction, commissioning and start-up.
- Task Force Phase (Home Office), involving subcontracting, determination of the work flow, and selection and mobilisation of Company personnel and other activities.
- Works Phase (Site), involving the management of the work, including the organisation of subcontracts, the supervision and monitoring of all activities, quality, safety, the schedule and the budget, human resource management and general management of the work, supervision of subcontractors and other activities. All of this continues until the handover of the facilities.

In recent years, it has been necessary to micromanage certain subcontractors to ensure optimal performance of work. Because of this, Técnicas Reunidas has developed a set of tools that greatly facilitate both the monitoring and optimisation of implementation, as well as the handover of the project.

All the activities that comprise these phases are regulated under corporate procedures that are audited throughout the project life cycle.

Técnicas Reunidas' selection process for subcontractors is divided into seven phases (see box), enabling the Company to consider the subcontractors that are best suited to its requirements and those of the project, within a framework that promotes transparency, integrity and dialogue.

### SUBCONTRACTOR SELECTION PROCESS

- 1 Preparation of the Subcontracting Plan based on the project context (location, deadline, budget, etc).
- 2 Preparation of a list of potential subcontractors through the e-supplier and specific filters.
- 3 Preparation of the bid request packages and submittal to selected subcontractors.
- 4 Reception of bids and public opening of said bids to ensure transparency.
- 5 Review of the bids and detailed discussion with the subcontractors of all the aspects of the contract.
- 6 Proposal of award to be presented in a Committee, taking into account criteria such as technical capabilities, HSE, quality, etc.

<sup>4</sup> EPC: Engineering, Procurement & Construction

## IMPLEMENTATION OF TÉCNICAS REUNIDAS' CODE OF CONDUCT IN ITS SUPPLY CHAIN <sup>[G4-DMA]</sup>

Managing the supply chain involves seeking reliable partners who, besides offering soundness and value, also share the Company's commitment to sustainability.

In order to strengthen this area, in 2016, Técnicas Reunidas updated its Code of Conduct, which, among other aspects, establishes guidelines for employees involved in the purchasing process and their various interactions with suppliers and subcontractors.

In the same vein, the Company is currently developing an Annex to the Code of Conduct, which will include the rights and

duties of suppliers and subcontractors in their dealings with the Company. This annex will be integrated into the Code in 2017. Once approved, it will be incorporated into the Commercial Terms and Conditions that apply to orders for equipment, materials and services.

Acceptance of the new Code of Conduct, as well as its Annex, will be requested from all suppliers and subcontractors through the e-supplier portal, launched by the Company in 2016 (see box below).

### Update of the code of conduct and approval of an annex with rights and obligations of suppliers and subcontractors. Main content.

#### MAIN CONTENT OF THE NEW TÉCNICAS REUNIDAS CODE OF CONDUCT

- Observance of legality, human rights and values.
- Respect of free market competition.
- Professional development, non-discrimination and equal opportunities.
- Training.
- Protection of privacy.
- Safety and health at the workplace.
- Rejection of child labour, forced labour or compulsory labour.
- Environment friendliness.
- Relationship with collaborating companies and suppliers.
- Others.

#### MAIN CONTENT OF THE APPENDIX TO THE TÉCNICAS REUNIDAS CODE OF CONDUCT, FOCUSED ON THE SUPPLY CHAIN

- Regulatory compliance.
- Prevention of corruption and bribing.
- Gift policy.
- Management of conflicts of interest.
- Forced labour.
- Freedom of association.
- Non-discrimination.
- Rights of minorities.
- Relationships with the local community.
- Safety and health at the workplace.
- Transparency.
- Others.

### Launch of the e-supplier portal for the electronic management of suppliers and subcontractors



In 2016, Técnicas Reunidas launched the e-supplier web portal, marking an important advance in the management and strengthening of its supply chain.

This web site acts as a platform that unifies communication, enabling information exchange with suppliers and subcontractors, and facilitates coverage of certain requirements such as those included in the Code of Conduct.

The launch of the web portal provides more effective, transparent and responsive management of a supply chain which is composed of more than 21,000 suppliers and subcontractors. This enhances the Company's competitiveness and quality of work while it helps to optimise costs and minimise risks in projects.

# TÉCNICAS REUNIDAS' SUPPLY CHAIN IN FIGURES

[G4-DMA]; [G4-12]; [G4-EN32]; [G4-EN33]; [G4-LA14]; [G4-HR10]; [G4-SO9]; [G4-SO10]

Técnicas Reunidas has a global database comprising a total of 21,791 companies, with information on both suppliers of materials and construction subcontractors.

This includes 1,659 suppliers and 344 subcontractors who have already been approved by the Company, as described below.

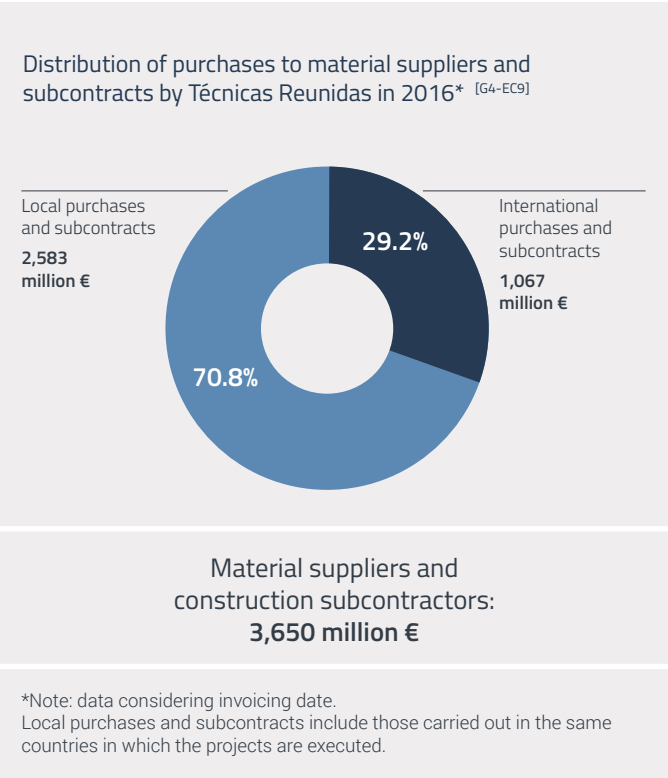
The suppliers listed in the database provide mainly mechanical and fixed equipment, as well as materials for pipework, electricity and instrumentation. At the same time, subcontractors provide services including civil engineering, electrical installations, instrumentation and insulation.

Técnicas Reunidas encourages collaboration with local suppliers and subcontractors operating within the geographical areas of the projects, and has a specific procedure that ensures the best handling of these types of requirements.

Using local suppliers and subcontractors brings the Company a series of advantages, above all in terms of delivery deadlines and completion of assembly work. It also accelerates the Company's establishment in the country. Técnicas Reunidas' collaboration with local suppliers and subcontractors offers them not only financial benefits, but also the opportunity to work with an international Company, which can act as a lever for growth.

The Técnicas Reunidas supply chain in 2016

	Material suppliers	Construction subcontractors
No. of homologated suppliers and subcontractors	1,659	344
No. of usual and recurring suppliers and subcontractors	427	65
No. of strategic suppliers and subcontractors	32	15



## SPANISH COMPANIES' DRIVE TOWARDS INTERNATIONALISATION AND INNOVATION

Técnicas Reunidas contributes to Spanish suppliers' innovation and internationalisation by:

- Maintaining a high percentage of Spanish providers in its database that are considered in tender procedures, providing them with opportunities to participate in international projects.
- Establishing extensive communication with them within the framework of projects, to help them become more competitive.
- Providing advice on their internationalisation and approach to the process of client approval.
- Informing them of opportunities in existing projects, regardless of whether or not the Company is involved.





## SUPPLIER AND SUBCONTRACTOR APPROVAL, AND RISK MANAGEMENT IN THE SUPPLY CHAIN

[G4-12]; [G4-EN32]; [G4-EN33]; [G4-LA14]; [G4-HR10]; [G4-SO9]; [G4-SO10]

Técnicas Reunidas requires that its suppliers and subcontractors undergo an approval process. This includes specific requirements which depend on the type of goods and services contracted.

For suppliers, this process is overseen by the person in charge of approval in the Quality Department division which is responsible for coordinating these activities.

Subsequently, whether or not the supplier is approved, the Procurement Coordinator may request additional measures for technically complex orders, as well as those involving a high economic volume or client-specific requirements.

In this last case, the Company's SPMat system enables evaluation of the awarded orders selected by the Approvals Committee. The information obtained during this process must be available to be consulted by purchasers and will be taken into account in the supplier's purchase recommendation.

Subcontractors undergo a similar approval process and those who do not meet the established requirements are rejected during the bidding phase.

### RISK MANAGEMENT IN THE SUPPLY CHAIN

The Company has an established procedure for identifying the risks associated with the purchasing and subcontracting process.

Additionally, in order to improve safety and reduce risk in the supply chain, Técnicas Reunidas expressly regulates the subcontracting of works and services with critical suppliers through clauses included in the corresponding contracts. This ensures that the goods used and services performed are always controlled.

If significant risks are detected during an award procedure, valid alternatives are sought and the supplier or subcontractor is excluded from the procedure. If there are no alternatives and/or the risk can be kept under control, a series of risk minimisation measures are set out in the requirements for the order, and manufacturing is more closely monitored.

Also incorporated into the award procedure is a detailed analysis of the financial situation of the recommended supplier, aimed at identifying risks and taking any corresponding action. Within this analysis, risk is assessed using current and potential award procedures for all ongoing projects as an indicator.

With regard to risks associated with sustainability, Técnicas Reunidas imposes a series of requirements related to protection of human rights, labour and the environment (see box).

Finally, Técnicas Reunidas has identified potential risks associated with subcontracting and has designed specific mitigation mechanisms.

These risks include those related to production (which are minimised by means of thorough monitoring of the progress of the work), those of a financial nature (managed through subcontractor evaluation prior to the award of the contract) and those associated with poor quality (controlled by performance monitoring). The Company also manages potential risks associated with the labour welfare of subcontractors' employees who are working on projects, by participating in the management of workers' encampments (see box).



#### MAIN REQUIREMENTS OF THE SUSTAINABILITY SUPPLY CHAIN

- Environmental management requirements in accordance with standard ISO 14001.
- Capacity to comply with applicable environmental legislation.
- Reporting of environmental incidents/accidents within the last five years.
- Reporting of environmental fines/sanctions within the last five years.
- Annual reporting of the carbon footprint.
- Health and safety requirements in line with standard OHSAS 18001.
- Requirements regarding human rights.

## Protection of labour welfare in the supply chain

In recent years, Técnicas Reunidas has undertaken projects of greater scope in areas where infrastructures are often insufficient to meet the accommodation requirements of clients, Company employees and subcontractors' personnel.

In order to maintain a uniform approach to the quality of life of the different groups, **Técnicas Reunidas has taken on the management of the camps that house these workers.**

This measure, especially important in the case of subcontractors, has guaranteed that a similar level of welfare has been maintained for everyone, at the same time as ensuring respect for human rights.



## MONITORING OF SUPPLIERS AND SUBCONTRACTORS [EN33]; [ISO10]

Compliance with contractual deadlines for projects is a key aspect for Técnicas Reunidas. Because of this, suppliers and subcontractors are evaluated on an ongoing basis with regard to their performance and training.

For each order lodged with suppliers, inspections are conducted in the workshop to check compliance with the established conditions. In 2016, in order to improve efficiency in the performance of these inspections, Técnicas Reunidas has provided inspectors with a mobile phone application (see box).

After delivery of supplies or completion of assembly services, various aspects of the supplier's performance are evaluated. Suppliers are informed of the outcomes of these evaluations, which serve as baselines for identifying measures for improvement.

### Evaluation of suppliers in 2016



Técnicas Reunidas has completed **653** evaluations of suppliers and **312** evaluations of orders with an average score of **2.12 out of 3**.



**100%** of the strategic suppliers are audited with visits to their production centres and interviews.



**100%** of the suppliers requested to execute an action plan has implemented it, improving its sustainability performance.



**229** health, safety and environment audits completed in 2016.

## Development of a mobile phone application for factory floor inspections of materials and equipment



The Company has a partnership agreement with IBM and Apple for the development of a mobile app called 'Materials Inspection'.

The main aim is to transform the way in which inspections of materials and suppliers are managed throughout the world, reducing inspection cycles and increasing efficiency through recommendations based on analysis from the app.

Project quality is one of Técnicas Reunidas' cornerstones, so materials inspectors play a key role in ensuring that all the materials used in Company projects comply with its Policy on Quality, Health, Safety and the Environment.

This app will enable:

- Reduced inspection cycles and increased business efficiency.
- Improved decision-making by means of analytical recommendations from the app.
- Significant cost savings for Técnicas Reunidas.



Safety and environmental performance are two of the aspects included in Técnicas Reunidas' evaluations. Since 2014, the Company has required a specific audit report on these areas based on information gathered on visits to the workshops.

This audit report applies to suppliers, who are visited by inspectors from the Company. An initial audit report is drawn up for each supplier on the first of these visits. A second report is drawn up following a subsequent visit (the interval between inspections depends on the type of equipment and the manufacturing time), which enables the identification of any improvements and/or deteriorations.

In the event that Técnicas Reunidas detects an environmental, social or ethical deviation, this is then studied in detail. Depending on the type of deviation and its severity, the supplier is required to take corrective and preventive action, and if the deviation is significant, the supplier is blacklisted for new tenders or contract awards by the Técnicas Reunidas Group.

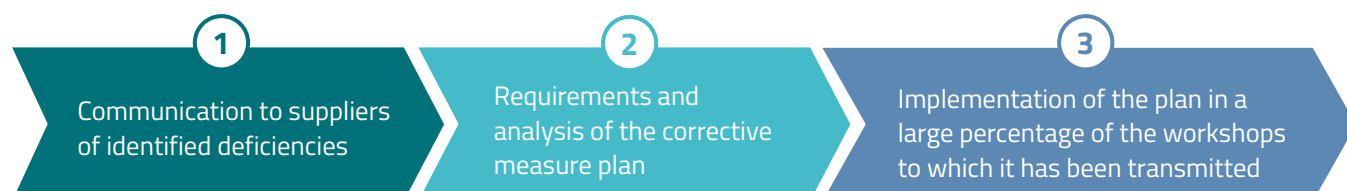
Similarly, subcontractors undergo monitoring during the execution of the work to ensure compliance with all contractual requirements.

This monitoring involves the performance of audits in order to identify nonconformities and establish corresponding corrective actions. These actions are described in the audit report, with deadlines for their completion.

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

As with suppliers, Técnicas Reunidas' contracts with subcontractors set out the obligation to fulfil health, safety and environmental requirements, involving daily monitoring of these aspects as well as specific audits, with a sizeable group that implements the existing requirements and continuously verifies compliance. Any noncompliance or deviation from project quality requirements is monitored until corrective measures are implemented. In cases of more serious or repeated infringements, the Company may apply economic sanctions or even expel the personnel responsible.

**All three phases of the initiative to strengthen follow-up under the supervision of Técnicas Reunidas were completed during 2016:**



## DIALOGUE AND COOPERATION WITH SUPPLIERS AND SUBCONTRACTORS

Técnicas Reunidas has established various mechanisms to strengthen its relationships with its suppliers, especially those of strategic importance. These include the development of framework agreements containing global commercial conditions for different projects and the creation of joint improvement groups.

Among the most important actions carried out is the survey that Técnicas Reunidas sends out to its suppliers in order to determine in which areas of interaction the Company performs better and which have room for improvement. In the last survey of 32 suppliers, the Company gained a very positive rating, particularly with regard to aspects such as the quality of the information provided by Técnicas Reunidas and the clarity of dialogue.

Thanks to these groups and the lessons learned from the evaluation processes, the Company and its suppliers are able to define and implement corrective measures that prevent technical and management errors.

Técnicas Reunidas also cooperates with its suppliers and subcontractors through training initiatives.

One example of this area of action is the work being undertaken in the creation of a group in India for proactively pursuing the manufacture of heat exchangers at TEMA India for the KNPC project.

In 2016, over 300 hours of training actions involving Técnicas Reunidas and its suppliers have been carried out by means of seminars and visits to workshops.

Finally, the Company is working together with its suppliers and subcontractors through other mechanisms, such as the establishment of a plan for annual meetings and meetings with managers at our projects with the aim of performing more detailed monitoring. There is also a small assembly group that is available to work with subcontractors where necessary and to take charge of specific critical work.

### ADVANTAGES OF COOPERATION WITH SUPPLIERS AND SUBCONTRACTORS

Dialogue and collaboration with suppliers and subcontractors have a direct and positive impact on the Company.

They not only enhance synergies and improve communication but also mean better visibility of implementation deadlines, enabling the anticipation and management of changes and improved delivery deadlines.

These collaborations have led to a reduction in quality nonconformities and an improvement in performance not only with respect to Técnicas Reunidas but also other clients.





## 6.7 RELATIONSHIP WITH SOCIETY AND INTEREST GROUPS

Técnicas Reunidas' operations have a social dimension that the Company manages by identifying its projects' potential environmental impact, promoting dialogue with interest groups and defining actions to reinforce positive impacts.



### KEY INDICATORS

INDICATOR	2016 DATA	2014-2016 PROGRESS
Amount assigned to social action projects (€)	585,321 €*	+6.2%
Partner organisations in social areas (number)	29*	+12%
Local procurement and subcontracting (million €)	2,583	+117.9%



### 2016 MILESTONES

- Consolidation of methodology for managing the social impact of projects.
- Cooperation with 29 organisations in the development of social interest initiatives.
- Continued collaboration with the Princesa de Asturias Foundation.
- Local procurement and subcontracting amounting to more than €2,583 million (representing 71% of the total figure).



### 2017 GOALS

- Continued promotion and encouragement of local suppliers and subcontractors.
- Improved communication and dialogue with stakeholders and communities in the vicinity of projects.
- Continued collaboration and stronger links with organisations that maintain relationships with the Company and assessing new alliances.
- Involvement in partnerships with entities directly related to matters of Corporate Social Responsibility.

\*The indicator takes into account all cooperation commitments achieved during 2016, regardless of the date on which any financial contribution was made.



## MANAGEMENT APPROACH

[G4-DMA]

Técnicas Reunidas manages its relationships with society and interest groups in accordance with the following practices:

- **Engagement and dialogue** - The Company's priority is to maintain regular dialogue with its stakeholders, in order to ascertain their expectations about the Company's activities and identify aspects that may result in improving the performance of the project.
- **Social action** - Within the framework of its commitment to society, Técnicas Reunidas promotes a wide range of initiatives to reinforce its positive impact beyond its own activities.
- **Social management of projects** - The implementation of projects generates both positive and negative social impacts in the local environment, which need to be assessed. Técnicas Reunidas manages these impacts by identifying their potential consequences and defining actions to maximise positive impacts and reduce or eliminate negative impacts.

Main lines of management of the relationship with society and with interest groups



*"Técnicas Reunidas strengthens these three lines every year, supervising the actuations completed and applying good practices identified in the market."*

## ENGAGEMENT AND DIALOGUE WITH INTEREST GROUPS

[G4-24]; [G4-26]; [G4-27]

Engagement and dialogue with interest groups helps Técnicas Reunidas to plan its activities, reduce their associated risks, generate new business opportunities and enhance its perception as an accessible Company with a sound market reputation.

Técnicas Reunidas has specific communication channels which facilitate dialogue with interest groups, as shown in the table below. Through this dialogue, the Company has been able to identify the main issues of concern about its activity.

Interest group	Main communication channels	Frequency of communication	Main issues identified during 2016
Employees	<ul style="list-style-type: none"> <li>• Satisfaction surveys.</li> <li>• Training, mentoring and interviews.</li> <li>• Web page.</li> <li>• Intranet.</li> <li>• Yearly report.</li> </ul>	Continuously	<ul style="list-style-type: none"> <li>• Satisfaction at the workplace.</li> <li>• Workload.</li> <li>• Relationship with the Company, superiors and other colleagues.</li> </ul>
Clientes	<ul style="list-style-type: none"> <li>• Periodic meetings.</li> <li>• Satisfaction surveys.</li> <li>• Fairs, conferences and lectures.</li> <li>• Web pages.</li> <li>• Yearly report.</li> </ul>	Continuously	<ul style="list-style-type: none"> <li>• Negotiation of proposals.</li> <li>• Execution of the awarded projects.</li> </ul>

[G4-24]; [G4-26]; [G4-27]

Interest group	Main communication channels	Frequency of communication	Main issues identified during 2016
Shareholders	<ul style="list-style-type: none"> <li>Meetings with investors.</li> <li>Fairs and conferences.</li> <li>General Shareholders' Meeting.</li> <li>Investors Day.</li> <li>Web page.</li> <li>Visits to facilities.</li> <li>Yearly report.</li> <li>Proxy advisors.</li> </ul>	Periodically	<ul style="list-style-type: none"> <li>Remuneration to the shareholders, for a sustained total of 75 M€, during all the fiscal years since it went public in the stock market.</li> <li>Second Investors Day in the history of Técnicas Reunidas.</li> <li>Liquidity agreement with Banco Santander.</li> </ul>
Subcontractors/suppliers	<ul style="list-style-type: none"> <li>Meetings and calls with contractors and suppliers.</li> <li>Newsletters.</li> <li>Web page.</li> <li>Yearly report.</li> </ul>	Continuously	<ul style="list-style-type: none"> <li>Company performance in the projects.</li> <li>Launch of the new Técnicas Reunidas e-supplier portal for suppliers and subcontractors.</li> </ul>
Society	<ul style="list-style-type: none"> <li>News in the media.</li> <li>Visits to facilities.</li> <li>Web page.</li> <li>Yearly report.</li> </ul>	Periodically	<ul style="list-style-type: none"> <li>Communication of opportunities for collaboration.</li> <li>Information on the financial performance of the Company and the impact it has on the environment.</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>Visits to facilities.</li> <li>Meetings with local representatives.</li> <li>Web page.</li> <li>Yearly report.</li> </ul>	Depending on the project	<ul style="list-style-type: none"> <li>Follow-up of the impact of the project execution.</li> <li>Participation of social action projects in the area where the projects are located.</li> <li>Hiring of local labour for the projects.</li> </ul>
Public administration	<ul style="list-style-type: none"> <li>Meetings with representatives of the public administrations.</li> <li>Participation in work groups.</li> <li>Web page.</li> <li>Yearly report.</li> </ul>	Depending on the needs of the specific project. Continuously in the case of administrations of the countries where the projects are developed, because of the nature of the activity of the Company. Many clients are public administrations.	<ul style="list-style-type: none"> <li>Communication between Técnicas Reunidas and the relevant authorities of the countries where it develops projects</li> </ul>
Sector associations	<ul style="list-style-type: none"> <li>Participation in work groups.</li> <li>Web page.</li> <li>Fairs, conferences and lectures.</li> </ul>	Constantly, normally through participation in administration or management bodies	<ul style="list-style-type: none"> <li>Participation and exchange of know-how in business forums such as AEC (Asociación Española de la Calidad, Spanish Quality Association), Club de Excelencia de Sostenibilidad (Sustainability Excellence Club) and annual meeting of the Ammonium Nitrate/Nitric Acid Producers Study Group (ANNA).</li> <li>Collaboration with leading organisations in the field of safety and health at the workplace such as CCPS (Center for Chemical Process Safety).</li> </ul>

## SOCIAL MANAGEMENT OF PROJECTS

[G4-DMA]; [G4-EC7]; [G4-EC8]; [G4-EC9]; [G4-SO1]; [G4-SO2]

Identifying and managing the most sensitive issues for the local community that hosts its projects is one of Técnicas Reunidas' priorities.

The Company addresses this issue right from the bidding phase through its Construction Division, which is the first to make contact with the area of the project.

Among the social issues that are usually identified are those related to the contracting and training of local personnel (see 'Local contracting in Saudi Arabia' below), the improvement of local infrastructures and recreational and cultural needs.

Técnicas Reunidas works to address these issues through a social management framework (see figure below) that requires significant coordination with the local environment.

This work is already underway by the time that workers are deployed, since a management procedure must be in place which meets the needs of both local and expatriate workers and the deadlines that allow the achievement of the objectives for the projects awarded to Técnicas Reunidas.

In order to meet this need for coordination, the Company has local representatives from the various areas involved in the implementation of projects.

### Positive social impact in the local areas associated to Técnicas Reunidas projects

#### MAIN VALUES OF THE IMPACT ON LOCAL ECONOMIES

2,583 million € in local purchases and subcontracts (71% of the total purchases and subcontracts)

#### MAIN BENEFITS OF LOCAL PURCHASES AND SUBCONTRACTS

- Creation of local employment on all levels.
- Technical development of the local work force thanks to the training provided by the Company.
- Growth of the local business fabric with direct services (direct purchase of products and services) and indirect services (e.g. logistics, transport, lodging, etc).

### Framework for the social management of the Técnicas Reunidas projects

Framework  
for the social  
management  
of the Técnicas  
Reunidas projects



#### Evolution and management of the social impact

Técnicas Reunidas performs an analysis of the impact of every project, including social aspects, during the bidding stage. The 'social licence' needs to be obtained by the client.

#### Development of projects to support local communities

For every project, Técnicas Reunidas analyses the needs and expectations of the community to provide and complete community support projects.

#### Constant monitoring of the local environment

Técnicas Reunidas performs a constant monitoring of the local area and of the performance of suppliers and contractors in their interaction with the project environment.

#### Mechanisms to claim and restore social impacts

Although the impact of the Company is mostly positive, the Company analyses local regulations to provide mechanisms to claim and restore adequate social impacts.

#### Communication with the local community

The project manager is responsible for maintaining constant communication with local authorities and community representatives during the execution of all the projects.





## Success story

### Local contracting in Saudi Arabia

Técnicas Reunidas has increased its contribution to Saudisation (contracting of local labour, materials and services), surpassing the levels initially planned in its ongoing projects in Saudi Arabia, with the aim of demonstrating commitment to the programme and helping to ensure its long-term success.

The Company has also carried out several professional training initiatives with Saudi nationals, for both local engineers (developed at the Company's offices in Madrid) and site workers.

The client for the project has given the Company's performance a very positive assessment, classifying Técnicas Reunidas as a 'Platinum Contractor' in recognition of the high percentage of Saudi personnel incorporated into the project.



## Success story

### Social management in the modernisation project for the Talara Refinery (PMTR)

#### What is the Talara project and what is Técnicas Reunidas' role?

In 2014, Petroperú awarded Técnicas Reunidas the modernisation project for the Talara refinery (the country's most important refinery), including the execution of the engineering, procurement and construction of the crude oil processing units.

The total value of the contract - a little over 2,700 million dollars - has made the modernisation of this refinery the **largest refining turnkey project world-wide awarded to a single contractor**.

#### How does Técnicas Reunidas assess the potential social risks of projects?

The **assessment of a project's social risks begins at the bidding phase** and is incorporated as a fundamental part of risk analysis for the project.

Once the contract has been awarded, this analysis is updated and the agreed minimisation measures for the identified risks are put into practice. These are then monitored during the different phases of the project.

#### Why is it important to involve local suppliers and subcontractors in projects?

The **involvement of local suppliers in the implementation of projects** promotes the development of local communities and their involvement with its goals.

At Talara, **as the project has advanced, small local companies have emerged with whom Técnicas Reunidas collaborates within the framework of the overall implementation of the project**.

**Técnicas Reunidas' involvement in the Talara Chamber of Commerce helps maintain more direct dialogue with these companies.** Within this forum, the Company has promoted the dissemination of knowledge about its aims and values among local suppliers and businesses, identifying opportunities for collaboration with many of them.

#### How does Técnicas Reunidas ensure that it maintains ongoing dialogue with the local community?

At Talara, the Head of Human Resources and General Services is responsible for the functions stipulated in the Community Relations Plan, approved in the Environmental Impact Study, including direct contact and dialogue with the local community.

**A local committee has been set up specifically for this project**, composed of Petroperú, Técnicas Reunidas, the municipality, trade unions and various groups representing the population of Talara, **which carries out weekly monitoring of the project's social management**.

#### How does the Company manage its involvement in social initiatives?

**Técnicas Reunidas contributes to various projects and initiatives in the local community**, in line with the corresponding annual budget allocation established for the project.

Relationships with the proponents of these initiatives are established directly through the Head of Human Resources and General Services and the Site Manager, both of whom receive and evaluate proposals, giving the green light to those which are in keeping with the project objectives and the general lines of action pursued by the Company on social issues.

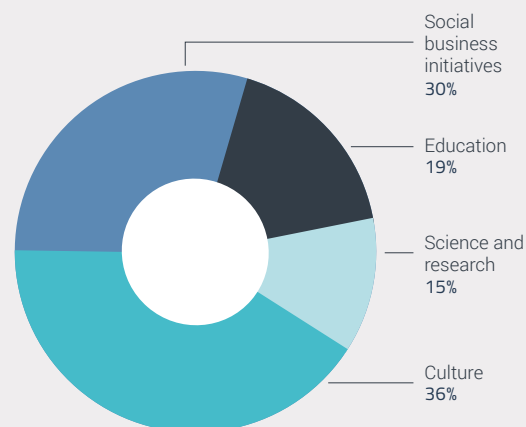
## COMMITMENT TO SOCIAL ACTION

The Company's commitment in the field of social action can be broken down into four major areas of work that are spread across numerous activities and projects.

The Company cooperates in this area with other organisations that share its objectives, forming partnerships for both economic and other purposes (dissemination of knowledge through forums, participation in working groups, etc.).

In 2016, Técnicas Reunidas invested €585,321 in this area, an amount that was distributed as shown in the adjoining diagram.

Financial investment in social projects.  
Distribution by categories.



### Commitment to social action by Técnicas Reunidas



## TÉCNICAS REUNIDAS' MAIN PARTNERS ORGANIZATIONS [G4-16]

## Commitment to social action



## Culture



## Science, research and education



At the sectoral level, Técnicas Reunidas participates in various associations related to its business activities, collaborating on initiatives including those related to the promotion of business and entrepreneurial activity, the environment, quality, the promotion of CSR and sustainability.

## Other organisations in which Técnicas Reunidas participate

## Promotion of business and entrepreneurial activity





An aerial photograph of an industrial facility, possibly a refinery or chemical plant, situated along a coastline. The facility features numerous storage tanks, processing units, and piping. A large white number '7' is overlaid on the left side of the image. The foreground shows waves breaking on a sandy beach.

# 7

## BASES FOR THE PREPARATION OF THE INTEGRATED REPORT

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

This second Integrated Report consolidates Técnicas Reunidas' corporate reporting and provides continuity with the efforts made by the Company in recent years in the field of transparency, as reflected in its sustainability reports published during the past several years (and its first integrated Report in 2015). Every year, Técnicas Reunidas strives to improve the quality of the information it provides to all its stakeholders.

In this new report, in addition to the <IR> framework, Técnicas Reunidas has followed the Global Reporting Initiative's GRI-G4 Guidelines. G4 indicators associated with the published contents are identified throughout the report, and the Annex includes a G4 Content Index containing a list of reported indicators and the pages where the relevant information can be found. Técnicas Reunidas has chosen the "Core" conformity of the G4 Guide when following its guidelines.

## MATERIAL ASPECTS CONSIDERED IN THE PREPARATION OF THIS REPORT [G4-18]

The <IR> framework and the GRI-G4 Guidelines require the Company to design the contents of its report to take into account 'matters that substantively affect the organization's ability to create value over the short, medium and long term'.

These matters, termed material aspects, are 'those that reflect the organization's significant economic, environmental and social impacts; or that substantively influence the assessments

and decisions of stakeholders' and therefore the implementation of its strategy.

In order to comply with this criterion, it has been necessary to update and expand the materiality analysis (carried out in 2015) for this Integrated Report, as described below.

### 1. Identification of material issues

- Review of the material issues identified during 2015 and those identified by GRI-G4.
- Analysis of the sustainability reports and integrated reports of other companies to evaluate what aspects are considered relevant.
- Evaluation of the issues considered relevant by investors and proxy advisors through the contents of the questionnaires of initiative such as the Dow Jones Sustainability Index (DJSI) and Carbon Disclosure Project (CDP).
- Opinion from other relevant groups: analysis of new of the 2016 fiscal year, meetings with managers, evaluation of legal news, analysis of bidding specifications, etc.

### 2. Prioritisation of relevant issues

- Assignment of an order of priority for each of the issues identified during the previous stage, based on interviews with Técnicas Reunidas directors.

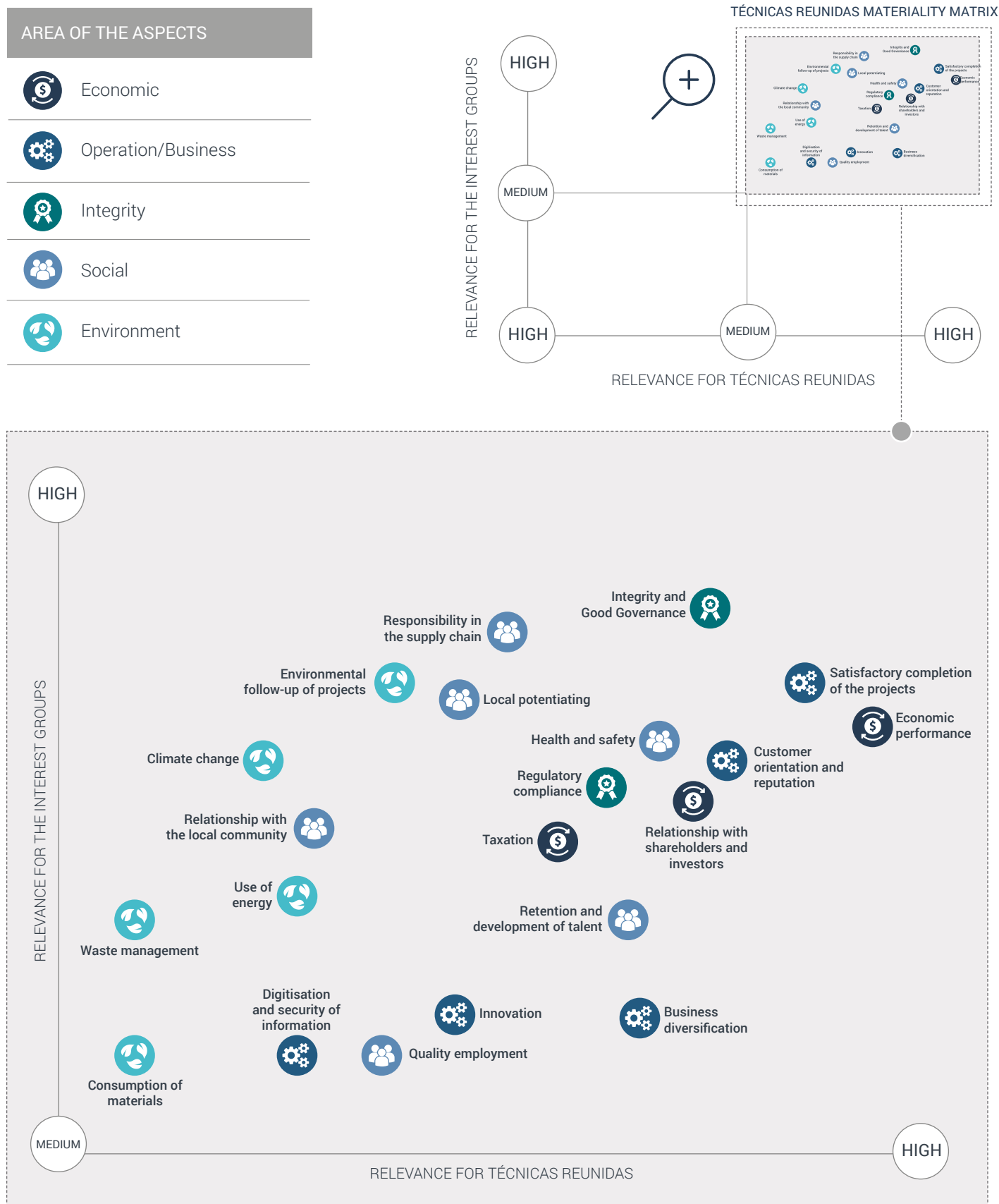
### 3. Materiality matrix and content development

- Development of a matrix of materiality that establishes the priorities of all issues as a function of the relevance for large interest groups and for Técnicas Reunidas (see image).
- Identification of the GRI indicators that need a response and development of content in the 2016 Integrated Report.



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

The figure below shows the 2016 materiality matrix for Técnicas Reunidas in greater detail.



The following table shows the correspondence between the material aspects identified and the name under which they are included within the GRI-G4 Guide. (While various material aspects have no direct link with GRI indicators, information is nonetheless included on them in the Integrated Report). It

also indicates the scope of the impact (within or outside the organisation) and the corresponding GRI indicators through which Técnicas Reunidas conveys information about its performance and management.



#### Categories of material aspects [G4-19]; [G4-20]; [G4-21]

AREA	MATERIAL ASPECT FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY INTEREST GROUP*	GRI ASPECTS INCLUDED	ASSOCIATED GRI INDICATORS REPORTED
<b>Economic</b> 	<b>Economic performance</b>	Economic performance	Shareholders	Economic performance	G4-EC1
	<b>Relationship with shareholders and investors</b>	Transparency and dialogue with shareholders and investors	Shareholders	-	-
		Involvement in sustainability initiatives aimed at investors (COP, DJSI, etc.)		-	-
	<b>Taxation</b>	Fiscal transparency and accountability	Public administrations Society	Economic performance	G4-EC1
<b>Operational/ Business</b> 	<b>Client orientation and reputation</b>	Relationship with clients	Clients	-	-
		Compliance and client satisfaction (quality, operation, efficiency and safety of plants)	Clients	Customer health and safety	G4-PR1
		Development of new business models (e.g. Lump Sum Turn Key)	Clients	-	-
	<b>Diversification of business</b>	Diversification of products and geographical areas	Shareholders	-	-
		Implementation of projects with high added value (FEED)	Shareholders	-	-
	<b>Successful implementation of projects</b>	Striving for quality, efficiency and excellence along the Company's entire value chain, from design through procurement and construction to start-up	Clients Society Suppliers	-	-
		Management of risks associated with projects	Clients Society	-	-
	<b>Information security and digitalisation</b>	Use of new technologies in the management of different areas of the Company (Human Resources, HSE, etc.)	Employees	-	-
		Cyber security	Clients	-	-
	<b>Innovation</b>	Innovation, R&D&I, proprietary technologies, etc.	Clients Society	-	-

Continue

\* All the aspects listed are material within the organisation. The column marked with an asterisk also indicates other stakeholders that consider each aspect material.



[G4-19]; [G4-20]; [G4-21]

AREA	MATERIAL ASPECT FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY INTEREST GROUP*	GRI ASPECTS INCLUDED	ASSOCIATED GRI INDICATORS REPORTED
<div>Integrity</div> <div></div>	Ethics and good governance	Good governance	Shareholders  Public administrations  Clients  Suppliers  Employees	Governance	Most indicators from G4-34 to G4-55
		Ethical behaviour and integrity		Ethics and Integrity	G4-56;G4-57 and G4-58
		Anti-corruption		Anti-corruption	G4-S03; G4-S04; G4-S05
		Prevention of anti-competitive behaviour		Anti-competitive behaviour	G4-S07
		Risk management at corporate level		-	-
	Regulatory compliance	Environmental and social regulatory compliance	Compliance - Environment	G4-EN29	
			Compliance - Society	G4-S08	
<div>Social</div> <div></div>	Relationship with local communities	Dialogue with local communities, social impact assessment and contribution to communities	Society	Local communities	G4-S01;G4-S02
		Human rights impact assessments for Company activities in its different locations of operation		Assessment - Human Rights	-
		Grievance mechanisms		Environmental grievance mechanisms	G4-EN34
				Labour practices grievance mechanisms	G4-LA16
				Human rights grievance mechanisms	G4-HR12
				Grievance mechanisms for impacts on society	G4-S011
	Local revitalisation	Socio-economic impact on the Company's locations of operation	Society  Suppliers	Indirect economic impacts	G4-EC7;G4-EC8
		Purchases from local suppliers		Procurement practices	G4-EC9
	Responsibility in the supply chain	Consideration of environmental and social aspects in supplier approval and monitoring	Suppliers	Supplier assessment for labour practices	G4-LA14
				Supplier human rights assessment	G4-HR10
				Supplier assessment for impacts on society	G4-S09; G4-S010
				Supplier environmental assessment	G4-EN32; G4-EN33
				Child labour	G4-HR5
				Forced or compulsory labour	G4-HR6
Security practices				G4-HR7	
Workers' welfare	Freedom of association and collective bargaining	G4-HR4			

Continue

\* All the aspects listed are material within the organisation. The column marked with an asterisk also indicates other stakeholders that consider each aspect material.

[G4-19]; [G4-20]; [G4-21]

AREA	MATERIAL ASPECT FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY INTEREST GROUP*	GRI ASPECTS INCLUDED	ASSOCIATED GRI INDICATORS REPORTED
<b>Social</b> 	<b>Quality employment</b>	Employment generation	Employees	Employment	G4-LA1
		Equal opportunities		Equal opportunities	G4-LA12
	<b>Talent retention and development</b>	Employee training and professional development	Employees	Training and education	G4-LA9; G4-LA11
		Measures to encourage talent retention within the Company		-	-
		Attraction of talent		-	-
	<b>Health and safety</b>	Employee health and safety	Employees	Occupational health and safety	G4- LA6; CRE6
		Safety and business continuity		-	-
<b>Environment</b> 	<b>Materials consumption</b>	Company's consumption of materials	Society	Materials	G4-EN1
	<b>Energy usage</b>	Energy usage in Company activities		Energy	G4-EN3; G4-EN5
	<b>Climate change</b>	Mitigation of greenhouse gas emissions		Emissions	G4-EN15; G4-EN16; G4-EN17; G4-EN18
		Adaptation to climate change		Economic performance - Financial implications and other risks and opportunities for the organisation's activities due to climate change	-
	<b>Waste management</b>	Management of waste generated by the Company		Effluents and waste	G4-EN23 G4-EN24
	<b>Environmental monitoring of projects</b>	Environmental impact management during the implementation of projects	Society	-	-
			Clients Suppliers		

\* All the aspects listed are material within the organisation. The column marked with an asterisk also indicates other stakeholders that consider each aspect material.

## EXTERNAL ASSURANCE [G4-33]

Técnicas Reunidas has undergone an external review process on its non-financial information corresponding to the corporate responsibility indicators for the general and specific standard disclosures proposed by the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI-G4).

To this end, PricewaterhouseCoopers Auditores, S.L. has performed an external verification of the report, in accordance with the International Standard on Assurance Engagements 3000 (revised ISAE 3000), which is included in the Annex.

## CONTACT INFORMATION

[G4-5]; [G4-31]

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



**Website:** [www.tecnicasreunidas.es/en](http://www.tecnicasreunidas.es/en)

**Email:** [tr@tecnicasreunidas.es](mailto:tr@tecnicasreunidas.es)



**Mail:**

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



An aerial photograph of a large-scale industrial construction project. The image shows several massive, horizontal cylindrical structures, likely storage tanks or components of a power plant, surrounded by extensive scaffolding and support frameworks. The ground is a mix of dirt and paved areas, with various construction materials and equipment scattered throughout. The lighting suggests a bright, sunny day, casting long shadows from the structures.

8

# ANNEXES

## 8.1 GRI G4 Content Index

[G4-32]



### General Standard Disclosures

GENERAL STANDARD DISCLOSURES	PAGE/DIRECT ANSWER	EXTERNAL ASSURANCE
Strategy and analysis		
G4-1	6-7	✓
G4-2	14-17, 36	✓
Organisational profile		
G4-3	8-9	✓
G4-4	11-13	✓
G4-5	103	✓
G4-6	8-9	✓
G4-7	28 Técnicas Reunidas is a public company listed on the Spanish IBEX-35. Section 5.1 sets out its ownership structure.	✓
G4-8	8-9	✓
G4-9	8-9, 43 Information on the company's capitalisation can be found in the Annual Report available at <a href="http://www.tecnicasreunidas.es">www.tecnicasreunidas.es</a> (pages 4-6).	✓
G4-10	48, 51 Técnicas Reunidas outsources parts of construction projects to specialist subcontractors. In the page 74 (Health and Safety Section) is provided an indicator of the number of hours worked (82,261,448 in 2016). <b>Number of employees per employment contract and gender</b> <ul style="list-style-type: none"> <li>• In 2016 there were 3,896 permanent contracts, 2,503 of men and 1,393 of women.</li> <li>• In 2016 there were 1,342 temporary contracts, 935 of men and 407 of women.</li> <li>• In 2016, the 74.4% of all the contracts were permanent.</li> </ul> <b>Staff per gender and geographic area:</b> <ul style="list-style-type: none"> <li>• Internal employees in Spain on 2016 amounted 5,238, 1,800 women (34%) and 3,438 men (66%).</li> </ul>	✓
G4-11	100% of the internal employees (excluding those with senior management contract) are covered by collective agreements.	✓
G4-12	86-87	✓
G4-13	To see the significant changes in relation to the organization's size, structure, ownership or supply chain, refer to the pages 14 and 15 of the Annual Report of Consolidated Accounts available through <a href="http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/financial-information/2016/consolidated-annual-accounts-2016-eng.pdf">www.tecnicasreunidas.es/en/(http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/financial-information/2016/consolidated-annual-accounts-2016-eng.pdf)</a> .	✓



GENERAL STANDARD DISCLOSURES	PAGE/DIRECT ANSWER	EXTERNAL ASSURANCE
<b>G4-14</b>	36 Técnicas Reunidas has a risk and opportunities management programme including analysis of projects for potential environmental impacts from the bidding phase through to completion of the project. This analysis includes the identification of measures, addressing the precautionary principle and/or reduction of undesired effects.	✓
<b>G4-15</b>	Técnicas Reunidas is equipped with various management systems certified by independent third parties. In addition, the company supports various initiatives in the field of sustainability, including the United Nations Global Compact, with which it has been involved for several years.	✓
<b>G4-16</b>	97	✓
<b>Identified material aspects and boundaries</b>		
<b>G4-17</b>	Financial data corresponds to the Técnicas Reunidas Group. For more information, see the Annual Reports available at <a href="http://www.tecnicasreunidas.es/en/">www.tecnicasreunidas.es/en/</a>	✓
<b>G4-18</b>	99	✓
<b>G4-19</b>	101-103	✓
<b>G4-20</b>	101-103	✓
<b>G4-21</b>	101-103	✓
<b>G4-22</b>	The only reformulation of information in this Report with respect to that provided in previous reports has been related to the amounts of purchases and subcontracting of construction (both globally and the local percentage).  The reason for this reformulation was the following: whereas in the previous reports the data of each year were reported taking into account the date of order this year has chosen to report this data taking into account the date of invoicing of the orders with the goal of improving reported information. For more information, see the first note on page 82 of this Report.	✓
<b>G4-23</b>	In the present Integrated Report 2016 there have been no significant changes in relation to the scope and coverage of the material aspects identified with respect to the Reports of previous years.	✓
<b>Stakeholder engagement</b>		
<b>G4-24</b>	92-93	✓
<b>G4-25</b>	The selection criterion for stakeholders is based on their relevance to the company and its activities.	✓
<b>G4-26</b>	92-93  Técnicas Reunidas frequency of engagement with its main stakeholders is dependent on business needs. In some cases, regular processes are established, as indicated in Section 6.7 (pages 92-93).  With regard to the preparation of the report, Técnicas Reunidas has taken into account the main expectations voiced by these stakeholders. To this end, it has requested information and opinions from Company managers, with whom it has worked to define the contents of the report.	✓
<b>G4-27</b>	92-93  The contents of the report respond to the main expectations expressed by stakeholders.	✓
<b>Report profile</b>		
<b>G4-28</b>	The information in the report corresponds to the period 2014-2016.	✓
<b>G4-29</b>	The date of the most recent previous report was 2015.	✓
<b>G4-30</b>	Técnicas Reunidas prepares its reports annually.	✓
<b>G4-31</b>	103	✓

GENERAL STANDARD DISCLOSURES	PAGE/DIRECT ANSWER	EXTERNAL ASSURANCE
<b>G4-32</b>	105 Técnicas Reunidas has prepared this report in accordance with the Core option in the GRI-G4 Guidelines.	✓
<b>G4-33</b>	103	✓
<b>Governance</b>		
<b>G4-34</b>	29-30	✓
<b>G4-35</b>	The Board of Directors has Delegated Committees that monitor some of the Company's key materials and its shareholders in all of the Company's areas, including ethical, social and environmental aspects. These Committees convey their guidelines to Company executives through specific channels, and also conduct performance evaluations.	✓
<b>G4-36</b>	At their meetings, the Board and its Delegated Committees analyse the achievement of the objectives set out in the various areas of the organisation's management.	✓
<b>G4-37</b>	The governing body is informed of all relevant issues on economic, environmental and social matters that have arisen during the company's dialogue with its stakeholders.	✓
<b>G4-38</b>	29-30	✓
<b>G4-39</b>	29-30	✓
<b>G4-40</b>	29-30 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 more than 94% (totally or partially and excluding those that do not apply it).	✓
<b>G4-41</b>	The Board Regulations and the Internal Code of Conduct govern the mechanisms established for detecting and regulating potential conflicts of interest. The body that settles directors' conflicts of interest is the Audit Committee. For further information, see the Annual Corporate Governance Report (section D6, page 33-34) which can be found in the Técnicas Reunida website in the following link: <a href="http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/corporate-governance/annual-corporate-governance-report-eng.pdf">http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/corporate-governance/annual-corporate-governance-report-eng.pdf</a> .	✓
<b>G4-42</b>	29-30 The Company's senior management actively participates in the review of values, strategies, policies and objectives related to economic, environmental and social impacts, which are finally approved by the corporate governance bodies of the entity, each of which them in their purview.	✓
<b>G4-43</b>	The highest governing body receives regular communications on the main economic, environmental and social topics that may affect the Company and its stakeholders.	✓
<b>G4-44</b>	29-30	✓
<b>G4-45</b>	29-30	✓
<b>G4-46</b>	29-30	✓
<b>G4-47</b>	The governing bodies of Técnicas Reunidas analyze the risks and opportunities of an economic, environmental and social nature within the entity's general risk assessment process.	✓
<b>G4-48</b>	The governing body that reviews and approves this Integrated Report on Técnicas Reunidas is the Board of Directors.	✓
<b>G4-49</b>	29-30 The Audit and Control Committee is responsible for reporting to the Board any critical concerns in economic, environmental and social matters.	✓
<b>G4-50</b>	The issues transmitted to the senior management of Técnicas Reunidas in the area of compliance and risks and in the area of CSR have consisted mainly of specialized or individualized treatment of certain areas or activities of the Company.	✓



GENERAL STANDARD DISCLOSURES	PAGE/DIRECT ANSWER	EXTERNAL ASSURANCE
G4-51	31	✓
G4-52	31	✓
G4-53	In 2016, the Directors 'Remuneration Policy for the 2016-2018 period was approved at the General Shareholders' Meeting with a 0.099% of votes against, the lowest percentage of the Ibex 35 in this area in 2016.	✓
<b>Ethics and integrity</b>		
G4-56	33	✓
G4-57	33	✓
G4-58	33	✓

## Specific Standard Disclosures

DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
<b>CATEGORY: ECONOMIC</b>			
<b>Material aspect: Economic performance</b>			
G4-DMA	41		✓
G4-EC1*	45		✓
<b>Material aspect: Indirect economic impacts</b>			
G4-DMA	94		✓
G4-EC7	94		✓
G4-EC8	94		✓
<b>Material aspect: Procurement practices</b>			
G4-DMA	94		✓
G4-EC9	82, 86, 94		✓
<b>CATEGORY: ENVIRONMENTAL</b>			
<b>Material aspect: Materials</b>			
G4-DMA	67, 72		✓
G4-EN1	66, 72		✓
<b>Material aspect: Energy</b>			
G4-DMA	67, 71		✓
G4-EN3	66, 71		✓
G4-EN5	71		✓

Continue

\* The review of this indicator has consisted in checking that the information shown matches the one presented in the document prepared by an independent expert.

DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
<b>Material aspect: Emissions</b>			
G4-DMA	67, 71		✓
G4-EN15	66, 71		✓
G4-EN16	66, 71		✓
G4-EN17	66, 71		✓
G4-EN18	71		✓
<b>Material aspect: Effluents and waste</b>			
G4-DMA	67, 72		✓
G4-EN23	66, 72		✓
G4-EN24	<p>In 2016 there were a total of 17 spills. Of the 17, 5 are considered significant, representing a total volume of 0.33 m<sup>3</sup>.</p> <p>Note: All spills have occurred during the construction phase in the facilities of the projects directed by Técnicas Reunidas. In all cases Técnicas Reunidas has taken the necessary measures to ensure the containment and cleaning of the spills.</p> <p>Definition of significant spill: that covers more than 4m<sup>2</sup> or involves a volume greater than 0.02 m<sup>3</sup>.</p>		✓
<b>Material aspect: Compliance</b>			
G4-DMA	33		✓
G4-EN29	There have been no environmental sanctions against Técnicas Reunidas, neither in terms of its facilities nor the works it has developed, in the last five years.		✓
<b>Material aspect: Supplier environmental assessment</b>			
G4-DMA	83		✓
G4-EN32	<p>82, 86-87</p> <p>Nº of new suppliers analyzed based on environmental criteria: 28 (2% of the total).</p> <p>Total number of new suppliers: 1,471.</p>		✓
G4-EN33	<p>82, 86-88</p> <p>During 2016 no significant negative or actual environmental and social impacts have been identified in the supply chain.</p> <p>Through the process of homologation of Técnicas Reunidas and the evaluations made to suppliers, Técnicas Reunidas ensures that there are no such negative impacts.</p> <p>Nº of suppliers analyzed based on environmental criteria: 214.</p> <p>Nº. of suppliers on which a significant environmental impact risk has been identified: 0.</p>		✓

Continue

DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
<b>Material aspect: Environmental grievance mechanisms</b>			
<b>G4-DMA</b>	33		✓
<b>G4-EN34</b>	It is important to note that no formal claims have been made to the Company in the last five years.		✓
<b>CATEGORY: SOCIAL</b>			
<b>SUBCATEGORY: LABOR PRACTICES AND DECENT WORK</b>			
<b>Material aspect: Employment</b>			
<b>G4-DMA</b>	49		✓
<b>G4-LA1</b>	<p>50</p> <p>Recruits 2016: the recruitment index in 2016 was 2.9% of the internal staff, with a total of 153 new hirings in 2016, of which 126 men and 27 women.</p> <p>The age distribution of the highs produced in 2016 was:</p> <ul style="list-style-type: none"> <li>• &lt;30 years: 30 employees</li> <li>• 30-50 years: 107 employees</li> <li>• &gt;50 years: 16 employees</li> </ul> <p>Turnover 2016: Turnover in 2016 was 10.3% of the internal staff, resulting in a total of 531 leaves, of which 397 were men and 134 women.</p> <p>Age distribution of the leaves of 2016 was:</p> <ul style="list-style-type: none"> <li>• &lt;30 years: 96 employees</li> <li>• 30-50 years: 296 employees</li> <li>• &gt;50 years: 139 employees</li> </ul>		✓
<b>Material aspect: Occupational health and safety</b>			
<b>G4-DMA</b>	75		✓
<b>G4-LA6</b>	<p>74, 79, 80</p> <p>The absenteeism rate for the total internal staff in 2016 was 33.71.</p> <p>The absenteeism rate for the total number of women in the internal workforce in 2016 was 6.52, while for men the rate was 2.29.</p> <p>Absenteeism rate is calculated as follows: Definite hours lost (permits + illness + maternity/paternity) * 100 hours/theoretical hours.</p> <p>The 24,540 workers on site during 2016 have lost a total of 550 days due to accidents, which implies a ratio of 0.02 days per worker on site.</p>		✓

Continue

DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
<b>Material aspect: Training and education</b>			
<b>G4-DMA</b>	52		✓
<b>G4-LA9</b>	48, 53, 78  Training ratios  Directors and top management Men: 5.09%; Women: 20.50%; Total: 7.46%  Managers and middle managers: Men: 21.23%; Women: 23.49%; Total: 21.68%  Sales representatives: Men: 23.44%; Women: 31.33%; Total: 26.40%  Clerks: Men: 4.53%; Women: 0%; Total: 4.39%  MSc, BSc and administration staff: Men: 21.96%; Women: 29.97%; Total: 24.79%		✓
<b>G4-LA11</b>	48, 52  Employees assessed:  Managers and middle managers: Men: 62.62%; Women: 66.04%; Total: 63.30%  Sales representatives: Men: 40.00%; Women: 46.67%; Total: 42.50%  Clerks: Men: 80.00%; Women: 100.00%; Total: 80.65%  MSc, BSc and administration staff: Men: 81.61%; Women: 83.48%; Total: 82.27%		✓
<b>Material aspect: Diversity and equal opportunities</b>			
<b>G4-DMA</b>	51		✓
<b>G4-LA12</b>	29, 51  The distribution of the workforce by age and professional category is the following (data at 31 December corresponding to internal staff):  Directors and top management: < 30 years: 0%; 30-50 years: 0.08%; >50 years: 0.21%.  Managers and middle managers: < 30 years: 0%; 30-50 years: 3.25%; >50 years: 1.92%.  Msc, Bsc and administration staff: < 30 years: 13.96%; 30-50 years: 64.95%; >50 years: 14.25%.  Clerks: < 30 years: 0.08%; 30-50 years: 0.35%; >50 years: 0.17%.  Sales representatives: < 30 years: 0.10%; 30-50 years: 0.52%; >50 years: 0.15%.		✓



DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
<b>Material aspect: Supplier assessment for labor practices</b>			
G4-DMA	83		✓
G4-LA14	82, 86-87 Nº of new suppliers analyzed based on labor practice criteria: 28 (2% of the total). Total number of new suppliers: 1,471.		✓
<b>Material aspect: Labor practices grievance mechanisms</b>			
G4-DMA	94		✓
G4-LA16	In 2016 there have been no significant claims for labor practices.		✓
<b>SUBCATEGORY: HUMAN RIGHTS</b>			
<b>Material aspect: Freedom of association and collective bargaining</b>			
G4-DMA	85 Técnicas Reunidas is a signatory to the Global Compact Principles which, among other issues, require respect for the freedom of association of workers.		✓
G4-HR4	Técnicas Reunidas facilitates the necessary elements in the countries in which it operates so that its employees and suppliers exercise the rights of freedom of association and affiliation.  In the case of suppliers, in cases where there is a significant risk that the supplier or the order does not comply with the minimum standards requested by the Company in this area, the award to the supplier is ruled out.		✓
<b>Material aspect: Child labor</b>			
G4-DMA	85 Técnicas Reunidas is a signatory to the principles of the UN Global Compact, which include upholding the effective abolition of child labour.		✓
G4-HR5	Técnicas Reunidas undertakes its activities in the countries in which it is active to the requirements of local legislation in this area, as well as respecting other commitments signed by the company, such as the principles of the Global Compact.  In the event that a significant risk is identified that the supplier or the order may fail to respect the minimum standards requested by the company in this area, the supplier is excluded from the award procedure.		✓
<b>Material aspect: Forced or compulsory labor</b>			
G4-DMA	85 Técnicas Reunidas is a signatory to the principles of the UN Global Compact, which include upholding the elimination of all forms of forced and compulsory labour.		✓

DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
G4-HR6	<p>Técnicas Reunidas undertakes its activities in the countries in which it is active to the requirements of local legislation in this area, as well as respecting other commitments signed by the company, such as the principles of the Global Compact.</p> <p>In the event that a significant risk is identified that the supplier or the order may fail to respect the minimum standards requested by the company in this area, the supplier is excluded from the award procedure.</p>		✓
<b>Material aspect: Security practices</b>			
G4-DMA	The approval procedure for suppliers ensures that they operate in accordance with the legal frameworks in force and meet specific requirements in the area of human rights, appropriate to their activities and level of risk.		✓
G4-HR7	Técnicas Reunidas ensures that all its security staff counts have the required expertise and knowledge according to the environment where the Company executes its activities.		✓
<b>Material aspect: Supplier human rights assessment</b>			
G4-DMA	83		✓
G4-HR10	<p>82, 86-87</p> <p>Nº of new suppliers analyzed based on human rights criteria: 26 (2% of the total).</p> <p>Total number of new suppliers: 1,471.</p>		✓
<b>Material aspect: Human rights grievance mechanisms</b>			
G4-DMA	33		✓
G4-HR12	In 2016, the Company has not received any significant claim, fine, sanction or complaint for environmental, social, human rights, corruption, unfair competition or breach of legislation.		✓
<b>SUBCATEGORY: SOCIETY</b>			
<b>Material aspect: Local communities</b>			
G4-DMA	92, 94		✓
G4-S01	<p>94</p> <p>In addition, all the centers of operations of Técnicas Reunidas are subject to the Environmental Impact Assessment (EIA) process.</p>		✓
G4-S02	<p>94</p> <p>In 2016 no work centers with relevant negative impacts, real or potential, on the local communities due to the development of projects or operations of TR have been identified.</p>		✓
<b>Material aspect: Anti-Corruption</b>			
G4-DMA	33		✓
G4-S03	<p>27, 36</p> <p>Técnicas Reunidas has also completed the analysis of 100% of its business units from the standpoint of ethics and integrity.</p>		✓
G4-S04	33		✓

DISCLOSURES ON MANAGEMENT APPROACH AND INDICATORS	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
G4-S05	In 2016 there have been no cases of corruption.		✓
<b>Material aspect: Unfair competitive practices</b>			
G4-DMA	33		✓
G4-S07	In 2016, the Company has not received any significant claim, fine, sanction or complaint for environmental, social, human rights, corruption, unfair competition or breach of legislation.		✓
<b>Material aspect: Regulatory compliance</b>			
G4-DMA	33		✓
G4-S08	In 2016, the Company has not received any significant claim, fine, sanction or complaint for environmental, social, human rights, corruption, unfair competition or breach of legislation.		✓
<b>Material aspect: Supplier assessment for impacts on society</b>			
G4-DMA	83		✓
G4-S09	82, 86-87 Nº of new suppliers analyzed based on social criteria: 26 (2% of the total). Total number of new suppliers: 1,471.		✓
G4-S010	82, 86-88 During 2016 no significant negative or actual environmental and social impacts have been identified in the supply chain. Through the process of homologation of Técnicas Reunidas and the evaluations made to suppliers, Técnicas Reunidas ensures that there are no such negative impacts. New suppliers assessed in social aspects: 26. Number of suppliers on which a significant social impact risk has been identified: 0.		✓
<b>Material aspect: Grievance mechanisms for impacts on society</b>			
G4-DMA	94		✓
G4-S011	In 2016, the Company has not received any significant claim, fine, sanction or complaint for environmental, social, human rights, corruption, unfair competition or breach of legislation.		✓
<b>SUBCATEGORY: PRODUCT RESPONSIBILITY</b>			
<b>Material aspect: Customer health and safety</b>			
G4-DMA	75		✓
G4-PR1	Técnicas Reunidas evaluates 100% of its projects from the point of view of health and safety. The Company ensures that up to the moment of the delivery of the projects they comply with its own safety and health standards and with those requirements set by the client and by the applicable law.		✓

# Specific Content for Construction and Real Estate

SPECIFIC CONTENT FOR CONSTRUCTION AND REAL ESTATE	PAGE/DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL			
SUBCATEGORY: LABOUR PRACTICES			
Material aspect: Health and safety at work			
G4-DMA	75		✓
G4-CRE6	75 OHSAS certificate of the Company covers the whole of the operations with internal workforce.		✓





## 8.2 PwC review report



**Free translation from the original in Spanish. In the event of a discrepancy, the Spanish language version prevails.**

### **INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS**

To the Management of Técnicas Reunidas S.A.:

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in "Annex 8.1–GRI G4 Content Index " of the 2016 Integrated Report (hereinafter "CSR Indicators") of Técnicas Reunidas S.A. and its corporate group (hereinafter "Técnicas Reunidas") for the year ended 31 December 2016, prepared in accordance with the general basic and specific content proposed in the Guidelines for the Preparation of the Sustainability Report of the Global Reporting Initiative (GRI) version G4 (hereinafter GRI G4 Guidelines) and its Sector Supplement Construction and Real Estate.

#### **Responsibility of the Management**

Management of Técnicas Reunidas is responsible for the preparation, content and presentation of the Integrated Report in accordance with the Core option of the GRI G4 Guidelines and its Sector Supplement Construction and Real Estate. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

Management of Técnicas Reunidas is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators, is obtained.

#### **Our responsibility**

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Técnicas Reunidas' personnel from various areas who have been involved in the preparation of the Integrated Report.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, [www.pwc.com/es](http://www.pwc.com/es)

1





- Analysis of the Técnicas Reunidas' CSR indicators adaptation to the requirements established by the GRI G4 Guidelines for the preparation of reports and to the Construction and Real Estate Sector Supplement.
- Verification, through random sampling tests revisions and substantive tests on the quantitative and qualitative information used to determine Técnicas Reunidas' CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Técnicas Reunidas' sources of information.

#### **Our Independence and Quality Control**

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

#### **Limited assurance conclusion**

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Técnicas Reunidas' CSR indicators, for the financial year ending 31<sup>st</sup> December 2016, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the G4 GRI Guidelines and its Construction and Real Estate Sector Supplement.

#### **Use and Distribution**

Our report is only issued to the Management of Técnicas Reunidas, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Técnicas Reunidas' Management.

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to read 'Mª Luz Castilla', followed by a horizontal line.

Mª Luz Castilla  
22 June 2017







**TECNICAS REUNIDAS**

[www.tecnicasreunidas.es/en](http://www.tecnicasreunidas.es/en)



Arapiles,14  
28015 Madrid, España  
[tr@tecnicasreunidas.es](mailto:tr@tecnicasreunidas.es)